Xinjiang Xinxin Mining Industry Co., Ltd.*

新疆新鑫礦業股份有限公司

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

Stock Code : 3833

Annual Report 2012

We See The Future

* *For identification purpose only*

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Zhou Chuanyou
Niu Xuetao

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chen Jianguo
Wang Lijin
Li Wing Sum, Steven

SUPERVISORS

Jiang Mingshun
Sun Baohui
He Pingtao *(resigned 13 September 2012)*
Cao Sanxin *(appointed 14 December 2012)*
Hu Zhijiang
Chen Yuping

COMPANY SECRETARIES

Lam Cheuk Fai FCCA, FCPA
Zhang Junjie

AUDIT COMMITTEE

Chen Jianguo *(Chairman)*
Li Wing Sum, Steven
Niu Xuetao *(in replacement of Zhou Chuanyou with effect from 25 August 2012)*

REMUNERATION AND REVIEW COMMITTEE

Chen Jianguo *(Chairman)*
Li Wing Sum, Steven
Wang Lijin
Shi Wenfeng
Zhou Chuanyou *(in replacement of Niu Xuetao with effect from 25 August 2012)*

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

AUTHORISED REPRESENTATIVES

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

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Central, Hong Kong

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LEGAL ADVISERS TO THE COMPANY

Eversheds (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

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PUBLIC RELATIONS

Wonderful Sky Financial Group Limited

COMPANY WEBSITE

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

STOCK CODE

3833

SUMMARY

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

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

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

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

The Company acquired 51% equity interests in Shaanxi Xinxin Mining Co., Ltd ("Shaanxi Xinxin") in 2011. Shaanxi Xinxin held two vanadium mines in Xianghe Street and Mujia River in Shangnan, Shaanxi（陝西商南縣的湘河街和穆家河）in which the Company held 51% equity interests thereof. As at 31 December 2012, two vanadium mines in Xianghe Street and Mujia River were still under the stage of resource exploration and had not yet conducted mining activities.

RESOURCES AND RESERVES

The resources and reserves estimates for the deposits of four nickel-copper mines in Kalatongke, Huangshandong, Huangshan and Xiangshan as at 31 December 2012 are set out in the following tables:

	Ore contents	**Grade**		**Metal contents**	
		Cu	**Ni**	**Cu**	**Ni**
	(t)	*(%)*	*(%)*	*(t)*	*(t)*
Resources as at 31 December 2012					
Kalatongke nickel-copper mine	33,099,949	1.01	0.56	333,134	186,359
Three nickel-copper mines in Huangshandong, Huangshan, Xiangshan	84,116,266	0.27	0.45	228,845	376,634
Total	117,216,215			561,979	562,993

	Ore contents	Grade		Metal contents	
		Cu	Ni	Cu	Ni
	(t)	*(%)*	*(%)*	*(t)*	*(t)*
Reserves as at 31 December 2012					
Kalatongke nickel-copper mine	19,135,491	1.03	0.62	197,537	118,736
Three nickel-copper mines in Huangshandong, Huangshan, Xiangshan	33,465,376	0.30	0.49	101,615	165,038
Total	52,600,867			299,152	283,774

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

The resources estimates for the deposits of two vanadium mines in Xianghe Street and Mujia River as at 31 December 2012 are set out in the following table:

	Ore contents	V_2O_5 Grade	V_2O_5 contents
	(t)	*(%)*	*(t)*
Resources as at 31 December 2012			
Xianghe Street vanadium mine	10,159,400	0.95	96,300
Mujia River vanadium mine	29,295,500	0.88	257,800
Total	39,454,900		354,100

Note: The resources estimates for the deposits at two vanadium mines in Xianghe Street and Mujia River were based on the 2012 estimates of resources as approved for record by the Land and Resources Bureau of Shaanxi Province.

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

ADOPTION OF THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CAS (AS DEFINED BELOW) FOR THE PURPOSE OF COMPLIANCE OF THE DISCLOSURE AND LISTING REQUIREMENTS OF THE STOCK EXCHANGE.

The H Shares of the Company are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Up to the financial years ended 31 December 2010, the consolidated financial statements of the Group were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") for Stock Exchange disclosure purposes. According to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" published by the Stock Exchange in December 2010, with effect from the financial year of 2011, the Company decided to use its financial statements as prepared in accordance with the "Accounting Standards for Business Enterprises" and other related regulations issued by the China Ministry of Finance (collectively referred as the "CAS") for the purpose of compliance of the disclosure and listing requirements of the Stock Exchange. As the Company is a PRC incorporated company, the board of directors of the Company ("the Board") believes that it is in the best interests of the Company that the financial statements of the Group as prepared in conformity with the CAS are used for the purpose of compliance of the disclosure and listing requirements of the Stock Exchange.

SUMMARY OF FINANCIAL INFORMATION

RESULTS OF OPERATIONS

	Year ended 31 December				
	2008 *RMB'000* *(Note)*	2009 *RMB'000* *(Note)*	2010 *RMB'000* *(Note)*	2011 *RMB'000*	**2012** ***RMB'000***
Revenue	1,186,654	728,083	1,168,064	1,454,643	**1,529,212**
Operating profit	320,262	232,324	360,234	246,562	**10,232**
Total profit before income tax	286,328	222,231	352,016	250,966	**12,813**
Net profit	290,928	221,484	350,168	190,415	**10,208**
Total comprehensive income	290,928	221,484	350,168	190,415	**10,208**
Net profit/Total comprehensive income attributable to					
— Shareholders of the Company	290,925	221,684	350,211	191,266	**21,823**
— Minority interests	3	(200)	(43)	(851)	**(11,615)**
Earnings per share					
— basic and diluted *(RMB/share)*	0.132	0.100	0.158	0.087	**0.010**

FINANCIAL POSITION

	As at 31 December				
	2008 *RMB'000* *(Note)*	2009 *RMB'000* *(Note)*	2010 *RMB'000* *(Note)*	2011 *RMB'000*	**2012** ***RMB'000***
Total assets	5,400,053	5,635,140	6,221,146	7,244,187	**8,480,503**
Total liabilities	173,689	349,692	526,030	1,548,938	**2,841,346**
Equity attributable to owners of the Company	5,216,560	5,239,344	5,479,056	5,338,821	**5,294,344**
Minority interests	9,804	46,104	216,060	356,428	**344,813**
Total shareholders' equity	5,226,364	5,285,448	5,695,116	5,695,249	**5,639,157**

CASH FLOWS

Net cash flows generated from/(used in) operating activities	292,048	62,833	85,766	(156,459)	**(132,685)**

TOTAL SHARES (NUMBER OF SHARES)

Domestic shares	1,451,000,000	1,451,000,000	1,451,000,000	1,451,000,000	**1,451,000,000**
H Shares	759,000,000	759,000,000	759,000,000	759,000,000	**759,000,000**
	2,210,000,000	2,210,000,000	2,210,000,000	2,210,000,000	**2,210,000,000**

Note: For the 2011 and 2012 financial information to be comparable, the summary of financial information of the Group for the years of 2008 to 2010 were prepared in accordance with the CAS.

Dear Shareholders,

I would like to extend my gratitude for your confidence and support to Xinjiang Xinxin Mining Industry Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"). I am pleased to report the operating results for the year ended 31 December 2012 ("Year 2012" or the "Year"):

MARKET OVERVIEW

As known to everyone, due to the effects of the debt crisis in Europe, the global economic recovery was tardy in 2012, and although the Chinese economy continued to achieve robust growth, the pace of the growth has slowed down. As affected by the above factors, the market situation was that the international and domestic prices of nickel and copper metal lingered at low levels and fluctuated throughout 2012.

In 2012, the average three-month future price of nickel cathode in London Metal Exchange ("LME") was US$17,599 per tonne, representing a decrease of 23.3% as compared to 2011, and the average three month future price of copper cathode was US$7,946 per tonne, representing a decrease of 10.1% as compared to 2011.

In 2012, the average spot price (including tax) of nickel cathode in Shanghai Yangtze River Non-ferrous Metals Spot Market was RMB126,140 per tonne, representing a decrease of 26.5% as compared to 2011, and the average spot price (including tax) of copper cathode was RMB57,278 per tonne, representing a decrease of 13.6% as compared to 2011.

The domestic price trends of nickel cathode and copper cathode were basically in line with the international market in 2012.

In 2012, the Group recorded an average selling price (excluding tax) of nickel cathode of RMB106,812 per tonne, representing a decrease of 22.0% as compared to 2011, and an average selling price (excluding tax) of copper cathode of RMB48,873 per tonne, representing a decrease of 9.6% as compared to 2011.

For the year of 2012, although the recovery of the global economy had been slowed down under the effects of the debt crisis in Europe, the economy of China continued to grow at a fast pace and there existed relative shortage in supply of nickel and copper resources. Consequently, the supply of nickel cathode and copper cathode products of the domestic manufacturers was unable to meet the consumption demand and this shortage required substantial import, which caused active trading and an increase in the transaction volume in the domestic market of nickel cathode and copper cathode.

INDUSTRY POSITION

The Group is a mining company principally engaged in the mining, ore processing, smelting and refining of nickel cathode products and other non-ferrous metals, (namely, copper, cobalt, gold, silver, platinum and palladium). According to the statistics of China Non-ferrous Metals Industry Association, the total domestic output of nickel for the year of 2012 was 229,200 tonnes, representing an increase of 23.8% as compared to 2011. With an output of 10,150 tonnes of nickel cathode for the year of 2012, the Group has become the second largest domestic manufacturer of nickel cathode produced with nickel sulfide resources.

BUSINESS REVIEW

Production and Operation

During 2012, the Group endeavoured to enhance its overall economic benefits through major measures such as lifting its technical and economic indicators through well performing the trial run and commissioning of technological renovation and expansion projects in order to fulfill planned production volume and attain stated targets as soon as possible, enhancing fundamental management to lower the production cost and increasing the outside purchase volume of raw materials to increase the production volume of nickel cathode.

For the year of 2012, the Group recorded a total nickel cathode output of 10,150 tonnes, representing an increase of 24.9% as compared to 2011. Total copper cathode output was 7,547 tonnes, representing an increase of 41.4% as compared to 2011.

For the year of 2012, the Group recorded total nickel cathode sales of 10,268 tonnes, representing an increase of 32.6% as compared to 2011. Total copper cathode sales was 7,280 tonnes, which increased by 41.1% as compared to 2011.

In the year of 2012, while the production volume and sales volume of the Group increased as compared with 2011, and the average production cost decreased as compared with 2011, the European debt crisis as well as the slowdown in Chinese economy had nonetheless driven the prices of nickel and copper metal to decrease continuously in recent years, and maintained at low positions in a fluctuating manner in 2012. As a result, the operating results of the Group in 2012 decreased significantly as compared to 2011.

In the year of 2012, the Group achieved revenue of RMB1,529.2 million, representing an increase of 5.1% as compared to 2011, with comprehensive income attributable to shareholders of the Company of RMB21.8 million, representing a decrease of 88.6% as compared to 2011, and the earnings per share (basic and diluted earnings per share) was RMB0.010, representing a decrease of 88.5% as compared to 2011.

In respect of mineral exploration, for the year of 2012, Xinjiang Kalatongke Mining Industry Company Limited ("Kalatongke Mining") mainly completed mineral exploration projects such as 9.5 km^2 of 1:10000 magnetic survey, 98 km of 1:2000 heavily magnetic precise surveying and profiling (重磁精測剖面), 14.6 km of 1:1000 heavily magnetic precise surveying and profiling, 1,721 meters of logging, 1,751 meters of surface drilling and 17,375 meters of drilling in pit. Xinjiang Yakesi Resources Co. Ltd. ("Xinjiang Yakesi") and Hami Jubao Resources Co. Ltd. ("Hami Jubao") mainly completed mineral exploration projects such as 394 meters of tunnel exploration, 17,212 meters of drilling in pit, 1,903 meters of surface drilling and three-component magnetic survey of 195 spots. In 2012, the total amount of expenditure that the Group expended on mineral exploration was approximately RMB11.4 million.

In respect of mining development: in 2012, Kalatongke Mining mainly completed mining development projects such as the construction of main chutes of low-grade ores of No.1 ore bodies from 770 mid-segment to 410-mid segment, the laying of the major transportation drive for the footwall at the 770 mid-segment as well as the rails and wires along the western strike drive at the 590 mid-segment, the construction of, and installation of facilities of, the trackless maintenance room of 530 mid-segment of No.2 ore body, the construction of the main chutes of high-grade ores from 590 mid-segment to 410 mid-segment, the installation of ladder compartment at the bore of No.2 wind well, the concreting work of the pumping room and substation mine chamber at 260 mid-segment; as well as mining development construction such as the excavation of 1,436 meters at 530 mid-segment filling return airway of No.3 ore body, excavation of 581 meters of the horizontal tunnel at 410 mid-segment, as well as slope supporting of 30 meters. Xinjiang Yakesi and Hami Jubao mainly completed mining development construction such as the main body construction of the tower of the well with a height of 82.8 meters for the main well construction, the auxiliary facilities construction at the entrance of the well in the auxiliary well construction, the upgrade system installation thereof, as well as the main body construction of the crushing system of ore pass, the excavation of 4,320 meters of the tunnel of 350 mid-segment, 350 mid-segment and 530 mid-segment, the slope supporting of 1,153 meters and the excavation of 308 meters of raise bore and ore passes. In 2012, the Group's total expenditure for mining development amounted to approximately RMB310.8 million.

Expenditure on the ore mining operation business: in 2012, Kalatongke Mining produced 624,078 tonnes of ore, while Xinjiang Yakesi and Hami Jubao produced 760,503 tonnes of ore. In 2012, the aggregate expenditure of the ore mining operation of the Group was approximately RMB246.1 million.

Ore processing operations: in 2012, Kalatongke Mining produced 72,555 tonnes of nickel-copper combined concentrate, while Xinjiang Yakesi and Hami Jubao produced 19,094 tonnes of nickel concentrate, 1,987 tonnes of copper concentrate and 18,332 tonnes of nickel-cooper combined concentrate.

In respect of smelting and refining processing operation: for the year 2012, Kalatongke Mining produced 15,328 tonnes of water hardening and nickel matte. Xinjiang Zhongxin Mining Company Limited (''Hami Zhongxin") produced 9,792 tonnes of water hardening and nickel matte. Fukang Refinery of Xinjiang Xinxin Mining Industry Co., Ltd. ("Fukang Refinery") manufactured 10,150 tonnes of nickel cathode and 7,547 tonnes of copper cathode.

In respect of sales business, for the year of 2012, the Group achieved income from principal businesses of RMB1,492.6 million, which comprised RMB1,096.8 million of sales income from nickel cathode, accounting for 73.5% of the income from principal businesses of the Group, and RMB355.8 million of sales income from copper cathode, accounting for 23.8% of the income from principal businesses of the Group. Other products (including copper concentrate, electrolytic cobalt, gold, silver, platinum and palladium), achieved a sales income of RMB40.0 million, representing 2.7% of the income from principal businesses of the Group.

In 2012, the overall production operation of the Group was generally stable and in good condition, with no material operation difficulties or operation issues being encountered.

Progress of Technological Renovation and Expansion Projects and Infrastructure Projects

In 2012, the main technological renovation and expansion projects and infrastructure project carried out by the Group mainly included the four technological renovation and infrastructure projects for the enhancement in mining, ore processing and smelting capacity of Kalatongke Mining, the technological renovation and expansion project for refining the auxiliary facilities of Fukang Refinery to enhance the refining capacity of nickel cathode and copper cathode, the technological renovation and expansion project of adding new mining and ore processing capacity to Xinjiang Yakesi, as well as the infrastructure project of Xinjiang Wuxin Copper Company Limited ("Wuxin Copper") with an annual output of 100,000 tonnes of copper cathode. The technological renovation and expansion projects and the infrastructure projects of the Group proceeded smoothly as a whole in 2012 and the required progress of works was achieved on time during the Year. A total investment of RMB1,110.8 million has been made, including:

in 2012, a total of RMB195.1 million was invested in the further improvement of the daily mining of 3,400 tonnes, daily processing capacity of 3,000 tonnes as well as annual production capacity of water hardening and nickel matte of 8,000 tonnes of Kalatongke Mining.

In 2012, a total of 90.6 million was invested in the further improvement of the technological renovation and capacity expansion project of enhancing the refining capacities of nickel cathode and cooper cathode of the auxiliary facilities of Fukang Refinery, as well as for the purpose of laying the preliminary groundwork for the technological renovation and capacity expansion project of enhancing additional nickel cathode production capacity to 15,000 tonnes.

As for the technological renovation and expansion projects of Xinjiang Yakesi in relation to the addition of daily mining and ore processing capacity of 4,000 tonnes, a total investment of RMB291.7 million was made in 2012.

With respect to the infrastructure projects of Wuxin Copper with an annual output of 100,000 tonnes of copper cathode, a total investment of RMB533.4 million was made during 2012.

Equity Investments

In 2012, the Group did not conduct equity investments and businesses relating to mergers and acquisitions of enterprises.

Business Restructuring

On 28 March 2012, the Company completed the restructuring of Kalatongke Copper-nickel Mine under Xinjiang Xinxin Mining Industry Co., Ltd, being the branch of the Company, by way of injecting all assets, business and staff into Kalatongke Mining, being a wholly-owned subsidiary of the Company.

Environmental Protection and Safety

The Group adheres to the environmental protection policies of "Safety First, Precaution Foremost" and "Equal Emphasis on Both Resources Development and Environmental Protection" earnestly to ensure its production safety and environmental protection. In 2012, the Group achieved its target of production safety. The environmental protection is stringently observed in compliance with the relevant national laws and regulations.

OUTLOOK

Operating Environment

In the year of 2013, even the global economy remains in a slow recovery stage, and there are more uncertainties affecting the recovery of global economy, the Chinese economy still maintains robust growth, but the pace of growth has slowed down (the PRC government forecasts China's GDP growth rate target for the year 2013 to be around 7.5%). Therefore the Group expects the consumption volume of nickel cathode and copper cathode in the domestic non-ferrous metal market to keep on growing in 2013. Due to the comparative shortage in the supply of nickel and copper resources, nickel cathode and copper cathode products from domestic manufacturers are still unable to satisfy the domestic consumption demand in 2013 and substantial import is required to ease the shortage in supply from the domestic market. In 2013, transactions will remain active in the domestic market of nickel cathode and copper cathode.

The Group expects the annual average domestic market prices of nickel cathode and copper cathode for the year of 2013 to rise slightly subject to fluctuation on the basis of the average spot prices in Shanghai Yangtze River Non-ferrous Metals Spot Market for the year of 2012.

Operational Objectives

For the year of 2013, the Group plans to produce 10,500 tonnes of nickel cathode and 7,100 tonnes of copper cathode. Please be cautioned that because of quite a number of uncertainties in metal prices and the domestic raw materials market, the above plan has been made merely on the basis of the current market situation and the existing conditions of the Group. The Board may adjust the relevant production plan according to the changes of situation.

BUSINESS STRATEGIES

Production and Operation

In the year of 2013, as there are more uncertainties that may affect the recovery of the global economy, the Group will handle the trend of development of international and domestic nickel and copper metal markets in a prudent manner. Moreover, 2013 is the critical year for various technological renovation and expansion projects of the Group to attain stated targets and fulfill planned production volume and the gradual substantiation of the production capacity. The Group shall complete supplementary enhancement of the technological renovation and expansion projects in order to meet the stated targets and planned production volume as soon as possible, and base on this foundation, fully explore its internal potential, strive to increase output and income, and reduce its production cost with an aim to generating greater economic benefits.

Projects Construction Work

For the year of 2013, Kalatongke Mining will undergo further enhancement of its technological renovation and expansion project, with daily mining and ore processing capabilities of 3,400 tonnes and 3,000 tonnes respectively, as well as annual production of 8,000 tonnes of water hardening and nickel matte. The Company expects to invest RMB92.7 million in the plan above.

For the year of 2013, Fukang Refinery will undergo further enhancement of its technological renovation and expansion project for refining auxiliary facilities to enhance the refining capacity of nickel cathode and copper cathode as well as its technological renovation and expansion project for increasing new production capacity of nickel cathode to 15,000 tonnes annually. The Company expects to invest RMB162.2 million in the plan above.

For the year of 2013, we plan to invest RMB232.4 million in the technological renovation and expansion project of Xinjiang Yakesi in relation to the addition of 4,000 tonnes of mining and ore processing daily capacity. The project is expected to reach the designed production capacity by the end of 2015.

For the year of 2013, we plan to invest RMB281.9 million in the construction project of 100,000 tonnes of copper cathode of Wuxin Copper. The construction of the project is expected to complete by 2013 and trial operation will be commenced.

Mineral Resources Control and Search for Mines by Geological Means

Mineral resources are the fundamental guarantee for the continuing development of a mining company. After all, the control of mineral resources and the search for mines by geological means are the core components of the business development of the Group. The Group places great emphasis on searching for preliminary mining projects with potentials for acquisition, enhances in-depth exploration, extends exploration in the surrounding areas of its existing major mines, and applies effective mine searching methods to achieve effective growth of the mineral resources and reserves of the Group. For the year of 2013, the Group plans to invest RMB24.0 million in the in-depth exploration and extension of exploration in the surrounding area of existing major mines resources and the search for mines by geological means. In particular, Kalatongke Mining plans to invest RMB8.5 million in exploration. Xinjiang Yakesi and Hami Jubao plan to invest RMB15.5 million in exploration.

Mergers and Acquisition

The Company has placed great emphasis on mergers and acquisition of enterprises since its listing. Following the successful acquisition of various mining companies including Xinjiang Yakesi, Hami Jubao, Hami Zhongxin, Shaanxi Xinxin and Hami Hexin Mining Company Limited (in which the Company holds 50% equity interest), the Group's nickel and copper resources and reserves as well as its subsequent development and production capacity achieve substantial increase. The acquisitions have further optimized the Group's production chain, strengthened its core competitiveness and uplifted the operational efficiency of assets as a whole. In the year of 2013, the Group will fully utilize its strength to enhance merger and acquisition, initiate economic cooperation and capture the opportunities of merger and acquisition in the international and the domestic metal markets. The Group will strengthen scientific demonstration and business operation of the selected targets of mergers and acquisition, and strive for new breakthrough in terms of merger and acquisition of enterprises and capital operation leading to the new milestone of the Group.

2013 is a year both of opportunities and challenges for the Group. The Group will take proactive strategic plans to cope with the difficult environment in this ever-changing global economy and its sluggish recovery so that the Group can achieve a rapid growth under an operating condition featuring high efficiency and low-cost. Also the Group have an experienced management team which assures that we are able to operate more effectively under such ever-changing market conditions. With strong balance sheet, abundant resources and reserves, the gradual realization of the enhanced production capacity potential brought by the technological renovation and expansion projects and a favorable industry position as well as in an industry where production capacity growth has been constrained by the shortage in resources will enable us to enjoy sufficient benefits when the world economy further improves. The Group believes that with the great efforts of its staff and the tremendous support from various sectors of the society, the Group will continue to develop rapidly in 2013.

By Order of the Board
Yuan Ze
Chairman

Xinjiang, the PRC
22 March 2013

OPERATING RESULTS

In 2012, the revenue of the Group amounted to RMB1,529.2 million, representing an increase of 5.1% as compared to RMB1,454.6 million in 2011; the comprehensive income of the Group amounted to RMB10.2 million, representing a decrease of 94.6% as compared to RMB190.4 million in 2011; the comprehensive income attributable to shareholders of the Company amounted to RMB21.8 million, representing a decrease of 88.6% as compared to RMB191.3 million in 2011.

In 2012, the revenue of the Group increased as compared to 2011, which was primarily due to the increased volume of production and sale of our products; the main reason for the decrease in comprehensive income of the Group as compared with 2011 was that the annual average selling prices of nickel cathode and copper cathode, which are the major products of the Group, declined as compared to 2011.

OPERATING REVENUE AND GROSS PROFIT OF THE PRINCIPAL BUSINESSES

The following table illustrates the details of sales by products of the Group for the two years ended 31 December 2012 and 31 December 2011:

	For the year ended 31 December 2012			For the year ended 31 December 2011			
Product Name	**Sales Volume** *Tonnes*	**Amount** *RMB'000*	**% to** *Revenue*	Sales Volume *Tonnes*	Amount *RMB'000*	% to *Revenue*	Amount *+/(-)*
Nickel cathode	**10,268**	**1,096,752**	**73.5%**	7,745	1,060,176	75.3%	3.5%
Copper cathode	**7,280**	**355,817**	**23.8%**	5,161	279,117	19.8%	27.5%
Copper concentrate	**2,063**	**16,114**	**1.1%**	2,884	36,773	2.6%	(56.2%)
Other Products		**23,920**	**1.6%**		32,753	2.3%	(27.0%)
Total revenue of the principal businesses		**1,492,603**	**100.0%**		1,408,819	100.0%	5.9%
Cost of the principal business		**(1,290,318)**	**86.5%**		(1,035,949)	73.5%	24.6%
Gross profit		**202,285**	**13.5%**		372,870	26.5%	(45.8%)

In 2012, the revenue of nickel cathode of the Group amounted to RMB1,096.8 million, representing an increase of 3.5% as compared to 2011, mainly attributable to the increase in the production and sales of nickel cathode. This increase was partly set-off by the decrease in price. The average selling price of the Group's nickel cathode in 2012 amounted to RMB106,812 per tonne, representing a decrease of 22% as compared to the average selling price of RMB136,887 per tonne in 2011; the Group's sales volume of nickel cathode was 10,268 tonnes, representing an increase of 32.6% as compared to 7,745 tonnes in 2011.

In 2012, the revenue of copper cathode of the Group amounted to RMB355.8 million, representing an increase of 27.5% as compared to 2011, primarily attributable to the increase in production and sale of copper cathode. This increase was partly set-off by the decrease in price. The average selling price of the Group's copper cathode in 2012 amounted to RMB48,873 per tonne, representing a decrease of 9.6% as compared to the average selling price of RMB54,086 per tonne in 2011; the sales volume of copper cathode of the Group was 7,280 tonnes, representing an increase of 41.1% as compared to 5,161 tonnes in 2011.

In 2012, the revenue of copper concentrate of the Group amounted to RMB16.1 million, representing an decrease of 56.2% as compared to 2011, mainly due to the decrease in selling price and sales of copper concentrate. The average selling price of copper concentrate of the Group in 2012 was RMB7,814 per tonne, representing a decrease of 38.7% as compared to the average selling price of RMB12,753 per tonne in 2011; the sales volume of copper concentrate of the Group was 2,063 tonnes, representing a decrease of 28.5% as compared to 2,884 tonnes in 2011.

In 2012, the revenue of other products of the Group amounted to RMB23.9 million, representing a decrease of 27% as compared to 2011, mainly resulting from the sales of silver, platinum and palladium at the end of 2012.

In 2012, gross profits from the Group's principal businesses decreased by 45.8% from RMB372.9 million in 2011 to RMB202.3 million in 2011; the gross profit margin recorded was 13.5%, representing a decrease of 13.0 percentage points as compared with 26.5% in 2011. The main reason for the decrease in gross profit margin was: the Group's annual average selling price of nickel cathode and copper cathode in 2012 decreased as compared to 2011.

SELLING AND DISTRIBUTION EXPENSES

In 2012, selling and distribution expenses incurred by the Group increased by 32.4% to RMB15.7 million, as compared to RMB11.8 million in 2011, mainly due to the increase in the Group's sales of nickel cathode and copper cathode in 2012, which also led to the corresponding increase in the loading fees as well as transportation fees of products.

GENERAL AND ADMINISTRATIVE EXPENSES

In 2012, general and administrative expenses incurred by the Group increased by 25.1% to RMB169.8 million, as compared to RMB135.7 million in 2011. The increase in expenses was primarily due to the increase in employee benefits and the amortisation of exploration costs.

FINANCE EXPENSES — NET

In 2012, finance expenses incurred by the Group increased by RMB17.5 million to net finance expenses of RMB3.0 million from net finance income of RMB14.5 million in 2011, primarily due to the decline in interest income as a result of lower average balance of bank deposits than the corresponding period in 2011, and the increase in interest expenses the bank borrowing as a result of higher bank borrowing in 2012 comparing to previous year.

FINANCIAL POSITION

The Group's consolidated balance sheet remained solid. Shareholders' equity decreased from RMB5,695.3 million to RMB5,639.2 million in 2012, primarily due to the distribution of the final dividends for 2011 in 2012; total assets increased by 17.1% to RMB8,480.5 million, primarily due to the increase in operating capital and increase in investment of fixed assets for expanding the Group's production scale.

In 2012, the net cash outflow generated by the Group's operating activities amounted to RMB132.7 million. As compared to the net cash outflow of RMB156.5 million in 2011, there was a decrease in the net outflow of RMB23.8 million, as well as the increase in reserve of raw material with nickel for expanding the Group's production scale; the net cash outflow generated from investment activities was RMB1,005.2 million, which was mainly used in purchasing equipment and as the construction costs of the Group's various technology renovation and expansion projects; the net cash inflow generated from financing activities amounted to RMB1,039.6 million. The cash inflow mainly came from the bank loans and other interest-bearing borrowings received by the Group. The cash outflow was mainly attributable to the dividend paid by the Company in 2012 the repayment of bank loans and interest by the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group had total cash and cash equivalents amounting to RMB470.2 million (2011: RMB568.5 million), and the interest-bearing borrowings of the Group amounted to RMB2,020.0 million (2011: RMB819.0 million).

	As at 31 December 2012	As at 31 December 2011
Current ratio *(times)*	**1.4**	2.3
Gearing ratio *(borrowings/total assets)*	**23.8%**	11.3%

COMMODITY PRICE RISK

The prices of the Group's products are influenced by international and domestic market prices and changes in global supply and demand for such products. Price volatility of non-ferrous metals is also affected by the global and PRC economic cycles as well as the fluctuations of the global currency markets. Both the international and domestic market prices of non-ferrous metals as well as the volatility of their supply and demand are beyond the control of the Company. Therefore, the volatility of commodity prices may materially affect the turnover and the comprehensive income of the Group. The Group did not engage in nor enter into trading contracts and pricing arrangements to hedge the risk of volatility of non-ferrous metal prices.

RISK OF FLUCTUATIONS IN EXCHANGE RATE

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

INTEREST RATE RISK

The Group's interest rate risk mainly arises from bank loans and interest-bearing long-term borrowings. Amounts of borrowing from/ deposit to banks at variable rates can expose the Group to cash flow interest rate risk. The Group adjusts the relative proportion of contracts at fixed rate and contracts at floating rate based on market situation. As at 31 December 2012, the Group's interest bearing borrowings were mainly at floating rates and denominated in RMB, which totalled RMB2,020.0 million (2011: RMB819.0 million). Any increase in the interest rate will cause an increase in the cost of debt financing of the Company. The Group did not execute any form of interest rate agreement or derivative to hedge against the fluctuation in interest rate.

CHARGE ON ASSETS

As at 31 December 2012, included in cash at bank and on hand of the Group was restricted cash at banks amounted to RMB12.8 million set aside as the security for issuing bank acceptance notes and other purposes. Save as disclosed, the Group did not have any other charges or pledges of its assets as at 31 December 2012.

HISTORICAL CAPITAL EXPENDITURE

Capital expenditure was primarily used to expand the production capacities of the Group and to improve the mining, ore processing, smelting and refining technology of the Group. The following table sets out the conditions of the Group's capital expenditure as well as the ratio of the capital expenditure of each operation over total capital expenditure for the year ended 31 December 2012 based on various categories of operations:

	Year ended 31 December 2012	
		Percentage
	RMB'000	**%**
Mining, ore processing, smelting and complementary operations in Kalatongke Mine	**209,280**	**18.3%**
Refining and complementary operations in Fukang Refinery	**97,811**	**8.6%**
Mining and ore processing operations in Xinjiang Yakesi	**275,854**	**24.1%**
Mining operation in Hami Jubao	**16,943**	**1.5%**
Smelting and complementary operations in Hami Zhongxin	**4,091**	**0.4%**
100,000 tonnes of copper smelting operation of Wuxin Copper	**537,666**	**47.1%**
Total	**1,141,645**	**100%**

EMPLOYEES

As at 31 December 2012, the Group had a total of 3,743 full-time employees. Breakdowns by function and division are as follows:

Division	**Employees** *(Headcounts)*	**Total** *(in percentage)*
Management and administration	219	5.9%
Engineering technician	610	16.3%
Production staff	2,141	57.2%
Repair and maintenance	563	15.0%
Inspection	189	5.0%
Sales	21	0.6%
Total	3,743	100.0%

Employee remuneration for the year ended 31 December 2012 *(RMB'000)*	325,035*

* Details of breakdowns as disclosed in Note 7(19) to the Financial Statements.

The remuneration package of the Group's employees includes salary, bonuses and allowances. The Group has participated in the social insurance contribution plans organised by the local governments in the PRC. In accordance with the relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, medical insurance, employment insurance and housing provident funds. According to the currently applicable local regulations, the respective percentages of the pension insurance, medical insurance, employment insurance and housing provident funds which the Group must contribute are 20%, 6% to 9%, 2% and 12%, respectively, of its employees' total monthly basic salary. The Group also contributes 0.5% to 2% of its employees' total monthly basic salary for occupational injury insurance and 0.6% to 1% of their total monthly basic salary for maternity cover.

EXECUTIVE DIRECTORS

Mr. Yuan Ze (袁澤), aged 63, has been an executive Director and the Chairman of the Company since September 2005. Mr. Yuan completed a postgraduate course in natural geography at Nanjing University (南京大學) in December 1997. From October 1998 to January 2002, he served as the secretary of the communist party committee of Xinjiang Non-ferrous Industry Co. (新疆有色金屬工業公司). Since February 2002, Mr. Yuan has served as the secretary of the communist party committee and chairman of Xinjiang Non-ferrous. Mr. Yuan received the Xinjiang Uygur Autonomous Region Model Labour Award (新疆維吾爾自治區勞動模範殊榮) in 2005 and 2007 and was elected a representative of the 11th National People's Congress in March 2008. Mr. Yuan received the National Model Labour Special Award (全國勞動模範殊榮) awarded by the State Council in 2010.

Mr. Shi Wenfeng (史文峰), aged 45, has been an executive Director and the general manager of the Company since September 2005. Mr. Shi studied at Chengdu University of Science and Technology (成都科技大學) with a Bachelor's degree, majoring in the metallurgy of non-ferrous metals from September 1985 to July 1989. Mr. Shi has accumulated more than 24 years of experience in the smelting industry. From September 1993 to January 1994, he served as the deputy head of the refinery workshop of the Fukang Refinery (阜康冶煉廠). From November 1994 to January 1995, he as the head of the production division of Fukang Refinery (阜康冶煉廠). From February 1995 to March 1998, he served as an assistant to the head of Fukang Refinery (阜康冶煉廠). From April 1998 to January 2002, he served as the deputy head of Fukang Refinery (阜康冶煉廠). From February 2002 to August 2005, he served as the head of Fukang Refinery (阜康冶煉廠). Mr. Shi received the National Model Labour Award (全國勞動模範殊榮) awarded by the State Council in 2005, and he received the Scientific and Technological Progress First Prize (科學技術進步一等獎) 1995 and 2002 awarded by the National Committee of Science and Technology of the PRC (國家科學技術委員會) and the People's Government of Xinjiang, respectively, for his contribution to the development of the wet process in the refining technology of nickel and the development of technology and production application in extracting copper and precious metals from smelting tailing of nickel ore.

Mr. Zhang Guohua (張國華), aged 48, has been an executive Director and the Executive Deputy General Manager of the Company since September 2005. Mr. Zhang completed a postgraduate course in management science and engineering at Dalian University of Technology in November 2003. Mr. Zhang has accumulated more than 29 years of experience in the mining industry. From October 1988 to December 1993, he served as a deputy section leader and section leader of the environmental safety section of Kalatongke Mine. From January 1994 to June 1996, he served as a mining workshop supervisor of Kalatongke Mine. From June 1996 to March 1997, he served as an assistant to the head of Kalatongke Mine. From March 1997 to March 1998, he served as the chairman of the labour union of Kalatongke Mine. From March 1998 to March 1999, he served as the secretary of the communist party committee of the Kalatongke Mine. He served as the deputy general manager and general manager of the sales branch of Xinjiang Non-ferrous Metals Industry Co. from April 1999 to February 2002. From March 2002 to August 2005, he served as the head of Kalatongke Mine. Mr. Zhang has also served as the secretary of the Communist Party committee of the Company since September 2005.

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Mr. Liu Jun (劉俊), aged 47, has been an executive Director and duty general manager of the Company since September 2005. Mr. Liu studied at Kunming University of Science and Technology with a Bachelor's degree, majoring in mining engineering from September 1983 to July 1987. Mr. Liu has accumulated more than 26 years of experience in the mining industry. He served as the deputy supervisor (production technology) of the mining workshop of Kalatongke Mine from May 1991 to December 1993. From January 1994 to December 1994 he served as the chief of the production technology division of Kalatongke Mine. From January 1995 to February 1997 he served as the deputy chief engineer of Kalatongke Mine. He served as the chief engineer of Kalatongke Mine from March 1997 to April 2000. From April 2000 to August 2005 he served as the deputy head of Kalatongke Mine. From September 2005 to August 2008, he became the head of Kalatongke Mine and has also served as an executive Director and deputy general manager of the Company. Mr. Liu's contribution to nickel matte blowing and recovery processing and industrialised production received a scientific and technological progress second prize from the People's Government of Xinjiang for the year of 2004.

NON-EXECUTIVE DIRECTORS

Mr. Zhou Chuanyou (周傳有), aged 48, has been a non-executive Director and the vice-chairman of the Company since September 2005. Mr. Zhou completed a postgraduate course in law at Fudan University (復旦大學) with a Master's degree in July 1987. From September 1995, Mr. Zhou served as the chairman of the board of Shanghai Jinying Investment Company Ltd. (上海金鷹投資有限公司), which is the predecessor of Zhongjin Investment, and is now the chairman of the board of Zhongjin Investment in which he is the beneficial owner of 100% interest. He has served as a director of Shanghai Zhongjin Real Estate (Group) Co., Ltd. (上海中金房產(集團)有限公司) since February 1998 and a director of Shanghai Yilian since May 2005 and is currently the beneficial owner 100% shareholding of Shanghai Yilian. Shanghai Yilian holds 12.80% shareholding of the Company and Zhongjin Investment holds 8.96% shareholding of the Company. The interest attributable to Mr. Zhou in the Company represents his indirect deemed interest in the Company's issued share capital via his equity interests held in the Company through Shanghai Yilian and Zhongjin Investment. Mr. Zhou has served as deputy chairman of the Board of Dazhong Insurance Co., Ltd. of China (大眾保險股份有限公司) from September 1998 to December 2009.

Mr. Niu Xuetao (牛學濤), aged 48, has been a non-executive Director of the Company since September 2005. He completed an undergraduate course in law at Northwest University of Political Science and Law (西北政法大學) with a Bachelor's degree, majoring in law from September 1986 to July 1990. From February 2003 to February 2008, Mr. Niu served as the deputy chief executive officer of Zhongjin Investment. He served as the Head Supervisor of Zhongjin Investment since October 1999. From June 2004 to July 2005, Mr. Niu has served as the vice-president of Xinjiang Fanhua Mine and Energy Industrial Company Ltd. (新疆泛華礦能實業有限公司). From May 2005 to December 2009, he was the general manager of Shanghai Yilian.

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INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Jianguo (陳建國), aged 49, has been an independent non-executive Director of the Company since June 2006. Mr. Chen studied at Xinjiang University of Finance and Economics (新疆財經大學) with a Bachelor's degree, majoring in economics from September 1981 to July 1985. From September 1985 to July 1988, he studied at Dongbei University of Finance and Economics (東北財經大學) with a Master's degree, majoring in accounting. Since 1988, he has been teaching at the Faculty of Finance of Xinjiang University of Finance and Economics. He has become the Head of Faculty of Finance of Xinjiang Institute of Finance and Economics (now known as Xinjiang University of Finance and Economics (新疆財經大學)) from 1997 to September 2007. He has become the head of research and development department of Xinjiang University of Finance and Economics from October 2007 to January 2011. He has been appointed as the dean and a professor of Institute of Accounting of Xinjiang University of Finance and Economics since February 2011. In January 1999, Mr. Chen participated in the Chinese Management Development Program. From January 1999 to August 1999, he studied in Nyenrode Business Universiteit (奈爾洛德商業大學) in Netherlands. From January 2000 to April 2001, Mr. Chen studied at Haagse Hogeschool with a Master's degree in Business Administration. Since April 2002, Mr. Chen has served as a standing council member of Xinjiang International Taxation Research Institute (新疆國際稅收研究會常務理事). Since November 2002, Mr. Chen has served as a council member of Xinjiang Institute of Investment (新疆投資學會). He has been appointed as the executive council member and deputy secretary of Xinjiang Institute of Accounting (新疆會計學會) since April 2011. Mr. Chen acted as an independent director of Markor International Furniture Co. Ltd (Stock Code: 600337), Xinjiang Guannong Fruit & Antler Group Co., Ltd. (Stock Code: 600251) and of Zhundong Petroleum Technology Co., Ltd. (Stock Code: 002207). Since September 2008, Mr. Chen has been as an independent director of Xinjiang International Enterprise Co., Ltd (Stock Code: 000159), a company listed on Shenzhen Stock Exchange, Xinjiang Kangdi Planting Technology Company Limited* (新疆康地種業科技股份有限公司) since January 2010 and Xinjiang Tianshan Power Company Ltd. (新疆天山電力股份有限公司) since June 2011. Since March 2012, Mr. Chen has been an independent director of Xinjiang Beixin Road & Bridge Group Co., Ltd. (Stock Code: 002307), Mr. Chen acted again as an independent director of Markor Internation Furniture Co., Ltd Since August 2011.

Mr. Wang Li Jin (汪立今), aged 53, has been an independent non-executive Director of the Company since 16 May 2011. He studied at Xinjiang University with a Bachelor's degree, majoring in Survey and Exploration of Mineral Resources from February 1978 to February 1982. Since February 1982, Mr. Wang has been teaching in the College of Geology and Exploration of Xinjiang University (新疆大學地質與勘查工程學院), and was promoted to professor in November 2000, and is a Master Instructor of Xinjiang University. In 2006, Mr. Wang was awarded the "Distinguished Teacher of Xinjiang University", and in 2007 and 2008 was named "Outstanding Thesis Instructor of Xinjiang University". During March 2004 to September 2004, Mr. Wang was sent by the National Government to the Department of Geological Sciences, University of Michigan Ann Arbor, USA, for further study, majoring in mineral deposit geology and mineralogy, and conducting scientific research work in mineral deposit geology and mineralogy. In the past three decades, Mr. Wang has been engaged in university geology teaching and research work, loaded with professional expertise, and has been familiar with business. Mr. Wang currently serves as a council member of the China Society of Mineralogy, Petrology and Geochemistry (中國礦物岩石地球化學學會), a committee member of the Professional Committee of Technological Mineralogy of China (中國工藝礦物學專業委員會), an executive director of the China Geological Society of Education (中國地質教育學會), a committee member of the China Environmental Mineralogy Professional Committee (中國環境礦物學專業委員會), and is the life member of the China Society of Mineralogy, Petrology and Geochemistry.

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Mr. Li Wing Sum Steven (李永森), aged 56, has been an independent non-executive Director of the Company since 14 October 2011. Mr. Li studied at Hong Kong Polytechnic University, majoring in accounting from October 1977 to October 1979. Mr. Li is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong, and a member of The Hong Kong Institute of Directors and Certified Tax Adviser Institute of Hong Kong. Mr Li has accumulated over 30 years' experience in auditing, accounting, company secretarial services, taxation and financial management. Mr Li had worked in an international accounting firm (Coopers & Lybrand, now known as PricewaterhouseCoopers) and had been employed as financial controller of various companies including a Hong Kong listed company. Mr Li has been an independent non-executive director and an executive director of Dynamic Global Holdings Limited (Stock Code: 231) (now known as Madex International (Holding) Limited), from September 2004 to July 2005 and from January 2006 to June 2009 respectively. Mr. Li has been the joint company secretary of Ausnutria Dairy Corporation Ltd (Stock Code: 1717), from September 2009 to June 2010. Since July 2000 and up to present, Mr. Li has been the Qualified Accountant and the Company Secretary of Shanghai Fudan Microelectronics Group Company Limited (Stock Code: 8102). Since 1 June 2012, Mr. Li has been the independent non-executive director of Ruifeng Petroleum Chemical Holdings Limited (Stock Code: 8096). Mr. Li is also a certified public accountant (practicing) and a director of a certified public accountants firm in Hong Kong.

EMPLOYEES' REPRESENTATIVE SUPERVISORS

Mr. Jiang Mingshun (姜明順), aged 57, has been the employees' representative Supervisor and the chairman of the Supervisory Committee since September 2005. Mr. Jiang studied at Central Xinjiang Communist Party School (新疆自治區黨校) from 1986 to 1988, majoring in political theory. Mr. Jiang served as the Party branch secretary of Xinjiang Keketuohai Mining Bureau (新疆可可托海礦務局) No. 1 Mine and Transportation Section and as the deputy-supervisor of the executive office of the Bureau from August 1988 to January 1992. From January 1992 to March 1998 he served as the deputy secretary and secretary of the communist party committee of Kalatongke Mine. From April 1998 to April 1999, he served as the head of the Office of Party Policy Administration of Xinjiang Non-ferrous Industry Co. (新疆有色金屬工業公司黨政辦公室). He served as the head of Department of Organisation of Xinjiang Non-ferrous Industry Co. from May 1999 to January 2002. He served as the secretary of the communist party committee and deputy factory head of Fukang Refinery (阜康冶煉廠) from February 2002 to August 2005.

Mr. Sun Baohui (孫寶輝), aged 43, has been the employees' representative Supervisor of the Company since June 2006. He studied at Kunming University of Science and Technology with a Bachelor's degree majoring in the metallurgy of non-ferrous metals from September 1988 to July 1992. Mr. Sun served as a technician, the deputy head and the head of the smelting workshop at Kalatongke Mine from July 1992 to September 2000. From April 2003 to August 2005, he served as the head of the ore processing workshop at Kalatongke Mine. From September 2005 to May 2009, he served as the head of and the deputy general manager of the labour union at Kalatongke Mine. Mr. Sun is currently the general manager of Xinjiang Wuxin Copper Company Limited since May 2009.

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SUPERVISOR

Mr. Cao Sanxing (曹三星), aged 36, has been appointed as shareholders representative Supervisor of the Company since 14 December 2012. Mr. Cao studied at Hainan University with a Bachelor's degree, majoring in international finance from September 1995 to July 1999. He completed a postgraduate course in business management at Xiamen University in July 2006. Mr. Cao joined Zijin Mining Group Co., Ltd. (Stock Code: 2899) in October 2003 and served various posts including deputy chief of the Audit and Supervision Division under the Office of Zijinshan Gold Mine, deputy chief and chief of the Audit and Supervision Division under the Office of Bayannaoer Zijin Non-ferrous Metal Co., Ltd., chairman of the Board of Supervisors of Bayannaoer Zijin Non-ferrous Metal Co., Ltd.. At present, Mr. Cao serves as Chairman of the Board of Supervisors of Zijin Mining Group Northwest Co., Ltd. (a subsidiary of Zijin Mining Group Co., Ltd.).

INDEPENDENT SUPERVISORS

Ms. Chen Yuping (陳玉萍), aged 48, is an independent Supervisor of the Company since June 2006. Ms. Chen studied at Xinjiang University of Finance and Economics (新疆財經大學) with a Bachelor's degree, majoring in economics from September 1981 to July 1985 and a Master's degree in business administration at Oklahoma City University (奧克拉荷馬城大學) in the U.S.A. from June 1987 to June 1989. On January 2000, Ms. Chen participated in the Chinese Management Development Project. From January 2000 to September 2000, she studied in Nyenrode Business Universiteit in Netherlands. Since July 1985, Ms. Chen has been teaching in Xinjiang University of Finance and Economics. Ms. Chen had been the deputy head of the Faculty of Business Administration of Xinjiang University of Finance and Economics (previously known as Xinjiang Institute of Finance and Economics (新疆財經學院)) since July 2001 and was promoted to a professor in 2006. Ms. Chen served as the deputy head of the Student Registry of Xinjiang University of Finance and Economics from October 2007 to December 2010. She has served as the office of academic affairs director by the Xinjiang University of Finance and Economics since January 2011.

Mr. Hu Zhijiang (胡志江), aged 67, is an independent Supervisor of the Company since June 2006. Mr. Hu studied at Xinjiang University of Finance and Economics from 1990 to 1992, majoring in finance. Mr. Hu is a qualified senior accountant and a practising accountant. He was a deputy head in the Agriculture Section of the Finance Department of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區財政廳農業處) from 1992 to 1994. From 1994 to 1997, he served as the head of the Legal and Taxation Section of the Finance Department of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區財政廳法制稅政處). From 1997 to 2001, he served as the head of the Accounting Section of the Finance Department of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區財政廳會計處). From 2001 to 2005, he served as the inspector at the deputy department level of the Finance Department of Xinjiang Uygur Autonomous Region (副廳級巡視員). From 1998 to 2000, Mr. Hu served as a member of the Senior Assessment Committee for Professional Qualification in Accounting of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區會計專業技術資格高級評審委員會). He was the vice chairman of the eighth committee of the Accounting Association of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區會計學會第八屆理事會) in 2002.

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OTHER SENIOR MANAGEMENT

Mr. Zhang Junjie (張俊杰), aged 50, is one of the two joint company secretaries of the Company. Mr. Zhang studied at University of Zhongnan (中南大學) with a Bachelor's degree, majoring in mining engineering from September 1979 to July 1983. From October 1988 to March 1991, Mr. Zhang was the head of the mining workshop of Kalatongke Mine and the chief of the production technology division of Kalatongke Mine. From April 1991 to March 1993, he was the deputy head of the production technology division of Xinjiang Keketuohai Mining Bureau. From March 1993 to August 1997, he was the deputy chief economist of Xinjiang Non-ferrous Industry Co. Copper and Nickel Branch (新疆有色金屬工業公司銅鎳分公司). From August 1997 to March 1998, he was a deputy general manager of Xinjiang Non-ferrous Industry Co. Copper and Nickel Branch (新疆有色金屬工業公司銅鎳分公司). From April 1998 to July 2002, he was the head of the finance department of Xinjiang Non-ferrous Metal Industry Co.. From July 2002 to August 2005, he served as the head of the assets management department of Xinjiang Non-ferrous. Since September 2005, Mr. Zhang has also served as the secretary to the Board of Directors of the Company.

Mr. Lam Cheuk Fai (林灼輝), aged 59, joined the Company in June 2006, is the qualified accountant and one of the two joint company secretaries. Mr. Lam studied at Hong Kong Polytechnic (the predecessor of Hong Kong Polytechnic University), majoring in accounting, and obtained a Higher Certificate in Accountancy awarded by the institute from 1975 to 1979. He studied at University of East Asia, Macau with a Master's degree, majoring in business administration from 1985 to 1988. Mr. Lam is a fellow member of both the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. From 1979 to 1985, he worked for Touche Ross & Co. (now known as Deloitte Touche Tohmatsu.) in Hong Kong and the U.S.A. and Arthur Young & Co. (now known as Ernst & Young) in Hong Kong. From 1999 to 2001, he was employed as the chief financial officer and the company secretary by Magician Industries (Holdings) Limited (now known as Lisi Group (Holdings) Limited) (Stock Code: 526). Mr. Lam has approximately 30 years of working experience in auditing, accounting, internal control, taxation, company secretarial work and financial management in multinational organisations in the U.S.A., Hong Kong and the mainland China.

Mr. Wu Tao (吳濤), aged 46, has been the chief engineer of the Company since September 2005. Mr. Wu studied at Chengdu University of Science and Technology with a Bachelor's degree, majoring in the metallurgy of non-ferrous metals from September 1985 to July 1989. From February 1995 to March 1998, Mr. Wu served as the head of the cobalt workshop and the copper workshop of Fukang Refinery (阜康冶煉廠). He served as the head of production control division and an assistant to the head of Fukang Refinery from April 1998 to January 2002 and served as the deputy head of Fukang Refinery from February 2002 to August 2005. Mr. Wu was awarded two Scientific and Technological Progress First Prizes (科學技術進步一等獎), one by the National Committee of Science and Technology in 1995 for his contribution to the wet process adopted in nickel refining and one by the People's Government of Xinjiang for the year of 2002 for his contribution to the development of production methods in smelting, extraction from tailings and the production of copper and precious metals.

Mr. He Hongfeng (何洪峰), aged 43, has served as the chief financial officer of the Company since September 2005. Mr. He studied at Xinjiang University of Finance and Economics from September 1988 to July 1992 with a Bachelor's degree, majoring in accounting. He completed a postgraduate course in Business Administration at Xinjiang University of Finance and Economics with a Master's degree in June 2009. Mr. He is a certified accountant, certified valuer and certified tax consultant in the PRC. From July 1992 to August 2005, he worked for Zhongjin Investment. He joined the Company since September 2005.

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

CORPORATE GOVERNANCE CODE

The Company strives to attain and maintain relatively high standards of corporate governance best suited to the needs and interests of the Company and its subsidiaries as it believes that effective corporate governance practices are fundamental to 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 31 December 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 Year, the Company did not have applicable insurance cover in respect of legal action against its directors until 1 August 2012 as the Company required ample time to obtain appropriate insurance coverage from appropriate services provider in the PRC.

THE BOARD OF DIRECTORS

Functions and Duties of the Board

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

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

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

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

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

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

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

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

Board Composition

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

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

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

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

Chairman and Chief Executive Officer

Mr. Yuan Ze remains to be the Chairman of the present session (the third session) of the Board and Mr. Shi Wenfeng remains to be the general manager (Chief Executive Officer) of the Company. The respective responsibilities of the Chairman and the general manager of the Company are provided in article 119 and article 138 of the Articles of Association, respectively, and duly separated. For details of the responsibilities of the Chairman and the general manager (Chief Executive Officer) of the Company, please refer to the Articles of Association which was uploaded to the websites of the Company and the Stock Exchange on 16 March 2012.

The Board and Management

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

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

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

Board Meetings

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

For the year ended 31 December 2012, six Board meetings and two general meetings were held, and the details of each of the Directors' attendance record of the meetings are as follows:

Name of Directors	**Number of meetings attended/ Number of meetings convened during term of office**	
	Directors' meeting	**General meeting**
Chairman (Executive Director)		
Yuan Ze (袁澤)	6/6	2/2
Executive Directors		
Shi Wenfeng (史文峰) *(General Manager)*	5/6	1/2
Zhang Guohua (張國華) *(Executive Deputy General Manager)*	5/6	1/2
Liu Jun (劉俊) *(Deputy General Manager)*	6/6	2/2
Non-executive Directors		
Zhou Chuanyou (周傳有) *(Vice-Chairman)*	5/6	2/2
Niu Xuetao (牛學濤)	6/6	2/2
Independent non-executive Directors		
Chen Jianguo (陳建國)	6/6	2/2
Wang Lijin (汪立今)	5/6	2/2
Li Wing Sum Steven (李永森)	6/6	1/2

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

Directors' Training

All Directors have participated in continuous professional development to develop and refresh their knowledge and skill to ensure that their contribution to the Board remains informed and relevant. All directors have provided to the Company a record of the training they received during the Year.

During the year, the directors participated in the following trainings:

	Type of Trainings
Executive Directors	
Yuan Ze	A,B,C
Shi Wenfeng	A,B,C
Zhang Guohua	A,B,C
Liu Jun	A,B,C
Non-Executive Directors	
Zhou Chuanyou	A,B,C
Niu Xuetao	A,B,C
Independent Non-Executive Directors	
Chen Jianguo	A,B
Wang Lijin	A,B
Li Wing Sum, Steven	A,B

A: attending seminars, conferences and/or expert briefings relevant to the business or directors' duties

B: reading newspapers, journals and updates relating to the economy, general business or regulatory information

C: paying visits to the Group's local management and facilities

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, Supervisors and Senior Management, all Directors, Supervisors and Senior Management have complied with the required standards as set out in the Model Code for the year ended 31 December 2012.

BOARD COMMITTEES

The Board currently has four committees, namely the Audit Committee, the Remuneration and Review Committee, Nomination Committee and Strategic Development Committee. Members of these committees are as follows:

Audit Committee:

Independent Non-executive Director:
Mr. Chen Jianguo *(Chairman)*
Mr. Li Wing Sum, Steven

Non-executive Director:
Mr. Niu Xuetao (In replacement of Mr. Zhou Chuanyou with effect from 25 August 2012)

Remuneration and Review Committee:

Independent Non-executive Director:
Mr. Chen Jianguo *(Chairman)*
Mr. Li Wing Sum, Steven
Mr. Wang Lijin

Non-executive Director:
Mr. Zhou Chuanyou (In replacement of Mr. Niu Xuetao with effect from 25 August 2012)

Executive Director:
Mr. Shi Wenfeng

Nomination committee:

Executive Director:
Mr. Yuan Ze *(Chairman)*

Independent Non-executive Director:
Mr. Chen Jianguo
Mr. Li Wing Sum, Steven

Strategic Development Committee:

Executive Director:
Mr. Yuan Ze *(Chairman)*
Mr. Shi Wenfeng
Mr. Zhang Guohua

Non-executive Director:
Mr. Zhou Chuanyou

Independent Non-executive Director:
Mr. Wang Lijin

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

DIRECTOR NOMINATION AND NOMINATION COMMITTEE

The nomination committee was established on 16 March 2012 by the Board with specific terms of reference in accordance with CG Code.

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

During the Year, the Nomination Committee convened one meeting and attendance rate was 100%. The summary of work performed by the Nomination Committee during the Year were: reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and made recommendations on proposed changes to the Board to complement the Company's corporate strategy; and assessed the independence of the Independent Non-executive Directors. As the term of service of all of the Directors of the Company will only expire in October 2014 and no Directors resigned during the Year, the Nomination Committee did not identify or select any director candidates or make recommendation on the appointment or reappointment of Directors.

REMUNERATION AND REVIEW COMMITTEE

In 2007, the Board resolved and established the Remuneration and Review Committee with specific terms of reference. On 16 March 2012, the terms of reference of the Remuneration and Review Committee were revised in accordance with the amendments in the CG Code and approved by resolution of the Board and were posted to the websites of the Company and the Stock Exchange. Contents of the revision include all new amendments to the revised CG Code.

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

(a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of non-executive Directors; and

(e) to make performance appraisal including assessing performance of all Directors and senior management and to monitor the execution of the Company's remuneration system.

During the Year, one meeting of the Remuneration and Review Committee was held with an attendance rate of 80%. Summary of work during the Year by the Remuneration and Review Committee included:

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

AUDIT COMMITTEE

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

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

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

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) to monitor integrity of the Company's financial statements and annual report and accounts and interim report, and to review significant financial reporting judgements contained in them and to provide advice and comments thereon to the Board;

(d) to review the Company's financial controls, internal control and risk management systems;

(e) to consider major investigations findings on internal control matters as delegated by the Board or on its own initiative and to report to the Board when the Committee notices any irregularities, internal control deficiencies or any non-compliances to any applicable rules, regulations, codes or laws when situation warrants the attention of the Board; and

(f) to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.

During the Year, two meetings of the Audit Committee were held with an attendance rates of 100%. Summary of work during the Year by the Audit Committee included:

- reviewed of the annual report and results announcement of the Company for the year ended 31 December 2012, with a recommendation to the Board for approval;
- reviewed the external auditors' independence and their report, with a recommendation to the Board for the re-appointment of the external auditors by the shareholders of the Company at its 2012 annual general meeting;
- reviewed continuing connected transactions;
- reviewed the interim report and results announcement of the Company for the six months ended 30 June 2012, with a recommendation to the Board for approval;
- considered the audit and non-audit services provided by the external auditors;
- reviewed the effectiveness of the system of internal control of the Company and its subsidiaries;
- reviewed periodic reports prepared by the Internal Audit Department;
- reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget; and
- reviewed the audit fees payable to the external auditors for the year ended 31 December 2012, with a recommendation to the Board for approval.

AUDITORS' REMUNERATION

For the year ended 31 December 2012, audit fees charged by the auditors of the Company amounted to approximately RMB2.18 million and no non-audit service assignment was made.

STRATEGIC DEVELOPMENT COMMITTEE

In 2007, the Board resolved and established the Strategic Development Committee with specific terms of reference.

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

SUPERVISORY COMMITTEE

The Company's Supervisory Committee was established in 2005 pursuant to the Company's Articles of Association and has changed into the third session on 14 October 2011, still comprising five Supervisors. Mr. Jiang Mingshun is the Chairman of the Supervisory Committee. One of the Supervisors was elected by the shareholders as shareholders' representative, two Supervisors represented the employees of the Company were elected by the employees and two other independent Supervisors were appointed. Supervisors serve for a term of three years and are subject to re-election.

The Supervisory Committee is responsible for exercising supervision over the Board, its members and the senior management; and preventing them from abusing their authorities and jeopardizing the interests of the shareholders, the Company and its employees. Three meetings were held by the Supervisory Committee in 2012 with attendance rate of 100% for one of them and 80% for the other two. During the meetings, the Supervisory Committee reviewed the financial conditions and operations of the Company and the due diligence of the senior management. The Supervisory Committee's members perform their duties in accordance with the Company's Articles of Association.

SHARE INTEREST OF SENIOR MANAGEMENT

As at 31 December 2012, none of the senior management of the Company held any share interests in the Company.

SHAREHOLDERS' MEETING AND INVESTOR RELATIONS

As at 31 December 2012 and up to the date of this Annual Report, the Company issued 1,451,000,000 shares of domestic shares and 759,000,000 H shares, totalling 2,210,000,000 shares.

In 2012, the Company convened two general meetings. All proposed resolutions were approved with a passing rate of over 99%. The general meetings were chaired by the Chairman of the Board, who explained matters concerning the procedures for voting for shareholders' consideration and the shareholders voted on each proposed resolution. Each of the Directors and Supervisors were notified of and attended the general meetings.

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

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

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

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

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

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

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

The Secretariat Office and the Corporate Finance and Securities Department of the Board offer comprehensive services to the shareholders and answer their enquiries on a timely basis in order to enhance their understanding of the Company. They also maintain effective communications with the shareholders to ensure that the views of the shareholders will be communicated to the Board. There were no changes in the Company's constitutional documents during the year ended 31 December 2012.

As at 31 December 2012, total market capitalization of the Company was approximately HK$3.87 billion, of which the market capitalization of public floatation of H shares was approximately HK$1.33 billion.

INTERNAL CONTROL

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

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

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

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

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

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

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

FINANCIAL REPORTING

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

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

REPORT OF THE DIRECTORS

The Directors are pleased to present the 2012 report and the audited financial statements of Xinjiang Xinxin Mining Industry Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

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

The principal activities of the Company's subsidiaries, jointly-controlled entity and associated company are detailed in Notes 6 and 7(8) to the Financial Statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2012 and the state of financial affairs of the Company and the Group at that date are set out in the Financial Statements on pages 54 to 168.

The Board of Directors of the Company (the "Board of Directors" or the "Board") did not recommend any payment of final dividend for the year ended 31 December 2012.

MAJOR INVESTMENTS

The Company had no acquisitions, sale or merger of assets and other equity investments during the Year.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

During the Year, the Company did not use the proceeds from its initial public offering.

SUMMARY OF FINANCIAL INFORMATION

A summary of the operating results and assets, liabilities and minority interests of the Group for the last five financial years is set out on page 6 of this annual report. This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the Year are set out in Note 7(9) and 14(9) to the Financial Statements, respectively. The Group did not hold any investment property.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in Note 7(28) to the Financial Statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

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

BANK LOANS AND BORROWINGS

As at 31 December 2012, the Group had bank loans and other interest-bearing borrowings with total amount of RMB2,020.0 million, of which unsecured loans amounted to RMB1,986.5 million and loans by factoring amounted to RMB33.5 million. Out of the unsecured loans RMB455.0 million were entrusted loans from Xinjiang Non-ferrous Group.

DISTRIBUTABLE RESERVES

According to the Articles of Association of the Company as revised in October 2011, the reserves available for distribution are based on the Company's profit as determined under CAS. In accordance with the Company Law of the PRC, profit after tax can be distributed as dividends after the allocation of the statutory surplus reserve. As at 31 December 2012, the Group's distributable reserve attributable to shareholders of the Company under CAS amounted to RMB261,710,170.19.

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling RMB210,503.

MAJOR CUSTOMERS AND SUPPLIERS

As at 31 December 2012, the proportion of purchases and sales from major suppliers and major customers of the Company to the total purchases and sales, respectively, are as follows:

Purchases

The total purchases from the largest supplier of the Company represent 15.9% of the total purchase value. The total purchases from the five largest suppliers of the Company represent 45.1% of the total purchase value.

Sales

The total sales to the largest customer of the Company represent 20.1% of the total sales value. The total sales to the five largest customers of the Company represent 61.0% of the total sales value.

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

MAJOR LITIGATION AND ARBITRATION

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

CONTINGENT LIABILITIES

Save as disclosed in Note 9 to the Financial Statements, the Group had no other significant contingent liabilities as at 31 December 2012.

CAPITAL COMMITMENTS

Saved as disclosed in Note 11 to the Financial Statements, the Group had no other significant capital commitments as at 31 December 2012.

EVENTS AFTER THE BALANCE SHEET DATE

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

DIRECTORS AND SUPERVISORS

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

Executive Directors:

Mr. Yuan Ze	袁澤先生	*(Chairman)*
Mr. Shi Wenfeng	史文峰先生	
Mr. Zhang Guohua	張國華先生	
Mr. Liu Jun	劉俊先生	

Non-executive Directors:

Mr. Zhou Chuanyou	周傳有先生
Mr. Niu Xuetao	牛學濤先生

Independent non-executive Directors:

Mr. Chen Jianguo	陳建國先生
Mr. Wang Lijin	汪立今先生
Mr. Li Wing Sum, Steven	李永森先生

Supervisors:

Mr. Jiang Mingshun	姜明順先生	
Mr. Sun Baohui	孫寶輝先生	
Mr Cao Sanxing	曹三星先生	*(appointed on 14 December 2012)*
Mr He Pingtao	何平濤先生	*(resigned on 13 September 2012)*

Independent Supervisors:

Ms. Chen Yuping	陳玉萍女士
Mr. Hu Zhijiang	胡志江先生

Biographical details of the Directors and Supervisors are set out on pages 19 to 24.

Service contracts of Directors and Supervisors

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

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

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

Confirmation of independence

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

Directors', Supervisors' and senior management's remunerations

The Directors' and Supervisors' remunerations including discretionary bonus are subject to Shareholders' approval at general meetings, while senior management's remunerations including discretionary bonus are subject to approval of the Board of Directors. Mr. Zhou Chuanyou and Mr. Niu Xuetao both being non-executive Directors did not receive any remuneration during the Year. In compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, the Company has established a remuneration and review committee to formulate compensation policies and to determine and manage the compensation of the Directors and senior management of the Company. Details of the Directors', Supervisors' and senior management's remuneration are disclosed in Note 10(5)(f) to the Financial Statements.

Directors' and Supervisors' interests in contracts

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

Directors' and Supervisors' interests and short positions in shares

Share Appreciation Rights Incentive Scheme

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

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

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

There were no share appreciation rights allocated and outstanding as at 31 December 2012

As at 31 December 2012, the interests or short positions, if any, of the Directors and Supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Long Positions in Shares and Underlying Shares of the Company by the Directors/Supervisors as at 31 December 2012

	Number of Shares held					
Director/Supervisor	Personal interest	Corporate interests	Total interests	Classes of share	Percentage of aggregate interests to relevant class of share	Percentage of aggregate interests to the total share capital
Zhou Chuanyou		480,924,000	480,924,000	Domestic share *(Note 1)*	33.14	21.76
		1,612,000	1,612,000	H share *(Note 2)*	0.21	0.07

Note 1: The domestic shares are held by Shanghai Yilian and Zhongjin Investment. The entire shareholding or equity interest of Shanghai Yilian and Zhongjin Investment are beneficially owned by Zhou Chuanyou.

2: The 1,612,000 H shares were held by Hong Kong CCIG International Industrial Co., Ltd., which was beneficially owned by Zhou Chuanyou and were subsequently and fully disposed of on 4 January 2013 and on 7 January 2013.

Save as disclosed above, none of Directors and Supervisors and their respective associates had, as at 31 December 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), which would be required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or which would be required, pursuant to section 352 of the SFO, to be and are recorded in the register required to be kept by the Company or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

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

Mr. Yuan Ze is the Chairman of Xinjiang Non-ferrous and also acts as the legal representative of Xinjiang Non-ferrous to sign any deeds, material contracts and other material documents of Xinjiang Non-ferrous. Mr. Yuan has not given any confidential or sensitive commercial information of the Company to Xinjiang Non-ferrous or any other third party and has physically abstained the voting right of directors to consider connected transactions with Xinjiang Non-ferrous.

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

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

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

(L) = Long positions

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

Save as disclosed above, the Directors were not aware of any other person (other than a Director or Supervisor of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTIONS

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

Continuing connected transactions not exempt under the Listing Rules

1. Mutual Supply Agreement

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

   For each of the three years ending 31 December 2010, 2011 and 2012, the annual cap of the aggregate fees payable by the Group to the Xinjiang Non-ferrous Group in respect of the construction services fees and supporting and ancillary services fees are approximately RMB632.1 million, RMB681.6 million and RMB412.6 million, respectively (Note). For the year ended 31 December 2012, the total transactions amount between the Xinjiang Non-ferrous Group and the Group in respect of the construction services fees and supporting and ancillary services were approximately RMB373.9 million.

   For each of the three years ending 31 December 2010, 2011 and 2012, the annual cap of the aggregate fees payable by the Xinjiang Non-ferrous Group to the Group in respect of the product fees are approximately RMB30.4 million, RMB36.5 million and RMB39.8 million, respectively. For the year ended 31 December 2012, the total transactions amount between the Group and the Xinjiang Non-ferrous Group in respect of the product fees were approximately RMB25.1 million.

   Note: The annual caps for the supporting and ancillary services for the year ended 31 December 2012 were revised from RMB35.673 million to RMB70 million. Please refer to the announcements of the Company dated 29 March 2010 and 19 October 2012 for details.

   The Existing Mutual Supply Agreement was expired on 31 December 2012. On 19 October 2012, Xinjiang Non-ferrous and the Company entered into a renewed mutual supply agreement (the "Renewed Mutual Supply Agreement") in respect of the continuing provision of the services under the Existing Mutual Supply Agreement from 1 January 2013 to 31 December 2015.

   For each of the three years ending 31 December 2013, 2014 and 2015, the annual caps of the aggregate fees payable by the Group to Xinjiang Non-ferrous Group in respect of the construction services and supporting and ancillary services are approximately RMB1.62 billion, RMB2.17 billion and RMB2.35 billion, respectively.

For each of the three years ending 31 December 2013, 2014 and 2015, the annual caps of the aggregate fees payable by Xinjiang Non-ferrous Group to the Group in respect of products fees are approximately RMB55.5 million, RMB65 million and RMB75 million, respectively.

2. Comprehensive Services Agreement

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

The Existing Comprehensive Services Agreement was expired on 31 December 2012. On 19 October 2012, Xinjiang Kalatongke Mining Industry Co., Ltd* (新疆喀拉通克礦業有限責任公司) ("Kalatongke Mining"), a wholly-owned subsidiary of the Company, and Fuyun Xingtong entered into a renewed comprehensive services agreement (the "Renewed Comprehensive Services Agreement") in respect of the continuing provision of the supporting services to Kalatongke Mining under the Existing Comprehensive Services Agreement from 1 January 2013 to 31 December 2015. For each of the three years ending 31 December 2013, 2014 and 2015, the annual caps of the services fees payable by the Company to Fuyun Xington are approximately RMB3.5 million, RMB3.8 million and RMB3.8 million, respectively.

3. Property Lease Agreement

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

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

The Existing Property Lease Agreement was expired on 31 December 2012. On 19 October 2012, the Company entered into a renewed property lease agreement with Xinjiang Non-ferrous (the "Renewed Property Lease Agreement") pursuant to which Xinjiang Non-ferrous agreed to continue to lease the Office Premises to the Company from 1 January 2013 to 31 December 2015. For each of the three years ending 31 December 2013, 2014 and 2015, the annual caps of the rental payable to Xinjiang Non-ferrous by the Company are all approximately RMB1.6 million.

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

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

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

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

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

1. have been approved by the Board;

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

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

4. have not exceeded the annual caps disclosed in the relevant announcements of the continuing connected transactions revised annual caps.

NON-COMPETITION AGREEMENT

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

RELATED PARTY TRANSACTIONS

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

PUBLIC FLOAT

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

CLOSURE OF REGISTER FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from 24 April 2013 to 24 May 2013 (both days inclusive), during which time no share transfers will be registered. In order to be eligible to attend the 2012 annual general meeting of the Company, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on 23 April 2013.

AUDIT COMMITTEE

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

The audit committee provides an important link between the Board of Directors and the Company's auditors in matters falling within the scope of the audit of the Company and the Group. It will review the effectiveness of the external audit and internal controls and risk evaluation and will provide comments and advice to the Board of Directors. The audit committee comprises one non-executive Director namely, Mr. Niu Xuetao and two independent non-executive Directors, namely, Mr. Chen Jianguo and Mr. Li Wing Sum, Steven, with Mr. Chen Jianguo serving as the Chairman. The audit committee and management have reviewed the audited results of the Group for the year ended 31 December 2012.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2012 have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company, who will retire upon the conclusion of the forthcoming annual general meeting of the Company. A resolution for the re-appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the international and the PRC auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

The appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited as the international and the PRC auditors of the Company were approved in the annual general meeting of the Company held on 16 May 2011. Before such appointment, PricewaterhouseCoopers was the international auditors of the Company.

By order of the Board
Yuan Ze
Chairman

Xinjiang, the PRC
22 March 2013

REPORT OF THE SUPERVISORY COMMITTEE

To all Shareholders:

For the year 2012, the supervisory committee of the Company (the "Supervisory Committee") faithfully fulfilled the supervisory duties to effectively safeguard the interests of the shareholders of the Company in accordance with the requirements of the Company Law and relevant applicable laws and regulations and the Articles of Association of the Company. Below is an independent report on the work progress and the due performance of duties by the Supervisory Committee.

1. ROUTINE DUTIES OF THE SUPERVISORY COMMITTEE

(1) The Supervisory Committee held three meetings in 2012, namely: the second, the third and the fourth meetings of the third session of the Supervisory Committee. During the meetings, relevant resolutions were approved, including the Report of the Supervisory Committee for 2011, the Consolidated Financial Statement of the Company for 2011, the Annual Report of the Company for 2011, the Accumulated Profit Distribution Plan of the Company for 2011, the internal audit report for 2011 and the internal audit plan for 2012 of the Company, the Resolution regarding the approval of the granting of performance based remuneration to the Chairman of the Supervisory Committee of the Company for 2011, the Consolidated Financial Statements (unaudited) of the Company for the first half of 2012, the interim report of the Company for 2012, the proposal of Mr. Cao Sanxing as the candidate for a supervisor representing shareholders in the third session of the Supervisory Committee of the Company and entering into the service contract for supervisors between the Company and Mr. Cao Sanxing. Except He Pingtao, a supervisor representing shareholders, who was excused due to other work, all Supervisors attended the meetings on time and expressed clear and true opinions in a serious and responsible manner on the issues in compliance with the laws and the Articles of Association of the Company. The Supervisors also performed their duties diligently and acted in the best interests of the Company's shareholders as a whole.

(2) Through attending each and every Board meeting of the Company in 2012, all Supervisors have effectively overseen the legitimacy of the Board meetings, the lawfulness of the resolutions, the compliance with the laws and regulations and the Articles of Association of the Company, the conformity with the resolutions of the general meetings of the Company as well as the practical needs to facilitate the operations and development of the Company.

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

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

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

In 2012, all Supervisors of the Company have been actively learning business-related knowledge and the laws and regulations to uplift their ability of job performance. They carried out their obligations and duties diligently in accordance with the annual work plan of the Supervisory Committee. The two independent Supervisors, who are experienced financial specialists, have made significant progress in enhancing the Supervisory Committee's ability to monitor the lawfulness of the financial operation of the Company through improving the independence of the Supervisory Committee.

2. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE

(1) Legitimate Operation by the Company

In 2012, the Company carried out its operations in strict compliance with the requirement in the Company Law and relevant laws and regulations, the Articles of Association of the Company, and the Listing Rules. Each of the general meeting, the Board of Directors, the Supervisory Committee and the senior management has clear roles and function and has performed their own duties in accordance with respective operating procedures, and has complied with codes, laws and regulations, attained efficiency, and ensured the smooth implementation of various major works of the Company.

(2) Assets of the Company

In 2012, the Company had no equity investment, mergers and acquisition.

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

(3) Financial Management of the Company

PricewaterhouseCoopers Zhong Tian CPAs Limited Company have audited the 2012 financial accounting report of the Company which have been prepared in accordance with the CASBE and issued the auditors' report with standard unqualified opinion. The Company has further improved its internal auditing system and the financial accounting management system, made tax payments in compliance with the laws and regulations, and proactively co-operated and accepted the auditing supervision by internal and external entities. The financial statements prepared by the Company truly reflected the financial condition of the Company.

Operating revenue of the Company for 2012 was RMB1,529.2 million and the profit attributable to owners of the Company was RMB21.8 million.

In 2012, the Company has not encountered any circumstances of misappropriation of fund of the Company by controlling shareholders or other connected parties.

(4) Connected Transactions

In 2012, the Group was involved in connected transactions with the Company's controlling shareholder Xinjiang Non-ferrous and its subsidiaries, with regard to construction service, supply of raw material and transportation which amounted to RMB373.9 million, labour service payment to Fuyun Xingtong which amounted to RMB3.4 million, product sales which amounted to RMB25.1 million and lease payment which amounted to RMB1.6 million. All connected transactions were conducted within the scope of the Mutual Supply Master Agreement between Xinjiang Non-ferrous Metal Industry (Group) Ltd. and Xinjiang Xinxin Mining Industry Co., Ltd.. The transaction amounts also have not exceeded the Company's 2012 annual caps of continuing connected transaction, which were approved by the Board or general meetings. All the connected transactions were made pursuant to the market rule, being fair and reasonable. No deterioration of the Company's interests was found upon reviews. The Company has also engaged PricewaterhouseCoopers Zhong Tian CPAs Limited Company to perform the duties of international auditors and perform certain procedures on relevant transactions, for details please refer to pages 44 to 46 of this annual report.

(5) Internal Control of the Company

In 2012, the Company has further improved its internal operation control system, which was implemented efficiently and effectively.

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

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

On production management, the Company explored internal potentials and endeavored to increase and stabilize production, pursued a streamlined management, met the index of "two down and one up (兩降一升)" at different levels, uplifted levels of skills and techniques further and continuously improved the recycle rate of metal and the ability of comprehensive multi-metal recycling. The reasonable use of overseas resources helped increase the total output of the Company and the annual production of nickel cathode exceeded 10,000 tonnes for the first time. The Company achieved its target of production safety throughout the year with zero death or severe injury in mines and factories. The environmental governance has also reached a new level.

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

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

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

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

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

Due to the great efforts and practical measures to pursue internal controls, the Company has recorded operating profit in 2012 despite the major product market prices plunged under the influence of international situation.

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

All directors and senior management of the Company were diligent and responsible in their work during 2012. They conformed to the laws and regulations and demonstrated cooperation. Their duties were properly segregated. They were responsible and ensured effective implementation of all resolutions as approved by general meetings and the Board. In carrying out their duties, there were no breaches of the laws and regulations, the Articles of Association of the Company or any other actions which were against the interests of the Company. As a result of the scientific decisions on the major issues of the Company and efficient implementation made by the Board and the management, the Company achieved outstanding performance in various aspects including production, safety, operations and project construction.

3. FOCUS OF THE SUPERVISORY COMMITTEE IN 2013

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

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

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

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

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

Jiang Mingshun
Chairman of the Supervisory Committee
22 March 2013

普华永道

AUDITOR'S REPORT

PwC ZT Shen Zi (2013) No. 10021
(Page 1 of 2)

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

We have audited the accompanying financial statements of Xinjiang Xinxin Mining Industry Co., Ltd. (hereinafter "the Company"), which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated and company income statements, the consolidated and company statements of changes in shareholders' equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

普华永道中天会计师事务所有限公司
PricewaterhouseCoopers Zhong Tian CPAs Limited Company, 11/F, PricewaterhouseCoopers Center
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pwc 普华永道

AUDITOR'S REPORT
(CONTINUED)

PwC ZT Shen Zi (2013) No. 10021
(Page 2 of 2)

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

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

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 31 December 2012, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company

Shanghai, the People's Republic of China

22 March 2013

CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 31 DECEMBER 2012
(All amounts in RMB Yuan unless otherwise stated)

ASSETS	*Notes*	**31 December 2012 Consolidated**	31 December 2011 Consolidated	**31 December 2012 Company**	31 December 2011 Company
Current assets					
Cash at bank and on hand	7(1)/14(1)	**482,972,122.96**	611,497,590.46	**367,714,055.24**	485,985,770.67
Notes receivable	7(2)/14(2)	**456,807,562.15**	293,053,627.37	**422,005,436.30**	286,113,627.37
Interest receivable		**87,979.00**	211,414.77	**—**	211,414.77
Accounts receivable	7(3)/14(3)	**45,663,452.26**	75,015,347.87	**45,305,737.55**	98,022,500.11
Advances to suppliers	7(5)/14(5)	**101,830,470.37**	67,113,350.93	**122,619,293.29**	19,136,466.99
Other receivables	7(4)/14(4)	**20,318,231.64**	17,462,538.48	**393,488,238.66**	121,077,311.81
Inventories	7(6)/14(6)	**804,676,938.17**	688,100,398.94	**585,170,573.34**	595,886,734.72
Other current assets	7(7)/14(7)	**122,002,829.27**	53,055,049.93	**30,223,238.24**	25,613,409.06
Total current assets		**2,034,359,585.82**	1,805,509,318.75	**1,966,526,572.62**	1,632,047,235.50
Non-current assets					
Long-term equity investments	7(8)/14(8)	**151,255,784.82**	151,428,773.82	**3,019,200,121.72**	1,798,607,547.16
Fixed assets	7(9)/14(9)	**1,635,932,436.98**	1,428,032,052.41	**436,808,357.01**	1,142,687,855.07
Construction materials	7(10)	**1,640,762.29**	14,093,703.01	**—**	–
Construction in progress	7(11)	**3,490,268,403.71**	2,667,772,682.16	**162,500,785.55**	936,174,052.36
Intangible assets	7(12)/14(10)	**1,025,986,722.15**	969,754,943.63	**36,442,922.66**	324,801,421.77
Goodwill	7(13)	**28,087,550.20**	28,087,550.20	**—**	–
Long-term prepaid expenses		**372,227.22**	566,097.77	**—**	–
Deferred tax assets	7(27)	**25,979,885.76**	19,043,271.19	**611,752.31**	7,501,040.50
Other non-current assets	7(14)	**86,619,500.00**	159,898,326.50	**5,280,000.00**	5,280,000.00
Total non-current assets		**6,446,143,273.13**	5,438,677,400.69	**3,660,843,939.25**	4,215,051,916.86
TOTAL ASSETS		**8,480,502,858.95**	7,244,186,719.44	**5,627,370,511.87**	5,847,099,152.36

AS AT 31 DECEMBER 2012
(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	*Notes*	**31 December 2012 Consolidated**	31 December 2011 Consolidated	**31 December 2012 Company**	31 December 2011 Company
Current liabilities					
Short-term loans	7(24)	**845,000,000.00**	250,000,000.00	**260,000,000.00**	250,000,000.00
Notes payable	7(16)	**100,000.00**	54,533,511.46	**—**	—
Accounts payable	7(17)/14(11)	**161,931,531.84**	94,354,985.37	**18,811,047.37**	141,439,120.32
Advances from customers	7(18)/14(12)	**11,005,077.30**	12,337,202.49	**8,136,102.64**	10,140,503.82
Employee benefits payable	7(19)/14(13)	**54,741,279.04**	52,608,823.66	**21,927,932.02**	42,544,591.17
Taxes payable	7(20)/14(14)	**12,213,207.52**	32,244,740.70	**1,443,465.23**	20,415,583.37
Interest payable		**470,250.01**	—	**—**	—
Other payables	7(21)/14(15)	**384,431,446.15**	287,114,544.91	**11,642,521.47**	71,028,145.81
Current portion of non-current liabilities	7(23)	**30,000,000.00**	—	**—**	—
Total current liabilities		**1,499,892,791.86**	783,193,808.59	**321,961,068.73**	535,567,944.49
Non-current liabilities					
Provisions	7(22)/14(16)	**5,989,261.37**	6,117,678.30	**—**	5,373,521.00
Long-term loans	7(24)	**690,000,000.00**	569,000,000.00	**10,000,000.00**	10,000,000.00
Long-term payables	7(25)	**455,000,000.00**	—	**—**	—
Deferred tax liabilities	7(27)	**138,607,490.13**	150,863,045.84	**—**	—
Other non-current liabilities	7(26)	**51,855,931.20**	39,763,291.04	**—**	16,315,399.56
Total non-current liabilities		**1,341,452,682.70**	765,744,015.18	**10,000,000.00**	31,688,920.56
Total liabilities		**2,841,345,474.56**	1,548,937,823.77	**331,961,068.73**	567,256,865.05

CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 31 DECEMBER 2012
(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY *(CONTINUED)*	*Notes*	**31 December 2012 Consolidated**	31 December 2011 Consolidated	**31 December 2012 Company**	31 December 2011 Company
Owners' equity					
Share capital	7(28)	**552,500,000.00**	552,500,000.00	**552,500,000.00**	552,500,000.00
Capital surplus	7(29)	**4,254,754,857.49**	4,254,754,857.49	**4,254,754,857.49**	4,254,754,857.49
Specific reserve	7(30)	**—**	—	**—**	—
Surplus reserve	7(31)	**225,379,515.90**	217,192,800.32	**225,379,515.90**	217,192,800.32
Undistributed profits	7(32)	**261,710,170.19**	314,373,550.50	**262,775,069.75**	255,394,629.50
Total equity attributable to equity holders of the Company		**5,294,344,543.58**	5,338,821,208.31	**5,295,409,443.14**	5,279,842,287.31
Minority interests	7(33)	**344,812,840.81**	356,427,687.36	**—**	—
Total owners' equity		**5,639,157,384.39**	5,695,248,895.67	**5,295,409,443.14**	5,279,842,287.31
TOTAL LIABILITIES AND OWNERS' EQUITY		**8,480,502,858.95**	7,244,186,719.44	**5,627,370,511.87**	5,847,099,152.36

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

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

CONSOLIDATED AND COMPANY INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012
(All amounts in RMB Yuan unless otherwise stated)

	Notes	**2012 Consolidated**	2011 Consolidated	**2012 Company**	2011 Company
Revenue	7(34)/14(17)	**1,529,211,982.61**	1,454,642,681.85	**1,476,863,501.47**	1,461,511,244.71
Less: Cost of sales	7(34)/14(17)	**(1,313,791,791.55)**	(1,059,897,729.78)	**(1,355,741,757.28)**	(1,195,305,609.34)
Taxes and surcharges	7(35)	**(11,689,393.13)**	(6,803,105.25)	**(2,467,712.55)**	(3,971,174.18)
Selling and distribution expenses	7(36)	**(15,664,725.60)**	(11,835,237.87)	**(14,080,527.06)**	(8,789,299.96)
General and administrative expenses	7(37)	**(169,787,035.29)**	(135,733,829.46)	**(61,180,338.52)**	(101,021,844.28)
Financial (expense)/income – net	7(38)	**(3,014,605.94)**	14,526,283.73	**(1,062,260.34)**	9,403,693.47
Asset impairment losses	7(15)/7(39)	**(4,859,007.34)**	(13,343,944.15)	**(729,746.23)**	(10,418,668.98)
Investment (losses)/income	7(40)/14(18)	**(172,989.00)**	5,007,199.55	**45,925,907.65**	111,071,231.13
Including: Share of (losses)/profit of associate and joint venture		**(172,989.00)**	5,007,199.55	**592,574.56**	5,310,740.76
Operating profit		**10,232,434.76**	246,562,318.62	**87,527,067.14**	262,479,572.57
Add: Non-operating income	7(41)	**3,725,321.68**	9,122,997.06	**2,085,359.14**	7,435,015.32
Less: Non-operating expenses	7(42)	**(1,144,375.79)**	(4,719,613.89)	**(277,476.95)**	(3,907,300.95)
Including: Losses on disposal of non-current assets		**(17,114.44)**	(1,864,739.71)	**—**	(1,753,749.10)
Total profit		**12,813,380.65**	250,965,701.79	**89,334,949.33**	266,007,286.94
Less: Income tax expenses	7(43)/14(19)	**(2,604,891.93)**	(60,550,910.80)	**(7,467,793.50)**	(42,144,779.55)
Net profit		**10,208,488.72**	190,414,790.99	**81,867,155.83**	223,862,507.39

CONSOLIDATED AND COMPANY INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012
(All amounts in RMB Yuan unless otherwise stated)

	Notes	**2012 Consolidated**	2011 Consolidated	**2012 Company**	2011 Company
Attributable to equity holders of the Company		**21,823,335.27**	191,265,520.47	**81,867,155.83**	223,862,507.39
Minority interests		**(11,614,846.55)**	(850,729.48)	**—**	—
Earnings per share					
Basic earnings per share	7(44)	**0.010**	0.087	**—**	—
Diluted earnings per share	7(44)	**0.010**	0.087	**—**	—
Other comprehensive income		**—**	—	**—**	—
Total comprehensive income		**10,208,488.72**	190,414,790.99	**—**	—
Attributable to equity holders of the Company		**21,823,335.27**	191,265,520.47	**—**	—
Minority interests		**(11,614,846.55)**	(850,729.48)	**—**	—

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

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

Proposed final dividends	7(32)	**—**	66,300,000.00	**—**	66,300,000.00

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012
(All amounts in RMB Yuan unless otherwise stated)

	Notes	**2012 Consolidated**	2011 Consolidated	**2012 Company**	2011 Company
Cash flows from operating activities					
Cash received from sales of goods		**1,647,577,890.81**	1,498,461,669.31	**1,613,076,871.58**	1,488,763,448.75
Cash received relating to other operating activities	7(45)(a)	**53,242,803.52**	34,009,072.33	**426,251,711.49**	26,624,468.68
Sub-total of cash inflows		**1,700,820,694.33**	1,532,470,741.64	**2,039,328,583.07**	1,515,387,917.43
Cash paid for goods and services		**(1,262,014,676.38)**	(1,234,855,678.83)	**(1,738,646,345.06)**	(1,205,528,257.01)
Cash paid to and on behalf of employees		**(323,459,813.56)**	(267,311,684.50)	**(138,180,512.22)**	(201,245,760.37)
Payments of taxes and surcharges		**(199,628,943.12)**	(134,637,335.62)	**(58,893,195.17)**	(92,448,111.42)
Cash paid relating to other operating activities	7(45)(b)	**(48,401,788.07)**	(52,124,915.55)	**(43,818,252.08)**	(20,863,529.88)
Sub-total of cash outflows		**(1,833,505,221.13)**	(1,688,929,614.50)	**(1,979,538,304.53)**	(1,520,085,658.68)
Net cash flows (used in)/generated from operating activities	7(45)(c) 14(20)(a)	**(132,684,526.80)**	(156,458,872.86)	**59,790,278.54**	(4,697,741.25)
Cash flows from investing activities					
Cash received from disposal of investments		**—**	50,000,000.00	**—**	50,000,000.00
Cash received from returns on investments		**—**	442,400.00	**45,333,333.09**	105,760,490.37
Cash received from disposal of fixed assets		**19,766.50**	1,778,063.86	**19,596.50**	—
Sub-total of cash inflows		**19,766.50**	52,220,463.86	**45,352,929.59**	155,760,490.37
Cash paid to acquire mining rights		**—**	(6,216,651.47)	**—**	—
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**(1,005,243,939.17)**	(1,238,643,796.33)	**(153,237,874.76)**	(336,990,014.71)
Cash paid to dispose fixed assets		**—**	(504,754.79)	**—**	(504,754.79)
Net cash paid to acquire a subsidiary	7(45)(f)	**—**	(79,965,315.08)	**—**	(80,000,000.00)
Cash paid to set up subsidiaries		**—**	—	**—**	(110,000,000.00)
Loan to a subsidiary		**—**	—	**—**	(70,000,000.00)
Cash paid to increase capital of subsidiaries	14(20)(c)	**—**	—	**(4,230,712.96)**	(125,400,000.00)
Sub-total of cash outflows		**(1,005,243,939.17)**	(1,325,330,517.67)	**(157,468,587.72)**	(722,894,769.50)
Net cash flows used in investing activities		**(1,005,224,172.67)**	(1,273,110,053.81)	**(112,115,658.13)**	(567,134,279.13)

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012
(All amounts in RMB Yuan unless otherwise stated)

	Notes	**2012 Consolidated**	2011 Consolidated	**2012 Company**	2011 Company
Cash flows from financing activities					
Cash received from borrowings		**1,201,000,000.00**	839,000,000.00	**10,000,000.00**	310,000,000.00
Cash received from capital contributions		**—**	64,600,000.00	**—**	—
Including: Cash received from minority shareholders of subsidiaries		**—**	64,600,000.00	**—**	—
Sub-total of cash inflows		**1,201,000,000.00**	903,600,000.00	**10,000,000.00**	310,000,000.00
Cash repayment of loans		**—**	(50,000,000.00)	**—**	(50,000,000.00)
Cash payments for distribution of dividends		**(66,300,000.00)**	(331,500,000.00)	**(66,300,000.00)**	(331,500,000.00)
Cash payments for interest expenses		**(95,095,556.68)**	(25,716,155.57)	**(14,941,649.47)**	(6,345,875.55)
Sub-total of cash outflows		**(161,395,56.68)**	(407,216,155.57)	**(81,241,649.47)**	(387,845,875.55)
Net cash flows generated from/ (used in) financing activities		**1,039,604,413.32**	496,383,844.43	**(71,241,649.47)**	(77,845,875.55)
Effect of foreign exchange rate changes on cash and cash equivalents		**—**	—	**—**	-
Net decrease in cash and cash equivalents	7(45) (d)/14(20)(b)	**(98,304,256.15)**	(933,185,082.24)	**(123,567,029.06)**	(649,677,895.93)
Add: Cash and cash equivalents at beginning of year	7(45) (d)/14(20)(b)	**568,501,002.36**	1,501,686,084.60	**484,985,770.67**	1,134,663,666.60
Cash and cash equivalent at end of year	7(45) (d)/14(20)(b)	**470,196,746.21**	568,501,002.36	**361,418,741.61**	484,985,770.67

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

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012
(All amounts in RMB Yuan unless otherwise stated)

	Attributable to equity holders of the Company						Minority interests	Total owners' equity
	Share capital *(Note 7(28))*	Capital surplus *(Note 7(29))*	Specific reserve *(Note 7(30))*	Surplus reserve *(Note 7(31))*	Undistributed profits *(Note 7(32))*	Sub-total	*(Note 7(33))*	
Balance at 1 January 2011	552,500,000.00	4,254,754,857.49	—	194,806,549.58	476,994,280.77	5,479,055,687.84	216,060,426.83	5,695,116,114.67
Movements								
Net profit	—	—	—	—	191,265,520.47	191,265,520.47	(850,729.48)	190,414,790.99
Profit distribution								
— Appropriation to surplus reserve	—	—	—	22,386,250.74	(22,386,250.74)	—	—	—
— Profit distribution to equity holders	—	—	—	—	(331,500,000.00)	(331,500,000.00)	—	(331,500,000.00)
Appropriation to specific reserve	—	—	8,699,470.70	—	—	8,699,470.70	—	8,699,470.70
Utilisation of specific reserve	—	—	(8,699,470.70)	—	—	(8,699,470.70)	—	(8,699,470.70)
Capital contribution by minority shareholders	—	—	—	—	—	—	64,600,000.00	64,600,000.00
Consolidation of a subsidiary	—	—	—	—	—	—	76,617,900.01	76,617,900.01
Balance at 31 December 2011	552,500,000.00	4,254,754,857.49	—	217,192,800.32	314,373,550.50	5,338,821,208.31	356,427,687.36	5,695,248,895.67
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	356,427,687.36	5,695,248,895.67
Movements								
Net profit	—	—	—	—	21,823,335.27	21,823,335.27	(11,614,846.55)	10,208,488.72
Profit distribution								
— Appropriation to surplus reserve	—	—	—	8,186,715.58	(8,186,715.58)	—	—	—
— Profit distribution to equity holders	—	—	—	—	(66,300,000.00)	(66,300,000.00)	—	(66,300,000.00)
Appropriation to specific reserve	—	—	13,953,142.77	—	—	13,953,142.77	—	13,953,142.77
Utilisation of specific reserve	—	—	(13,953,142.77)	—	—	(13,953,142.77)	—	(13,953,142.77)
Balance at 31 December 2012	552,500,000.00	4,254,754,857.49	—	225,379,515.90	261,710,170.19	5,294,344,543.58	344,812,840.81	5,639,157,384.39

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

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

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012
(All amounts in RMB Yuan unless otherwise stated)

	Share capital *(Note 7(28))*	Capital surplus *(Note 7(29))*	Specific reserve	Surplus reserve *(Note 7(31))*	Undistributed profits	Total owners' 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						
Net profit	—	—	—	—	223,862,507.39	223,862,507.39
Profit distribution						
— Appropriation to surplus reserve	—	—	—	22,386,250.74	(22,386,250.74)	—
— Profit distribution to equity holders	—	—	—	—	(331,500,000.00)	(331,500,000.00)
Appropriation to specific reserve	—	—	3,872,431.18	—	—	3,872,431.18
Utilisation of specific reserve	—	—	(3,872,431.18)	—	—	(3,872,431.18)
Balance at 31 December 2011	552,500,000.00	4,254,754,857.49	—	217,192,800.32	255,394,629.50	5,279,842,287.31
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						
Net profit	—	—	—	—	81,867,155.83	81,867,155.83
Profit distribution						
— Appropriation to surplus reserve	—	—	—	8,186,715.58	(8,186,715.58)	—
— Profit distribution to equity holders	—	—	—	—	(66,300,000.00)	(66,300,000.00)
Appropriation to specific reserve	—	—	1,150,842.73	—	—	1,150,842.73
Utilisation of specific reserve	—	—	(1,150,842.73)	—	—	(1,150,842.73)
Balance at 31 December 2012	552,500,000.00	4,254,754,857.49	—	225,379,515.90	262,775,069.75	5,295,409,443.14

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

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

1 GENERAL INFORMATION

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

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

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

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

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

These financial statements were authorised for issue by the Company's Board of Directors on March 22 2013.

2 BASIS OF PREPARATION

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

3 STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Company for the year ended 31 December 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 31 December 2012 and of their financial performance, cash flows and other information for the year then ended.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Accounting year

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

(2) Recording currency

The recording currency is Renminbi (RMB).

(3) Business combinations involving enterprises not under common control

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

(4) Preparation of consolidated financial statements

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

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

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

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

(5) Cash and cash equivalents

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

(6) Foreign currency translation

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

(7) Financial instruments

(a) Financial assets

(i) Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets. 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, other receivables and notes receivable (Note 4(8)).

(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.

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

(iii) Impairment of financial assets

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

(iv) Derecognition of financial assets

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

(7) Financial instruments *(continued)*

(b) Financial liabilities

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

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

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

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

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

(c) Determination of fair value of financial instruments

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

(8) Receivables

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

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

Receivables with amounts that are individually significant are subject to assessment for impairment on the individual basis. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for impairment of that receivable is made. The method of providing for bad debts for those individually significant amounts is as follows: the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

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

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

Basis for grouping is as follows:

Related party group	receivables from related parties
Other ageing group	except related party group, the accounts receivables within the same ageing category have similar credit risk characteristics

Methods of determing provision for bad debts by groupings are as follows:

Related party group	Analysis based on the repayment ability and history
Other ageing group	Ageing analysis method

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

(8) Receivables *(continued)*

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

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%

(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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

(9) Inventories

(a) Classification

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

(b) 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.

(10) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, the Group's long-term equity investments in its joint ventures and associates, as well as the long-term equity investments where the Group does not have control, joint control or significant influence over the investees and which are not quoted in an active market and whose fair value cannot be reliably measured.

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

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

(a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving 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.

(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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

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

(11) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

(11) Fixed assets *(continued)*

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

When subsequent expenditures which can be capitalised for fixed assets incurred, the Group transferred the carrying amount of fixed assets into Construction in Progress after netting off the book value, accumulated depreciation and impairment provision, and stopped to accrue depreciation. All subsequent expenditures are recorded in Construction in Progress. When these subsequent expenditures were completed and ready for use, they were transferred back to fixed assets, and the Group accrued the depreciation based on new useful life, estimated residual value and depreciation method after reassessment.

(b) Depreciation methods of fixed assets

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

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

Categories	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	10 to 50 years	3% or 5%	1.90% to 9.70%
Machinery	5 to 20 years	3% or 5%	4.75% to 19.40%
electronic and office equipment	3 to 12 years	3% or 5%	7.92% to 32.33%
Motor vehicles	4 to 12 years	3% or 5%	7.92% to 24.25%

Mining structures comprise the main and auxiliary mine shafts and underground tunnels. Depreciation of mining structures is provided to write off the cost of the mining structure using the unit-of-production method.

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at least at each year-end.

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

(d) Disposal of fixed assets

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

(12) Construction in progress

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

(13) Borrowing costs

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

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

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

(14) Intangible assets

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

(a) Mining rights

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

(14) Intangible assets *(continued)*

(b) Exploration rights

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

(c) Land use rights

Land use rights invested by the share shareholders holders are recognised at the value agreed by all the shareholders unless the agreed value is not fair. Purchased land use rights are stated at actual cost, while land use rights acquired by the business combination are recognised at the fair value at the acquisition date, then subsequently are recorded at cost less accumulated amortization and impairment losses. Land use rights are amortised on the straight-line basis over the period of the land use rights varying from 5 to 70 years.

(d) Periodical review of useful life and amortisation method

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

(e) Impairment of intangible assets

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

(15) Exploration assets and filling cost

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

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

(16) Goodwill

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

(17) Long-term prepaid expenses

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

(18) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

(19) Employee benefits

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

Employee benefits are recognised as salaries and wages payable in the accounting period in which an employee has rendered service, as costs of assets or expenses to whichever the employee service is attributable.

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 balance sheet 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 profit or loss, 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.

(20) Dividend distribution

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

(21) Provisions

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

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

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

(22) Deferred tax assets and deferred tax liabilities

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

(22) Deferred tax assets and deferred tax liabilities *(continued)*

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

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and

- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(23) Revenue recognition

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

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

(a) Sale of goods

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

(b) Interest income

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

(24) Leases

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

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

(25) Government Grants

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

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

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

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

(26) Segment information

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

(27) Critical accounting estimates and assumptions

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

Critical accounting estimates and key assumptions

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

(a) Carrying value of non-current assets

The Group tests whether fixed assets, construction in progress, land use rights, mining rights and exploration rights have been impaired due to events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount, in accordance with accounting policies stated in Note 4(18) to the financial statements.

As at 31 December 2012, there was no impairment for fixed assets, land use rights, mining rights and exploration rights. The recoverable amounts of different cash generating units to which fixed assets, construction in progress, land use rights, mining rights and exploration rights belong, have been determined based on value-in-use calculations using cash flow projections approved by senior management and management's assumptions and estimates of selling price of metals, discount rates and inflation rate. Cash flows beyond the five-year period are assumed to be equal to the cash flow of year 2017 for cash generating units. The discount rates used in cash flow projections varied with different cash generating units. The major assumptions and estimates used in the value-in-use calculation of assets include forecast of selling price of nickel and copper, discount rates and inflation rate.

(b) Goodwill impairment assessment

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

As at 31 December 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 varied with different cash generating units.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

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

(c) Useful lives of fixed assets

The Group's management determines the estimated useful lives and related depreciation charges for its fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Mineral reserves

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

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

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

(e) Income tax

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

(f) Estimate of inventory net realizable value

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

5 TAXATION

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

Type	Tax rate	Taxable base
Corporate income tax	15%/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	7%/5%	Value added tax and business tax
Education surcharge	3%	Value added tax and business tax
Mineral compensation	Tax standards of mineral products of located place *(note 4)*	Actual sales income of copper and nickel, after adjusting rate of recovery

(1) Corporate income tax

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

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

(a) The Company, including two branches, 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. The new preferential tax policies for western enterprises were issued on 27 July 2011 and the specific regulations are still being developed, and the Company has obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region in 2012, the Company calculated and paid corporate income tax using the preferential rate of 15% for the year ended 31 December 2012 after communication with local tax authorities (2011: 25%).

(b) The applicable income tax rate of Shanghai Sales Branch is 25% in 2012 (2011: 25%).

5 TAXATION *(CONTINUED)*

(1) Corporate income tax *(continued)*

(c) The subsidiary, Xinjiang Yakesi Resource Development Co., Ltd. (hereafter "Xinjiang Yakesi"), qualifies as a foreign investment manufacturing enterprise established in Hami, Xinjiang Uygur Autonomous Region in 2009. Xinjiang Yakesi was subject to corporate income tax based on a reduced tax rate of 15% from 2005 to 2010. The new preferential tax policies for western enterprises were issued on 27 July 2011 and the specific regulations are still being developed, and Xinjiang Yakesi has obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region in 2012, Xinjiang Yakesi calculated and paid corporate income tax using the preferential rate of 15% for the year ended 31 December 2012 after communication with local tax authorities (2011: 15%).

(d) 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 2011. The new preferential tax policies for western enterprises were issued on 27 July 2011 and the specific regulations are still being developed, and Hami Jubao has obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region in 2012, Hami Jubao calculated and paid corporate income tax using the preferential rate of 15% for the year ended 31 December 2012 after communication with local tax authorities (2011: 7.5%).

(e) Other subsidiaries, including Xinjiang Zhongxin Mining Industry Co., Ltd. (hereafter "Zhongxin Mining"), Xinjiang Wuxin Copper Mining Co., Ltd. (hereafter "Wuxin Copper Mining"), Xinjiang Mengxi Mining Co., Ltd. (hereafter "Mengxi Mining"), Xinjiang Kalatongke Mining industry Co., Ltd. (hereafter "Kalatongke Mining"), Beijing Xinding Shunze High Technology Co., Ltd. (hereafter "Beijing Xinding"), Shaanxi Xinxin Mining Co., Ltd. (hereafter "Shaanxi Xinxin"), Xinjiang Yakesi's subsidiary Hami Lixin Industrial and Trading Co., Ltd. (hereafter "Hami Lixin"), and Wuxin Copper Mining's subsidiary Fukang Xinlin Chemical Co., Ltd. (hereafter "Xinlin Chemical"), are subject to corporate income tax rate of 25% (2011: 25%).

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 Uygur Autonomous Region and Regional Tax Bureau of Xinjiang Uygur 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 based on ore production in current month since 1 January 2008.

(4) Mineral compensation

Kalatongke Mine and Kalatongke Mining pay mineral resources compensation fee based on the following formula:

Mineral resources compensation fee = self-produced nickel in super high grade ore and mixed concentrate volume × current day sales price × (1 + 5.72%) × valuation coefficient × 2% × recovery rate + self-produced copper in super high grade ore and mixed concentrate volume × current day sales price × valuation coefficient × 2% × recovery rate

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

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

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

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(1) Subsidiaries

(a) Subsidiaries acquired from establishment or investment

Name of subsidiaries	Type	Place of registration	Registered capital	Scope of business	Nature	Legal representative	Code of organisation
Mengxi Mining	Controlling	Hami, the PRC	15,918,400.00	Mineral resources exploration, investment, processing and sales	Co., Ltd.	Zhang Guohua	676306990
Wuxin Copper Mining	Controlling	Fukang, the PRC	790,000,000.00	Common non-ferrous metal smelting, processing and sales	Co., Ltd.	Sun Baohui	68959791-8
Kalatongke Mining	Wholly-owned	Fuyun, the PRC	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

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(1) Subsidiaries *(continued)*

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

Name of subsidiaries	Ending balance of actual contribution	Ending balance of other items which forms substantially a part of net investment in subsidiaries	% equity interest held by the Group	% voting rights held by the Group	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders
Mengxi Mining	10,200,000.00	Not applicable	51%	51%	Yes	1,844,976.08	(7,991,332.26)
Wuxin Copper Mining	521,400,000.00	Not applicable	66%	66%	Yes	264,913,162.38	(2,428,044.07)
Kalatongke Mining *(Note)*	123,000,000.00	Not applicable	100%	100%	Yes	—	—
Beijing Xinding	100,000,000.00	Not applicable	100%	100%	Yes	—	—
	1,861,600,000.00					266,758,138.46	(10,419,376.33)

Note: Pursuant to the approval of the Board of Directors' Meeting held on 3 February 2012, the Company injected the net assets of Kalatongke Mine to Kalatongke Mining with amount of RMB1,220,000,000.00. This injection has been completed by 28 March 2012.

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

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

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(1) Subsidiaries *(continued)*

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

Name of subsidiaries	Ending balance of actual contribution	Ending balance of other items which forms substantially a part of net investment in subsidiaries	% equity interest held by the Group	% voting rights held by the Group	Consolidated or not	Minority Interests	Amount of loss attributed to the minority shareholders
Xinjiang Yakesi	720,171,915.12	Not applicable	100%	100%	Yes	–	–
Hami Jubao	91,100,349.00	Not applicable	100%	100%	Yes	–	–
Zhongxin Mining	118,659,156.75	Not applicable	97.58%	97.58%	Yes	2,266,455.62	(469,410.58)
Shaanxi Xinxin	80,000,000.00	Not applicable	51%	51%	Yes	75,788,246.73	(726,059.64)
	1,009,931,420.87					78,054,702.35	(1,195,470.22)

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash and bank balances

	31 December 2012	31 December 2011
Cash on hand	**180,693.71**	52,164.69
Cash at bank	**470,016,052.50**	568,448,837.67
Restricted cash at banks *(Note (a))*	**12,775,376.75**	42,996,588.10
	482,972,122.96	611,497,590.46

(a) Included in the restricted cash at banks, approximately RMB100,000.00 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 RMB10,662,814.07 was set aside as guarantee deposits for environmental recovery and safety of production (31 December 2011: RMB3,325,757.44), and approximately RMB2,012,562.68 was set aside as deposits for compensation of industrial injury of migrant workers (31 December 2011: RMB2,001,702.78).

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(2) Notes receivable

	31 December 2012	31 December 2011
Bank acceptance notes	**456,807,562.15**	293,053,627.37

The ageing of notes receivable is within 180 days. On 31 December 2012, there were no pledged notes receivable (31 December 2011: RMB19,530,000.00) to the banks as the guarantee of issuing notes payable within the Group.

(3) Accounts receivable

	31 December 2012	31 December 2011
Accounts receivable	**48,220,305.34**	78,025,535.80
Less: provision for bad debts	**(2,556,853.08)**	(3,010,187.93)
	45,663,452.26	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 31 December 2012 and 2011, there were no significant past due but not impaired accounts receivable.

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(3) Accounts receivable *(continued)*

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

	31 December 2012			31 December 2011		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
With 1 year	**43,523,935.06**	**90.26%**	**—**	74,205,090.32	95.10%	(103,410.62)
1 to 2 years	**1,559,832.80**	**3.24%**	**—**	769,954.70	0.99%	(57,886.41)
2 to 3 years	**192,954.70**	**0.40%**	**—**	501,558.70	0.64%	(299,958.82)
3 to 4 years	**394,650.70**	**0.82%**	**(7,921.00)**	324,351.70	0.42%	(324,351.70)
4 to 5 years	**324,351.70**	**0.67%**	**(324,351.70)**	—	—	—
Over 5 years	**2,224,580.38**	**4.61%**	**(2,224,580.38)**	2,224,580.38	2.85%	(2,224,580.38)
	48,220,305.34	**100.00%**	**(2,556,853.08)**	78,025,535.80	100.00%	(3,010,187.93)

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

	31 December 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	**–**	**–**	**–**	**–**	–	–	–	–
That the related provision for bad debts is provided on the grouping basis								
— Related party group	**2,182,767.80**	**4.53%**	**(324,351.70)**	**14.86%**	2,081,967.80	2.67%	(654,823.84)	31.45%
— Ageing group	**46,037,537.54**	**95.47%**	**(2,232,501.38)**	**4.85%**	75,943,568.00	97.33%	(2,355,364.09)	3.10%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	**–**	**–**	**–**	**–**	–	–	–	–
	48,220,305.34	**100.00%**	**(2,556,853.08)**	**5.30%**	78,025,535.80	100.00%	(3,010,187.93)	3.86%

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(3) Accounts receivable *(continued)*

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

	31 December 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	**42,820,935.06**	**93.01%**	**—**	**—**	73,432,403.92	96.69%	(64,976.30)	0.09%
1 to 2 years	**791,146.40**	**1.72%**	**—**	**—**	271,754.70	0.36%	(57,886.41)	21.30%
2 to 3 years	**192,954.70**	**0.42%**	**—**	**—**	14,829.00	0.02%	(7,921.00)	53.42%
3 to 4 years	**7,921.00**	**0.02%**	**(7,921.00)**	**100.00%**	—	—	—	—
Over 5 years	**2,224,580.38**	**4.83%**	**(2,224,580.38)**	**100.00%**	2,224,580.38	2.93%	(2,224,580.38)	100.00%
	46,037,537.54	**100.00%**	**(2,232,501.38)**	**4.85%**	75,943,568.00	100.00%	(2,355,364.09)	3.10%

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

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

	As at 31 December 2012			As at 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.	**1,155,416.10**	**2.40%**	**—**	1,255,416.10	1.61%	(330,472.14)
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**703,000.00**	**1.46%**	**—**	502,200.00	0.64%	—
Xinjiang Haoxin Lithia Developing Co., Ltd.	**324,351.70**	**0.67%**	**(324,351.70)**	324,351.70	0.42%	(324,351.70)
	2,182,767.80	**4.53%**	**(324,351.70)**	2,081,967.80	2.67%	(654,823.84)

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(3) Accounts receivable *(continued)*

(f) As at 31 December 2012, the top five accounts receivable are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Xinjiang Baohong Trade Co., Ltd.	Third party	21,214,092.78	Within 1 year	43.99%
Jiugang Group Tianfeng Stainless Steel Co., Ltd.	Third party	20,115,905.22	Within 1 year	41.72%
Fuyun Hengsheng Beryllium Industry Co., Ltd.	Related party	1,155,416.10	Within 4 years	2.40%
Shanghai Jinmin Trading Co., Ltd.	Third party	802,933.20	Over 5 years	1.67%
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	Related party	703,000.00	Within 1 year	1.46%
		43,991,347.30		91.24%

(g) As at 31 December 2012, Xinjiang Yakesi get the short-term loan with amount of RMB33,500,000.00 (31 December 2011: nil) by factoring accounts receivable from Zhongxin Mining with amount of RMB38,713,218.98 (31 December 2011: nil) (Note 7(24)(d)).

(4) Other receivables

	31 December 2012	31 December 2011
Factoring cost receivable *(Note (i))*	**7,417,405.73**	3,872,685.99
Amount due from an associate *(Note (ii))*	**7,047,810.01**	7,047,810.01
Amount due from a joint-venture *(Note (iii))*	**2,714,105.90**	2,799,725.90
Revolving fund	**1,403,108.41**	2,531,393.80
Others	**2,536,607.59**	1,921,657.58
	21,119,037.64	18,173,273.28
Less: provision for bad debts	**(800,806.00)**	(710,734.80)
	20,318,231.64	17,462,538.48

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(4) Other receivables *(continued)*

(i) 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.

(ii) According to the contract signed by Xinjiang Yakesi and Tibet Puxiong mining Co., Ltd. (hereafter "Puxiong Mining"), 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.

(iii) According to the contract signed by the Company and Hami Hexin Mining Co., Ltd. (hereafter "Hexin Mining") on 29 June 2009, the Company provided a loan of RMB50,000,000 to Hexin Mining. The principal amount was repaid in 2011. As at 31 December 2011 and 2012, the balance represented interest receivable.

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

	31 December 2012			31 December 2011		
	Amount	**% of total balance**	**Provision for bad debts**	Amount	% of total balance	Provision for bad debts
Within 1 year	**7,130,526.87**	**33.76%**	**—**	7,974,421.77	43.88%	—
1 to 2 years	**3,961,738.05**	**18.76%**	**—**	157,430.15	0.87%	—
2 to 3 years	**16,916.36**	**0.08%**	**(16,916.36)**	2,790,427.12	15.35%	—
3 to 4 years	**2,758,862.12**	**13.06%**	**—**	47,810.01	0.26%	—
4 to 5 years	**47,810.01**	**0.23%**	**—**	5,179,430.05	28.50%	(356,275.21)
Over 5 years	**7,203,184.23**	**34.11%**	**(783,889.64)**	2,023,754.18	11.14%	(354,459.59)
	21,119,037.64	**100.00%**	**(800,806.00)**	18,173,273.28	100.00%	(710,734.80)

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(4) Other receivables *(continued)*

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

	31 December 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	–	–	–	–	–	–	–	–
That the related provision for bad debts is provided on the grouping basis								
— Related party group	9,848,456.31	46.63%	(704,459.59)	7.15%	9,847,535.91	54.19%	(704,459.59)	7.15%
— Ageing group	11,270,581.33	53.37%	(96,346.41)	0.85%	8,325,737.37	45.81%	(6,275.21)	0.08%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	–	–	–	–	–	–	–	–
	21,119,037.64	100%	(800,806.00)	3.79%	18,173,273.28	100.00%	(710,734.80)	3.91%

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(4) Other receivables *(continued)*

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

	31 December 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	6,986,200.57	61.99%	–	–	7,830,391.77	94.05%	–	–
1 to 2 years	3,961,738.05	35.15%	–	–	156,734.25	1.88%	–	–
2 to 3 years	16,916.36	0.15%	(16,916.36)	100%	135,427.12	1.63%	–	–
3 to 4 years	102,542.12	0.91%	–	–	–	–	–	–
4 to 5 years	–	–	–	–	179,430.05	2.16%	(6,275.21)	3.50%
Over 5 years	203,184.23	1.80%	(79,430.05)	39.09%	23,754.18	0.28%	–	–
	11,270,581.33	100.00%	(96,346.41)	0.85%	8,325,737.37	100.00%	(6,275.21)	0.08%

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

(e) As at 31 December 2012, the top five other receivables are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Tianfeng Stainless Steel	Third party	7,417,405.73	Within 1 year	35.12%
Puxiong Mining	Associate	7,047,810.01	Over 4 years	33.37%
Hexin Mining	Joint-venture	2,714,105.90	Within 4 years	12.85%
Mine production enterprise reclamation deposit	Third party	100,000.00	Over 5 years	0.47%
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	Related party	86,540.40	Within 1 year	0.41%
		17,365,862.04		82.22%

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(4) Other receivables *(continued)*

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

	Relationship with the Group	31 December 2012 Amount	31 December 2012 % of total balance	31 December 2012 Provision for bad debts	31 December 2011 Amount	31 December 2011 % of total balance	31 December 2011 Provision for bad debts
Puxiong Mining	Associate	**7,047,810.01**	**33.37%**	**(704,459.59)**	7,047,810.01	38.78%	(704,459.59)
Hexin Mining	Joint-venture	**2,714,105.90**	**12.85%**	**—**	2,799,725.90	15.41%	—
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	Related party	**86,540.40**	**0.41%**	**—**	—	—	—
		9,848,456.31	**46.63%**	**(704,459.59)**	9,847,535.91	54.19%	(704,459.59)

(5) Advances to suppliers

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

	31 December 2012 Amount	31 December 2012 % of total balance	31 December 2011 Amount	31 December 2011 % of total balance
Within 1 year	**77,955,768.50**	**76.55%**	55,773,024.84	83.10%
1 to 2 years	**17,584,816.01**	**17.27%**	5,581,560.63	8.32%
2 to 3 years	**5,539,792.88**	**5.44%**	5,529,158.50	8.24%
Over 3 years	**750,092.98**	**0.74%**	229,606.96	0.34%
	101,830,470.37	**100.00%**	67,113,350.93	100.00%

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(5) Advances to suppliers *(continued)*

(b) As at 31 December 2012, the top five advances to suppliers are analysed as follows:

	Relationship with the Group	Amount	% of total balance	Recognition date
Wenquan Shunkaida Mining Co., Ltd.	Third party	31,995,700.00	31.42%	2011 and 2012
Shanshan Houwang Copper Mining Co., Ltd.	Third party	15,000,000.00	14.73%	2012
Xinjiang Xituo Mining Co., Ltd.	Third party	12,500,000.00	12.28%	2012
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	Related party	5,000,000.00	4.91%	2012
Xinjiang Huiyou Group Co., Ltd.	Third party	4,473,703.35	4.39%	2010
		68,969,403.35	67.73%	

(c) As at 31 December 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:

	31 December 2012			31 December 2011		
	Amount	**% of total balance**	**Provision for bad debts**	Amount	% of total balance	Provision for bad debts
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	**5,000,000.00**	**4.91%**	**—**	—	—	—
Xinjiang Non-ferrous Industry (Group) Co., Ltd.	**656,200.00**	**0.64%**	**—**	—	—	—
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**602,000.65**	**0.59%**	**—**	518,804.42	0.77%	—
	6,258,200.65	**6.14%**	**—**	518,804.42	0.77%	—

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(6) Inventories

(a) Classification of inventories is as follows:

	31 December 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	**235,132,212.88**	**(543,427.80)**	**234,588,785.08**	207,621,737.52	(543,427.80)	207,078,309.72
Work in progress	**49,291,452.47**	**—**	**49,291,452.47**	89,169,675.17	—	89,169,675.17
Semi-finished goods	**376,007,506.69**	**—**	**376,007,506.69**	273,425,203.42	—	273,425,203.42
Finished goods	**148,828,383.84**	**(4,039,189.91)**	**144,789,193.93**	131,481,357.24	(13,054,146.61)	118,427,210.63
	809,259,555.88	**(4,582,617.71)**	**804,676,938.17**	701,697,973.35	(13,597,574.41)	688,100,398.94

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

	31 December 2011	Current year additions	Current year Write-off	**31 December 2012**
Raw materials	(543,427.80)	—	—	**(543,427.80)**
Finished goods	(13,054,146.61)	(5,222,270.99)	14,237,227.69	**(4,039,189.91)**
	(13,597,574.41)	(5,222,270.99)	14,237,227.69	**(4,582,617.71)**

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(6) Inventories *(continued)*

(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	Sold-out	9.83%

(7) Other current assets

	31 December 2012	31 December 2011
Deductible VAT	**122,002,829.27**	53,055,049.93

(8) Long-term equity investments

	31 December 2012	31 December 2011
Joint-venture *(a)*	**147,668,700.85**	147,076,126.29
Associate *(b)*	**3,587,083.97**	4,352,647.53
	151,255,784.82	151,428,773.82

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

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

(a) Joint-venture

	Accounting treatment	Investment cost	31 December 2011	Share of profit *(Note 7(40))*	31 December 2012	Equity interest held	Voting rights held
Hexin Mining	Equity method	145,326,500.00	147,076,126.29	592,574.56	**147,668,700.85**	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.

(b) Associate

	Accounting treatment	Investment cost	31 December 2011	Share of loss *(Note 7(40))*	31 December 2012	Equity interest held	Voting rights held
Puxiong Mining	Equity method	6,901,029.17	4,352,647.53	(765,563.56)	**3,587,083.97**	**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.

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

(c) Investments in joint-venture and associate

			31 December 2012			2012	
	Equity interest held	voting rights held	Total assets	Total liabilities	Net assets	Revenue	Net profit/ (loss)
Joint-venture – Hexin Mining	50%	50%	614,497,184.40	408,496,555.40	206,000,629.00	122,866,930.34	1,185,149.11
Associate – Puxiong Mining	30%	30%	54,974,013.29	43,017,066.73	11,956,946.56	12,643,264.39	(2,551,878.54)

(9) Fixed assets

	Building	Mining structure	Machinery and equipment	Electronic and office equipment	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	245,243,207.50	153,230,634.26	422,822,027.71	—	—	821,295,869.47
Additions	60,000.00	—	12,998,763.29	2,259,904.10	10,217,591.57	25,536,258.96
Reclassifications	12,042,437.33	—	(13,543,794.31)	1,501,356.98	—	—
Disposal	—	—	—	(1,689.00)	(1,124,360.00)	(1,126,049.00)
Transfer to construction in progress	(181,449,818.34)	—	(388,345,851.50)	—	—	(569,795,669.84)
31 December 2012	**712,109,527.30**	**295,641,545.82**	**1,122,454,407.93**	**24,809,469.48**	**60,846,836.25**	**2,215,861,786.78**
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	21,768,230.41	6,237,498.92	65,089,227.91	3,018,539.96	4,925,780.69	101,039,278.37
Reclassifications	979,220.70	—	(1,586,019.63)	606,798.93	—	—
Disposal	—	—	—	(573.51)	(1,090,629.20)	(1,091,202.71)
Transfer to construction in progress	(6,048,327.24)	—	(25,889,723.40)	—	—	(31,938,050.64)
31 December 2012	**213,635,704.00**	**66,734,648.73**	**259,877,149.44**	**14,454,229.47**	**25,227,618.16**	**579,929,349.80**
Net book value						
31 December 2012	**498,473,823.30**	**228,906,897.09**	**862,577,258.49**	**10,355,240.01**	**35,619,218.09**	**1,635,932,436.98**
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

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(9) Fixed assets *(continued)*

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

For the year ended 31 December 2012, depreciation expense of fixed assets amounted to RMB101,039,278.37 (2011: RMB87,379,423.21) in total, of which RMB91,020,525.16 has been charged to cost of sales, RMB7,264,145.95 to general and administrative expense, RMB140,616.78 to selling expense and RMB2,613,990.48 to construction in progress (2011: RMB76,098,940.30, RMB9,950,538.76, RMB116,792.04 and RMB1,213,152.11).

The costs of fixed assets transferred-in from construction in progress amounted to RMB821,295,869.47 for the year ended 31 December 2012 (2011: RMB833,714,166.14).

For the year ended 31 December 2012, the new smelting project of Kalatongke Mining was transferred into construction in progress for transformation and renovation after its trial operation in March 2012, with costs amounted to RMB569,795,669.84 and accumulated depreciation amounted to RMB31,938,050.64. After the transformation and renovation, the project was transferred back into fixed assets in June 2012, with costs amounted to RMB611,913,328.17 (Note 7(11)).

(a) Temporarily idle fixed assets

	Cost	Accumulated depreciation	Carrying amount
Machinery and equipment	28,872,165.36	(26,952,945.81)	1,919,219.55
Building	797,193.00	(773,277.21)	23,915.79
Electronic and office equipment	170,873.92	(76,962.19)	93,911.73
	29,840,232.28	(27,803,185.21)	2,037,047.07

As at 31 December 2012, machinery and equipment and electronic and office equipment with carrying amount of RMB2,037,047.07 (cost of RMB29,840,232.28) were temporarily idle for the purpose of production facility improvement (31 December 2011: 2,593,984.47 (cost of RMB24,358,269.28)).

(10) Construction materials

	31 December 2011	Additions	Reductions	**31 December 2012**
Construction materials	14,093,703.01	2,510,052.49	(14,962,993.21)	**1,640,762.29**

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(11) Construction in progress

	31 December 2012			31 December 2011		
	Ending balance	**Provision for impairment**	**Carrying amount**	Ending balance	Provision for impairment	Carrying amount
The Company:						
Kalatongke Mine						
Nickel smelting, mining and ore processing project	**—**	**—**	**—**	766,696,018.51	—	766,696,018.51
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	**139,640,070.07**	**—**	**139,640,070.07**	73,048,745.82	—	73,048,745.82
Nickel refining project	**1,650,292.74**	**—**	**1,650,292.74**	1,001,571.44	—	1,001,571.44
Office building	**21,210,422.74**	**—**	**21,210,422.74**	2,538,087.88	—	2,538,087.88
Sub-total of the Company	**162,500,785.55**	**—**	**162,500,785.55**	936,174,052.36	—	936,174,052.36
Subsidiaries:						
Mengxi Mining						
Copper mine exploration in Sangdewulan Area	**—**	**—**	**—**	15,532,600.00	—	15,532,600.00
Xinjiang Yakesi						
Huangshanxi mining and ore processing project	**839,427,503.68**	**—**	**839,427,503.68**	593,341,622.33	—	593,341,622.33
Huangshandong #17 mine construction project	**2,220,960.10**	**—**	**2,220,960.10**	69,523,293.89	—	69,523,293.89
Xiangshan mine construction project	**—**	**—**	**—**	17,258,647.09	—	17,258,647.09
Hami Jubao Mining						
Huangshandong #12 mine project	**—**	**—**	**—**	38,520,386.43	—	38,520,386.43
Zhongxin Mining						
Auxiliary project for smelting operations	**—**	**—**	**—**	11,881,915.80	—	11,881,915.80
Wuxin Copper Mining						
Ten thousand copper smelting project	**1,433,994,324.76**	**—**	**1,433,994,324.76**	932,732,309.80	—	932,732,309.80
DPA project	**65,607,484.57**	**—**	**65,607,484.57**	52,427,854.46	—	52,427,854.46
Shaanxi Xinxin						
Other projects	**691,000.00**	**—**	**691,000.00**	380,000.00	—	380,000.00
Kalatongke Mine						
Nickel smelting, mining and ore processing project	**884,485,524.56**	**—**	**884,485,524.56**	—	—	—
Resource exploration project	**38,935,830.27**	**—**	**38,935,830.27**	—	—	—
Other constructions in progress for production	**57,619,835.67**	**—**	**57,619,835.67**	—	—	—
Beijing Xinding						
Other project	**4,785,154.65**	**—**	**4,785,154.65**	—	—	—
Sub-total of subsidiaries	**3,327,767,618.16**	**—**	**3,327,767,618.16**	1,731,598,629.80	—	1,731,598,629.80
	3,490,268,403.71	**—**	**3,490,268,403.71**	2,667,772,682.16	—	2,667,772,682.16

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(11) Construction in progress *(continued)*

Project name:	Budget	31 December 2011	Current year addition	Transfer from fixed assets *(Note 7(9))*	Transfer to fixed assets *(Note 7(9))*	Current year reduction *(Note 3)*	**31 December 2012**	% of expenditures incurred to budgeted amount	Cumulative capitalised borrowing costs	Including: borrowing costs capitalised in current year	Capitalisation rate	Source of funds
Kalatongke Mining *(Note 2)*												
Nickel smelting, mining and ore processing project	1,592,551,493.00	766,696,018.51	191,845,215.02	537,857,619.20	(611,913,328.17)	–	**884,485,524.56**	97,37%	11,054,803.76	10,132,342.29	6.18%	Self-funding/loans/ government grants
Resource exploration project	53,610,806.00	38,568,548.57	7,463,294.48	–	–	(7,096,012.78)	**38,935,830.27**	85.86%	–	–		Self-funding/ government grants
Other constructions in progress for production	75,046,239.00	54,321,080.14	3,298,755.53	–	–	–	**57,619,835.67**	76.79%	–	–		Self-funding
Fukang Refinery												
Utilisation of tailings project	387,631,650.00	73,048,745.82	71,253,903.74	–	(4,662,579.49)	–	**139,640,070.07**	90.62%	3,078,953.28	3,078,953.28	6.23%	Self-funding
Nickel refining project	163,360,000.00	1,001,571.44	648,721.30	–	–	–	**1,650,292.74**	1.01%	–	–		Self-funding
Office building	23,000,000.00	2,538,087.88	18,672,334.86	–	–	–	**21,210,422.74**	92.22%	–	–		Self-funding
Mengxi Mining												
Copper mine exploration in Sangdewulan Area	28,280,000.00	15,532,600.00	–	–	–	(15,532,600.00)	**–**	N/A	–	–		Self-funding
Xinjiang Yakesi												
Huangshanxi mining and ore processing project	937,259,700.00	593,341,622.33	246,085,881.35	–	–	–	**839,427,503.68**	89.61%	69,157,041.90	49,559,781.88	6.73%	Self-funding/loans/ government grants
Huangshandong #17 mine construction project	102,000,000.00	69,523,293.89	27,873,226.55	–	(95,175,560.44)	–	**2,220,960.00**	95.62%	–	–		Self-funding
Xiangshan mine construction project	34,717,536.00	17,258,647.09	4,992,641.56	–	(22,251,288.65)	–	**–**	98.96%	–	–		Self-funding
Hami Jubao Mining												
Huangshandong #12 mine project	55,800,000.00	38,520,386.43	16,728,760.36	–	(55,249,146.79)	–	**–**	99.01%	–	–		Self-funding
Zhongxin Mining												
Auxiliary project for smelting operations	90,000,000.00	11,881,915.80	1,203,660.05	–	(13,085,575.85)	–	**–**	94.28%	–	–		Self-funding/ government grants
Wuxin Copper Mining												
Ten thousand copper smelting project	1,960,940,100.00	932,732,309.80	520,220,405.04	–	(18,958,390.08)	–	**1,433,994,324.76**	74.09%	22,569,477.16	22,569,477.16	7.11%	Self-funding/ government grants
DPA project	100,000,000.00	52,427,854.46	13,179,630.11	–	–	–	**65,607,484.57**	65.61%	–	–		Self-funding
Shaanxi Xinxin												
Other projects	10,000,000.00	380,000.00	311,000.00	–	–	–	**691,000.00**	6.91%	–	–		Self-funding
Beijing Xinding												
Other project	10,000,000.00	–	4,785,154.65	–	–	–	**4,785,154.65**	47.85%	–	–		Self-funding
	5,624,197,524.00	2,667,772,682.16	1,128,562,584.60	537,857,619.20	(821,295,869.47)	(22,628,612.78)	**3,490,268,403.71**		105,860,276.10	85,340,554.61		

Note 1: As at 31 December 2012, there was no impairment on construction in progress provided. The Group estimates the progress of construction projects based on the proportion of expenditures incurred to budgeted amount.

Note 2: The Company injected the net assets of Kalatongke Mine to Kalatongke Mining. The Construction in process balance as at 31 December 2011 of Kalatongke Mining is the one of Kalatongke Mine as at 31 December 2011.

Note 3: Some exploration projects were proved not economically feasible, thus related expenditures capitalised in construction in progress were transferred out in 2012 and charged to general and administrative expenses.

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(12) Intangible assets

	31 December 2011	Additions/ (reduction)	**31 December 2012**
Cost	1,041,008,431.11	75,327,473.85	**1,116,335,904.96**
Mining rights	699,654,158.24	—	**699,654,158.24**
Exploration rights	208,153,000.00	—	**208,153,000.00**
Land use rights	132,052,779.99	75,048,335.13	**207,101,115.12**
Others	1,148,492.88	279,138.72	**1,427,631.60**
Accumulated amortisation	71,253,487.48	19,095,695.33	**90,349,182.81**
Mining rights	56,978,362.88	14,545,585.49	**71,523,948.37**
Land use rights	13,532,407.31	4,326,529.55	**17,858,936.86**
Others	742,717.29	223,580.29	**966,297.58**
Net book value	969,754,943.63	56,231,778.52	**1,025,986,722.15**
Mining rights	642,675,795.36	(14,545,585.49)	**628,130,209.87**
Exploration rights	208,153,000.00	—	**208,153,000.00**
Land use rights	118,520,372.68	70,721,805.58	**189,242,178.26**
Others	405,775.59	55,558.43	**461,334.02**

For the year ended 31 December 2012, the amortisation expense of intangible assets was RMB19,095,695.33 (2011: RMB17,229,587.20).

The new exploration rights were acquired through the acquisition of Shaanxi Xinxin by the Group in 2011. Shaanxi Xinxin has applied to covert the exploration rights of two mines located in Shangnan, Shaanxi into mining rights. As at 31 December 2012, the application was in the process of approving.

As at 31 December 2012 and 2011, there was no impairment on intangible assets provided.

None of intangible assets was pledged for borrowings.

As at 31 December 2012 and 2011, the Group's land use rights were located in mainland China with land use right periods ranging from 5-70 years.

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(13) Goodwill

	31 December 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 31 December 2012 and 2011, the Group did not make impairment provision on goodwill (Note 4 (27)(b)).

(14) Other non-current assets

	31 December 2012	31 December 2011
Prepayment for purchase of land *(i)*	**45,280,000.00**	113,831,732.40
Prepaid utilities *(ii)*	**41,339,500.00**	46,066,594.10
Total	**86,619,500.00**	159,898,326.50

(i) Included in the balance was RMB40,000,000.00 prepaid for purchase of a land use right for office building construction by Xinjiang Yakesi, and RMB5,280,000.00 prepaid for purchase of a land use right for office building construction by Fukang Refinery.

(ii) The balance represented the prepayment for utilities of Xinjiang Yakesi, which will be offset the utilities to be incurred after 1 January 2014.

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(15) Provision for asset impairment

	31 December 2011	Current year additions *(Note 7(39))*	Current year reductions *(Note 7(39))*	**31 December 2012**
Provision for bad debts	3,720,922.73	90,071.20	(453,334.85)	**3,357,659.08**
Including: Provision for bad debts of accounts receivables	3,010,187.93	—	(453,334.85)	**2,556,853.08**
Provision for bad debts of other receivables	710,734.80	90,071.20	—	**800,806.00**
Provision for decline in value of inventories *(Note 7(b))*	13,597,574.41	5,222,270.99	(14,237,227.69)	**4,582,617.71**
	17,318,497.14	5,312,342.19	(14,690,562.54)	**7,940,276.79**

(16) Notes payable

	31 December 2012	31 December 2011
Bank acceptance notes	**100,000.00**	54,533,511.46

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

(17) Accounts payable

	31 December 2012	31 December 2011
Payable for purchase of materials	**109,928,799.99**	72,370,227.82
Payable for services fee	**44,663,300.85**	19,602,894.52
Payable for transportation fee	**6,417,936.21**	2,091,167.90
Others	**921,494.79**	290,695.13
	161,931,531.84	94,354,985.37

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

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(17) Accounts payable *(continued)*

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

	31 December 2012	31 December 2011
Hexin Mining	**17,459,101.44**	8,126,780.37
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	**2,225,233.45**	1,795,631.92
Fukang Non-ferrous Development Co., Ltd	**1,524,641.58**	406,336.78
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	**1,231,149.26**	732,650.84
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**521,130.20**	—
Xinjiang Non-ferrous Metallurgy Manufacture Factory	**—**	110,003.00
	22,961,255.93	11,171,402.91

(c) As at 31 December 2012, accounts payable over one year with carrying amount of RMB6,925,282.89 (31 December 2011: RMB3,530,486.34) were mainly payables for purchase of materials.

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

	31 December 2012	31 December 2011
Within 3 months	**136,855,237.88**	87,236,805.85
3 to 6 months	**8,759,344.21**	2,260,387.90
Over 6 months	**16,316,949.75**	4,857,791.62
	161,931,531.84	94,354,985.37

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(18) Advances from customers

	31 December 2012	31 December 2011
Advances for sales of goods	**11,005,077.30**	12,337,202.49

(a) As at 31 December 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 RMB9,883,372.28 were recognised as revenue.

(b) As at 31 December 2012, advances from customers over one year was with carrying amount of approximately RMB637,459.61 (31 December 2011: RMB935,234.37).

(c) Advances from related parties

	31 December 2012	31 December 2011
Fuyun Hengsheng Beryllium Industry Co., Ltd.	**18,544.73**	—
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	**—**	603,985.38
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	**—**	455,701.09
	18,544.73	1,059,686.47

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(19) Employee benefits payable

	31 December 2011	Current year additions	Current year reductions	**31 December 2012**
Salaries, bonuses, allowances and subsidies	38,171,614.92	231,016,479.37	(231,031,299.82)	**38,156,794.47**
Staff welfare	203,798.00	10,632,757.19	(10,836,555.19)	**—**
Social insurances	4,242,465.94	55,531,132.80	(55,800,691.07)	**3,972,907.67**
Including: Medical insurance	1,261,506.06	12,314,436.54	(12,398,432.84)	**1,177,509.76**
Pension insurance	1,693,787.07	34,731,887.99	(34,890,275.15)	**1,535,399.91**
Unemployment insurance	1,020,711.80	3,567,296.68	(3,612,787.07)	**975,221.41**
Work injury insurance	204,387.20	3,374,184.21	(3,360,376.47)	**218,194.94**
Maternity insurance	62,073.81	1,472,375.32	(1,467,867.48)	**66,581.65**
Illness insurance	—	70,952.06	(70,952.06)	**—**
Housing funds	1,671,477.42	18,547,704.61	(18,082,165.09)	**2,137,016.94**
Labor union fund and employee education fund	6,168,944.84	7,089,181.80	(5,051,015.22)	**8,207,111.42**
Others	2,150,522.54	2,217,322.78	(2,100,396.78)	**2,267,448.54**
	52,608,823.66	325,034,578.55	(322,902,123.17)	**54,741,279.04**

As at 31 December 2012, no defaulted payables were included in the employee benefits payable and the balance was estimated to be used up in 2013.

(20) Taxes payable

	31 December 2012	31 December 2011
Resource compensation fee	**4,686,439.15**	5,011,681.92
Value added tax payable	**4,052,230.53**	7,013,102.56
Stamp duty	**1,733,365.77**	1,034,103.77
Resource tax	**683,720.92**	557,044.48
Individual income tax	**330,993.41**	888,683.80
City maintenance and construction tax payable	**316,544.39**	482,825.86
Educational surcharge payable	**226,125.80**	349,321.11
Income tax payables	**280.02**	16,904,109.32
Others	**183,507.53**	3,867.88
	12,213,207.52	32,244,740.70

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(21) Other payables

	31 December 2012	31 December 2011
Payables for purchase of equipments	**191,219,270.45**	54,139,285.73
Payables for construction projects	**178,624,322.96**	200,572,117.09
Quality guarantee	**2,981,721.85**	20,686,531.04
Agency fee	**2,288,580.89**	3,012,004.62
Others	**9,317,550.00**	8,704,606.43
	384,431,446.15	287,114,544.91

(a) As at 31 December 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:

	31 December 2012	31 December 2011
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**119,310,475.22**	74,148,263.48
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	**2,226,000.00**	3,226,000.00
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	**282,678.40**	282,678.40
China Non-ferrous Geological Engineering Company	**271,540.40**	—
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	**150,000.00**	50,000.00
Fukang Non-ferrous Development Co., Ltd.	**150,000.00**	50,000.00
	122,390,694.02	77,756,941.88

(c) As at 31 December 2012, other payables over one year with carrying amount of RMB62,625,750.00 (31 December 2011: RMB41,868,548.05) were mainly payables for construction projects, equipment and quality guarantee.

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(22) Provisions

	31 December 2011	Current year reductions *(Note 7(38))*	**31 December 2012**
Provision for close down, restoration and environmental costs	6,117,678.30	(128,416.93)	**5,989,261.37**

A provision is recognised for the present value of costs to be incurred for the restoration of the tailings dam of Kalatongke Mining, Xinjiang Yakesi and Hami Jubao which has been determined by management based on their past experience and best estimate of future expenditure by discounting the expected expenditures to their net present value. However, in so far as the effect of the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The amounts provided in relation to close down, restoration and environmental clean up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly.

(23) Current portion of non-current liabilities

	31 December 2012	31 December 2011
Current portion of long-term borrowings *(Note 7(24))*	**30,000,000.00**	—

As at 31 December 2012, the Group has no overdue borrowings.

The five largest current portion of long-term borrowings:

	Starting date	Ending date	Currency	Interest rate (%)	**31 December 2012** ***Amount in RMB***	31 December 2011 *Amount in RMB*
Bank of Communication	18/10/2010	19/12/2013	RMB	Floating rate	**20,000,000.00**	—
Bank of Communication	01/12/2010	19/12/2013	RMB	Floating rate	**10,000,000.00**	—
					30,000,000.00	—

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(24) Borrowings

(a) Long-term borrowings

	31 December 2012	31 December 2011
Unsecured loans	**720,000,000.00**	569,000,000.00
Less: long-term borrowings mature within one year *(Note 7(23))*	**(30,000,000.00)**	—
	690,000,000.00	569,000,000.00

As at 31 December 2012, the long-term borrowings were due for repayment since December 2013. The interest was payable on a quarterly basis. In 2012 the weighted average interest rate of long-term borrowings was 6.90% annually (2011: 6.75%).

(b) The five largest long-term borrowings

	Starting date	**Ending date**	**Currency**	**Interest rate (%)**	**31 December 2012** ***Amount in RMB***	31 December 2011 *Amount in RMB*
Bank of Communication	08/07/2011	19/12/2016	RMB	Floating rate	**150,000,000.00**	150,000,000.00
Bank of Communication	10/03/2011	19/12/2014	RMB	Floating rate	**50,000,000.00**	50,000,000.00
Bank of Communication	08/07/2011	19/12/2015	RMB	Floating rate	**50,000,000.00**	50,000,000.00
Bank of Communication	10/01/2011	19/12/2014	RMB	Floating rate	**30,000,000.00**	30,000,000.00
Bank of Communication	14/11/2011	18/10/2017	RMB	Floating rate	**30,000,000.00**	30,000,000.00
					310,000,000.00	310,000,000.00

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(24) Borrowings *(continued)*

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

	31 December 2012	31 December 2011
1 to 2 years	**135,000,000.00**	30,000,000.00
2 to 5 years	**455,000,000.00**	430,000,000.00
over 5 years	**100,000,000.00**	109,000,000.00
	690,000,000.00	569,000,000.00

(d) Short-term borrowings

	31 December 2012	31 December 2011
Unsecured loans	**811,500,000.00**	250,000,000.00
Loans by factoring	**33,500,000.00**	—
	845,000,000.00	250,000,000.00

In 2012, the weighted average interest rate of short-term borrowings was 6.34% annually (2011: 6.18%).

Xinjiang Yakesi entered into two factoring agreements with a bank with the factoring financing limit of RMB70,000,000.00 in 2012. Xinjiang Yakesi have got the loan by factoring accounts receivable from Zhongxin Mining with amount of RMB38,713,218.98 (Note 7(3)(9)) and the ending balance of loan was RMB33,500,000.00 as at 31 December 2012 (31 December 2011: nil).

(25) Long-term payables

	31 December 2012	31 December 2011
Entrusted loans	**455,000,000.00**	—

As at 31 December 2012, the entrusted loans were provided to Wuxin Copper Mining, (which is owned as to 66% by the Company and 34% by another shareholder) by Xinjiang Non-ferrous Group through a bank, and a guarantee was provided by the Company and the other shareholder of Wuxin Copper Mining in proportion to this respective equity interest in Wuxin Copper Mining. The entrusted loans will be mature within two years, and the interest rates are from 6.77% to 7.32%.

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(26) Other non-current liabilities

	31 December 2012	31 December 2011
Deferred income *(a)*	**51,855,931.20**	39,763,291.04

(a) Deferred income

	31 December 2012	31 December 2011
– Enterprise development fund *(Note 1)*	**22,603,000.00**	12,603,000.00
– Land use right *(Note 2)*	**9,335,113.60**	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)*	**5,925,000.00**	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
– Online monitoring of pollution sources *(Note 6)*	**400,000.00**	400,000.00
– Project on recovery of No. 1 mine residual ore *(Note 7)*	**112,817.60**	135,399.56
	51,855,931.20	39,763,291.04

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

(a) Deferred income *(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. According to relevant document, Xinlin Chemical was entitled enterprise development fund allocation of RMB10,000,000.00 by Finance Bureau of Fukang in 2012. These projects are currently in progress.

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

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

Note 4: The project funds were allocated by Finance Department of Xinjiang Uygur Autonomous Region Urumchi City. Some of the blast furnace system projects have been put into use since December 2011, and the relevant government funds were amortized based on the 10-year useful life of the assets.

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 RMB1,300,000.00 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 assets have been put into use since October 2007, and the relevant government funds were amortized based on the 10-year useful life of the assets.

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(27) Deferred tax assets and deferred tax liabilities

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

	31 December 2012		31 December 2011	
	Deferred tax assets	**Deductible temporary differences**	Deferred tax assets	Deductible temporary differences
Deductible tax losses	**11,794,153.90**	**47,176,615.60**	7,614,009.38	30,456,037.50
Unrealized profit	**7,389,885.69**	**46,099,425.60**	2,445,678.31	9,782,713.22
Government grants	**4,819,454.40**	**19,917,817.60**	4,403,849.89	17,615,399.56
Impairment provision	**1,749,736.53**	**7,940,276.79**	4,259,178.33	17,318,497.16
Others	**226,655.24**	**906,620.96**	320,555.29	1,282,221.16
	25,979,885.76	**122,040,756.55**	19,043,271.19	76,454,868.60

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

	31 December 2012		31 December 2011	
	Deferred tax liabilities	**Taxable temporary differences**	Deferred tax liabilities	Taxable temporary differences
Business combination involving entities not under common control *(Note)*	**138,607,490.13**	**600,169,183.41**	150,863,045.84	603,452,183.36

Note: Deferred tax liabilities mainly represented the difference between the fair value and tax base of the mining rights, exploration rights, fixed assets and land use rights arised from the business combination involving entities not under common control.

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

	31 December 2012	31 December 2011
Deductible temporary differences	**23,714,795.08**	4,181,058.94

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(28) Share capital

Domestic shares	**31 December 2012** Number of shares	% of issued capital	31 December 2011 Number of shares	% of issued capital
Sponsors:				
Xinjiang Non-ferrous Group	**885,204,000**	**40.06%**	885,204,000	40.06%
Shanghai Yilian	**282,896,000**	**12.80%**	282,896,000	12.80%
Zhongjin Investment	**198,028,000**	**8.96%**	198,028,000	8.96%
Xiamen Zijin	**56,580,000**	**2.56%**	56,580,000	2.56%
Xinjiang Xinying	**22,020,000**	**1.00%**	22,020,000	1.00%
Shaanxi Honghao	**6,272,000**	**0.28%**	6,272,000	0.28%
Subtotal	**1,451,000,000**	**65.66%**	1,451,000,000	65.66%
H share holders	**759,000,000**	**34.34%**	759,000,000	34.34%
	2,210,000,000	**100.00%**	2,210,000,000	100.00%

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

(29) Capital surplus

	Contribution from Parent Company related to mining right *(Note 1)*	**Share premium** *(Note 2)*	**Total**
As at 1 January 2012 and 31 December 2012	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.

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(30) Specific reserve

	31 December 2011	Current year additions	Current year reductions	**31 December 2012**
Safety fund *(Note)*	—	13,953,142.77	(13,953,142.77)	**—**

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

Note: Pursuant to certain regulations issued by the State Administration of Work Safety, Kalatongke Mining, Xinjiang Yakesi and Hami Jubao are required to set aside an amount to a safety fund at RMB10 (2011: RMB8) per ton of raw ore mined by Kalatongke Mining, Xinjiang Yakesi and Hami Jubao; and at 4% of consumed amount of vitriol for FuKang Refinery. The accrual of safety fund is charged to production cost and credited to specific reserve. The safety expenditures that are expenses in nature are directly debited to specific reserve. All specific reserve expenditures were expenses in nature for the year ended 31 December 2012 (2011: All).

(31) Surplus reserve

	31 December 2011	Current year additions	Current year reductions	**31 December 2012**
Statutory reserve	217,192,800.32	8,186,715.58	—	**225,379,515.90**

Pursuant to the PRC Company Law and the Company's Articles of Association, every year the Company are required to appropriate 10% of the profit after taxation to the statutory reserve until the balance reaches 50% of the share capital. Subject to the approval, such reserve can be used to offset against net losses or to increase share capital. According to a resolution at the Board of Directors, the Company appropriated 10% of net profit, amounting to RMB8,186,715.58 for the year ended 31 December 2012, (2011: 10% of the net profit for year, amounting to RMB22,386,250.74) to the statutory reserve.

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(32) Undistributed profits

	2012		2011	
	Amount	**Ratio for appropriation or distribution**	Amount	Ratio for appropriation or distribution
Undistributed profits at the beginning of the year	**314,373,550.50**	**—**	476,994,280.77	—
Add: Net profit attributable to the equity holders of Company for the year	**21,823,335.27**	**—**	191,265,520.47	—
Less: Appropriation for statutory reserve	**(8,186,715.58)**	**10%**	(22,386,250.74)	10%
Ordinary share dividend	**(66,300,000.00)**	**—**	(331,500,000.00)	—
Undistributed profits at the end of the year	**261,710,170.19**	**—**	314,373,550.50	—

As at 31 December 2012, included in the undistributed profits, RMB39,272,353.19 was subsidiaries' surplus reserve attributable to the Company (31 December 2011: RMB34,369,603.55), of which RMB4,902,749.64 was appropriated for the year ended 31 December 2012 (2011: RMB5,824,993.08).

	2012	2011
Dividends proposed but not paid as at year end	**—**	66,300,000.00
Total dividends paid in the year	**66,300,000.00**	331,500,000.00

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.

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(33) Minority interests

Minority interests attributable to the minority shareholders of subsidiaries

	31 December 2012	31 December 2011
Wuxin Copper Mining	**264,913,162.38**	267,341,206.45
Shaanxi Xinxin	**75,788,246.73**	76,514,306.37
Zhongxin Mining	**2,266,455.62**	2,735,866.20
Mengxi Mining	**1,844,976.08**	9,836,308.34
	344,812,840.81	356,427,687.36

(34) Revenue and cost of sales

	2012	2011
Revenue from main operation	**1,492,602,582.78**	1,408,819,232.09
Revenue from other operation	**36,609,399.83**	45,823,449.76
	1,529,211,982.61	1,454,642,681.85

	2012	2011
Cost of sales from main operation	**1,290,318,398.93**	1,035,949,191.76
Cost of sales from other operation	**23,473,392.62**	23,948,538.02
	1,313,791,791.55	1,059,897,729.78

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

(a) Revenue and cost of sales from main operation

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

	2012		2011	
	Revenue from main operation	**Cost of sales from main operation**	Revenue from main operation	Cost of main operation
Nickel cathode	**1,096,752,118.61**	**986,781,418.82**	1,060,176,063.79	768,180,637.85
Copper cathode	**355,817,148.55**	**273,679,070.76**	279,116,913.43	232,161,439.22
Copper concentrate	**16,113,714.05**	**6,104,195.20**	36,773,462.24	10,783,082.50
Others	**23,919,601.57**	**23,753,714.15**	32,752,792.63	24,824,032.19
	1,492,602,582.78	**1,290,318,398.93**	1,408,819,232.09	1,035,949,191.76

(b) Revenue and cost of sales from other operation

	2012		2011	
	Revenue from main operation	**Cost of sales from main operation**	Revenue from main operation	Cost of main operation
Sales of electricity	**14,425,671.15**	**14,699,432.24**	14,069,319.98	14,005,119.18
Scrap sales	**8,454,386.02**	**693,264.32**	19,460,856.19	2,171,886.39
Sales of materials	**8,272,045.25**	**5,267,619.53**	6,970,168.06	5,633,540.35
Supply of heating	**1,229,717.80**	**729,293.34**	1,382,003.01	783,120.32
Others	**4,227,579.61**	**2,083,783.19**	3,941,102.52	1,354,871.78
	36,609,399.83	**23,473,392.62**	45,823,449.76	23,948,538.02

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

(c) Revenue from top five customers of the Group

Revenue from top five customers of the revenue of the Group amounted to RMB932,511,460.34, which accounted for 60.99% (2011: RMB934,256,361.49, accounted for 64.23%) of the total revenue of the Group. Details are as follows:

	Revenue of sales	Percentage of the total revenue of the Group
Shaanxi Shenghua Non-ferrous Metal Co., Ltd.	307,449,307.60	20.11%
Ningbo Kelun Metal Co., Ltd.	182,994,149.38	11.97%
Tianfeng Stainless Steel	163,579,426.36	10.70%
Yunan Kelun Ferroalloy Smelting Co., Ltd.	152,074,275.72	9.94%
Shenyang Chengtong Metal Co., Ltd.	126,414,301.28	8.27%
	932,511,460.34	60.99%

(35) Tax and surcharges

	2012	2011
City maintenance and construction tax	**6,139,472.05**	3,699,297.69
Education surcharge	**5,250,184.40**	3,093,834.86
Others	**299,736.68**	9,972.70
	11,689,393.13	6,803,105.25

(36) Selling expenses

	2012	2011
Transportation fee	**12,121,796.15**	8,752,398.28
Employee benefits	**1,129,320.40**	1,149,080.69
Administration and travel expense	**360,580.33**	152,835.28
Depreciation	**140,616.78**	116,792.04
Others	**1,912,411.94**	1,664,131.58
	15,664,725.60	11,835,237.87

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(37) General and administrative expenses

	2012	2011
Employee benefits	**72,690,512.29**	59,793,227.11
Exploration expenditures *(Note)*	**26,535,866.01**	—
Mineral resources compensation fees	**15,547,415.12**	18,862,816.00
Administration expense	**19,425,034.80**	19,331,255.16
Depreciation and amortization	**10,100,326.45**	12,844,811.35
Taxation	**7,021,315.52**	5,753,864.93
Sewage charges	**6,214,952.00**	6,512,599.00
Intermediary agency fee	**3,875,329.78**	3,742,623.88
Service charge	**3,230,900.50**	3,200,900.00
Auditor's Remuneration	**2,180,000.00**	1,980,000.00
Operating leases expenses	**1,810,051.42**	1,768,736.53
Others	**1,155,331.40**	1,942,995.50
	169,787,035.29	135,733,829.46

Note: As described in Note 7(11)(3), exploration expense mainly represented those exploration expenditures previously capitalised in construction in progress transferred out to general and administrative expenses in 2012, and those exploration expenditures which actual occurred but not capitalised in 2012.

(38) Financial (expenses)/income – net

	2012	2011
Interest income on bank deposits	**7,033,482.67**	17,106,568.88
Discount interest income *(Note 7(22))*	**128,416.93**	702,173.82
Interest expense on bank borrowings	**(9,066,880.41)**	(5,423,414.08)
Notes discounted	**(1,158,371.67)**	—
Bank charges	**(261,248.38)**	(195,256.69)
Foreign exchange (loss)/gains	**(132,337.02)**	1,893,811.80
Loan interest income from an associate	**442,331.94**	442,400.00
	(3,014,605.94)	14,526,283.73

For each of the years ended 31 December 2011 and 2012, all the Group's interest expense was related to the bank borrowings, and the last payment date of these borrowings is within 5 years.

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(39) Asset impairment losses (Note 7(15))

	2012	2011
Provision for decline in value of inventories	**5,222,270.99**	13,054,146.61
Provision for bad debts — net	**(363,263.65)**	289,797.54
	4,859,007.34	13,343,944.15

(40) Investment (loss)/income (Note 7(8))

	2012	2011
Income from a joint-venture under equity method	**592,574.56**	5,310,740.76
Loss from an associate under equity method	**(765,563.56)**	(303,541.21)
	(172,989.00)	5,007,199.55

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

	2012	2011	Reason for current year fluctuation
Hexin Mining	**592,574.56**	5,310,740.76	Change of operating situation of invested company
Puxiong Mining	**(765,563.56)**	(303,541.21)	Change of operating situation of invested company
	(172,989.00)	5,007,199.55	

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(41) Non-operating income

	2012	2011
Government grants *(Note (a))*	**2,841,897.88**	7,308,576.96
Gains on disposal of fixed assets	**2,034.65**	220,331.07
Others	**881,389.15**	1,594,089.03
	3,725,321.68	9,122,997.06

(a) Details of government grants

	2012	2011
Funds for the development of new type industry	**1,970,000.00**	350,000.00
Energy saving subsidies	**630,000.00**	105,000.00
Incentive for termination of obsolete production facilities	**—**	4,410,000.00
Funds for technological transformation	**—**	1,780,000.00
Social security benefits for enterprise in difficulties	**—**	13,717.00
Others	**241,897.88**	649,859.96
Total	**2,841,897.88**	7,308,576.96

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(42) Non-operating expenses

	2012	2011
Penalties and fines	**453,023.52**	558,977.72
Donations	**210,503.00**	2,020,360.00
Losses on disposal of fixed assets	**17,114.44**	1,864,739.71
Others	**463,734.83**	275,536.46
	1,144,375.79	4,719,613.89

(43) Income tax expenses

	2012	2011
Current income tax	**21,797,062.21**	50,913,726.16
Deferred income tax	**(19,192,170.28)**	9,637,184.64
	2,604,891.93	60,550,910.80

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

	2012	2011
Total profit	**12,813,380.65**	250,965,701.79
Income tax expenses calculated at applicable tax rate of 25%	**3,203,345.16**	62,741,425.45
Effect of tax reductions	**(13,733,445.14)**	(6,057,526.83)
Effect of change in the tax rates	**779,536.72**	—
Income not subject to tax identification	**—**	(1,251,799.89)
Expenses not deductible for tax purposes	**5,507,710.40**	4,393,753.19
Deductible temporary differences for which no deferred tax assets were recognised	**5,928,698.77**	725,058.88
Differences recognised by tax law for previous year's losses	**919,046.02**	—
	2,604,891.93	60,550,910.80

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(44) Earnings per share

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

	2012	2011
Consolidated net profit attributable to equity holders of the Company	**21,823,335.27**	191,265,520.47
Weighted average number of ordinary shares in issue of the Company	**2,210,000,000.00**	2,210,000,000.00
Basic/diluted earnings per share	**0.010**	0.087

Diluted earnings per share is calculated by dividing net profit attributable to equity holders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares in issue of the Company. As there were no dilutive potential ordinary shares in 2012 (2011: nil), diluted earnings per share equal to basic earnings per share.

(45) Notes to consolidated cash flow statements

(a) Cash received relating to other operating activities

	2012	2011
The receipt of restricted cash at banks	**30,221,211.35**	—
Government grants received	**14,692,640.16**	7,308,576.96
Interest income	**7,599,250.38**	20,334,065.35
Others	**729,701.63**	6,366,430.02
	53,242,803.52	34,009,072.33

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

(b) Cash paid relating to other operating activities

	2012	2011
Administrative expenses	**19,985,615.13**	20,137,674.30
Transportation expenses	**12,121,796.15**	9,975,544.53
Sewage charge	**6,214,952.00**	6,512,599.00
Agency fee	**6,055,329.78**	7,048,645.27
Comprehensive supporting service fee	**3,230,900.50**	3,200,900.00
Public welfare donations	**210,503.00**	2,020,360.00
Others	**582,691.51**	3,229,192.45
	48,401,788.07	52,124,915.55

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

	2012	2011
Net profit	**10,208,488.72**	190,414,790.99
Adjustment:		
Provisions for asset impairment	**4,859,007.34**	13,343,944.15
Depreciation of fixed assets	**98,425,287.89**	86,166,271.10
Amortisation of intangible assets	**17,478,848.24**	17,229,587.20
Loss on disposal of fixed assets	**15,079.79**	1,644,408.64
(Increase)/decrease in deferred tax assets	**(6,936,614.57)**	10,519,699.84
(Decrease)/increase in deferred tax liabilities	**(12,255,555.71)**	(882,515.21)
Financial expenses	**10,096,835.15**	4,981,014.08
Amortisation of long-term prepaid expenses	**193,870.55**	279,852.68
Investment loss/(gain)	**172,989.00**	(5,007,199.55)
Increase in inventories	**(121,798,810.22)**	(244,745,112.31)
Increase in operating receivables	**(171,488,152.35)**	(253,431,990.65)
(Decrease)/Increase in operating payables	**(14,505,624.76)**	22,807,603.66
Decrease in restricted cash at banks	**30,221,211.35**	1,175,000.55
Expensed exploration project expenditure	**22,628,612.78**	
Others	**—**	(954,228.03)
Net cash flows from operating activities	**(132,684,526.80)**	(156,458,872.86)

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

(d) Movement of cash and cash equivalents

	2012	2011
Cash and cash equivalents at the end of the year *(Note (e))*	**470,196,746.21**	568,501,002.36
Less: cash and cash equivalents at the beginning of the year	**(568,501,002.36)**	(1,501,686,084.60)
Net increase in cash and cash equivalents	**(98,304,256.15)**	(933,185,082.24)

(e) Cash and cash equivalents

	2012	2011
Cash	**470,196,746.21**	568,501,002.36
Including: Cash on hand	**180,693.71**	52,164.69
Cash at bank that can be readily drawn on demand	**470,016,052.50**	568,448,837.67
Cash and cash equivalents	**470,196,746.21**	568,501,002.36

(f) Acquisition of a subsidiary

	2012	2011
Consideration for acquisition	—	80,000,000.00
Cash and cash equivalents paid for acquisition	—	80,000,000.00
Less: cash and cash equivalents held by the subsidiary	—	(34,684.92)
Net cash paid for acquisition	—	79,965,315.08

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

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

Net assets of the subsidiary acquired

	2012	2011
Current assets	—	114,684.92
Non-current assets	—	208,236,810.00
Current liabilities	—	(3,200,000.00)
Non-current liabilities	—	(48,788,250.00)
	—	156,363,244.92

8 SEGMENT INFORMATION

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

For each of the years ended 31 December 2012 and 2011, the Group's sales were conducted in China and the Group's assets and liabilities were in China.

For the year ended 31 December 2012, revenue of top three customers of the Group accounted for 20%, 12% and 11% of the total revenue of the Group respectively (2011: 23%, 19% and 10%).

9 CONTINGENCIES

(1) Environmental contingencies

Historically, the Group has not incurred any significant expenditure for environmental remediation. Further, except as disclosed in Note 7(22), 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 provided

Please refer to Note 7(25), 10(7).

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Information of the parent company

(a) Information of the parent company

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

The Company's ultimate controlling party is Xinjiang Non-ferrous Group.

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

Name of company	31 December 2011	Current year additions	Current year reductions	**31 December 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	**31 December 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(8).

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

(4) Other related party information

Name of related parties	Relationship with the Group	Code of organisation
Xinjiang Ashele Copper Industry Co., Ltd.	Associate of holding company	71296908-X
Xinjiang Haoxin Lithia Developing Co., Ltd.	Fellow subsidiary	792293875
Xinjiang A'xi Gold Mine	Fellow subsidiary	230581082
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	Fellow subsidiary	742210752
Xinjiang Non-ferrous Metal Dibian Trade Co., Ltd	Fellow subsidiary	228582932
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd,	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
Xinjiang Non-ferrous Geological Engineering Co ., Ltd.	Fellow subsidiary	22877641-1
Hexin Mining	Joint-venture	792293429
Puxiong Mining	Associate	741914686

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

(5) Related party transactions

(a) Pricing policy of transactions with related party

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

(b) Purchases of materials from related parties

	2012	2011
Purchase of equipment parts		
China Non-ferrous Metal Import and Export Company of Xinjiang Co., Ltd.	**40,969,764.66**	—
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**5,899,919.84**	291,038.29
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	**—**	133,136.24
Purchase of nickel concentrate		
Hexin Mining	**96,678,026.10**	118,880,368.14
Purchase of raw materials and consumables		
Fukang Non-ferrous Development Co., Ltd.	**6,280,923.69**	5,075,880.93
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**48,717.95**	699,522.00
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	**20,722.73**	—
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	**4,760.68**	100,083.08
	149,902,835.65	125,180,028.68

Purchase of raw materials from related parties for the year ended 31 December 2012 represented 11.28% of total purchase of raw materials (2011: 11.20%).

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

(5) Related party transactions *(continued)*

(c) Provision of services by related parties

	2012	2011
Construction services		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**303,828,750.81**	317,813,871.18
China Non-ferrous Geological Engineering Company	**271,540.40**	—
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	**—**	44,339,694.37
Fukang Non-ferrous Development Co., Ltd.	**—**	2,751,385.46
Provision of heat		
Fukang Non-ferrous Development Co., Ltd.	**26,782.41**	10,551.17
Transportation services		
Fukang Non-ferrous Development Co., Ltd.	**6,244,289.68**	3,801,925.05
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	**7,406,366.59**	3,811,153.63
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	**522,880.00**	—
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	**120,014.57**	—
Comprehensive supporting services		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	**3,400,900.50**	3,400,900.00
Storage fee		
Beijing Baodi Xindi Kemao Co., Ltd.	**1,065,441.25**	4,133,459.26
Other services		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	**1,188,143.28**	1,289,288.85
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**—**	1,235,534.40
	324,075,109.49	382,587,763.37

Payment for construction services to related party for 2012 represents 18.25% of total payment of construction services. (2011: 29%).

Payment for transportation services to related party 2012 represents 28.15% of total payment of transportation services. (2011: 29%).

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

(5) Related party transactions *(continued)*

(d) Sale of products to related parties

	2012	2011
Fuyun Hengsheng Beryllium Industry Co., Ltd.	**21,871,258.85**	14,879,285.08
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**3,246,841.83**	1,768,667.62
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	**20,808.12**	24,244.29
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	**—**	9,901,110.14
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	**—**	4,611,978.30
	25,138,908.80	31,185,285.43

Sales of products to related parties for the year ended 31 December 2012 represented 1.64% of total sales (2011: 2.1%).

(e) Lease fee payable to a related party

	2012	2011
Xinjiang Non-ferrous Group	**1,635,930.00**	1,635,930.00

The Group and Xinjiang Non-ferrous Group entered into an agreement that the Group leases the office from Xinjiang Non-ferrous Group during 1 January 2010 to 31 December 2012. Rental fee payable to Xinjiang Non-ferrous Group accounted for 90.38% of total lease fee (2011 : 100%).

The Group and Xinjiang Non-ferrous Group renewed the lease contract in 2012, and agreed that the Group continues to lease the office from Xinjiang Non-ferrous Group from 1 January 2013 to 31 December 2015.

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

(5) Related party transactions *(continued)*

(f) Remuneration of key management

	2012	2011
Remuneration of key management	**5,260,394.20**	5,073,393.13

Directors' emoluments for the year ended 31 December 2012 are as follows:

Name	**Fee**	**Salary and allowance**	**Pension**	**Total**
Yuan Ze	**—**	**533,600.00**	**—**	**533,600.00**
Shi Wenfeng	**—**	**540,300.00**	**20,660.40**	**560,960.40**
Zhang Guohua	**—**	**540,300.00**	**20,660.40**	**560,960.40**
Liu Jun	**—**	**433,500.00**	**20,660.40**	**454,160.40**
Li Wing Sum, Steven	**104,520.00**	**—**	**—**	**104,520.00**
Chen Jianguo	**70,000.00**	**—**	**—**	**70,000.00**
Wang Lijin	**70,000.00**	**—**	**—**	**70,000.00**
Total	**244,520.00**	**2,047,700.00**	**61,981.20**	**2,354,201.20**

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

Name	Fee	Salary and allowance	Pension	Total
Yuan Ze	—	533,600.00	—	533,600.00
Shi Wenfeng	—	560,345.00	16,987.00	577,332.00
Zhang Guohua	—	560,345.00	16,987.00	577,332.00
Liu Jun	—	453,545.00	16,987.00	470,532.00
Li Wing Sum, Steven (Appointed on 14 October 2011)	21,956.46	—	—	21,956.46
Chen Jianguo	70,000.00	—	—	70,000.00
Wang Lijin (Appointed on 16 May 2011)	33,333.33	—	—	33,333.33
Ng Yuk Keung (Retired on 14 October 2011)	79,166.67	—	—	79,166.67
Sun Baosheng (Deceased on 12 March 2011)	10,416.67	—	—	10,416.67
Total	214,873.13	2,107,835.00	50,961.00	2,373,669.13

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

(5) Related party transactions *(continued)*

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

Supervisors' emoluments for the year ended 31 December 2012 are as follows:

Name	**Fee**	**Salary and allowance**	**Pension**	**Total**
Jiang Mingshun	**—**	**390,800.00**	**20,660.40**	**411,460.40**
Sun Baohui	**—**	**420,536.00**	**20,660.40**	**441,196.40**
Hu Zhijiang	**40,000.00**	**—**	**—**	**40,000.00**
Chen Yuping	**40,000.00**	**—**	**—**	**40,000.00**
Total	**80,000.00**	**811,336.00**	**41,320.80**	**932,656.80**

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

Name	Fee	Salary and allowance	Pension	Total
Jiang Mingshun	—	391,580.00	16,987.00	408,567.00
Sun Baohui	—	364,996.00	17,179.20	382,175.20
Hu Zhijiang	28,750.00	—	—	28,750.00
Chen Yuping	28,750.00	—	—	28,750.00
Total	57,500.00	756,576.00	34,166.20	848,242.20

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

(5) Related party transactions *(continued)*

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

The five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2011: three) directors whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining two (2011: two) individuals during the year are as follows:

	2012	2011
Basic salaries, bonus, housing allowance, other allowances in kind	**1,026,800.00**	1,053,545.00
Pension	**34,410.40**	26,787.00
	1,061,210.40	1,080,332.00

	Number of individuals	
	2012	2011
Emolument bands:		
HK$0 – 1,000,000 (approximately RMB0 – 810,700)	**2**	2

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

(5) Related party transactions *(continued)*

(g) Receipt of loan repayment from a related party

	2012	2011
Hexin Mining	**—**	50,000,000.00

(h) Receipt of repayment of interest from an associate

	2012	2011
Puxiong Mining	**442,331.94**	442,400.00

(i) Dividend paid

	2012	2011
Xinjiang Non-ferrous Group	**26,556,120.00**	132,780,600.00

(j) Receipt of entrusted loans *(Note 7(25))*

	2012	2011
Xinjiang Non-ferrous Group	**455,000,000.00**	—

(k) Use of registered trademark

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

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

(6) Balances due from or due to related parties

(a) Accounts receivable

	2012	2011
Fuyun Hengsheng Beryllium Industry Co., Ltd.	**1,155,416.10**	1,255,416.10
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**703,000.00**	502,200.00
Xinjiang Haoxin Lithia Developing Co., Ltd.	**324,351.70**	324,351.70
	2,182,767.80	2,081,967.80

As at 31 December 2012, the receivables from related parties accounted for 4.53% of total receivables (2011: 3%). Bad debt provision for the receivables due from related parties amounted to RMB324,351.70 (2011: RMB654,823.84).

(b) Other receivables

	31 December 2012	31 December 2011
Puxiong Mining	**7,047,810.01**	7,047,810.01
Hexin Mining	**2,714,105.90**	2,799,725.90
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**86,540.40**	—
	9,848,456.31	9,847,535.91

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

(c) Advances to suppliers

	31 December 2012	31 December 2011
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	**5,000,000.00**	—
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	**656,200.00**	—
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**602,000.65**	518,804.42
	6,258,200.65	518,804.42

As at 31 December 2012, the advances to related parties accounted for 6.14% of total advances (2011: 0.77%).

(d) Accounts payable

	31 December 2012	31 December 2011
Hexin Mining	**17,459,101.44**	8,126,780.37
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	**2,225,233.45**	1,795,631.92
Fukang Non-ferrous Development Co., Ltd.	**1,524,641.58**	406,336.78
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	**1,231,149.26**	732,650.84
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**521,130.20**	—
Xinjiang Non-ferrous Metallurgy Manufacture Factory	**—**	110,003.00
	22,961,255.93	11,171,402.91

As at 31 December 2012, the payables to related parties accounted for 14% of total payables (31 December 2011: 12%).

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

(e) Other payables

	31 December 2012	31 December 2011
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**119,310,475.22**	74,148,263.48
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	**2,226,000.00**	3,226,000.00
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	**282,678.40**	282,678.40
Xinjiang Non-ferrous Geological Engineering Co., Ltd.	**271,540.40**	—
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	**150,000.00**	50,000.00
Fukang Non-ferrous Development Co., Ltd.	**150,000.00**	50,000.00
	122,390,694.02	77,756,941.88

As at 31 December 2012, the other payables to related parties accounted for 32% of total other payables (2011: 27%).

(f) Advances from customers

	31 December 2012	31 December 2011
Fuyun Hengsheng Beryllium Industry Co., Ltd.	**18,544.73**	—
Xinjiang Non-ferrous Metals Industrial Materials (Group) Co., Ltd.	**—**	603,985.38
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	**—**	455,701.09
	18,544.73	1,059,686.47

As at 31 December 2012, advances from related parties accounted for 0.17% of total advances from customers (2011: 9 %).

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

(g) Long-term payables *(Note 7(25))*

	31 December 2012	31 December 2011
Non-ferrous Group	**455,000,000.00**	—

(7) Guarantee for a related party

Except for Note 7(25), for the year ended 31 December 2011, each of the Company and the joint venture partner has issued corporate guarantees of RMB243,000,000.00 in favour of Hexin Mining's bank borrowing of RMB386,000,000.00 and financial lease of RMB100,000,000.00 (the finance lease with remaining balance of RMB19,873,385.95 as at 31 December 2012). Such corporate guarantees remained in force as at 31 December 2012.

11 COMMITMENTS

(1) Capital commitments

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

	31 December 2012	31 December 2011
Buildings, machinery, and equipment	**889,366,358.97**	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:

	31 December 2012	31 December 2011
Within one year	**1,635,930.00**	1,635,930.00
Between one and two years	**1,635,930.00**	—
Between two and three years	**1,635,930.00**	—
	4,907,790.00	1,635,930.00

12 EVENTS AFTER THE BALANCE SHEET DATE

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

13 FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, liquidity risk, and concentration 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 mainly arises mainly from bank loans and interest-bearing long-term borrowings. Bank deposits and loans at variable rate expose the Group to cash flow interest rate risk. The Group adjusts the relative proportion of contracts at fixed rate and contracts at floating rate based on market situation. As at 31 December 2012, the Group's interest bearing borrowings were mainly at floating rates and denominated in RMB, which totalled RMB2,020,000,000.00 (2011: RMB819,000,000.00).

As at 31 December 2012, if interest rates had been 10% lower/higher with all other variables held constant, post-tax profit would have increased/decreased by approximately RMB7,858,000.00 (31 December 2011: 1,268,000.00).

(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, and notes receivable etc.

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

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

13 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 maturity of all financial assets of the Group are within one year and the amounts of financial liabilities disclosed in the following table are the contractual undiscounted cash flows.

			31 December 2012		
	Within 1 year	1 to 2 years	2 to 5 years	above 5 years	total
Trade payables	161,931,531.84	—	—	—	161,931,531.84
Borrowings and long-term payable	997,724,081.05	650,287,652.74	535,002,282.19	108,247,912.53	2,291,261,928.51
Notes payable	100,000.00	—	—	—	100,000.00
Other payables and accruals	384,431,446.15	—	—	—	384,431,446.15
	1,544,187,059.04	650,287,652.74	535,002,282.19	108,247,912.53	2,837,724,906.50

(d) Concentration risk

Revenues are principally derived from sales of nickel cathode and copper cathode. Approximately 61% of the total sales for the year ended 31 December 2012 (2011: 64%) were contributed by the top five 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.

13 FINANCIAL INSTRUMENT AND RISK *(CONTINUED)*

(1) Market risk *(continued)*

(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 accounts receivable, accounts payable, notes receivable, notes payable and borrowings. As at 31 December 2012 and 2011, there were no financial instruments which are subsequently measured at fair value for the Group.

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Cash and bank balances

	31 December 2012	31 December 2011
Cash on hand	**11,751.28**	31,210.98
Cash at bank	**361,406,990.33**	484,954,559.69
Restricted cash at banks	**6,295,313.63**	1,000,000.00
	367,714,055.24	485,985,770.67

(2) Notes receivable

	31 December 2012	31 December 2011
Bank acceptance notes	**422,005,436.30**	286,113,627.37

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(3) Accounts receivable

	31 December 2012	31 December 2011
Accounts receivable	**47,862,590.63**	101,032,688.04
Less: provision for bad debts	**(2,556,853.08)**	(3,010,187.93)
	45,305,737.55	98,022,500.11

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

	31 December 2012			31 December 2011		
	Amount		**Provision for bad debts**	Amount		Provision for bad debts
	Amount	**% of total balance**	**Amount**	Amount	% of total balance	Amount
Within 1 year	**42,677,499.01**	**89.17%**	**—**	97,789,242.56	96.79%	(103,410.62)
1 to 2 years	**2,048,554.14**	**4.28%**	**—**	192,954.70	0.19%	(57,886.41)
2 to 3 years	**192,954.70**	**0.40%**	**—**	501,558.70	0.50%	(299,958.82)
3 to 4 years	**394,650.70**	**0.82%**	**(7,921.00)**	324,351.70	0.32%	(324,351.70)
Over 4 years	**2,548,932.08**	**5.33%**	**(2,548,932.08)**	2,224,580.38	2.20%	(2,224,580.38)
	47,862,590.63	**100.00%**	**(2,556,853.08)**	101,032,688.04	100.00%	(3,010,187.93)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(3) Accounts receivable *(continued)*

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

	31 December 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	–	–	–	–	–	–	–	–
That the related provision for bad debts is provided on the grouping basis								
— Related Party Group	4,030,765.94	8.42%	(324,351.70)	8.04%	1,579,767.80	1.56%	(654,823.84)	41.45%
— Ageing Group	43,831,824.69	91.58%	(2,232,501.38)	5.09%	99,452,920.24	98.44%	(2,355,364.09)	2.37%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	–	–	–	–	–	–	–	–
	47,862,590.63	100.00%	(2,556,853.08)	5.34%	101,032,688.04	100.00%	(3,010,187.93)	2.98%

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(3) Accounts receivable *(continued)*

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

	31 December 2012				31 December 2011			
	Amount		Provision for bad debts		Amount		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	41,069,502.21	93.70%	–	–	97,020,556.16	97.55%	(64,976.30)	0.07%
1 to 2 years	336,866.40	0.77%	–	–	192,954.70	0.19%	(57,886.41)	30.00%
2 to 3 years	192,954.70	0.44%	–	–	14,829.00	0.01%	(7,921.00)	53.42%
3 to 4 years	7,921.00	0.02%	(7,921.00)	100.00%	–	–	–	–
Over 5 years	2,224,580.38	5.07%	(2,224,580.38)	100.00%	2,224,580.38	2.25%	(2,224,580.38)	100.00%
	43,831,824.69	100.00%	(2,232,501.38)	5.09%	99,452,920.24	100.00%	(2,355,364.09)	2.37%

(d) As at 31 December 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 31 December 2012, the top five accounts receivable are analysed as follows:

	Relationship with the Company	Amount	Ageing	% of total balance
Xinjiang Baohong Trade Co., Ltd.	Third party	21,214,092.78	Within 1 year	44.32%
Jiuquan Steel Group Tianfeng Stainless Steel Co., Ltd.	Third party	20,115,905.22	Within 1 year	42.03%
Wuxin Copper Mining	Subsidiary	2,550,998.14	Within 2 years	5.33%
Fuyun Hengsheng Beryllium Industry Co., Ltd.	Related Party	1,155,416.10	Within 4 year	2.41%
Shanghai Jinmin Trading Co., Ltd.	Third party	802,933.20	Over 5 years	1.68%
		45,839,345.44		95.77%

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(3) Accounts receivable *(continued)*

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

	Relationship with the Company	31 December 2012 Amount	% of total balance	Provision for bad debts	31 December 2011 Amount	% of total balance	Provision for bad debts
Wuxin Copper Mining	Subsidiary	**2,550,998.14**	**5.33%**	**–**	–	–	–
Fuyun Hengsheng Beryllium Industry Co., Ltd.	Fellow subsidiary	**1,155,416.10**	**2.41%**	**–**	1,255,416.10	1.24%	(330,472.14)
Xinjiang Haoxin Lithia Developing Co., Ltd.	Fellow subsidiary	**324,351.70**	**0.68%**	**(324,351.70)**	324,351.70	0.32%	(324,351.70)
		4,030,765.94	**8.42%**	**(324,351.70)**	1,579,767.80	1.56%	(654,823.84)

(4) Other receivables

	31 December 2012	31 December 2011
Amount due from subsidiaries	**382,635,848.66**	112,741,005.14
Factoring cost receivable *(note 7(4)(i))*	**7,417,405.73**	3,872,685.99
Amount due from a joint-venture *(note 7(4)(iii))*	**2,656,320.00**	2,655,000.00
Revolving fund	**400,637.27**	1,346,823.78
Others	**384,302.21**	468,072.11
	393,494,513.87	121,083,587.02
Less: provision for bad debts	**(6,275.21)**	(6,275.21)
	393,488,238.66	121,077,311.81

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(4) Other receivables *(continued)*

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

	31 December 2012			31 December 2011		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	386,371,647.99	98.19%	—	118,155,305.93	97.58%	—
1 to 2 years	4,415,835.99	1.12%	—	16,916.36	0.01%	—
2 to 3 years	—	—	—	2,708,180.50	2.24%	—
3 to 4 years	2,677,000.50	0.68%	—	—	—	—
Over 4 years	30,029.39	0.01%	(6,275.21)	203,184.23	0.17%	(6,275.21)
	393,494,513.87	100.00%	(6,275.21)	121,083,587.02	100.00%	(6,275.21)

(b) Other accounts receivable by categories are analysed as follows:

	31 December 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	—	—	—	—	—	—	—	—
That the related provision for bad debts is provided on the grouping basis								
— Related party group	385,274,864.08	97.91%	—	—	115,396,005.14	95.30%	—	—
— Ageing group	8,219,649.79	2.09%	(6,275.21)	0.01%	5,687,581.88	4.70%	(6,275.21)	0.11%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	—	—	—	—	—	—	—	—
	393,494,513.87	100.00%	(6,275.21)	0.01%	121,083,587.02	100.00%	(6,275.21)	0.01%

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(4) Other receivables *(continued)*

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

	31 December 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	4,263,103.91	51.86%	–	–	5,414,300.79	95.20%	–	–
1 to 2 years	3,905,835.99	47.52%	–	–	16,916.36	0.30%	–	–
2 to 3 years	–	–	–	–	53,180.50	0.94%	–	–
3 to 4 years	20,680.50	0.25%	–	–	–	–	–	–
4 to 5 years	–	–	–	–	179,430.05	3.15%	–	–
Over 5 years	30,029.39	0.37%	(6,275.21)	20.90%	23,754.18	0.41%	(6,275.21)	26.40%
	8,219,649.79	100.00%	(6,275.21)	0.01%	5,687,581.88	100.00%	(6,275.21)	0.01%

(d) As at 31 December 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).

(e) As at 31 December 2012, the top five other receivables are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Kalatongke Mining	Subsidiary	376,174,771.08	Within 1 year	95.60%
Wuxin Copper Mining	Subsidiary	4,735,273.00	Within 1 year	1.20%
Tianfeng Stainless Steel	Third party	7,417,405.73	Within 2 years	1.89%
Hexin Mining	Joint venture	2,656,320.00	Over 3 years	0.68%
Shaanxi Xinxin	Subsidiary	1,708,500.00	Within 2 years	0.43%
		392,692,269.81		99.80%

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(4) Other receivables *(continued)*

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

		31 December 2012			31 December 2011		
	Relationship with the Company	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Kalatongke Mining	Subsidiary	376,174,771.08	95.60%	–	–	–	–
Wuxin Copper Mining	Subsidiary	4,735,273.00	1.20%	–	70,624,727.77	58.33%	–
Hexin Mining	Joint venture	2,656,320.00	0.68%	–	2,655,000.00	2.19%	–
Shaanxi Xinxin	Subsidiary	1,708,500.00	0.43%	–	510,000.00	0.42%	–
Zhongxin Mining	Subsidiary	–	–	–	41,606,277.37	34.36%	–
		385,274,864.08	97.91%	–	11,396,005.14	95.30%	–

(5) Advances to suppliers

The ageing of advances to suppliers is analysed below:

	31 December 2012		31 December 2011	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	117,383,073.29	95.73%	17,575,970.35	91.85%
1 to 2 years	3,905,083.57	3.18%	1,093,859.18	5.72%
2 to 3 years	1,052,091.43	0.86%	240,900.50	1.26%
Over 3 years	279,045.00	0.23%	225,736.96	1.17%
	122,619,293.29	100.00%	19,136,466.99	100.00%

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(6) Inventories

	30 December 2012			30 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	**21,636,225.21**	**(543,427.80)**	**21,092,797.41**	129,881,437.80	(543,427.80)	129,338,010.00
Work in progress	**53,111,385.99**	**—**	**53,111,385.99**	89,907,128.46	—	89,907,128.46
Semi-finished goods	**362,894,571.98**	**—**	**362,894,571.98**	258,220,620.49	(10,128,871.44)	248,091,749.05
Finished goods	**148,071,817.96**	**—**	**148,071,817.96**	128,549,847.21	—	128,549,847.21
	585,714,001.14	**(543,427.80)**	**585,170,573.34**	606,559,033.96	(10,672,299.24)	595,886,734.72

(7) Other current assets

	31 December 2012	31 December 2011
Deductible VAT	**30,223,238.24**	25,613,409.06

(8) Long-term equity investments

	31 December 2012	31 December 2011
Subsidiaries *(a)*	**2,871,531,420.87**	1,651,531,420.87
Joint venture *(b)*	**147,668,700.85**	147,076,126.29
	3,019,200,121.72	1,798,607,547.16

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

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

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

(a) Subsidiaries

	Accounting treatment	Initial investment cost	31 December 2011	Current year changes	31 December 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	467,844,415.12	720,171,915.12	—	**720,171,915.12**	**99.51%**	**99.51%**
Hami Jubao	Cost method	75,000,000.00	91,100,349.00	—	**91,100,349.00**	**75%**	**75%**
Zhongxin Mining	Cost method	56,659,156.75	118,659,156.75	—	**118,659,156.75**	**97.58%**	**97.58%**
Wuxin Copper Mining	Cost method	66,000,000.00	521,400,000.00	—	**521,400,000.00**	**66%**	**66%**
Kalatongka Mining	Cost method	10,000,000.00	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	Initial investment cost	31 December 2011	Share of profits based on equity method	31 December 2012	Equity interest held	Voting rights held
Hexin Mining	Equity method	95,326,500.00	147,076,126.29	592,574.56	**147,668,700.85**	**50%**	**50%**

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

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(9) Fixed assets

	Building	Mining structure	Machinery and equipment	Electronic equipment office equipment	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
Transfer-in from construction in progress	2,662,579.49	—	2,000,000.00	—	—	4,662,579.49
Additions	—	—	5,933,593.73	1,356,555.53	373,309.43	7,663,458.69
Reclassification	12,042,437.33	—	(13,543,794.31)	1,501,356.98	—	—
Disposal	—	—	—	—	(1,124,360.00)	(1,124,360.00)
Transfer to construction in progress	(181,449,818.34)	—	(388,345,851.50)	—	—	(569,795,669.84)
Transfer to subsidiary *(Note)*	(144,493,354.88)	(28,744,916.86)	(139,356,111.55)	(4,048,256.31)	(20,600,371.23)	(337,243,010.83)
31 December 2012	182,588,557.47	—	433,458,339.27	11,709,634.08	15,029,809.40	642,786,340.22
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	8,778,877.73	364,121.94	35,193,171.50	1,367,898.35	1,810,041.08	47,514,110.62
Reclassification	979,220.70	—	(1,586,019.63)	606,798.93	—	—
Disposal	—	—	—	—	(1,090,629.20)	(1,090,629.20)
Transfer to construction in progress	(6,048,327.24)	—	(25,889,723.40)	—	—	(31,938,050.64)
Transfer to subsidiary *(Note)*	(94,864,132.66)	(14,648,639.95)	(82,429,768.78)	(2,397,804.39)	(10,102,589.43)	(204,442,935.21)
31 December 2012	79,738,107.61	—	112,529,972.75	6,808,526.27	6,901,376.58	205,977,983.21
Net book value						
31 December 2012	102,850,449.86	—	320,928,366.52	4,901,107.81	8,128,432.82	436,808,357.01
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

Note: As described in Note 6(1)(a), the Company injected additional capital to its wholly-owned subsidiary by the net assets of Kalatongke Mine. The reduction of fixed assets was the amount that the Company injected to the subsidiary.

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(10) Intangible assets

	31 December 2011	Additions	Transfer to subsidiary	**31 December 2012**
Cost	379,674,313.84	6,016,994.65	(344,220,643.89)	**41,470,664.60**
Mining rights	298,494,000.00	—	(298,494,000.00)	**—**
Land use rights	80,635,139.00	5,851,531.15	(45,257,694.35)	**41,228,502.90**
Others	545,647.54	165,463.50	(468,949.54)	**242,162.50**
Accumulated amortisation	54,873,364.77	3,496,754.08	(53,342,376.11)	**5,027,742.74**
Mining rights	45,200,580.00	2,475,180.00	(47,675,760.00)	**—**
Land use rights	9,312,104.34	994,271.03	(5,282,009.00)	**5,024,366.37**
Others	360,680.43	27,303.05	(384,607.11)	**3,376.37**
Net book value	324,801,421.77	2,519,768.67	(290,878,267.78)	**36,442,922.66**
Mining rights	253,293,420.00	(2,475,180.00)	(250,818,240.00)	**—**
Land use rights	71,323,034.66	4,856,787.22	(39,975,685.35)	**36,204,136.53**
Others	184,967.11	138,161.45	(84,342.43)	**238,786.13**

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(11) Accounts payable

	31 December 2012	31 December 2011
Payable for purchase of materials	**15,519,398.31**	140,609,617.36
Transportation fee payable	**3,291,649.06**	809,153.42
Others	**—**	20,349.54
	18,811,047.37	141,439,120.32

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

	31 December 2012	31 December 2011
Within 3 months	**15,839,443.28**	122,228,169.83
3 to 6 months	**1,015,679.24**	117,640.00
Over 6 months	**1,955,924.85**	19,093,310.49
	18,811,047.37	141,439,120.32

(12) Advances from customers

	31 December 2012	31 December 2011
Advances for sales of goods	**8,136,102.64**	10,140,503.82

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(13) Employee benefits payable

	31 December 2011	Current year additions	Current year reductions	Transfer to subsidiary	**31 December 2012**
Salaries, bonuses, allowances and subsidies	30,404,606.54	93,625,384.88	(99,829,055.82)	(6,139,298.85)	**18,061,636.75**
Staff welfare	—	5,085,704.89	(5,085,704.89)	—	**—**
Social insurances	3,973,699.64	23,617,843.18	(21,187,698.09)	(6,395,622.69)	**8,222.04**
Including: Medical insurance	1,238,949.97	5,537,360.31	(4,630,640.31)	(2,143,493.06)	**2,176.91**
Pension insurance	1,528,244.89	14,564,547.69	(13,694,942.60)	(2,397,849.98)	**—**
Unemployment insurance	988,706.95	1,450,063.33	(1,167,513.33)	(1,265,211.82)	**6,045.13**
Work injury insurance	172,328.93	1,381,012.79	(1,098,462.79)	(454,878.93)	**—**
Maternity insurance	45,468.90	662,311.46	(573,591.46)	(134,188.90)	**—**
Illness insurance	—	22,547.60	(22,547.60)	—	**—**
Housing funds	1,546,224.45	8,055,979.00	(7,954,052.00)	(1,081,195.45)	**566,956.00**
Labor union fund and employee education fund	4,581,763.00	2,930,278.30	(2,307,714.20)	(2,324,713.98)	**2,879,613.12**
Others	2,038,297.54	1,056,290.74	(1,046,114.24)	(1,636,969.93)	**411,504.11**
	42,544,591.17	134,371,480.99	(137,410,339.24)	(17,577,800.90)	**21,927,932.02**

(14) Taxes payable

	31 December 2012	31 December 2011
Stamp duty	**686,127.60**	663,054.74
Value added tax payable	**585,842.08**	853,318.85
City maintenance and construction tax payable	**41,008.95**	58,532.59
Educational surcharge payable	**17,575.26**	24,696.83
Individual income tax	**(31,107.49)**	788,660.24
Income tax payables	**—**	16,643,620.61
Resource tax	**—**	293,603.20
Resource compensation fee	**—**	1,063,612.21
Others	**144,018.83**	26,484.10
Total	**1,443,465.23**	20,415,583.37

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(15) Other payables

	31 December 2012	31 December 2011
Payables for purchases of equipments	**6,256,942.78**	42,202,330.56
Agency fee	**1,582,185.23**	2,670,838.62
Payables for construction in progress	**268,228.56**	20,157,205.43
Others	**3,535,164.90**	5,997,771.20
Total	**11,642,521.47**	71,028,145.81

(16) Provisions

	31 December 2011	Transfer to subsidiary	**31 December 2012**
Provision for close down, restoration and environmental costs	5,373,521.00	(5,373,521.00)	**—**

(17) Revenue and cost of sales

	2012	2011
Revenue from main operation	**1,472,104,123.78**	1,372,045,769.85
Revenue from other operation	**4,759,377.69**	89,465,474.86
	1,476,863,501.47	1,461,511,244.71

	2012	2011
Cost of sales from main operation	**1,353,730,973.29**	1,132,316,529.56
Cost of sales from other operation	**2,010,783.99**	62,989,079.78
	1,355,741,757.28	1,195,305,609.34

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

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

(a) Revenue and cost of sales from main operation

	2012		2011	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Nickel cathode	**1,096,752,118.61**	**1,054,405,699.61**	1,060,176,063.79	846,335,165.70
Copper cathode	**355,817,148.55**	**285,059,398.09**	279,116,913.43	261,157,331.67
Others	**19,534,856.62**	**14,265,875.59**	32,752,792.63	24,824,032.19
	1,472,104,123.78	**1,353,730,973.29**	1,372,045,769.85	1,132,316,529.56

(b) Revenue and cost of sales from other operation

	2012		2011	
	Revenue from other operation	Cost of sales from other operation	Revenue from other operation	Cost of other operation
Scrap sales	**2,035,011.85**	**200,210.72**	12,044,512.04	1,155,382.72
Sales of electricity	**1,846,840.82**	**1,525,711.70**	3,369,902.37	3,110,184.95
Sales of materials	**226,253.96**	**215,768.92**	3,068,351.66	3,250,102.68
Others	**651,271.06**	**69,092.65**	3,307,379.07	1,059,791.63
Sales cold material	**—**	**—**	67,675,329.72	54,413,617.80
	4,759,377.69	**2,010,783.99**	89,465,474.86	62,989,079.78

14 NOTES TO THE 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 RMB932,511,460.34 for the year ended 31 December 2012 (2011: RMB934,256,361.49), which accounted for 63.15% (2011: 63.92%) of the total revenue of the Company. Details are as follows:

	Revenue of sales	Percentage of the total revenue of the Company *(%)*
Shaanxi Shenghua Nonferrous Metal Co., Ltd.	307,449,307.60	20.82%
Ningbo Kelun metal Co., Ltd.	182,994,149.38	12.39%
Tianfeng Stainless Steel	163,579,426.36	11.08%
Yunan Kelun Smelting of Ferroalloy Co., Ltd.	152,074,275.72	10.30%
Shenyang Chengtong Metal Co., Ltd.	126,414,301.28	8.56%
	932,511,460.34	63.15%

(18) Investment Income

	2012	2011
Income from long-term investment in subsidiaries under cost method	**45,333,333.09**	105,760,490.37
Net income from a joint-venture under equity method	**592,574.56**	5,310,740.76
	45,925,907.65	111,071,231.13

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(19) Income tax expenses

	2012	2011
Current income tax	**7,189,573.07**	42,794,917.35
Deferred income tax	**278,220.43**	(650,137.80)
	7,467,793.50	42,144,779.55

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

	2012	2011
Total profit	**89,334,949.33**	266,007,286.94
Income tax expenses calculated at applicable tax rate of 25%	**22,333,737.33**	66,501,821.74
Effect of tax deductions	**(8,933,494.93)**	—
Effect of tax rate change	**278,220.44**	—
Income not subject to tax	**(6,888,886.15)**	(27,767,807.78)
Expenses not deductible for tax purposes	**678,216.81**	3,410,765.59
	7,467,793.50	42,144,779.55

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(20) Supplementary information to consolidated cash flow statements

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

	2012	2011
Net profit	**81,867,155.83**	223,862,507.39
Adjustment:		
Provisions for asset impairment	**729,746.23**	10,418,668.98
Depreciation of fixed assets	**47,508,097.12**	67,216,376.97
Amortisation of intangible assets	**3,497,225.98**	11,640,762.00
Financial expenses	**10,225,252.08**	5,423,414.08
Losses on disposal of fixed assets	**14,134.30**	1,753,749.10
Investment income	**(45,925,907.65)**	(111,071,231.13)
Decrease/(increase) in deferred tax assets	**6,889,288.19**	(650,137.80)
Decrease/(increase) in inventories	**20,845,032.82**	(193,731,488.94)
Increase in operating receivables	**(664,814,576.86)**	(93,588,144.92)
Increase in operating payables	**605,755,789.62**	69,365,654.33
(Increase)/decrease in restricted cash at banks	**(6,795,313.63)**	5,315,230.66
Others	**(5,645.49)**	(653,101.97)
Net cash flows generated from/(used in) operating activities	**59,790,278.54**	(4,697,741.25)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(20) Supplementary information to consolidated cash flow statements *(continued)*

(b) Movement of cash and cash equivalents

	2012	2011
Cash and cash equivalents at end of year	**361,418,741.61**	484,985,770.67
Less: cash and cash equivalents at beginning of year	**(484,985,770.67)**	(1,134,663,666.60)
Net increase in cash and cash equivalents	**(123,567,029.06)**	(649,677,895.93)

(c) Capital injection to subsidiary

As described in Note 6(1)(a), the Company injected additional capital to Kalatongke Mining by the net assets of Kalatongke Mine as in the end of March of 2012 with amount of RMB1,220,000,00.00, which led to the decrease of cash of the Company with the amount of RMB4,230,712.96. The detailed information of injected net assets is as follows:

Current assets	200,829,287.40
Non-current assets	1,857,037,390.51
Current liabilities	(816,183,402.84)
Non-current liabilities	(21,683,275.07)
	1,220,000,000.00

15 NET CURRENT ASSETS

	The Group	
	31 December 2012	31 December 2011
Current assets	**2,034,359,585.82**	1,805,509,318.75
Less: current liabilities	**(1,499,892,791.86)**	(783,193,808.59)
Net current assets	**534,466,793.96**	1,022,315,510.16

	The Company	
	31 December 2012	31 December 2011
Current assets	**1,966,526,572.62**	1,632,047,235.50
Less: current liabilities	**(321,961,068.73)**	(535,567,944.49)
Net current assets	**1,644,565,503.89**	1,096,479,291.01

16 TOTAL ASSETS LESS CURRENT LIABILITIES

	The Group	
	31 December 2012	31 December 2011
Total assets	**8,480,502,858.95**	7,244,186,719.44
Less: current liabilities	**(1,499,892,791.86)**	(783,193,808.59)
Total assets less current liabilities	**6,980,610,067.09**	6,460,992,910.85

	The Company	
	31 December 2012	31 December 2011
Total assets	**5,627,370,511.87**	5,847,099,152.36
Less: current liabilities	**(321,961,068.73)**	(535,567,944.49)
Total assets less current liabilities	**5,305,409,443.14**	5,311,531,207.87

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