



Xinjiang Xinxin Mining Industry Co., Ltd.\*

新疆新鑫礦業股份有限公司

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

Stock Code : 3833

Interim Report

20  
13




We See The Future

\* For identification purpose only

## CONTENTS

|    |  |
|----|--|
| 2  | Corporate Information  |
| 3  | Company Results  |
| 4  | Resources and Reserves   |
| 5  | Management Discussion and Analysis                                       |
| 13 | Directors' Interest  |
| 15 | Share Capital and Dividends  |
| 16 | Employees and Welfare  |
| 17 | Corporate Governance   |
| 18 | Consolidated and Company Balance Sheets (Unaudited)                      |
| 20 | Consolidated and Company Income Statements (Unaudited)                   |
| 21 | Consolidated and Company Statements of Cash Flows<br>(Unaudited)         |
| 23 | Consolidated Statement of Changes in Shareholders' Equity<br>(Unaudited) |
| 24 | Company Statement of Changes in Shareholders' Equity<br>(Unaudited)      |
| 25 | Notes to the Financial Statements (Unaudited)                            |



# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

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

## NON-EXECUTIVE DIRECTORS

Zhou Chuanyou  
Niu Xuetao

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Chen Jianguo  
Wang Lijin  
Li Wing Sum, Steven

## SUPERVISORS

Jiang Mingshun (*Resigned on 20 June 2013*)  
Wang Haibang (*President*)  
(*Appointed on 26 June 2013*)  
Sun Baohui  
Cao Sanxing  
Hu Zhijiang  
Chen Yuping

## AUDIT COMMITTEE

Chen Jianguo (*Chairman*)  
Li Wing Sum, Steven  
Niu Xuetao

## REMUNERATION AND REVIEW COMMITTEE

Chen Jianguo (*Chairman*)  
Li Wing Sum, Steven  
Wang Lijin  
Shi Wenfeng  
Zhou Chuanyou

## NOMINATION COMMITTEE

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

## STRATEGIC DEVELOPMENT COMMITTEE

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

## COMPANY SECRETARIES

Lam Cheuk Fai *FCCA, FCPA*  
Zhang Junjie

## AUTHORISED REPRESENTATIVES

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

## REGISTERED OFFICE IN HONG KONG

6/F Nexxus Building  
41 Connaught Road Central  
Central, Hong Kong

## STATUTORY ADDRESS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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No. 4 You Hao North Road  
Urumqi  
Xinjiang

## LEGAL ADVISERS

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

## AUDITORS

International and PRC auditors  
PricewaterhouseCoopers Zhong Tian LLP

## H SHARE REGISTRAR IN HONG KONG

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

## PUBLIC RELATIONS

Wonderful Sky Financial Group Limited

## COMPANY WEBSITE

[www.xjxxky.com.cn](http://www.xjxxky.com.cn) or [kunlun.wsfg.hk](http://kunlun.wsfg.hk)

## STOCK CODE

3833

## COMPANY RESULTS

The board of directors (the “Board”) of Xinjiang Xinxin Mining Industry Co., Ltd.\* (the “Company”) hereby announces the unaudited consolidated operating results of the Company and its subsidiaries (the “Company and its Subsidiaries” or the “Group”) prepared in accordance with the China Accounting Standards for Business Enterprises (“CAS”) for the six months ended 30 June 2013 (the “Period”), together with the unaudited consolidated operating results for the six months ended 30 June 2012 (“First Half of 2012” or the “Same Period Last Year”) for comparison. Such operating results have been reviewed and confirmed by the Company’s audit committee (the “Audit Committee”). Consolidated revenue of the Group for the Period was RMB426.0 million, representing a decrease of 37.5% as compared to that for the Same Period Last Year, mainly due to the fact that during the Period, the selling prices of nickel cathode and copper cathode, which are the Group’s major products, declined by 8.9% and 4.0% as compared to that for the Same Period Last Year, respectively, and their sales declined by 45.8% and 6.6% as compared to that for the Same Period Last Year, respectively. The consolidated net profit attributable to the shareholders of the Company was RMB5.9 million, representing a decrease of 68.4% as compared to that for the Same Period Last Year, mainly due to the decrease in product selling prices of the Group for the Period which in turn squeezed the gross profit margin.

Basic earnings per share attributable to the shareholders of the Company for the Period amounted to RMB0.003, representing a decrease of RMB0.005 per share as compared to that for the Same Period Last Year. The decrease in basic earnings per share was mainly due to the decrease in net profit.

The Board does not recommend any payment of interim dividend for 2013.

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

\* For identification purpose only

## RESOURCES AND RESERVES

As at 30 June 2013, the estimated resources and reserves for the four nickel-copper mines in Kalatongke, Huangshandong, Huangshan and Xiangshan respectively, which are wholly-owned by the Company, are set out in the following tables:

|  | Ore contents       | Grade  |        | Metal contents |                |
|--|--------------------|--------|--------|----------------|----------------|
|  | (t)                | Cu (%) | Ni (%) | Cu (t)         | Ni (t)         |
| <b>Resources as at 30 June 2013</b>                              |                    |        |        |                |                |
| Kalatongke nickel-copper mine                                    | 32,733,710         | 1.00   | 0.56   | 327,808        | 182,650        |
| Three nickel-copper mines in Huangshandong, Huangshan, Xiangshan | 83,875,010         | 0.27   | 0.45   | 228,266        | 375,524        |
| <b>Total</b>   | <b>116,608,720</b> |        |        | <b>556,074</b> | <b>558,174</b> |
| <b>Reserves as at 30 June 2013</b>                               |                    |        |        |                |                |
| Kalatongke nickel-copper mine                                    | 18,781,398         | 1.02   | 0.61   | 192,257        | 115,066        |
| Three nickel-copper mines in Huangshandong, Huangshan, Xiangshan | 33,224,120         | 0.30   | 0.49   | 101,036        | 163,928        |
| <b>Total</b>   | <b>52,005,518</b>  |        |        | <b>293,293</b> | <b>278,994</b> |

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

As at 30 June 2013, the resources estimates for the deposits of two vanadium mines in Xianghe Street and Mujia River, which is owned as to 51% by the Company, are set out in the following table:

|                                     | Ore contents      | V <sub>2</sub> O <sub>5</sub> Grade | V <sub>2</sub> O <sub>5</sub> Contents |
|-------------------------------------|-------------------|-------------------------------------|--|
|                                     | (t)               | (%)                                 | (t)                                    |
| <b>Resources as at 30 June 2013</b> |                   |                                     |  |
| Xianghe Street vanadium mine        | 10,159,400        | 0.95                                | 96,300                                 |
| Mujia River vanadium mine           | 29,295,500        | 0.88                                | 257,800                                |
| <b>Total</b>                        | <b>39,454,900</b> |                                     | <b>354,100</b>                         |

*Note:* The resources 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 Department of Land and Resources of Shaanxi Province.

# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

During the Period, due to the restructuring and slow-down of the PRC economy, the effects of weaker-than-expected recovery of the global economy on the demands for nickel cathode and copper cathode as well as the increase in the inventories of global nickel products caused by the increased output, the international and domestic prices of nickel and copper dropped continuously.

During the Period, London Metal Exchange (“LME”) average three-month future price of nickel cathode was US\$16,197 per tonne, representing a 12.3% decrease from US\$18,472 per tonne for the Same Period Last Year. The average three-month future price of copper cathode was US\$7,571 per tonne, representing a 6.3% decrease from US\$8,078 per tonne for the Same Period Last Year.

During the Period, the average spot price (including tax) of nickel cathode in Shanghai Yangtze River Non-ferrous Metals Spot Market was RMB113,891 per tonne, representing a 14.0% decrease from RMB132,478 per tonne for the Same Period Last Year. The average spot price (including tax) of copper cathode was RMB55,017 per tonne, representing a 4.7% decrease from RMB57,732 per tonne for the Same Period Last Year.

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

## PROSPECTS AND COUNTERMEASURES

The Group expects that in the second half of 2013, the average market prices of nickel cathode and copper cathode in the domestic market can maintain at the same level as the average spot prices of Shanghai Yangtze River Non-ferrous Metals Spot Market in the second quarter of 2013, and the market may fluctuate slightly.

In the second half of 2013, the Group will continue to expand its production scale. The plan is to produce 6,089 tonnes of nickel cathode, which is expected to increase by 38.0% when compared to the Period; and to produce 4,272 tonnes of copper cathode, which is expected to increase by 51.1% when compared to the Period. Such increases aim at achieving the production operational objectives, which is to produce 10,500 tonnes of nickel cathode and 7,100 tonnes of copper cathode in 2013. The Group will endeavor to stabilize the production capacity of existing technological renovation and expansion projects and to uplift the level of skills and techniques. Moreover, the Group will continue to improve the recycle rate of metal, with an aim to accomplishing the production volume targets and the standard of the technological renovation and expansion projects as soon as possible.

In order to counteract with the general decrease in selling prices of non-ferrous metals under the sluggish recovery of the international economy and the structural adjustment and slower growth of the PRC economy, in the second half of 2013, the Group will continue to reinforce its corporate management and explore its internal potential, so as to further reduce its production cost and increase its corporate operational efficiency. When the domestic and international prices of nickel and copper remain at a relatively low position and the market is highly volatile, the Group will enhance its market analyses and researches and implement a more flexible marketing strategy, which will enable the Group to realize sales at higher metal prices and to increase its economic efficiency.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the Period, the consolidated revenue of the Group amounted to RMB426.0 million, representing a 37.5% decrease from RMB681.9 million for the Same Period Last Year. The total consolidated net profit attributable to the equity holders of the Company was RMB5.9 million, representing a decrease of 68.4% from RMB18.7 million for the Same Period Last Year.

During the Period, the Group produced 4,411 tonnes of nickel cathode, representing a decrease of 3.8% as compared to 4,584 tonnes for the Same Period Last Year, and produced 2,828 tonnes of copper cathode, representing a decrease of 11.8% comparing to 3,207 tonnes for the Same Period Last Year. The decrease in the output was mainly due to the fact that during the Period, the Group deliberately suspended the production in its major production enterprises for inspection and repair, in order to guarantee the fulfillment of production and operation targets in 2013 and prepare for the further expansion of production scale.

During the Period, the Group sold 2,360 tonnes of nickel cathode, representing a decrease of 45.8% as compared to 4,353 tonnes for the Same Period Last Year, and sold 3,058 tonnes of copper cathode, representing a decrease of 6.6% from 3,273 tonnes for the Same Period Last Year. The decrease in the sales of nickel cathode was mainly due to the continuous decrease of market prices of nickel cathode during the Period. Since the second quarter of 2013, the Group adopted the marketing strategy of increasing the inventories of finished products, in order to sell the nickel cathode products at relatively high market price and increase the economic benefits for the Group. The decrease in the sales of copper cathode was mainly attributable to the decrease in the output during the Period.

During the Period, the average selling price of nickel cathode of the Group (excluding tax) was RMB103,282 per tonne, representing a 8.9% decrease from RMB113,386 for the Same Period Last Year, and the average selling price of copper cathode (excluding tax) was RMB47,301 per tonne, representing a 4.0% decrease from RMB49,293 for the Same Period Last Year.

## MINERAL EXPLORATION, MINE DEVELOPMENT AND ORE MINING ACTIVITIES

### Mineral Exploration

During the Period, Xinjiang Kalatongke Mining Industry Company Limited (“Kalatongke Mining”), a wholly-owned subsidiary of the Company, mainly conducted the exploration for production of No. 1 and No. 2 ore bodies of Kalatongke nickel-copper mine, as well as completed 111 meters of exploration drive in pit and 7,547 meters of drilling in pit. Xinjiang Yakesi Resources Co. Ltd. (“Xinjiang Yakesi”) and Hami Jubao Resources Co. Ltd. (“Hami Jubao”), the wholly-owned subsidiaries of the Company, mainly carried out exploration for production of Huangshandong No. 17 Mine Area and Xiangshan Mine Areas, as well as geological exploration for the mining project of Huangshandong alternative resources, which involved the completion of 133 meters of exploration drive in pit, 4,894 meters of drilling in pit, and measuring 12,500 meters of CSAMT profiling.

During the Period, the Group’s mineral exploration expenditure amounted to RMB1.4 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Mine Development

During the Period, Kalatongke Mining completed mining development projects such as the project for the pumping room at 410 meter level of No. 2 ore of Kalatongke nickel-copper mine, the construction of the rails, the installation of the lights, the laying of the wires for locomotives and the excavation for the pumping room at 260 meter level thereof, etc. It also completed the excavation of 160 meters in various exploiting drives at 410 meter level and 530 meters level for No. 3 ore of Kalatongke nickel-copper mine, and excavation of 43 meters in slope supporting. Xinjiang Yakesi had developed No. 17 Mine Area of Huangshandong of 6,009 m<sup>3</sup>, the auxiliary well of Xiangshan Mine Area of 3,579 m<sup>3</sup>, No. 30 ore body of Huangshanxi of 3,750 m<sup>3</sup> and No. 32 ore body and well-lane of Huangshanxi of 933 m<sup>3</sup>. Hami Jubao had completed No. 12 ore body of Huangshandong of 5,302 m<sup>3</sup>.

During the Period, the Group's total expenditure for the mine development and construction amounted to RMB124.6 million.

## Ore Mining

During the Period, Kalatongke Mining produced 299,403 tonnes of ores. Xinjiang Yakesi and Hami Jubao produced 279,232 tonnes of ores.

During the Period, the aggregate expenditure on the ore mining operation of the Group was RMB121.1 million.

## FINANCIAL REVIEW AND ANALYSIS

### Revenue and gross profit

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

| Product Name       | For the period ended<br>30 June 2013 |                   |                 | For the period ended<br>30 June 2012 |                   |                 |
|--------------------|--------------------------------------|-------------------|-----------------|--------------------------------------|-------------------|-----------------|
|                    | Sales<br>Volume<br>Tonnes            | Amount<br>RMB'000 | % to<br>Revenue | Sales Volume<br>Tonnes               | Amount<br>RMB'000 | % to<br>Revenue |
| Nickel cathode     | 2,360.3                              | 243,780           | 57.2%           | 4,352.8                              | 493,544           | 72.4%           |
| Copper cathode     | 3,057.5                              | 144,624           | 34.0%           | 3,273.4                              | 161,357           | 23.7%           |
| Copper concentrate | 461.6                                | 5,120             | 1.2%            | 1,077.5                              | 12,307            | 1.8%            |
| Other products     |                                      | 32,469            | 7.6%            |                                      | 14,701            | 2.1%            |
| Total revenue      |                                      | 425,993           | 100%            |                                      | 681,909           | 100%            |
| Cost of sales      |                                      | (343,361)         | 80.6%           |                                      | (577,352)         | 84.7%           |
| Included:          |                                      |                   |                 |                                      |                   |                 |
| Nickel cathode     |                                      | (225,902)         |                 |                                      | (443,243)         |                 |
| Copper cathode     |                                      | (104,516)         |                 |                                      | (115,834)         |                 |
| Copper concentrate |                                      | (1,442)           |                 |                                      | (3,949)           |                 |
| Other products     |                                      | (11,501)          |                 |                                      | (14,326)          |                 |
| Gross profit       |                                      | 82,632            | 19.4%           |                                      | 104,557           | 15.3%           |



# MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the revenue of nickel cathode of the Group decreased by 50.6% to RMB243.8 million as compared to that in the Same Period Last Year. The average selling price of nickel cathode decreased by 8.9% to RMB103,282 per tonne as compared to the Same Period Last Year. The sales volume of nickel cathode decreased by 45.8% to 2,360.3 tonnes as compared to the Same Period Last Year.

During the Period, the revenue of copper cathode of the Group decreased by 10.4% to RMB144.6 million as compared to that in the Same Period Last Year. The average selling price of copper cathode decreased by 4.0% to RMB47,301 per tonne as compared to the Same Period Last Year. The sales volume of copper cathode of the Group decreased by 6.6% to 3,057.5 tonnes as compared to the Same Period Last Year.

During the Period, the revenue of copper concentrate of the Group was RMB5.1 million, the average selling price of copper concentrate was RMB11,091 per tonne and its sales volume was 461.6 tonnes.

During the Period, the revenue of other products of the Group increased by 120.9% to RMB32.5 million as compared to the Same Period Last Year. The increase in revenue was due to the increase in the sales volume of scrap during the Period.

During the Period, the cost of sales per unit of nickel cathode of the Group decreased by approximately 6.0% to RMB95,707 per tonne as compared to the Same Period Last Year. The cost of sales per unit of copper cathode decreased by approximately 3.4% as compared to the Same Period Last Year to RMB34,183 per tonne.

During the Period, the gross profit of the Group was RMB82.6 million, representing a decrease of 21.0% as compared to RMB104.6 million of the Same Period Last Year, mainly attributable to the decrease in selling prices of nickel cathode and copper cathode and the marketing strategy of the Group.

## Sales and marketing costs

During the Period, sales and marketing costs of the Group decreased by 36.1% to RMB4.0 million as compared to that in the Same Period Last Year, mainly due to the decrease in the sales volume of nickel cathode and copper cathode as compared to the Same Period Last Year.

## Administrative expenses

During the Period, administrative expenses of the Group increased by 6.8% to RMB63.1 million as compared to that in the Same Period Last Year, the increase in the administrative expenses was mainly due to the increase in depreciation and property related taxes as a result of the commencement of the utilisation of some construction projects progressively as compared to the Same Period Last Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial position

The consolidated balance sheet of the Group remains strong. As at 30 June 2013, the shareholders' equity increased by 0.1% to RMB5,644.5 million as compared to 31 December 2012. As at 30 June 2013, total assets increased by 6.5% to RMB9,034.2 million as compared to 31 December 2012, primarily due to the receipt of the project constructions and the working capital loans and the operating profit generated during the Period.

As at 30 June 2013, the Group's net cash outflow generated from operating activities was RMB19.1 million, representing a decrease of RMB80.6 million as compared to its net cash inflow in the Same Period Last Year, primarily due to successive maturity of the notes receivable received during the Period. Net cash outflow generated from investing activities of RMB232.5 million mainly consisted of the payments for the equipment and project expenses in relation to various technology renovation and expansion projects of the Group. Net cash inflow generated from financing activities of RMB434.1 million mainly consisted of the project construction loans received by the Group.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group had total cash and cash equivalents amounting to RMB652.7 million, and those as at 31 December 2012 were RMB470.2 million.

|   | <b>As at<br/>30 June<br/>2013</b> | As at<br>31 December<br>2012 |
|---|-----------------------------------|------------------------------|
| Current Ratio (Times)                         | <b>1.1</b>                        | 1.4                          |
| Gearing Ratio (Total borrowings/total assets) | <b>27.9%</b>                      | 23.8%                        |

As at 30 June 2013, the aggregate amount of borrowings of the Group was RMB2,524.5 million, of which, the working capital borrowings of the Company was RMB270.0 million, the technological renovation and expansion projects borrowings of Xinjiang Yakesi was RMB900.0 million, the infrastructure projects borrowings of a controlling subsidiary of the Company, Xinjiang Wuxin Copper Company Limited ("Wuxin Copper"), was RMB1,054.5 million (including the entrustment loan of RMB455.0 million which Wuxin Copper borrowed from a shareholder of the Company, Xinjiang Non-ferrous Metal Industry (Group) Ltd. ("Non-ferrous Group")), the technological renovation and expansion projects borrowings of Kalatongke Mining was RMB250.0 million, and the borrowings from Non-ferrous Group to Beijing Xinding Shunze High Technology Co., Ltd., a wholly-owned subsidiary of the Company, was RMB50.0 million.

As at 31 December 2012 and 30 June 2013, the Group's aggregate borrowings of RMB2,020.0 million and RMB2,524.5 million comprised interest-free borrowings amounting to RMB nil and RMB50.0 million and floating-rate borrowings amounting to RMB2,020.0 million and RMB2,474.5 million, respectively. The Group does not have any other fixed-rate borrowings.

# MANAGEMENT DISCUSSION AND ANALYSIS

## COMMODITY PRICE RISK

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

## RISK OF FLUCTUATIONS IN EXCHANGE RATE

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

## TAX RISK

The Company and its branches (excluding its Shanghai sales branch) were exempted from corporate income tax from 2007 to 2010 pursuant to an approval obtained from the People's Government of Xinjiang Uygur Autonomous Region and the local tax bureau of where the corporate locates, Xinjiang Yakesi was subject to corporate income tax rate of 15.0% during the period from 1 January 2005 to 31 December 2010, while Hami Jubao was subject to corporate income tax rate of 7.5% during the period from 1 January 2009 to 31 December 2010. The above preferential income tax policies expired at the end of 2010. Under the stipulation of the Notice Concerning the Issues on Corporate Income Tax with Respect to Further Implementing the Western China Development Strategy (關於深入實施西部大開發戰略有關企業所得稅問題的公告) as issued by the State Administration of Taxation, prior to the publication of the catalogue of Encouraged Industries in Western China (西部地區鼓勵類產業目錄), the Company, Xinjiang Yakesi, Hami Jubao and Kalatongke Mining have been admitted by the local tax bureaus that, during the Period, the corporate income taxes of the Company and its branches (except the Shanghai sales branch), Xinjiang Yakesi, Hami Jubao and Kalatongke Mining shall be determined and paid at a temporary tax rate of 15.0%. At present, the tax bureau has yet to issue a final written confirmation regarding the above tax preference for the Company and its branches (except the Shanghai sales branch), Xinjiang Yakesi, Hami Jubao and Kalatongke Mining.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **PURCHASE, DISPOSAL OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY**

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

## **CHARGE ON ASSETS**

As at 30 June 2013, among cash at bank and on hand of the Group, a bank deposit in an amount of RMB21.5 million was set aside as security for the issue of acceptance bill by banks and deposits for various purposes. Save as disclosed, there were no other charges or pledges of assets in the Group as at 30 June 2013.

## **MATERIAL LITIGATION**

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

## **CONTINGENT LIABILITIES**

Save as disclosed in Notes 9 and 10(7) to the unaudited consolidated interim financial statements of the Group, the Group had no other significant contingent liabilities as at 30 June 2013.

## **MAJOR ACQUISITIONS AND DISPOSAL**

During the Period, Xinjiang Yakesi, a wholly-owned subsidiary of the Group, has agreed to transfer 30% of its equity interest in Tibet Puxiong Mining Co., Ltd. ("Puxiong Mining"), its associated company, to Tibet Qiangrui Mining Development Co., Ltd., an independent third party, at a consideration of RMB3,600,000.00, representing the amount of the interest attributable to the Group. The transfer was expected to be completed within one year from 26 March 2013.

Saved as disclosed above, there were no other major acquisitions and disposals in relation to the Group during the Period.

## **SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE**

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## HISTORICAL CAPITAL EXPENDITURE

Capital expenditure was primarily used to expand the production capacities of the Group and to improve the mining, ore processing, smelting and refining technology of the Group. The following table sets out the conditions of the Group's capital expenditure as well as the ratio of the capital expenditure of each operation over total capital expenditure based on various categories of operations for the six months ended 30 June 2013:

|   | Six months ended<br>30 June 2013 | Percentage |
|---|----------------------------------|------------|
|   | RMB'000                          | %          |
| Mining, ore processing and smelting and complementary operations in Kalatongke Mining                 | 63,317                           | 19.7%      |
| Refining and complementary operations in Fukang Refinery of Xinjiang Xinxin Mining Industry Co., Ltd. | 6,168                            | 1.9%       |
| Mining and ore processing operations in Xinjiang Yakesi   | 106,992                          | 33.2%      |
| Mining operation in Hami Jubao  | 10,774                           | 3.3%       |
| Smelting and complementary operations of Xinjiang Zhongxin Mining Company Limited                     | 3,459                            | 1.1%       |
| Smelting operating of Wuxin Copper with capacity of 100,000 tonnes                                    | 131,220                          | 40.8%      |
|   | 321,930                          | 100%       |

## USE OF PROCEEDS

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

## COMMITMENTS

Commitments of the Group as at 30 June 2013 are disclosed in Note (11) to the unaudited consolidated interim financial statements.

# DIRECTORS' INTEREST

## DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACT

As at 30 June 2013, none of the directors or supervisors of the Company had any material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, its subsidiaries or any of its fellow subsidiaries was a party during the Period.

## INTERESTS AND SHORT POSITIONS OF DIRECTORS AND SUPERVISORS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, the interests or short positions, if any, of the directors and supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### Long Positions in Shares and Underlying Shares of the Company

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

*Note 1:* The domestic shares are held by Shanghai Yilian Kuangneng Co. Ltd ("Shanghai Yilian") and Zhongjin Investment (Group) Ltd ("Zhongjin Investment"). The entire shareholding or equity interest of Shanghai Yilian and Zhongjin Investment are beneficially owned by Zhou Chuanyou.

Save as disclosed above, none of the directors and supervisors of the Company or their respective associates had, as at 30 June 2013, any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# DIRECTORS' INTEREST

## SHARE APPRECIATION RIGHTS INCENTIVE SCHEME

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

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

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

There were no share appreciation rights allocated and outstanding as at 30 June 2013.

## DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

# SHARE CAPITAL AND DIVIDENDS

## SHARE CAPITAL

The Company's share capital as at 30 June 2013 is as follows:

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

## SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

So far as known to any director or supervisor of the Company, as at 30 June 2013, the persons or companies (other than a director or supervisor of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

| Name  | Number of<br>shares held | Class<br>of share | Approximate<br>percentage of<br>shareholding<br>on relevant class<br>of shares<br>(%) | Approximate<br>percentage of the<br>total<br>share capital<br>(%) |
|---|--------------------------|-------------------|---|---|
| Xinjiang Non-ferrous Metal Industry (Group) Ltd.*<br>(新疆有色金屬工業(集團)有限責任公司)   | 885,204,000(L)           | Domestic share    | 61.01   | 40.06   |
| Shanghai Yilian (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<br>of the PRC (中國全國社會保障基金理事會) | 69,000,000(L)            | H share           | 9.09  | 3.12  |

(L) = Long positions

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

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

Save as disclosed above, as at 30 June 2013, the directors of the Company were not aware of any other person (other than a director or supervisor of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## DIVIDENDS

The Board does not recommend any payment of interim dividend for 2013 (Nil for 2012).



## EMPLOYEES AND WELFARE

As at 30 June 2013, the Group had a total of 3,783 full-time employees. Breakdowns by function and division are as follows:

| <b>Division</b>               | <b>Employees</b> | <b>Total</b><br><i>(In percentage)</i> |
|-------------------------------|------------------|--|
| Management and administration | 219              | 5.8%                                   |
| Engineering technician        | 620              | 16.4%                                  |
| Production staff              | 2,153            | 56.9%                                  |
| Repair and maintenance        | 581              | 15.4%                                  |
| Inspection                    | 189              | 5.0%                                   |
| Sales                         | 21               | 0.5%                                   |
|                               | <b>3,783</b>     | <b>100.0%</b>                          |

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

# CORPORATE GOVERNANCE

## COMPLIANCE WITH 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 Company has fully complied with all code provisions prescribed in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the Period.

## BOARD OF DIRECTORS

The Board consists of nine directors, including four executive directors, two non-executive directors and three independent non-executive directors. During the Period, the Board convened three meetings (with an attendance rate of 27/27).

## SUPERVISORY COMMITTEE

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

During the Period, the Company had adopted the Model Code as its code of conduct regarding securities transactions by the directors, supervisors and senior management of the Company. Upon specific enquiries made of all the directors, supervisors and senior management, all the directors, supervisors and senior management have complied with the required standards as set out in the Model Code during the Period.

## AUDIT COMMITTEE

Written terms of reference of the Audit Committee was prepared primarily based on "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants have been adopted by the Board. The Audit Committee provides an important link between the Board and the Group's auditors in matters falling within the scope of the audit of the Group. The Audit Committee reviews the effectiveness of the external audit and of internal controls, evaluates risks and provides comments and advice to the Board. 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 has reviewed the unaudited financial results of the Group for the Period and considered that they are in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure in this report.

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

Xinjiang, the PRC, 23 August 2013

# CONSOLIDATED AND COMPANY BALANCE SHEETS (Unaudited)

AS AT 30 JUNE 2013

(All amounts in RMB Yuan unless otherwise stated)

| ASSETS                          | Note         | 30 June<br>2013<br>Consolidated<br>(unaudited) | 31 December<br>2012<br>Consolidated<br>(audited) | 30 June<br>2013<br>Company<br>(unaudited) | 31 December<br>2012<br>Company<br>(audited) |
|---------------------------------|--------------|--|--|---|---|
| <b>Current assets</b>           |              |  |  |   |   |
| Cash at bank and on hand        | 7(1)/14(1)   | 674,176,627.85                                 | 482,972,122.96                                   | 382,174,481.01                            | 367,714,055.24                              |
| Notes receivable                | 7(2)/14(2)   | 115,946,035.96                                 | 456,807,562.15                                   | 107,227,091.02                            | 422,005,436.30                              |
| Interest receivable             |              | —  | 87,979.00  | —   | —   |
| Accounts receivable             | 7(3)/14(3)   | 17,046,038.57                                  | 45,663,452.26                                    | 13,296,587.15                             | 45,305,737.55                               |
| Advances to suppliers           | 7(5)/14(5)   | 290,845,917.05                                 | 101,830,470.37                                   | 188,835,685.63                            | 122,619,293.29                              |
| Other receivables               | 7(4)/14(4)   | 19,070,401.53                                  | 20,318,231.64                                    | 435,407,854.32                            | 393,488,238.66                              |
| Inventories                     | 7(6)/14(6)   | 1,092,969,195.70                               | 804,676,938.17                                   | 794,201,961.17                            | 585,170,573.34                              |
| Other current assets            | 7(7)/14(7)   | 142,450,059.98                                 | 122,002,829.27                                   | 52,027,064.08                             | 30,223,238.24                               |
| <b>Total current assets</b>     |              | <b>2,352,504,276.64</b>                        | 2,034,359,585.82                                 | <b>1,973,170,724.38</b>                   | 1,966,526,572.62                            |
| <b>Non-current assets</b>       |              |  |  |   |   |
| Long-term equity investments    | 7(8)/14(8)   | 142,901,536.62                                 | 151,255,784.82                                   | 3,014,432,957.49                          | 3,019,200,121.72                            |
| Fixed assets                    | 7(9)/14(9)   | 1,582,805,040.96                               | 1,635,932,436.98                                 | 419,614,092.84                            | 436,808,357.01                              |
| Construction materials          | 7(10)        | 5,101,411.12                                   | 1,640,762.29                                     | —   | —   |
| Construction in progress        | 7(11)        | 3,799,386,391.65                               | 3,490,268,403.71                                 | 166,194,387.98                            | 162,500,785.55                              |
| Intangible assets               | 7(12)/14(10) | 1,017,125,742.51                               | 1,025,986,722.15                                 | 36,005,370.08                             | 36,442,922.66                               |
| Goodwill                        | 7(13)        | 28,087,550.20                                  | 28,087,550.20                                    | —   | —   |
| Long-term prepaid expenses      |              | 347,865.78                                     | 372,227.22                                       | —   | —   |
| Deferred tax assets             | 7(27)        | 29,744,573.37                                  | 25,979,885.76                                    | 867,264.62                                | 611,752.31                                  |
| Other non-current assets        | 7(14)        | 76,165,100.00                                  | 86,619,500.00                                    | 5,280,000.00                              | 5,280,000.00                                |
| <b>Total non-current assets</b> |              | <b>6,681,665,212.21</b>                        | 6,446,143,273.13                                 | <b>3,642,394,073.01</b>                   | 3,660,843,939.25                            |
| <b>TOTAL ASSETS</b>             |              | <b>9,034,169,488.85</b>                        | 8,480,502,858.95                                 | <b>5,615,564,797.39</b>                   | 5,627,370,511.87                            |

# CONSOLIDATED AND COMPANY BALANCE SHEETS (Unaudited)

AS AT 30 JUNE 2013

(All amounts in RMB Yuan unless otherwise stated)

| LIABILITIES AND SHAREHOLDERS EQUITY                                 | Note         | 30 June<br>2013<br>Consolidated<br>(unaudited) | 31 December<br>2012<br>Consolidated<br>(audited) | 30 June<br>2013<br>Company<br>(unaudited) | 31 December<br>2012<br>Company<br>(audited) |
|---|--------------|--|--|---|---|
| <b>Current liabilities</b>  |              |  |  |   |   |
| Short-term loans  | 7(24)        | 1,099,450,835.66                               | 845,000,000.00                                   | 260,000,000.00                            | 260,000,000.00                              |
| Notes payable   | 7(16)        | 8,000,000.00                                   | 100,000.00                                       | —   | —   |
| Accounts payable  | 7(17)/14(11) | 164,433,975.60                                 | 161,931,531.84                                   | 10,781,009.55                             | 18,811,047.37                               |
| Advances from customers   | 7(18)/14(12) | 25,879,153.04                                  | 11,005,077.30                                    | 22,111,677.52                             | 8,136,102.64                                |
| Employee benefits payable   | 7(19)/14(13) | 48,510,541.30                                  | 54,741,279.04                                    | 16,182,768.41                             | 21,927,932.02                               |
| Taxes payable   | 7(20)/14(14) | 17,323,744.41                                  | 12,213,207.52                                    | 648,289.57                                | 1,443,465.23                                |
| Interest payable  |              | 2,049,877.15                                   | 470,250.01                                       | —   | —   |
| Other payables  | 7(21)/14(15) | 403,138,603.25                                 | 384,431,446.15                                   | 8,117,389.81                              | 11,642,521.47                               |
| Non-current liabilities due within one year                         | 7(23)        | 280,000,000.00                                 | 30,000,000.00                                    | —   | —   |
| <b>Total current liabilities</b>                                    |              | <b>2,048,786,730.41</b>                        | 1,499,892,791.86                                 | <b>317,841,134.86</b>                     | 321,961,068.73                              |
| <b>Non-current liabilities</b>                                      |              |  |  |   |   |
| Provisions  | 7(22)        | 6,154,767.86                                   | 5,989,261.37                                     | —   | —   |
| Long-term loans   | 7(24)        | 890,000,000.00                                 | 690,000,000.00                                   | 10,000,000.00                             | 10,000,000.00                               |
| Long-term payables  | 7(25)        | 255,000,000.00                                 | 455,000,000.00                                   | —   | —   |
| Deferred tax liabilities  | 7(27)        | 138,279,379.53                                 | 138,607,490.13                                   | —   | —   |
| Other non-current liabilities                                       | 7(26)        | 51,427,251.28                                  | 51,855,931.20                                    | —   | —   |
| <b>Total non-current liabilities</b>                                |              | <b>1,340,861,398.67</b>                        | 1,341,452,682.70                                 | <b>10,000,000.00</b>                      | 10,000,000.00                               |
| <b>Total liabilities</b>  |              | <b>3,389,648,129.08</b>                        | 2,841,345,474.56                                 | <b>327,841,134.86</b>                     | 331,961,068.73                              |
| <b>Shareholders' equity</b>   |              |  |  |   |   |
| 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                            |
| Special reserve   | 7(30)        | 2,161,436.85                                   | —  | —   | —   |
| Surplus reserve   | 7(31)        | 225,379,515.90                                 | 225,379,515.90                                   | 225,379,515.90                            | 225,379,515.90                              |
| Undistributed profits   | 7(32)        | 267,636,888.79                                 | 261,710,170.19                                   | 255,089,289.14                            | 262,775,069.75                              |
| <b>Total equity attributable to shareholders<br/>of the Company</b> |              | <b>5,302,432,699.03</b>                        | 5,294,344,543.58                                 | <b>5,287,723,662.53</b>                   | 5,295,409,443.14                            |
| <b>Minority interests</b>   | 7(33)        | <b>342,088,660.74</b>                          | 344,812,840.81                                   | —   | —   |
| <b>Total shareholders' equity</b>                                   |              | <b>5,644,521,359.77</b>                        | 5,639,157,384.39                                 | <b>5,287,723,662.53</b>                   | 5,295,409,443.14                            |
| <b>TOTAL LIABILITIES AND<br/>SHAREHOLDERS' EQUITY</b>               |              | <b>9,034,169,488.85</b>                        | 8,480,502,858.95                                 | <b>5,615,564,797.39</b>                   | 5,627,370,511.87                            |

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

Legal representative:  
**Yuan Ze**

Principal in charge of accounting:  
**He Hongfeng**

Head of accounting department:  
**Li Jianhua**

# CONSOLIDATED AND COMPANY INCOME STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

|  | Note         | Six months ended<br>30 June 2013<br>Consolidated<br>(unaudited) | Six months ended<br>30 June 2012<br>Consolidated<br>(unaudited) | Six months ended<br>30 June 2013<br>Company<br>(unaudited) | Six months ended<br>30 June 2012<br>Company<br>(unaudited) |
|--|--------------|---|---|--|--|
| <b>Revenue</b>   | 7(34)/14(16) | <b>425,993,175.53</b>   | 681,909,014.33  | <b>398,567,741.77</b>                                      | 657,952,311.26   |
| Less: Cost of sales  | 7(34)/14(16) | <b>(343,360,711.61)</b>   | (577,352,064.57)  | <b>(378,025,563.32)</b>                                    | (578,093,474.26)   |
| Taxes and surcharges   | 7(35)        | <b>(1,154,555.87)</b>   | (4,392,463.78)  | <b>(96,105.32)</b>   | (2,046,849.91)   |
| Selling and distribution expenses                              | 7(36)        | <b>(3,977,302.21)</b>   | (6,225,881.75)  | <b>(3,567,809.87)</b>                                      | (5,646,174.34)   |
| General and administrative expenses                            | 7(37)        | <b>(63,140,388.15)</b>  | (59,099,519.61)   | <b>(18,537,523.20)</b>                                     | (31,584,370.42)  |
| Finance expenses — net   | 7(38)        | <b>(651,032.43)</b>   | (6,181,506.52)  | <b>(1,005,305.47)</b>                                      | (7,204,326.92)   |
| Asset impairment losses  | 7(15)/7(39)  | <b>(6,446,138.13)</b>   | (1,717,612.86)  | <b>23,150.00</b>   | (1,627,541.66)   |
| Investment losses  | 7(40)/14(17) | <b>(4,767,164.23)</b>   | (5,088,847.12)  | <b>(4,767,164.23)</b>                                      | 40,523,422.30  |
| Including: Share of losses of an associate and a joint-venture |              | <b>(4,767,164.23)</b>   | (5,088,847.12)  | <b>(4,767,164.23)</b>                                      | (4,809,910.79)   |
| <b>Operating profit/(losses)</b>                               |              | <b>2,495,882.90</b>   | 21,851,118.12   | <b>(7,408,579.64)</b>                                      | 72,272,996.05  |
| Add: Non-operating income                                      | 7(41)        | <b>1,773,183.09</b>   | 884,378.14  | <b>1,073,000.00</b>  | 445,359.14   |
| Less: Non-operating expenses                                   | 7(42)        | <b>(198,015.93)</b>   | (775,866.83)  | <b>(135,000.00)</b>  | (228,000.00)   |
| Including: Losses on disposal of non-current assets            |              | <b>(1,357.24)</b>   | —   | —  | —  |
| <b>Total profit/(losses)</b>                                   |              | <b>4,071,050.06</b>   | 21,959,629.43   | <b>(6,470,579.64)</b>                                      | 72,490,355.19  |
| Less: Income tax expenses                                      | 7(43)        | <b>(868,590.92)</b>   | (4,449,358.13)  | <b>(1,215,200.97)</b>                                      | (4,795,039.94)   |
| <b>Net profit/(losses)</b>                                     |              | <b>3,202,459.14</b>   | 17,510,271.30   | <b>(7,685,780.61)</b>                                      | 67,695,315.25  |
| Attributable to shareholders of the Company                    |              | <b>5,926,718.60</b>   | 18,732,291.51   | <b>(7,685,780.61)</b>                                      | 67,695,315.25  |
| Minority interests   |              | <b>(2,724,259.46)</b>   | (1,222,020.21)  | —  | —  |
| <b>Earnings per share</b>                                      |              |   |   |  |  |
| Basic earnings per share                                       | 7(44)        | <b>0.003</b>  | 0.008   | —  | —  |
| Diluted earnings per share                                     | 7(44)        | <b>0.003</b>  | 0.008   | —  | —  |
| <b>Other comprehensive income</b>                              |              | —   | —   | —  | —  |
| <b>Total comprehensive income</b>                              |              | <b>3,202,459.14</b>   | 17,510,271.30   | <b>(7,685,780.61)</b>                                      | 67,695,315.25  |
| Attributable to shareholders of the Company                    |              | <b>5,926,718.60</b>   | 18,732,291.51   | <b>(7,685,780.61)</b>                                      | 67,695,315.25  |
| Minority interests   |              | <b>(2,724,259.46)</b>   | (1,222,020.21)  | —  | —  |

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

Legal representative:  
**Yuan Ze**

Principal in charge of accounting:  
**He Hongfeng**

Head of accounting department:  
**Li Jianhua**

|                          |       |   |   |   |   |
|--------------------------|-------|---|---|---|---|
| Proposed final dividends | 7(32) | — | — | — | — |
|--------------------------|-------|---|---|---|---|

# CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

|  | Note                   | Six months ended<br>30 June 2013<br>Consolidated<br>(unaudited) | Six months ended<br>30 June 2012<br>Consolidated<br>(unaudited) | Six months ended<br>30 June 2013<br>Company<br>(unaudited) | Six months ended<br>30 June 2012<br>Company<br>(unaudited) |
|--|------------------------|---|---|--|--|
| <b>1. Cash flows from operating activities</b>       |                        |   |   |  |  |
| Cash received from sales of goods                    |                        | 881,230,534.53  | 745,883,496.89  | 825,196,051.65   | 698,379,125.56   |
| Cash received relating to other operating activities | 7(45)(a)               | 3,983,341.57  | 38,926,570.68   | 10,132,303.03  | 3,800,668.23   |
| <b>Subtotal of cash inflows</b>                      |                        | <b>885,213,876.10</b>   | <b>784,810,067.57</b>   | <b>835,328,354.68</b>                                      | <b>702,179,793.79</b>                                      |
| Cash paid for goods and services                     |                        | (694,561,642.95)  | (620,547,583.41)  | (693,296,207.18)   | (630,732,556.69)   |
| Cash paid to and on behalf of employees              |                        | (156,377,038.12)  | (152,763,498.51)  | (56,140,758.00)  | (84,123,746.47)  |
| Payments of taxes and surcharges                     |                        | (27,130,188.05)   | (91,302,118.53)   | (4,979,681.60)   | (38,918,954.41)  |
| Cash paid relating to other operating activities     | 7(45)(b)               | (26,263,764.07)   | (19,888,996.46)   | (57,260,388.71)  | (12,831,339.97)  |
| <b>Subtotal of cash outflows</b>                     |                        | <b>(904,332,633.19)</b>   | <b>(884,502,196.91)</b>   | <b>(811,677,035.49)</b>                                    | <b>(766,606,597.54)</b>                                    |
| <b>Net cash flows from operating activities</b>      | 7(45)(c)/<br>14(18)(a) | <b>(19,118,757.09)</b>  | <b>(99,692,129.34)</b>  | <b>23,651,319.19</b>                                       | <b>(64,426,803.75)</b>                                     |
| <b>2. Cash flows from investing activities</b>       |                        |   |   |  |  |
| Cash received from disposal of fixed assets          |                        | 34,759.72   | 28,651.55   | 7,113.90   | 28,651.55  |
| <b>Subtotal of cash inflows</b>                      |                        | <b>34,759.72</b>  | <b>28,651.55</b>  | <b>7,113.90</b>  | <b>28,651.55</b>   |
| Cash paid to acquire fixed assets                    |                        | (232,577,377.14)  | (479,737,757.81)  | (1,445,224.59)   | (79,927,578.47)  |
| Cash paid to dispose a branch                        |                        | —   | —   | —  | (4,730,712.96)   |
| <b>Subtotal of cash outflows</b>                     |                        | <b>(232,577,377.14)</b>   | <b>(479,737,757.81)</b>   | <b>(1,445,224.59)</b>                                      | <b>(84,658,291.43)</b>                                     |
| <b>Net cash flows from investing activities</b>      |                        | <b>(232,542,617.42)</b>   | <b>(479,709,106.26)</b>   | <b>(1,438,110.69)</b>                                      | <b>(84,629,639.88)</b>                                     |

# CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013

(All amounts in RMB Yuan unless otherwise stated)

|  | Note                   | Six months ended<br>30 June 2013<br>Consolidated<br>(unaudited) | Six months ended<br>30 June 2012<br>Consolidated<br>(unaudited) | Six months ended<br>30 June 2013<br>Company<br>(unaudited) | Six months ended<br>30 June 2012<br>Company<br>(unaudited) |
|--|------------------------|---|---|--|--|
| <b>3. Cash flows from financing activities</b>                                 |                        |   |   |  |  |
| Cash received from borrowings  |                        | 504,450,835.66  | 551,000,000.00  | —  | 110,000,000.00   |
| <b>Subtotal of cash inflows</b>  |                        | <b>504,450,835.66</b>   | 551,000,000.00  | —  | 110,000,000.00   |
| Cash repayment of loans  |                        | —   | (50,000,000.00)   | —  | (50,000,000.00)  |
| Cash payments for interest expenses  |                        | (70,326,303.88)   | (33,549,259.33)   | (7,752,782.73)   | (11,223,526.33)  |
| <b>Subtotal of cash outflows</b>   |                        | <b>(70,326,303.88)</b>  | (83,549,259.33)   | <b>(7,752,782.73)</b>                                      | (61,223,526.33)  |
| <b>Net cash flows from financing activities</b>                                |                        | <b>434,124,531.78</b>   | 467,450,740.67  | <b>(7,752,782.73)</b>                                      | 48,776,473.67  |
| <b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b> |                        | —   | —   | —  | —  |
| <b>5. Net decrease in cash and cash equivalents</b>                            | 7(45)(d)/<br>14(18)(b) | <b>182,463,157.27</b>   | (111,950,494.93)  | <b>14,460,425.77</b>                                       | (100,279,969.96)   |
| Add: Cash and cash equivalents at beginning of period                          | 7(45)(d)/<br>14(18)(b) | <b>470,196,746.21</b>   | 568,501,002.36  | <b>361,418,741.61</b>                                      | 484,985,770.67   |
| <b>6. Cash and cash equivalent at end of period</b>                            | 7(45)(d)/<br>14(18)(b) | <b>652,659,903.48</b>   | 456,550,507.43  | <b>375,879,167.38</b>                                      | 384,705,800.71   |

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

Legal representative:  
**Yuan Ze**

Principal in charge of accounting:  
**He Hongfeng**

Head of accounting department:  
**Li Jianhua**

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

|  | Attributable to equity holders of the Company |                                 |                                  |                                  |                                       |                  | Minority interests<br>(Note 7(33)) | Total shareholders' equity |
|--|---|---------------------------------|----------------------------------|----------------------------------|---------------------------------------|------------------|------------------------------------|----------------------------|
|  | Share capital<br>(Note 7(28))                 | Capital surplus<br>(Note 7(29)) | Specific reserve<br>(Note 7(30)) | Surplus reserves<br>(Note 7(31)) | Undistributed profits<br>(Note 7(32)) | Subtotal         |                                    |                            |
| <b>Balance at 1 January 2012</b>                       | 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           |
| <b>Movements for the six months ended 30 June 2012</b> |   |                                 |                                  |                                  |                                       |                  |                                    |                            |
| Net profit   | —   | —                               | —                                | —                                | 18,732,291.51                         | 18,732,291.51    | (1,222,020.21)                     | 17,510,271.30              |
| Profit distribution                                    |   |                                 |                                  |                                  |                                       |                  |                                    |                            |
| — Profit distribution to shareholders                  | —   | —                               | —                                | —                                | (66,300,000.00)                       | (66,300,000.00)  | —                                  | (66,300,000.00)            |
| Appropriation to specific reserve                      | —   | —                               | 5,626,881.85                     | —                                | —                                     | 5,626,881.85     | 827.35                             | 5,627,709.20               |
| Utilisation of specific reserve                        | —   | —                               | (2,777,374.39)                   | —                                | —                                     | (2,777,374.39)   | —                                  | (2,777,374.39)             |
| <b>Balance at 30 June 2012</b>                         | 552,500,000.00                                | 4,254,754,857.49                | 2,849,507.46                     | 217,192,800.32                   | 266,805,842.01                        | 5,294,103,007.28 | 355,206,494.50                     | 5,649,309,501.78           |
| <b>Balance at 1 January 2013</b>                       | 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           |
| <b>Movements for the six months ended 30 June 2013</b> |   |                                 |                                  |                                  |                                       |                  |                                    |                            |
| Net profit   | —   | —                               | —                                | —                                | 5,926,718.60                          | 5,926,718.60     | (2,724,259.46)                     | 3,202,459.14               |
| Appropriation to specific reserve                      | —   | —                               | 5,811,980.22                     | —                                | —                                     | 5,811,980.22     | 79.39                              | 5,812,059.61               |
| Utilisation of specific reserve                        | —   | —                               | (3,650,543.37)                   | —                                | —                                     | (3,650,543.37)   | —                                  | (3,650,543.37)             |
| <b>Balance at 30 June 2013</b>                         | 552,500,000.00                                | 4,254,754,857.49                | 2,161,436.85                     | 225,379,515.90                   | 267,636,888.79                        | 5,302,432,699.03 | 342,088,660.74                     | 5,644,521,359.77           |

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

Legal representative:  
**Yuan Ze**

Principal in charge of accounting:  
**He Hongfeng**

Head of accounting department:  
**Li Jianhua**



# COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013

(All amounts in RMB Yuan unless otherwise stated)

|  | Share<br>capital<br><i>(Note 7(28))</i> | Capital<br>surplus<br><i>(Note 7(29))</i> | Special<br>reserve | Surplus<br>reserves<br><i>(Note 7(31))</i> | Undistributed<br>profits | Total<br>shareholders'<br>equity |
|--|---|---|--------------------|--|--------------------------|----------------------------------|
| <b>Balance at 1 January 2012</b>                           | 552,500,000.00                          | 4,254,754,857.49                          | —                  | 217,192,800.32                             | 255,394,629.50           | 5,279,842,287.31                 |
| <b>Movements for the six months<br/>ended 30 June 2012</b> |   |   |                    |  |                          |                                  |
| Net profit   | —                                       | —   | —                  | —  | 67,695,315.25            | 67,695,315.25                    |
| Profit distribution  |   |   |                    |  |                          |                                  |
| — Profit distribution to shareholders                      | —                                       | —   | —                  | —  | (66,300,000.00)          | (66,300,000.00)                  |
| Appropriation to specific reserve                          | —                                       | —   | 906,431.79         | —  | —                        | 906,431.79                       |
| Utilisation of specific reserve                            | —                                       | —   | (897,227.28)       | —  | —                        | (897,227.28)                     |
| <b>Balance at 30 June 2012</b>                             | 552,500,000.00                          | 4,254,754,857.49                          | 9,204.51           | 217,192,800.32                             | 256,789,944.75           | 5,281,246,807.07                 |
| <b>Balance at 1 January 2013</b>                           | 552,500,000.00                          | 4,254,754,857.49                          | —                  | 225,379,515.90                             | 262,775,069.75           | 5,295,409,443.14                 |
| <b>Movements for the six months<br/>ended 30 June 2013</b> |   |   |                    |  |                          |                                  |
| Net profit   | —                                       | —   | —                  | —  | (7,685,780.61)           | (7,685,780.61)                   |
| Appropriation to specific reserve                          | —                                       | —   | 13,249.03          | —  | —                        | 13,249.03                        |
| Utilisation of specific reserve                            | —                                       | —   | (13,249.03)        | —  | —                        | (13,249.03)                      |
| <b>Balance at 30 June 2013</b>                             | 552,500,000.00                          | 4,254,754,857.49                          | —                  | 225,379,515.90                             | 255,089,289.14           | 5,287,723,662.53                 |

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

*Legal representative:*  
**Yuan Ze**

*Principal in charge of accounting:*  
**He Hongfeng**

*Head of accounting department:*  
**Li Jianhua**

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 1 GENERAL INFORMATION

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

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

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

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

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

These financial statements were authorised for issue by the Company’s Board of Directors on 23 August 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”).

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 3 STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Company for the six months ended 30 June 2013 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as of 30 June 2013 and of their financial performance, cash flows and other information for the period then ended.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### (1) Accounting year

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

### (2) Recording currency

The recording currency is Renminbi (RMB).

### (3) 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.

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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.

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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.

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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.

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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 determining 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                              |

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (8) Receivables

#### (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<br>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<br>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.



# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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.

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (10) Long-term equity investments

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

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

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

#### (a) Determination of investment cost

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (d) Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries, jointly controlled entities and associates shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 4(18)). For other long-term equity investments which are not quoted in an active market and whose fair value cannot be reliably measured, the excess of its carrying amount over the present value of future cash flows discounted at the prevailing market yield rate for similar financial assets shall be recognised as impairment loss and cannot be reversed once recognised.

### (11) Fixed assets

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

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

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

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

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.

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (11) Fixed assets (continued)

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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.

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (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.

#### (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)).

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (15) Exploration assets and filling cost

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

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

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

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

### (16) Goodwill

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

### (17) Long-term prepaid expenses

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



# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (18) Impairment of long-term assets

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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.

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (20) Dividend distribution

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

### (21) Provisions

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (22) Deferred tax assets and deferred tax liabilities

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

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

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

Deferred tax assets and liabilities are offset when:

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

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (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.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (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.

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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 30 June 2013, 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. The discount rates used in cash flow projections varied with different cash generating units.

##### (b) *Goodwill impairment assessment*

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

As at 30 June 2013, 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.

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### Critical accounting estimates and key 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.



# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 5 TAXATION

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

| Type                       | Tax rate  | Taxable base   |
|----------------------------|---|--|
| Corporate income tax       | 15%/25% (note 1)  | Taxable income   |
| Value-added tax<br>("VAT") | 17% (note 2)  | Taxable value added amount<br>(Tax payable is calculated using<br>the taxable sales amount multiplied<br>by the effective tax rate less deductible<br>VAT input of current period) |
| Resources tax              | RMB6 per ton or<br>RMB7.6 per ton (note 3)                        | Amount of ore output<br>during the current month   |
| Urban construction tax     | 7%/5%   | Value added tax, business tax  |
| Education surcharge        | 3%  | Value added tax, business tax  |
| Mineral compensation       | Tax standards of mineral<br>products of located place<br>(note 4) | Actual sales income of copper<br>and nickel, after adjusting rate<br>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 its branch 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 six months ended 30 June 2013 after communication with local tax authorities (2012: 15%).
- (b) The applicable income tax rate of Shanghai Sales Branch is 25% (2012: 25%).

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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 quarterly corporate income tax using the preferential rate of 15% for the six months ended 30 June 2013 after communication with local tax authorities (2012: 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 quarterly corporate income tax using the preferential rate of 15% for the six months ended 30 June 2013 after communication with local tax authorities (2012: 15%).
- (e) The subsidiary, Xinjiang Kalatongke Mining industry Co., Ltd. (hereafter “Kalatongke Mining”), qualifies as a foreign investment manufacturing enterprise established in Fuyun, Xinjiang Uygur Autonomous Region. Kalatongke Mining was subject to corporate income tax of 25% from 20 May 2011 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 Kalatongke Mining 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, Kalatongke Mining calculated and paid quarterly corporate income tax using the preferential rate of 15% for the six months ended 30 June 2013 after communication with local tax authorities (2012: 25%).
- (f) 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”), 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% for the six months ended 30 June 2013 (2012: 25%).

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 5 TAXATION (CONTINUED)

### (2) Value-added tax

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

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

### (3) Resources tax

Pursuant to "Notification of Financial Department of Xinjiang Autonomous Region and Regional Tax Bureau of Xinjiang Autonomous Region about adjusting local copper and nickel ore resources tax rate", the Company pays resources tax of RMB7.6 per ton based on ore production in current month since 1 January 2008, and Xinjiang Yakesi and Hami Jubao pay RMB6 per ton since 1 January 2008.

### (4) Mineral compensation

Kalatongke Mining pays 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 × unit selling price × (1+5.72%) × pricing factor × 2% × recovery rate + self-produced copper in super high grade ore and mixed concentrate volume × unit selling price × pricing factor × 2% × recovery rate

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

### (1) Subsidiaries

#### (a) Subsidiaries acquired from establishment or investment

| Subsidiaries        | Type         | Place of registration | Registered capital | Scope of business   | Nature    | Legal representative | Code of organisation |
|---------------------|--------------|-----------------------|--------------------|---|-----------|----------------------|----------------------|
| Mengxi Mining       | Controlling  | Hami, the PRC         | 15,918,400.00      | Mineral resources exploration, investment, processing and sales   | Co., Ltd. | Zhang Guohua         | 676306990            |
| Wuxin Copper Mining | Controlling  | Fukang, the PRC       | 790,000,000.00     | Common non-ferrous metal smelting, processing and sales   | Co., Ltd. | Sun Baohui           | 68959791-8           |
| Kalatongke Mining   | 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, v consultancy of education, investment management, and sales of mineral products, metal materials, chemical products and mechanical equipment | Co., Ltd. | Wang Zhongwen        | 57909372-7           |

| Subsidiaries        | Ending balance of actual contribution | Ending balance of other items which forms substantially a part of net investment in subsidiaries | % of equity interests held by the Group | % of voting rights held by the Group | Consolidated or not | Minority interests    | Amount of minority interests charged by minority interests in the profit or loss |
|---------------------|---------------------------------------|--|---|--------------------------------------|---------------------|-----------------------|--|
| Mengxi Mining       | 10,200,000.00                         | Not applicable   | 51%                                     | 51%                                  | Yes                 | 1,857,329.30          | —  |
| Wuxin Copper Mining | 521,400,000.00                        | Not applicable   | 66%                                     | 66%                                  | Yes                 | 263,135,958.30        | (1,777,204.08)   |
| Kalatongke Mining   | 1,230,000,000.00                      | Not applicable   | 100%                                    | 100%                                 | Yes                 | —                     | —  |
| Beijing Xinding     | 100,000,000.00                        | Not applicable   | 100%                                    | 100%                                 | Yes                 | —                     | —  |
|                     | <u>1,861,600,000.00</u>               |  |   |                                      |                     | <u>264,993,287.60</u> | <u>(1,777,204.08)</u>  |

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (1) Subsidiaries (continued)

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

| 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 exploration, processing and sales   | Co., Ltd. | Guo Quan             | 71296966-1           |
| Hami Jubao      | Wholly-owned | Hami, the PRC         | 5,000,000.00       | Copper and nickel exploration, processing and sales   | Co., Ltd. | Guo Quan             | 71077102-9           |
| Zhongxin Mining | Controlling  | Hami, the PRC         | 120,000,000.00     | Ore products smelting and sales   | Co., Ltd. | Guo Quan             | 78465134-5           |
| Shaanxi Xinxin  | Controlling  | Shangnan, the PRC     | 10,000,000.00      | Provision of mineral investment, planning and consultancy services, and sales of mineral products | Co., Ltd. | Liu Jun              | 56714956-X           |

| Subsidiaries    | Ending balance of actual contribution | Ending balance of other items which forms substantially a part of net investment in subsidiaries | % of equity interests held by the Group | % of voting rights held by the Group | Consolidated or not | Minority interests   | Amount of minority interest charged by minority interests in the profit or loss |
|-----------------|---------------------------------------|--|---|--------------------------------------|---------------------|----------------------|---|
| Xinjiang Yakesi | 720,171,915.12                        | Not applicable   | 100%                                    | 100%                                 | Yes                 | —                    | —   |
| Hami Jubao      | 91,100,349.00                         | Not applicable   | 100%                                    | 100%                                 | Yes                 | —                    | —   |
| Zhongxin Mining | 118,659,156.75                        | Not applicable   | 97.58%                                  | 97.58%                               | Yes                 | 1,795,441.05         | (471,014.57)  |
| Shaanxi Xinxin  | 80,000,000.00                         | Not applicable   | 51%                                     | 51%                                  | Yes                 | 75,299,932.09        | (488,314.64)  |
|                 | <u>1,009,931,420.87</u>               |  |   |                                      |                     | <u>77,095,373.14</u> | <u>(959,329.21)</u>   |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (1) Cash and bank balances

|                                     | 30 June<br>2013       | 31 December<br>2012 |
|-------------------------------------|-----------------------|---------------------|
| Cash on hand                        | 101,024.59            | 180,693.71          |
| Cash at bank                        | 652,558,878.89        | 470,016,052.50      |
| Restricted cash at banks (Note (a)) | 21,516,724.37         | 12,775,376.75       |
|                                     | <b>674,176,627.85</b> | 482,972,122.96      |

(a) Included in the restricted cash at banks, approximately RMB8,000,000.00 was set aside as the security for issuing bank notes by the banks (31 December 2012: RMB100,000.00), and pursuant to the relevant rules and regulations issued by the government authorities, approximately RMB11,500,674.07 was set aside as guarantee deposits for environmental recovery and safety of production (31 December 2012: RMB10,662,814.07), and approximately RMB2,016,050.30 was set aside as deposits for compensation of industrial injury of migrant workers (31 December 2012: RMB2,012,562.68).

### (2) Notes receivable

|                       | 30 June<br>2013 | 31 December<br>2012 |
|-----------------------|-----------------|---------------------|
| Bank acceptance notes | 115,946,035.96  | 456,807,562.15      |

The ageing of notes receivable is within 180 days. As at 30 June 2013, the Group did not pledge any notes receivable (31 December 2012: Nil).

### (3) Accounts receivable

|                               | 30 June<br>2013      | 31 December<br>2012 |
|-------------------------------|----------------------|---------------------|
| Accounts receivable           | 19,579,741.65        | 48,220,305.34       |
| Less: provision for bad debts | (2,533,703.08)       | (2,556,853.08)      |
|                               | <b>17,046,038.57</b> | 45,663,452.26       |

The Group conducted sales transactions mainly through cash on delivery, cash receipts in advance or bank acceptance notes. For other sales transactions, credit terms not exceeding 180 days were granted. As at 30 June 2013, there were no significant accounts receivable that were past due but provision for bad debts was not made.

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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:

|               | 30 June 2013         |                    |                         | 31 December 2012     |                    |                         |
|---------------|----------------------|--------------------|-------------------------|----------------------|--------------------|-------------------------|
|               | Amount               | % of total balance | Provision for bad debts | Amount               | % of total balance | Provision for bad debts |
| Within 1 year | 14,316,462.86        | 73.12%             | —                       | 43,523,935.06        | 90.26%             | —                       |
| 1 to 2 years  | 984,167.31           | 5.03%              | —                       | 1,559,832.80         | 3.24%              | —                       |
| 2 to 3 years  | 1,358,678.70         | 6.94%              | —                       | 192,954.70           | 0.40%              | —                       |
| 3 to 4 years  | 7,921.00             | 0.04%              | (7,921.00)              | 394,650.70           | 0.82%              | (7,921.00)              |
| 4 to 5 years  | 687,931.40           | 3.51%              | (301,201.70)            | 324,351.70           | 0.67%              | (324,351.70)            |
| Over 5 years  | 2,224,580.38         | 11.36%             | (2,224,580.38)          | 2,224,580.38         | 4.61%              | (2,224,580.38)          |
|               | <b>19,579,741.65</b> | <b>100.00%</b>     | <b>2,533,703.08</b>     | <b>48,220,305.34</b> | <b>100.00%</b>     | <b>(2,556,853.08)</b>   |

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

|   | 30 June 2013         |                    |                         |               | 31 December 2012     |                    |                         |              |
|---|----------------------|--------------------|-------------------------|---------------|----------------------|--------------------|-------------------------|--------------|
|   | 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   | 5,094,354.48         | 26.02%             | (301,201.70)            | 5.91%         | 2,182,767.80         | 4.53%              | (324,351.70)            | 14.86%       |
| — Ageing Group  | 14,485,387.17        | 73.98%             | (2,232,501.38)          | 15.41%        | 46,037,537.54        | 95.47%             | (2,232,501.38)          | 4.85%        |
| With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis | —                    | —                  | —                       | —             | —                    | —                  | —                       | —            |
|   | <b>19,579,741.65</b> | <b>100.00%</b>     | <b>(2,533,703.08)</b>   | <b>12.94%</b> | <b>48,220,305.34</b> | <b>100.00%</b>     | <b>(2,556,853.08)</b>   | <b>5.30%</b> |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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:

|               | 30 June 2013   |                    |                         |                 | 31 December 2012 |                    |                         |                 |
|---------------|----------------|--------------------|-------------------------|-----------------|------------------|--------------------|-------------------------|-----------------|
|               | Ending balance |                    | Provision for bad debts |                 | Ending balance   |                    | Provision for bad debts |                 |
|               | Amount         | % of total balance | Amount                  | Provision ratio | Amount           | % of total balance | Amount                  | Provision ratio |
| Within 1 year | 10,860,526.18  | 74.98%             | —                       | —               | 42,820,935.06    | 93.01%             | —                       | —               |
| 1 to 2 years  | 802,367.31     | 5.54%              | —                       | —               | 791,146.40       | 1.72%              | —                       | —               |
| 2 to 3 years  | 589,992.30     | 4.07%              | —                       | —               | 192,954.70       | 0.42%              | —                       | —               |
| 3 to 4 years  | 7,921.00       | 0.05%              | (7,921.00)              | 100.00%         | 7,921.00         | 0.02%              | (7,921.00)              | 100.00%         |
| Over 5 years  | 2,224,580.38   | 15.36%             | (2,224,580.38)          | 100.00%         | 2,224,580.38     | 4.83%              | (2,224,580.38)          | 100.00%         |
|               | 14,485,387.17  | 100.00%            | (2,232,501.38)          | 15.41%          | 46,037,537.54    | 100.00%            | (2,232,501.38)          | 4.85%           |

(d) As at 30 June 2013, there were no accounts receivable from shareholders who held more than 5% (including 5%) of the voting rights of the Company (2012: Nil).

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

|  | 30 June 2013 |                    |                         | 31 December 2012 |                    |                         |
|--|--------------|--------------------|-------------------------|------------------|--------------------|-------------------------|
|  | Amount       | % of total balance | Provision for bad debts | Amount           | % of total balance | Provision for bad debts |
| Fuyun Hengsheng Beryllium Industry Co., Ltd                                | 4,050,777.78 | 20.69%             | —                       | 1,155,416.10     | 2.40%              | —                       |
| Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd. | 742,375.00   | 3.79%              | —                       | 703,000.00       | 1.46%              | —                       |
| Xinjiang Haoxin Lithia Developing Co., Ltd.                                | 301,201.70   | 1.54%              | (301,201.70)            | 324,351.70       | 0.67%              | (324,351.70)            |
|  | 5,094,354.48 | 26.02%             | (301,201.70)            | 2,182,767.80     | 4.53%              | (324,351.70)            |



# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (3) Accounts receivable (continued)

(f) As at 30 June 2013, the top five accounts receivable balances are analysed as follows:

|   | Relationship<br>with the Group | Amount        | Ageing         | % of<br>total balance |
|---|--------------------------------|---------------|----------------|-----------------------|
| Jiugang Group<br>Tianfeng Stainless<br>Steel Co., Ltd.                              | Third party                    | 8,040,213.04  | Within 2 years | 41.06%                |
| Fuyun Hengsheng<br>Beryllium Industry<br>Co., Ltd.                                  | Related party                  | 4,050,777.78  | Within 4 years | 20.69%                |
| Urumqi Jiuzhou<br>Hengchang Trading<br>Co., Ltd.                                    | Third party                    | 2,013,865.36  | Within 1 year  | 10.29%                |
| Shanghai Jinmin<br>Trading Co., Ltd.  | Third party                    | 802,933.20    | Over 5 years   | 4.10%                 |
| Xinjiang Non-ferrous Metal<br>Industry (Group)<br>Quanxin Construction<br>Co., Ltd. | Related party                  | 742,375.00    | Within 1 year  | 3.79%                 |
|   |                                | 15,650,164.38 |                | 79.93%                |

(g) As at 30 June 2013, Xinjiang Yakesi get the short-term loan with amount of RMB50,000,000.00 (31 December 2012: RMB33,500,000.00) by factoring accounts receivable from Zhongxin Mining with amount of RMB55,000,000.00 (31 December 2012: RMB38,713,218.98) (Note 7(24)(d)).

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (4) Other receivables

|  | 30 June<br>2013      | 31 December<br>2012 |
|--|----------------------|---------------------|
| Amount due from an associate (Note(i))     | 7,047,810.01         | 7,047,810.01        |
| Amount due from a joint-venture (Note(ii)) | 2,714,105.90         | 2,714,105.90        |
| Revolving fund                             | 2,353,501.63         | 1,403,108.41        |
| Factoring cost receivable (Note(iii))      | —                    | 7,417,405.73        |
| Others                                     | 7,755,789.99         | 2,536,607.59        |
|  | <b>19,871,207.53</b> | 21,119,037.64       |
| Less: provision for bad debts              | <b>(800,806.00)</b>  | (800,806.00)        |
|  | <b>19,070,401.53</b> | 20,318,231.64       |

- (i) According to the contract signed by Xinjiang Yakesi and Tibet Puxiong Mining Co., Ltd. (hereafter "Puxiong Mining"), Xinjiang Yakesi provided a loan of RMB7,000,000.00 to Puxiong Mining with the rate of 6.32%. The loan is guaranteed by the holding company of Puxiong Mining. According to the agreement entered into between the shareholders of Puxiong Mining and Tibet Qiangrui Mining Development Co., Ltd. (hereafter "Qiangrui Mining") on 26 March 2013. Qiangrui Mining will repay all the debts of Puxiong Mining to Xinjiang Yakesi. The repayment schedule will be processed along with the progress of equity transfer payment, which was expected to be completed within one year.
- (ii) 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 RMB50,000,000.00 to Hexin Mining. The principal amount was repaid in 2011. As at 30 June 2013 and 31 December 2012, the balance represented interest receivable.
- (iii) 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.

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

|               | 30 June 2013         |                       |                            | 31 December 2012 |                       |                            |
|---------------|----------------------|-----------------------|----------------------------|------------------|-----------------------|----------------------------|
|               | Amount               | % of total<br>balance | Provision for<br>bad debts | Amount           | % of total<br>balance | Provision for<br>bad debts |
| Within 1 year | 9,810,577.81         | 49.37%                | —                          | 7,130,526.87     | 33.76%                | —                          |
| 1 to 2 years  | 35,541.00            | 0.18%                 | —                          | 3,961,738.05     | 18.76%                | —                          |
| 2 to 3 years  | 65,778.30            | 0.33%                 | (16,916.36)                | 16,916.36        | 0.08%                 | (16,916.36)                |
| 3 to 4 years  | 2,699,319.68         | 13.58%                | —                          | 2,758,862.12     | 13.06%                | —                          |
| 4 to 5 years  | 8,996.50             | 0.05%                 | —                          | 47,810.01        | 0.23%                 | —                          |
| Over 5 years  | 7,250,994.24         | 36.49%                | (783,889.64)               | 7,203,184.23     | 34.11%                | (783,889.64)               |
|               | <b>19,871,207.53</b> | <b>100.00%</b>        | <b>(800,806.00)</b>        | 21,119,037.64    | 100.00%               | (800,806.00)               |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (4) Other receivables (continued)

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

|   | 30 June 2013         |                    |                         |              | 31 December 2012 |                    |                         |       |
|---|----------------------|--------------------|-------------------------|--------------|------------------|--------------------|-------------------------|-------|
|   | 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   | 9,761,915.91         | 49.13%             | (704,459.59)            | 7.22%        | 9,848,456.31     | 46.63%             | (704,459.59)            | 7.15% |
| — Ageing group  | 10,109,291.62        | 50.87%             | (96,346.41)             | 0.95%        | 11,270,581.33    | 53.37%             | (96,346.41)             | 0.85% |
| With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis | —                    | —                  | —                       | —            | —                | —                  | —                       | —     |
|   | <b>19,871,207.53</b> | <b>100.00%</b>     | <b>(800,806.00)</b>     | <b>4.03%</b> | 21,119,037.64    | 100.00%            | (800,806.00)            | 3.79% |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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 follows:

|               | 30 June 2013         |                    |                         |                 | 31 December 2012     |                    |                         |                 |
|---------------|----------------------|--------------------|-------------------------|-----------------|----------------------|--------------------|-------------------------|-----------------|
|               | Ending balance       |                    | Provision for bad debts |                 | Ending balance       |                    | Provision for bad debts |                 |
|               | Amount               | % of total balance | Amount                  | Provision ratio | Amount               | % of total balance | Amount                  | Provision ratio |
| Within 1 year | 9,752,791.91         | 96.47%             | —                       | —               | 6,986,200.57         | 61.99%             | —                       | —               |
| 1 to 2 years  | 35,541.00            | 0.35%              | —                       | —               | 3,961,738.05         | 35.15%             | —                       | —               |
| 2 to 3 years  | 65,778.30            | 0.65%              | (16,916.36)             | 25.72%          | 16,916.36            | 0.15%              | (16,916.36)             | 100.00%         |
| 3 to 4 years  | 42,999.68            | 0.43%              | —                       | —               | 102,542.12           | 0.91%              | —                       | —               |
| 4 to 5 years  | 8,996.50             | 0.09%              | —                       | —               | —                    | —                  | —                       | —               |
| Over 5 years  | 203,184.23           | 2.01%              | (79,430.05)             | 39.09%          | 203,184.23           | 1.80%              | (79,430.05)             | 39.09%          |
|               | <b>10,109,291.62</b> | <b>100.00%</b>     | <b>(96,346.41)</b>      | <b>0.95%</b>    | <b>11,270,581.33</b> | <b>100.00%</b>     | <b>(96,346.41)</b>      | <b>0.85%</b>    |

- (d) As at 30 June 2013, there were no other receivables from shareholders who held more than 5% (including 5%) of the voting rights of the Company (31 December 2012: Nil).

- (e) As at 30 June 2013, the top five of other receivables are analysed as follows:

|  | Relationship with the Group | Amount               | Ageing         | % of total balance |
|--|-----------------------------|----------------------|----------------|--------------------|
| Puxiong Mining                                 | Associate                   | 7,047,810.01         | Over 4 years   | 35.47%             |
| Hexin Mining                                   | Joint-venture               | 2,714,105.90         | Within 4 years | 13.66%             |
| Mine production enterprise reclamation deposit | Third party                 | 100,000.00           | Over 5 years   | 0.50%              |
| Employer's Liability Insurance                 | Third party                 | 73,154.84            | Over 5 years   | 0.37%              |
| Beijing Donglin Huamao Technology Co., Ltd.    | Third party                 | 70,000.00            | Within 1 year  | 0.35%              |
|  |                             | <b>10,005,070.75</b> |                | <b>50.35%</b>      |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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  |               | 30 June 2013        |                    |                         | 31 December 2012    |                    |                         |
|--|---------------|---------------------|--------------------|-------------------------|---------------------|--------------------|-------------------------|
|  |               | Amount              | % of total balance | Provision for bad debts | Amount              | % of total balance | Provision for bad debts |
| Puxiong Mining   | Associate     | 7,047,810.01        | 35.47%             | (704,459.59)            | 7,047,810.01        | 33.37%             | (704,459.59)            |
| Hexin Mining   | Joint-venture | 2,714,105.90        | 13.66%             | —                       | 2,714,105.90        | 12.85%             | —                       |
| Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd. | Related Party | —                   | —                  | —                       | 86,540.40           | 0.41%              | —                       |
|  |               | <b>9,761,915.91</b> | <b>49.13%</b>      | <b>(704,459.59)</b>     | <b>9,848,456.31</b> | <b>46.63%</b>      | <b>(704,459.59)</b>     |

### (5) Advances to suppliers

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

|               | 30 June 2013          |                    | 31 December 2012      |                    |
|---------------|-----------------------|--------------------|-----------------------|--------------------|
|               | Amount                | % of total balance | Amount                | % of total balance |
| Within 1 year | 234,319,169.73        | 80.56%             | 77,955,768.50         | 76.55%             |
| 1 to 2 years  | 49,475,918.73         | 17.01%             | 17,584,816.01         | 17.27%             |
| 2 to 3 years  | 5,923,498.57          | 2.04%              | 5,539,792.88          | 5.44%              |
| Over 3 years  | 1,127,330.02          | 0.39%              | 750,092.98            | 0.74%              |
|               | <b>290,845,917.05</b> | <b>100.00%</b>     | <b>101,830,470.37</b> | <b>100.00%</b>     |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Advances to suppliers (continued)

(b) As at 30 June 2013, the top five of advances to suppliers are analysed as follows:

|  | Relationship<br>with the Group | Amount         | % of<br>total balance | Recognition<br>date |
|--|--------------------------------|----------------|-----------------------|---------------------|
| Wenquan Shunkaida<br>Mining Co., Ltd.                      | Third party                    | 31,995,700.00  | 11.00%                | 2011 and 2012       |
| Xinjiang Baoma<br>Co., Ltd. Nileke Copper<br>Mining Branch | Third party                    | 30,000,000.00  | 10.31%                | 2013                |
| Shanshan Houwang<br>Copper Mining<br>Co., Ltd.             | Third party                    | 29,000,000.00  | 9.97%                 | 2013                |
| Xinjiang Xianglun<br>Mining Co., Ltd.                      | Third party                    | 28,410,434.50  | 9.77%                 | 2013                |
| Xinjiang Xituo<br>Mining Co., Ltd.                         | Third party                    | 23,198,442.99  | 7.98%                 | 2013                |
|  |                                | 142,604,577.49 | 49.03%                |                     |

(c) As at 30 June 2013, there were no advances to shareholders who held more than 5% (including 5 %) of the voting rights of the Company (31 December 2012: Nil).

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

|   | 30 June 2013  |                       |                            | 31 December 2012 |                       |                            |
|---|---------------|-----------------------|----------------------------|------------------|-----------------------|----------------------------|
|   | Amount        | % of Total<br>balance | Provision for<br>bad debts | Amount           | % of Total<br>balance | Provision for<br>bad debts |
| Hexin Mining  | 13,000,000.00 | 4.47%                 | —                          | —                | —                     | —                          |
| Xinjiang Non-ferrous<br>Metals Industrial<br>Materials (Group)<br>Co., Ltd.         | 656,200.00    | 0.23%                 | —                          | 656,200.00       | 0.64%                 | —                          |
| Xinjiang Non-ferrous<br>Metal Industry (Group)<br>Quanxin Construction<br>Co., Ltd. | 474,387.05    | 0.16%                 | —                          | 602,000.65       | 0.59%                 | —                          |
| China Non-ferrous Metal<br>Import and<br>Export Xinjiang<br>Co., Ltd.               | —             | —                     | —                          | 5,000,000.00     | 4.91%                 | —                          |
|   | 14,130,587.05 | 4.86 %                | —                          | 6,258,200.65     | 6.14%                 | —                          |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (6) Inventories

(a) Classification of inventories is as follows:

|                     | 30 June 2013            |  |                         | 31 December 2012 |  |                 |
|---------------------|-------------------------|--|-------------------------|------------------|--|-----------------|
|                     | Ending balance          | Provision for declines in value of inventories | Carrying amount         | Ending balance   | Provision for declines in value of inventories | Carrying amount |
| Raw materials       | 262,457,721.68          | (543,427.80)                                   | 261,914,293.88          | 235,132,212.88   | (543,427.80)                                   | 234,588,785.08  |
| Work in progress    | 40,270,822.28           | —  | 40,270,822.28           | 49,291,452.47    | —  | 49,291,452.47   |
| Semi-finished goods | 439,353,919.68          | —  | 439,353,919.68          | 376,007,506.69   | —  | 376,007,506.69  |
| Finished goods      | 359,378,315.02          | (7,948,155.16)                                 | 351,430,159.86          | 148,828,383.84   | (4,039,189.91)                                 | 144,789,193.93  |
|                     | <b>1,101,460,778.66</b> | <b>(8,491,582.96)</b>                          | <b>1,092,969,195.70</b> | 809,259,555.88   | (4,582,617.71)                                 | 804,676,938.17  |

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

|                | 31 December 2012 | Current period additions | Write-off    | 30 June 2013   |
|----------------|------------------|--------------------------|--------------|----------------|
| Raw materials  | (543,427.80)     | —                        | —            | (543,427.80)   |
| Finished goods | (4,039,189.91)   | (6,469,288.13)           | 2,560,322.88 | (7,948,155.16) |
|                | (4,582,617.71)   | (6,469,288.13)           | 2,560,322.88 | (8,491,582.96) |

(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            | 0.73%              |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (7) Other current assets

|  | 30 June<br>2013       | 31 December<br>2012 |
|--|-----------------------|---------------------|
| Deductible VAT                           | 138,862,976.01        | 122,002,829.27      |
| Investments held for sale (Note 7(8)(b)) | 3,587,083.97          | —                   |
|  | <b>142,450,059.98</b> | 122,002,829.27      |

### (8) Long-term equity investments

|                   | 30 June<br>2013       | 31 December<br>2012 |
|-------------------|-----------------------|---------------------|
| Joint-venture (a) | 142,901,536.62        | 147,668,700.85      |
| Associate (b)     | —                     | 3,587,083.97        |
|                   | <b>142,901,536.62</b> | 151,255,784.82      |

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

#### (a) Joint-venture

|              | Accounting<br>treatment | Investment<br>cost | 31 December<br>2012 | Share of<br>losses<br>(Note 7(40)) | 30 June<br>2013 | Equity interest<br>held | Voting rights<br>held |
|--------------|-------------------------|--------------------|---------------------|------------------------------------|-----------------|-------------------------|-----------------------|
| Hexin Mining | Equity method           | 145,326,500.00     | 147,668,700.85      | (4,767,164.23)                     | 142,901,536.62  | 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.



# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (b) Associate

|                | Accounting treatment | Investment cost | 31 December 2012 | Reclassified to investments held for sale (Note 7(7)) | 30 June 2013 | Equity interest held | Voting rights held |
|----------------|----------------------|-----------------|------------------|---|--------------|----------------------|--------------------|
| Puxiong Mining | Equity method        | 6,901,029.17    | 3,587,083.97     | (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.

According to the agreement entered into between the shareholders of Puxiong Mining and Qiangrui Mining on 26 March 2013, the shareholders of Puxiong Mining transferred their 100% equity interest of Puxiong Mining to Qiangrui Mining with a consideration of RMB12,000,000.00. As at 30 June 2013, the equity transfer was still in progress, which was expected to be completed within one year.

#### (c) Investments in joint-venture

|                              | Equity interests held | Voting rights held | Total assets   | 30 June 2013 Total liabilities | Net assets     | Six months ended 30 June 2013 |                |
|------------------------------|-----------------------|--------------------|----------------|--------------------------------|----------------|-------------------------------|----------------|
|                              |                       |                    |                |                                |                | Revenue                       | Net losses     |
| Joint-venture — Hexin Mining | 50%                   | 50%                | 605,294,740.22 | 408,828,439.69                 | 196,466,300.53 | 52,851,455.30                 | (9,534,328.47) |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Fixed assets

|   | Building       | Mining structure | Machinery and equipment | Electronic Equipment and others | Motor vehicles | Total            |
|---|----------------|------------------|-------------------------|---------------------------------|----------------|------------------|
| <b>Cost</b>                               |                |                  |                         |                                 |                |                  |
| 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 |
| Transfer-in from construction in progress | 1,918,949.18   | 270,513.28       | 2,184,355.95            | 157,520.23                      | —              | 4,531,338.64     |
| Additions                                 | —              | —                | 1,421,308.68            | 1,469,778.21                    | 1,929,219.32   | 4,820,306.21     |
| Disposals                                 | —              | —                | (14,163.14)             | (25,910.00)                     | (237,130.00)   | (277,203.14)     |
| 30 June 2013                              | 714,028,476.48 | 295,912,059.10   | 1,126,045,909.42        | 26,410,857.92                   | 62,538,925.57  | 2,224,936,228.49 |
| <b>Accumulated depreciation</b>           |                |                  |                         |                                 |                |                  |
| 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   |
| Additions                                 | 12,836,025.61  | 7,686,850.66     | 37,520,202.73           | 1,837,400.17                    | 2,562,444.73   | 62,442,923.90    |
| Disposals                                 | —              | —                | (1,335.34)              | (9,734.73)                      | (230,016.10)   | (241,086.17)     |
| 30 June 2013                              | 226,471,729.61 | 74,421,499.39    | 297,396,016.83          | 16,281,894.91                   | 27,560,046.79  | 642,131,187.53   |
| <b>Net book value</b>                     |                |                  |                         |                                 |                |                  |
| 30 June 2013                              | 487,556,746.87 | 221,490,559.71   | 828,649,892.59          | 10,128,963.01                   | 34,978,878.78  | 1,582,805,040.96 |
| 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 |

As at 31 December 2012 and 30 June 2013, the Group has not pledged any fixed assets.

For the six months ended 30 June 2013, RMB57,193,904.87 of the depreciation expense of fixed assets has been charged to cost of sales, RMB4,259,089.56 to general and administrative expense, RMB72,055.10 to selling expense and RMB917,874.37 to construction in progress (six months ended 30 June 2012: RMB40,803,399.27, RMB3,311,254.24, RMB53,496.73 and RMB1,060,804.33, respectively).

The costs of fixed assets transferred-in from construction in progress amounted to RMB4,531,338.64 for the six months ended 30 June 2013 (six months ended 30 June 2012: RMB75,797,595.92).

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Fixed assets (continued)

#### (a) Temporarily idle fixed assets

|                                 | Cost          | Accumulated depreciation | Net book value |
|---------------------------------|---------------|--------------------------|----------------|
| Machinery and equipment         | 9,272,690.33  | (7,963,765.37)           | 1,308,924.96   |
| Buildings                       | 7,959,665.68  | (4,887,355.00)           | 3,072,310.68   |
| Electronic and office equipment | 170,873.92    | (85,145.59)              | 85,728.33      |
|                                 | 17,403,229.93 | (12,936,265.96)          | 4,466,963.97   |

As at 30 June 2013, machinery and equipment, buildings and electronic and office equipment with carrying amount of RMB4,466,963.97 (cost of RMB17,403,229.93) were temporarily idle for the purpose of production facility improvement (31 December 2012: RMB2,037,047.07 (cost of RMB29,840,232.28)).

### (10) Construction materials

|                        | 31 December 2012 | Additions    | Reductions     | 30 June 2013 |
|------------------------|------------------|--------------|----------------|--------------|
| Construction materials | 1,640,762.29     | 9,923,236.90 | (6,462,588.07) | 5,101,411.12 |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (11) Construction in progress

|  | 30 June 2013            |                          |                         | 31 December 2012        |                          |                         |
|--|-------------------------|--------------------------|-------------------------|-------------------------|--------------------------|-------------------------|
|  | Ending balance          | Provision for impairment | Carrying amount         | Ending balance          | Provision for impairment | Carrying amount         |
| <b>The Company:</b>                            |                         |                          |                         |                         |                          |                         |
| Fukang Refinery                                |                         |                          |                         |                         |                          |                         |
| Utilisation of tailings project                | 142,849,338.20          | —                        | 142,849,338.20          | 139,640,070.07          | —                        | 139,640,070.07          |
| Nickel refining project                        | 1,904,627.04            | —                        | 1,904,627.04            | 1,650,292.74            | —                        | 1,650,292.74            |
| Office building                                | 21,440,422.74           | —                        | 21,440,422.74           | 21,210,422.74           | —                        | 21,210,422.74           |
| <b>Sub-total of the Company</b>                | <b>166,194,387.98</b>   | <b>—</b>                 | <b>166,194,387.98</b>   | <b>162,500,785.55</b>   | <b>—</b>                 | <b>162,500,785.55</b>   |
| <b>Subsidiaries:</b>                           |                         |                          |                         |                         |                          |                         |
| Kalatongke Mining                              |                         |                          |                         |                         |                          |                         |
| Nickel mining and ore processing project       | 943,917,429.16          | —                        | 943,917,429.16          | 884,485,524.56          | —                        | 884,485,524.56          |
| Resource exploration project                   | 39,849,602.89           | —                        | 39,849,602.89           | 38,935,830.27           | —                        | 38,935,830.27           |
| Other constructions in progress for production | 57,748,387.07           | —                        | 57,748,387.07           | 57,619,835.67           | —                        | 57,619,835.67           |
| Xinjiang Yakesi                                |                         |                          |                         |                         |                          |                         |
| Huangshanxi mining project                     | 936,574,182.38          | —                        | 936,574,182.38          | 839,427,503.68          | —                        | 839,427,503.68          |
| Huangshandong #17 mine construction project    | 4,822,614.29            | —                        | 4,822,614.29            | 2,220,960.00            | —                        | 2,220,960.00            |
| Xiangshan mine construction project            | 1,684,321.61            | —                        | 1,684,321.61            | —                       | —                        | —                       |
| Hami Jubao                                     |                         |                          |                         |                         |                          |                         |
| Huangshandong #12 mine project                 | 10,416,826.14           | —                        | 10,416,826.14           | —                       | —                        | —                       |
| Zhongxin Mining                                |                         |                          |                         |                         |                          |                         |
| Auxiliary project for smelting operations      | 692,188.05              | —                        | 692,188.05              | —                       | —                        | —                       |
| Wuxin Copper Mining                            |                         |                          |                         |                         |                          |                         |
| Ten thousand copper smelting project           | 1,562,148,455.70        | —                        | 1,562,148,455.70        | 1,433,994,324.76        | —                        | 1,433,994,324.76        |
| DPA project                                    | 67,518,768.73           | —                        | 67,518,768.73           | 65,607,484.57           | —                        | 65,607,484.57           |
| Shaanxi Xinxin                                 |                         |                          |                         |                         |                          |                         |
| Other projects                                 | 694,073.00              | —                        | 694,073.00              | 691,000.00              | —                        | 691,000.00              |
| Beijing Xinding                                |                         |                          |                         |                         |                          |                         |
| Other projects                                 | 7,125,154.65            | —                        | 7,125,154.65            | 4,785,154.65            | —                        | 4,785,154.65            |
| <b>Sub-total of subsidiaries</b>               | <b>3,633,192,003.67</b> | <b>—</b>                 | <b>3,633,192,003.67</b> | <b>3,327,767,618.16</b> | <b>—</b>                 | <b>3,327,767,618.16</b> |
|  | <b>3,799,386,391.65</b> | <b>—</b>                 | <b>3,799,386,391.65</b> | <b>3,490,268,403.71</b> | <b>—</b>                 | <b>3,490,268,403.71</b> |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (11) Construction in progress (continued)

| Project name                                      | Budget           | 31 December<br>2012 | Current period<br>additions | Transfer to fixed<br>assets<br>(Note 7(9)) | Current period<br>reductions | 30 June 2013     | % of Expenditures<br>incurred to<br>budgeted amount | Cumulative<br>Capitalised<br>borrowing costs | Including:  |                     | Source of funds                          |
|---|------------------|---------------------|-----------------------------|--|------------------------------|------------------|---|--|---|---------------------|--|
|   |                  |                     |                             |  |                              |                  |   |  | borrowing costs<br>capitalised in<br>current period | Capitalisation rate |  |
| <u>Kalatongke Mining</u>                          |                  |                     |                             |  |                              |                  |   |  |   |                     |  |
| Nickel smelting project                           | 1,642,551,493.00 | 884,465,524.56      | 59,431,904.60               | —  | —                            | 943,917,429.16   | 98.02%  | 23,153,804.46                                | 12,099,000.70                                       | 6.07%               | Self-funding/loans/<br>government grants |
| Resource exploration project                      | 53,610,806.00    | 38,935,830.27       | 913,772.62                  | —  | —                            | 39,849,602.89    | 87.57%  | —  | —   | —                   | Self-funding/<br>government grants       |
| Other constructions in progress<br>for production | 75,046,239.00    | 57,619,835.67       | 128,551.40                  | —  | —                            | 57,748,387.07    | 76.96%  | —  | —   | —                   | Self-funding                             |
| <u>Fukang Refinery</u>                            |                  |                     |                             |  |                              |                  |   |  |   |                     |  |
| Utilisation of tailings project                   | 387,631,650.00   | 139,640,070.07      | 4,250,293.77                | (1,041,025.64)                             | —                            | 142,849,338.20   | 91.72%  | 3,686,597.82                                 | 607,644.54  | 6.08%               | Self-funding/loans                       |
| Nickel refining project                           | 163,360,000.00   | 1,650,292.74        | 254,334.30                  | —  | —                            | 1,904,627.04     | 1.17%   | —  | —   | —                   | Self-funding                             |
| Office building                                   | 23,000,000.00    | 21,210,422.74       | 230,000.00                  | —  | —                            | 21,440,422.74    | 93.22%  | —  | —   | —                   | Self-funding                             |
| <u>Xinjiang Yakasi</u>                            |                  |                     |                             |  |                              |                  |   |  |   |                     |  |
| Huangshanxi mining project                        | 1,037,259,700.00 | 839,427,503.68      | 97,879,715.96               | (733,037.26)                               | —                            | 936,574,182.38   | 90.40%  | 96,123,973.95                                | 26,966,932.05                                       | 6.43%               | Self-funding/loans/<br>government grants |
| Huangshandong #17<br>mine construction project    | 102,000,000.00   | 2,220,960.00        | 2,667,350.29                | (65,696.00)                                | —                            | 4,822,614.29     | 98.23%  | —  | —   | —                   | Self-funding                             |
| Xiangshan mine construction project               | 36,217,536.00    | —                   | 1,684,321.61                | —  | —                            | 1,684,321.61     | 99.51%  | —  | —   | —                   | Self-funding                             |
| <u>Hami Jubao</u>                                 |                  |                     |                             |  |                              |                  |   |  |   |                     |  |
| Huangshandong #12 mine project                    | 65,800,000.00    | —                   | 10,459,826.14               | (43,000.00)                                | —                            | 10,416,826.14    | 99.86%  | —  | —   | —                   | Self-funding                             |
| <u>Zhongxin Mining</u>                            |                  |                     |                             |  |                              |                  |   |  |   |                     |  |
| Auxiliary project for smelting<br>operations      | 90,000,000.00    | —                   | 3,340,767.79                | (2,648,579.74)                             | —                            | 692,188.05       | 97.99%  | —  | —   | —                   | Self-funding/<br>government grants       |
| <u>Wuxin Copper Mining</u>                        |                  |                     |                             |  |                              |                  |   |  |   |                     |  |
| Ten thousand copper<br>smelting project           | 1,960,940,100.00 | 1,433,994,324.76    | 128,154,130.94              | —  | —                            | 1,562,148,455.70 | 80.63%  | 51,765,445.55                                | 29,195,968.39                                       | 7.22%               | Self-funding/loans/<br>government grants |
| DPA project                                       | 100,000,000.00   | 65,607,484.57       | 1,911,284.16                | —  | —                            | 67,518,768.73    | 67.52%  | —  | —   | —                   | Self-funding                             |
| <u>Shaanxi Xinxin</u>                             |                  |                     |                             |  |                              |                  |   |  |   |                     |  |
| Other projects                                    | 10,000,000.00    | 691,000.00          | 3,073.00                    | —  | —                            | 694,073.00       | 6.94%   | —  | —   | —                   | Self-funding                             |
| <u>Beijing Xinding</u>                            |                  |                     |                             |  |                              |                  |   |  |   |                     |  |
| Other projects                                    | 10,000,000.00    | 4,785,154.65        | 2,340,000.00                | —  | —                            | 7,125,154.65     | 71.25%  | —  | —   | —                   | Self-funding                             |
|   | 5,757,417,524.00 | 3,490,268,403.71    | 313,649,326.58              | (4,531,338.64)                             | —                            | 3,799,386,391.65 |   | 174,729,821.78                               | 68,869,545.68                                       |                     |  |

As at 30 June 2013, there is no indication of impairment on construction in progress. The Group estimates the progress of construction projects based on the proportion of expenditures incurred to budgeted amount.

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (12) Intangible assets

|                                | 31 December<br>2012 | Additions/<br>(Reductions) | 30 June<br>2013         |
|--------------------------------|---------------------|----------------------------|-------------------------|
| Total cost                     | 1,116,335,904.96    | —                          | <b>1,116,335,904.96</b> |
| Mining rights                  | 699,654,158.24      | —                          | <b>699,654,158.24</b>   |
| Exploration rights             | 208,153,000.00      | —                          | <b>208,153,000.00</b>   |
| Land use rights                | 207,101,115.12      | —                          | <b>207,101,115.12</b>   |
| Others                         | 1,427,631.60        | —                          | <b>1,427,631.60</b>     |
| Total accumulated amortisation | 90,349,182.81       | 8,860,979.64               | <b>99,210,162.45</b>    |
| Mining rights                  | 71,523,948.37       | 7,272,793.18               | <b>78,796,741.55</b>    |
| Land use rights                | 17,858,936.86       | 1,499,996.28               | <b>19,358,933.14</b>    |
| Others                         | 966,297.58          | 88,190.18                  | <b>1,054,487.76</b>     |
| Total net book value           | 1,025,986,722.15    | (8,860,979.64)             | <b>1,017,125,742.51</b> |
| Mining rights                  | 628,130,209.87      | (7,272,793.18)             | <b>620,857,416.69</b>   |
| Exploration rights             | 208,153,000.00      | —                          | <b>208,153,000.00</b>   |
| Land use rights                | 189,242,178.26      | (1,499,996.28)             | <b>187,742,181.98</b>   |
| Others                         | 461,334.02          | (88,190.18)                | <b>373,143.84</b>       |

For the six months ended 30 June 2013, the amortisation expense of intangible assets was RMB 8,860,979.64 (six months ended 30 June 2012: RMB8,865,075.33).

The exploration rights owned by the Group were acquired through the acquisition of Shaanxi Xinxin in 2011. Shaanxi Xinxin has applied to convert the exploration rights of two mines located in Shangnan, Shaanxi into mining rights. As at 30 June 2013, the application was submitted and yet to be approved.

As at 30 June 2013 and 31 December 2012, there was no indication of impairment on intangible assets, and no impairment provision was made.

None of intangible assets was pledged for borrowings.

As at 30 June 2013 and 31 December 2012, the Group's land use rights were located in mainland China with land use right periods ranging from 5-70 years.

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (13) Goodwill

|   | <b>30 June<br/>2013</b> | 31 December<br>2012 |
|---|-------------------------|---------------------|
| The acquisition of Zhongxin Mining                | <b>17,844,894.10</b>    | 17,844,894.10       |
| The acquisition of Xinjiang Yakesi and Hami Jubao | <b>9,987,911.01</b>     | 9,987,911.01        |
| The acquisition of Shaanxi Xinxin                 | <b>254,745.09</b>       | 254,745.09          |
|   | <b>28,087,550.20</b>    | 28,087,550.20       |

As at 30 June 2013 and 31 December 2012, the Group did not make impairment provision on goodwill (Note 4(27)(b)).

### (14) Other non-current assets

|                                     | <b>30 June<br/>2013</b> | 31 December<br>2012 |
|-------------------------------------|-------------------------|---------------------|
| Prepayment for purchase of land (i) | <b>45,280,000.00</b>    | 45,280,000.00       |
| Prepaid utilities (ii)              | <b>30,885,100.00</b>    | 41,339,500.00       |
| Total                               | <b>76,165,100.00</b>    | 86,619,500.00       |

(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 30 June 2014.

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (15) Provision for asset impairment

|  | 31 December<br>2012 | Current period<br>additions | Current period<br>reductions | 30 June 2013         |
|--|---------------------|-----------------------------|------------------------------|----------------------|
| Provision for bad debts  | 3,357,659.08        | —                           | (23,150.00)                  | <b>3,334,509.08</b>  |
| Including: Provision for bad debts<br>of accounts<br>receivables | 2,556,853.08        | —                           | (23,150.00)                  | <b>2,533,703.08</b>  |
| Provision for bad debts<br>of other receivables                  | 800,806.00          | —                           | —                            | <b>800,806.00</b>    |
| Provision for decline in value<br>of inventories (Note 7(6))     | 4,582,617.71        | 6,469,288.13                | (2,560,322.88)               | <b>8,491,582.96</b>  |
|  | 7,940,276.79        | 6,469,288.13                | (2,583,472.88)               | <b>11,826,092.04</b> |

### (16) Notes payable

|                       | 30 June<br>2013     | 31 December<br>2012 |
|-----------------------|---------------------|---------------------|
| Bank acceptance notes | <b>8,000,000.00</b> | 100,000.00          |

As at 30 June 2013 and 31 December 2012, all notes payable would mature in one year.

### (17) Accounts payable

|                            | 30 June<br>2013       | 31 December<br>2012 |
|----------------------------|-----------------------|---------------------|
| Payable for materials      | <b>109,630,652.41</b> | 109,928,799.99      |
| Services fee payable       | <b>50,023,618.67</b>  | 44,663,300.85       |
| Transportation fee payable | <b>3,665,439.16</b>   | 6,417,936.21        |
| Others                     | <b>1,114,265.36</b>   | 921,494.79          |
|                            | <b>164,433,975.60</b> | 161,931,531.84      |

(a) As at 30 June 2013, there were no payables due to shareholders who held more than 5% (including 5%) of the voting rights in the Company (31 December 2012: Nil).



# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (17) Accounts payable (continued)

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

|   | <b>30 June<br/>2013</b> | 31 December<br>2012 |
|---|-------------------------|---------------------|
| Hexin Mining  | <b>5,790,361.88</b>     | 17,459,101.44       |
| Xinjiang Non-ferrous Metal Industry (Group)<br>Fuyun Xingtong Service Co., Ltd. | <b>2,234,675.06</b>     | 2,225,233.45        |
| Fukang Non-ferrous Development Co., Ltd.  | <b>938,681.34</b>       | 1,524,641.58        |
| Xinjiang Non-ferrous Metal Industry<br>(Group) Quanxin Construction Co., Ltd.   | <b>696,397.04</b>       | 521,130.20          |
| Xinjiang Non-ferrous Metallurgy<br>Transportation Co., Ltd.                     | <b>221,775.02</b>       | 1,231,149.26        |
| Xinjiang Non-ferrous Metallurgy<br>Manufacture Factory                          | <b>6,562.21</b>         | —                   |
|   | <b>9,888,452.55</b>     | 22,961,255.93       |

(c) As at 30 June 2013, accounts payable over one year with carrying amount of RMB5,313,283.28 (31 December 2012: RMB6,925,282.89) were mainly payables for purchase of materials.

(d) The ageing analysis of trade payables based on their recording dates are as follows:

|               | <b>30 June<br/>2013</b> | 31 December<br>2012 |
|---------------|-------------------------|---------------------|
| 0-90 days     | <b>133,662,854.39</b>   | 136,855,237.88      |
| 91-180 days   | <b>9,519,717.90</b>     | 8,759,344.21        |
| Over 181 days | <b>21,251,403.31</b>    | 16,316,949.75       |
|               | <b>164,433,975.60</b>   | 161,931,531.84      |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (18) Advances from customers

|                    | <b>30 June<br/>2013</b> | 31 December<br>2012 |
|--------------------|-------------------------|---------------------|
| Advances for goods | <b>25,879,153.04</b>    | 11,005,077.30       |

- (a) As at 30 June 2013, there were no advances from shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2012: Nil). Up to the approval date of these financial statements RMB9,159,231.75 were recognised as revenue.
- (b) As at 30 June 2013, advances from customers over one year with carrying amount of approximately RMB638,156.38 (31 December 2012: RMB637,459.61).
- (c) Advances from related parties

|  | <b>30 June<br/>2013</b> | 31 December<br>2012 |
|--|-------------------------|---------------------|
| Fuyun Hengsheng Beryllium Industry Co., Ltd. | —                       | 18,544.73           |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (19) Employee benefits payable

|   | 31 December<br>2012 | Current period<br>additions | Current period<br>reductions | 30 June 2013         |
|---|---------------------|-----------------------------|------------------------------|----------------------|
| Salaries, bonuses, allowances<br>and subsidies  | 38,156,794.47       | 94,842,770.69               | (102,908,896.67)             | <b>30,090,668.49</b> |
| Staff welfare                                   | —                   | 3,757,882.94                | (3,757,882.94)               | —                    |
| Social insurances                               | 3,972,907.67        | 30,662,613.83               | (29,418,777.09)              | <b>5,216,744.41</b>  |
| Including: Medical insurance                    | 1,177,509.76        | 6,914,304.61                | (6,523,371.83)               | <b>1,568,442.54</b>  |
| Pension insurance                               | 1,535,399.91        | 18,768,399.45               | (18,344,897.87)              | <b>1,958,901.49</b>  |
| Unemployment<br>insurance                       | 975,221.41          | 1,901,581.25                | (1,786,853.84)               | <b>1,089,948.82</b>  |
| Work injury insurance                           | 218,194.94          | 2,254,398.58                | (1,981,277.57)               | <b>491,315.95</b>    |
| Maternity insurance                             | 66,581.65           | 787,091.44                  | (745,537.48)                 | <b>108,135.61</b>    |
| Illness insurance                               | —                   | 36,838.50                   | (36,838.50)                  | —                    |
| Housing funds                                   | 2,137,016.94        | 10,022,614.00               | (10,103,605.00)              | <b>2,056,025.94</b>  |
| Labor union fund and<br>employee education fund | 8,207,111.42        | 3,378,220.30                | (2,596,887.17)               | <b>8,988,444.55</b>  |
| Others  | 2,267,448.54        | 7,367,543.11                | (7,476,333.74)               | <b>2,158,657.91</b>  |
|   | 54,741,279.04       | 150,031,644.87              | (156,262,382.61)             | <b>48,510,541.30</b> |

As at 30 June 2013, no defaulted payables were included in the employee benefits payable and the balance was estimated to be used up within one year.

### (20) Taxes payable

|   | 30 June<br>2013      | 31 December<br>2012 |
|---|----------------------|---------------------|
| Value added tax payable                       | <b>8,566,340.21</b>  | 4,052,230.53        |
| Resource compensation fee payable             | <b>6,980,550.26</b>  | 4,686,439.15        |
| Resource tax payable                          | <b>668,084.14</b>    | 683,720.92          |
| City maintenance and construction tax payable | <b>418,783.68</b>    | 316,544.39          |
| Educational surcharge payable                 | <b>406,095.56</b>    | 226,125.80          |
| Individual income tax payable                 | <b>216,037.93</b>    | 330,993.41          |
| Stamp duty payable                            | <b>47,037.44</b>     | 1,733,365.77        |
| Income tax payables                           | —                    | 280.02              |
| Others  | <b>20,815.19</b>     | 183,507.53          |
|   | <b>17,323,744.41</b> | 12,213,207.52       |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (21) Other payables

|                                       | 30 June<br>2013       | 31 December<br>2012 |
|---------------------------------------|-----------------------|---------------------|
| Payables for construction in progress | <b>206,220,443.80</b> | 178,624,322.96      |
| Payables for equipments               | <b>176,143,138.96</b> | 191,219,270.45      |
| Quality guarantee                     | <b>7,707,780.42</b>   | 2,981,721.85        |
| Agency fee                            | <b>403,349.73</b>     | 2,288,580.89        |
| Others                                | <b>12,663,890.34</b>  | 9,317,550.00        |
|                                       | <b>403,138,603.25</b> | 384,431,446.15      |

(a) As at 30 June 2013, there were no other payables to shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2012: Nil).

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

|   | 30 June<br>2013       | 31 December<br>2012 |
|---|-----------------------|---------------------|
| Xinjiang Non-ferrous Metal Industry<br>(Group) Quanxin Construction Co., Ltd. | <b>106,255,014.81</b> | 119,310,475.22      |
| China Non-ferrous Metal Import and<br>Export Xinjiang Co., Ltd.               | <b>2,226,000.00</b>   | 2,226,000.00        |
| Xinjiang Non-ferrous Industry Group Precious<br>Metal Co., Ltd.               | <b>282,678.40</b>     | 282,678.40          |
| Fukang Non-ferrous Development Co., Ltd.                                      | <b>150,000.00</b>     | 150,000.00          |
| Xinjiang Non-ferrous Metallurgy<br>Transportation Co., Ltd.                   | <b>150,000.00</b>     | 150,000.00          |
| China Non-ferrous Geological<br>Engineering Company                           | <b>121,540.40</b>     | 271,540.40          |
|   | <b>109,185,233.61</b> | 122,390,694.02      |

(c) As at 30 June 2013, other payables over one year with carrying amount of RMB41,152,245.98 (31 December 2012: RMB62,625,750.00) were mainly payables for construction in progress and quality guarantee.

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (22) Provision

|  | 31 December<br>2012 | Current<br>period addition<br>(Note 7(38)) | <b>30 June<br/>2013</b> |
|--|---------------------|--|-------------------------|
| Provision for close down, restoration<br>and environmental costs | 5,989,261.37        | 165,506.49                                 | <b>6,154,767.86</b>     |

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

|   | <b>30 June<br/>2013</b> | 31 December<br>2012 |
|---|-------------------------|---------------------|
| Current portion of long-term payables (a)   | <b>250,000,000.00</b>   | —                   |
| Current portion of long-term borrowings (b) | <b>30,000,000.00</b>    | 30,000,000.00       |
|   | <b>280,000,000.00</b>   | 30,000,000.00       |

#### (a) Current portion of long-term payables

|                                  | <b>30 June<br/>2013</b> | 31 December<br>2012 |
|----------------------------------|-------------------------|---------------------|
| Entrusted loans (Note 7 (25)(a)) | <b>250,000,000.00</b>   | —                   |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (23) Current portion of non-current liabilities (continued)

#### (b) Current portion of long-term borrowings

|                              | <b>30 June<br/>2013</b> | 31 December<br>2012 |
|------------------------------|-------------------------|---------------------|
| Unsecured loans (Note 7(24)) | <b>30,000,000.00</b>    | 30,000,000.00       |

As at 30 June 2013, the Group has no overdue borrowings.

The two largest current portion of long-term borrowings:

| Bank                  | Starting date | Ending date | Currency | Interest rate<br>(%) | <b>30 June<br/>2013<br/>Amount in RMB</b> | 31 December<br>2012<br>Amount in RMB |
|-----------------------|---------------|-------------|----------|----------------------|---|--------------------------------------|
| Bank of Communication | 18/10/2010    | 19/12/2013  | RMB      | Floating rate        | <b>20,000,000.00</b>                      | 20,000,000.00                        |
| Bank of Communication | 01/12/2010    | 19/12/2013  | RMB      | Floating rate        | <b>10,000,000.00</b>                      | 10,000,000.00                        |
|                       |               |             |          |                      | <b>30,000,000.00</b>                      | 30,000,000.00                        |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (24) Borrowings

#### (a) Long-term borrowings

|   | 30 June<br>2013       | 31 December<br>2012 |
|---|-----------------------|---------------------|
| Unsecured loans   | 920,000,000.00        | 720,000,000.00      |
| Less: long-term borrowings<br>mature within one year (Note 7(23)) | (30,000,000.00)       | (30,000,000.00)     |
|   | <b>890,000,000.00</b> | 690,000,000.00      |

As at 30 June 2013, the long-term borrowings were due for repayment since December 2014. The interest was payable on a quarterly basis. For the six months ended 30 June 2013, the weighted average interest rate of long-term borrowings was 6.89% annually (six months ended 30 June 2012: 7.15%).

#### (b) The five largest long-term borrowings

|                       | Starting date | Ending date | Currency | Interest rate<br>(%) | 30 June<br>2013<br>Amount in RMB | 31 December<br>2012<br>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 Kunlun        | 26/06/2013    | 25/06/2016  | RMB      | Floating rate        | 100,000,000.00                   | —                                    |
| Bank of China         | 27/06/2013    | 26/06/2016  | RMB      | Floating rate        | 100,000,000.00                   | —                                    |
| 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                        |
| Bank of Communication | 14/11/2011    | 18/10/2017  | RMB      | Floating rate        | —                                | 30,000,000.00                        |
|                       |               |             |          |                      | <b>450,000,000.00</b>            | 310,000,000.00                       |

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

|              | 30 June<br>2013       | 31 December<br>2012 |
|--------------|-----------------------|---------------------|
| 1 to 2 years | 135,000,000.00        | 135,000,000.00      |
| 2 to 5 years | 655,000,000.00        | 455,000,000.00      |
| over 5 years | 100,000,000.00        | 100,000,000.00      |
|              | <b>890,000,000.00</b> | 690,000,000.00      |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (24) Borrowings (continued)

#### (d) Short-term borrowings

|                    | 30 June<br>2013         | 31 December<br>2012 |
|--------------------|-------------------------|---------------------|
| Unsecured loans    | 1,049,450,835.66        | 811,500,000.00      |
| Loans by factoring | 50,000,000.00           | 33,500,000.00       |
|                    | <b>1,099,450,835.66</b> | 845,000,000.00      |

For the six months ended 30 June 2013, the weighted average interest rate of short-term borrowings is 6.55% annually (2012: 6.34%).

For the six months ended 30 June 2013, Xinjiang Yakesi entered into four factoring agreements with a bank with the factoring financing limit of RMB70,000,000.00. Xinjiang Yakesi have got the loan by factoring accounts receivable from Zhongxin Mining with amount of RMB55 million (Note 7(3)(g)) and the ending balance of loan was RMB50,000,000.00 as at 30 June 2013 (31 December 2012: RMB38,713,218.98, and the ending balance of loan was RMB33,500,000.00).

### (25) Long-term payables

|   | 30 June<br>2013       | 31 December<br>2012 |
|---|-----------------------|---------------------|
| Entrusted loans(a)                              | 455,000,000.00        | 455,000,000.00      |
| Less: long-term payables mature within one year | (250,000,000.00)      | —                   |
|   | <b>205,000,000.00</b> | 455,000,000.00      |
| Borrowings from Xinjiang Non-ferrous Group(b)   | 50,000,000.00         | —                   |
|   | <b>255,000,000.00</b> | 455,000,000.00      |

(a) As at 30 June 2013, 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 their 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%.

(b) According to the agreement entered into between Beijing Xinding and Xinjiang Non-ferrous Group, Beijing Xinding borrowed RMB 50,000,000.00 from Xinjiang Non-ferrous Group with no interest bearing and a maturity date of 12 June 2016.



# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (26) Other non-current liabilities

|                     | 30 June<br>2013      | 31 December<br>2012 |
|---------------------|----------------------|---------------------|
| Deferred income (a) | <b>51,427,251.28</b> | 51,855,931.20       |

#### (a) Deferred income

|   | 30 June<br>2013      | 31 December<br>2012 |
|---|----------------------|---------------------|
| — Enterprise development fund (Note (1))                                | <b>22,603,000.00</b> | 22,603,000.00       |
| — Land use right (Note (2))   | <b>9,230,224.66</b>  | 9,335,113.60        |
| — Project on exploration of No. 2 mine<br>in Kalatongke Mine (Note (3)) | <b>7,880,000.00</b>  | 7,880,000.00        |
| — Project on energy saving (Note (4))                                   | <b>5,612,500.00</b>  | 5,925,000.00        |
| — Project on use of well water (Note (4))                               | <b>2,700,000.00</b>  | 2,700,000.00        |
| — General improvement project (Note (4))                                | <b>1,600,000.00</b>  | 1,600,000.00        |
| — Project on technology improvement (Note (5))                          | <b>1,300,000.00</b>  | 1,300,000.00        |
| — Project on online monitoring of pollution<br>sources (Note (6))       | <b>400,000.00</b>    | 400,000.00          |
| — Project on recovery of No. 1 mine<br>residual ore (Note (7))          | <b>101,526.62</b>    | 112,817.60          |
|   | <b>51,427,251.28</b> | 51,855,931.20       |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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, it allocated land use right to Zhongxin Mining for free. Zhongxin Mining recognized the land use rights at fair value and credited to deferred revenue. Deferred revenue amortised in line with useful life of the land use rights and allocated to non-operating income. The fair value of the land use rights determined by market value.
- Note 3:* The project funds were allocated by Land and Resources Bureau of Xinjiang Uygur Autonomous Region with RMB7,180,000.00 and by Development Committee of Xinjiang Uygur Autonomous Region with RMB700,000.00 respectively, for a total of RMB7,880,000.00. The project is in progress currently.
- Note 4:* The project funds were allocated by Finance Department of Xinjiang Uygur Autonomous Region 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.

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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:

|                       | 30 June 2013         |                                  | 31 December 2012    |                                  |
|-----------------------|----------------------|----------------------------------|---------------------|----------------------------------|
|                       | Deferred tax assets  | Deductible Temporary differences | Deferred tax assets | Deductible Temporary differences |
| Deductible tax losses | 18,436,925.32        | 74,429,067.45                    | 11,794,153.90       | 47,176,615.60                    |
| Unrealised profit     | 6,263,045.83         | 40,857,938.15                    | 7,389,885.69        | 46,099,425.60                    |
| Government grants     | 2,939,104.00         | 19,594,026.62                    | 4,819,454.40        | 19,917,817.60                    |
| Impairment provision  | 1,878,842.98         | 11,819,816.83                    | 1,749,736.53        | 7,940,276.79                     |
| Others                | 226,655.24           | 906,620.96                       | 226,655.24          | 906,620.96                       |
|                       | <b>29,744,573.37</b> | <b>147,607,470.01</b>            | 25,979,885.76       | 122,040,756.55                   |

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

|  | 30 June 2013             |                               | 31 December 2012         |                               |
|--|--------------------------|-------------------------------|--------------------------|-------------------------------|
|  | Deferred tax liabilities | Taxable Temporary differences | Deferred tax liabilities | Taxable Temporary differences |
| Business combination involving enterprises not under common control (Note) | 138,279,379.53           | 598,183,573.25                | 138,607,490.13           | 600,169,183.41                |

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 arising 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:

|                                  | 30 June 2013        | 31 December 2012 |
|----------------------------------|---------------------|------------------|
| Deductible temporary differences | <b>5,812,080.38</b> | 23,714,795.08    |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (28) Share capital

|                            | 30 June 2013         |                     | 31 December 2012 |                     |
|----------------------------|----------------------|---------------------|------------------|---------------------|
|                            | Number of shares     | % of issued capital | Number of shares | % of issued capital |
| Domestic shares            |                      |                     |                  |                     |
| 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 Shareholders             | 759,000,000          | 34.34%              | 759,000,000      | 34.34%              |
|                            | <b>2,210,000,000</b> | <b>100.00%</b>      | 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 Holding Company<br>(Note 1) | Capital reserve<br>(Note 2) | Total            |
|-----------------------------------|---|-----------------------------|------------------|
| 30 June 2013 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.

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (30) Specific reserve

|                            | 31 December<br>2012 | Current period<br>additions | Current period<br>reductions | 30 June<br>2013     |
|----------------------------|---------------------|-----------------------------|------------------------------|---------------------|
| Safety fund reserve (Note) | —                   | 5,811,980.22                | (3,650,543.37)               | <b>2,161,436.85</b> |
|                            | 31 December<br>2011 | Current period<br>additions | Current period<br>reductions | 30 June<br>2012     |
| Safety fund reserve (Note) | —                   | 5,626,881.85                | (2,777,374.39)               | 2,849,507.46        |

Pursuant to certain regulations issued by the State Administration of Work Safety, the Company is required to set aside an amount to a safety fund at RMB10 per ton of raw ore mined by Kalatongke Mining, Xinjiang Yakesi and Hami Jubao (six months ended 30 June 2012: RMB8 per ton); and at 4% of sales of vitriol by FuKang Refinery. The accrual of safety fund is charged to production cost and credited to specific reserve. For the six months ended 30 June 2012 and six months ended 30 June 2013, the safety expenditures that are expenses in nature are directly debited to specific reserve.

### (31) Surplus reserve

|                   | 31 December<br>2012 | Current period<br>additions | Current period<br>reductions | 30 June<br>2013       |
|-------------------|---------------------|-----------------------------|------------------------------|-----------------------|
| Statutory reserve | 225,379,515.90      | —                           | —                            | <b>225,379,515.90</b> |

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. The Company has not appropriated the statutory reserve due to the net losses for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Undistributed profits

|  | Six months ended<br>30 June 2013 |   | Six months ended<br>30 June 2012 |   |
|--|----------------------------------|---|----------------------------------|---|
|  | Amount                           | Ratio for<br>Appropriation or<br>distribution | Amount                           | Ratio for<br>Appropriation or<br>distribution |
| Undistributed profits at the beginning<br>of the current period                            | 261,710,170.19                   | —   | 314,373,550.50                   | —   |
| Add: Net profit attributable to<br>the equity holders of Company<br>for the current period | 5,926,718.60                     | —   | 18,732,291.51                    | —   |
| Less: Ordinary share dividend  | —                                | —   | (66,300,000.00)                  | RMB0.03 per share                             |
| Undistributed profits at the end<br>of the current period                                  | 267,636,888.79                   | —   | 266,805,842.01                   | —   |

As at 30 June 2013, included in the undistributed profits, RMB39,272,353.19 was subsidiaries' surplus reserve attributable to the Company (31 December 2012: RMB39,272,353.19), of which no statutory reserve was appropriated for the year ended 30 June 2013 for subsidiaries (For the six months ended 30 June 2012: Nil).

|  | For the six<br>months ended<br>30 June 2013 | For the six<br>months ended<br>30 June 2012 |
|--|---|---|
| Dividends proposed but not paid as at period end | —   | —   |
| Total dividends paid in the year                 | —   | 66,300,000.00                               |

In accordance with a resolution of shareholders' meeting passed on 25 May 2012, the Company declared a cash dividend of 2011 in the amount of RMB0.03 per share, totalling RMB66,300,000.00 calculated based on 2,210,000,000 issued shares.

In accordance with the resolution of shareholders' meeting passed on 24 May 2013, the Company did not declare any cash dividend of 2012.

### (33) Minority interests

#### Minority interests attributable to the minority shareholders of subsidiaries

|                     | 30 June<br>2013 | 31 December<br>2012 |
|---------------------|-----------------|---------------------|
| Wuxin Copper Mining | 263,135,958.30  | 264,913,162.38      |
| Shaanxi Xinxin      | 75,299,932.09   | 75,788,246.73       |
| Mengxi Mining       | 1,857,329.30    | 1,844,976.08        |
| Zhongxin Mining     | 1,795,441.05    | 2,266,455.62        |
|                     | 342,088,660.74  | 344,812,840.81      |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (34) Revenue and cost of sales

|                              | <b>Six months ended<br/>30 June 2013</b> | Six months ended<br>30 June 2012 |
|------------------------------|--|----------------------------------|
| Revenue from main operation  | <b>395,062,192.65</b>                    | 669,440,387.61                   |
| Revenue from other operation | <b>30,930,982.88</b>                     | 12,468,626.72                    |
|                              | <b>425,993,175.53</b>                    | 681,909,014.33                   |
|                              | <b>Six months ended<br/>30 June 2013</b> | Six months ended<br>30 June 2012 |
| Cost of main operation       | <b>333,905,575.16</b>                    | 566,906,974.88                   |
| Cost of other operation      | <b>9,455,136.45</b>                      | 10,445,089.69                    |
|                              | <b>343,360,711.61</b>                    | 577,352,064.57                   |

#### (a) Revenue and cost of sales from main operation

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

|                    | <b>Six months ended<br/>30 June 2013</b> |                                   | Six months ended<br>30 June 2012 |                           |
|--------------------|--|-----------------------------------|----------------------------------|---------------------------|
|                    | <b>Revenue from<br/>main operation</b>   | <b>Cost of main<br/>operation</b> | Revenue from<br>main operation   | Cost of main<br>operation |
| Nickel cathode     | <b>243,780,419.45</b>                    | <b>225,901,657.58</b>             | 493,543,938.00                   | 443,242,895.31            |
| Copper cathode     | <b>144,624,185.37</b>                    | <b>104,515,628.19</b>             | 161,357,191.15                   | 115,833,593.84            |
| Copper concentrate | <b>5,119,389.42</b>                      | <b>1,441,515.61</b>               | 12,306,800.05                    | 3,949,265.40              |
| Others             | <b>1,538,198.41</b>                      | <b>2,046,773.78</b>               | 2,232,458.41                     | 3,881,220.33              |
|                    | <b>395,062,192.65</b>                    | <b>333,905,575.16</b>             | 669,440,387.61                   | 566,906,974.88            |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (b) Revenue and cost of sales from other operation

|                      | Six months ended<br>30 June 2013 |                            | Six months ended<br>30 June 2012 |                            |
|----------------------|----------------------------------|----------------------------|----------------------------------|----------------------------|
|                      | Revenue from<br>other operation  | Cost of other<br>operation | Revenue from<br>other operation  | Cost of other<br>operation |
| Scrap sales          | 20,274,039.38                    | 171,199.37                 | 1,145,871.43                     | 200,210.72                 |
| Sales of electricity | 5,954,446.57                     | 6,683,246.95               | 6,590,466.52                     | 6,895,179.93               |
| Sales of materials   | 2,772,133.96                     | 2,462,719.38               | 2,553,867.29                     | 2,138,727.47               |
| Supply of heating    | 168,073.64                       | 2,750.00                   | —                                | —                          |
| Others               | 1,762,289.33                     | 135,220.75                 | 2,178,421.48                     | 1,210,971.57               |
|                      | <b>30,930,982.88</b>             | <b>9,455,136.45</b>        | 12,468,626.72                    | 10,445,089.69              |

#### (c) Revenue from top five customers of the Group

Revenue from top five customers of the revenue of the Group amounted to RMB231,100,185.64, which accounted for 54.25% (six months ended 30 June 2012: RMB453,920,473.20, accounted for 66.56%) of the total revenue of the Group. Details are as follows:

|  | Revenue        | Percentage of the<br>total revenue of<br>the Group<br>(%) |
|--|----------------|---|
| Shaanxi Shenghua Non-ferrous Metal Co., Ltd. | 57,012,703.16  | 13.38   |
| Tianfeng Stainless Steel                     | 54,797,838.11  | 12.86   |
| Ningbo Kelun Metal Co., Ltd.                 | 49,595,980.00  | 11.64   |
| Tianjin Steel Raw Materials Trading Center   | 41,110,982.92  | 9.65  |
| Shenyang Chengtong Metal Co., Ltd.           | 28,582,681.45  | 6.72  |
|  | 231,100,185.64 | 54.25   |

### (35) Taxes and surcharges

|                                       | Six months<br>Ended 30<br>June 2013 | Six months<br>Ended 30<br>June 2012 |
|---------------------------------------|-------------------------------------|-------------------------------------|
| City maintenance and construction tax | 599,304.01                          | 2,345,698.12                        |
| Education surcharge                   | 493,645.80                          | 1,998,090.82                        |
| Others                                | 61,606.06                           | 48,674.84                           |
|                                       | <b>1,154,555.87</b>                 | 4,392,463.78                        |



# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (36) Selling and distribution expenses

|                                   | <b>Six months<br/>ended 30<br/>June 2013</b> | Six months<br>ended 30<br>June 2012 |
|-----------------------------------|--|-------------------------------------|
| Transportation fees               | <b>3,089,798.89</b>                          | 5,319,429.56                        |
| Employee benefits                 | <b>615,684.45</b>                            | 566,830.39                          |
| Administration and travel expense | <b>149,560.74</b>                            | 199,620.27                          |
| Depreciation                      | <b>72,055.10</b>                             | 61,696.95                           |
| Others                            | <b>50,203.03</b>                             | 78,304.58                           |
|                                   | <b>3,977,302.21</b>                          | 6,225,881.75                        |

### (37) General and administrative expenses

|                                     | <b>Six months<br/>ended 30<br/>June 2013</b> | Six months<br>ended 30<br>June 2012 |
|-------------------------------------|--|-------------------------------------|
| Employee benefits                   | <b>29,863,826.88</b>                         | 30,189,485.55                       |
| Mineral resources compensation fees | <b>6,470,789.17</b>                          | 6,298,439.03                        |
| Depreciation and amortization       | <b>5,847,276.02</b>                          | 4,834,157.28                        |
| Sewage charges                      | <b>5,394,048.00</b>                          | 3,211,549.00                        |
| Taxation                            | <b>3,753,683.71</b>                          | 2,856,834.38                        |
| Administration expense              | <b>2,063,983.40</b>                          | 2,503,452.52                        |
| Service charge                      | <b>1,700,450.04</b>                          | 1,600,450.02                        |
| Intermediary agency fee             | <b>1,289,063.19</b>                          | 780,742.95                          |
| Operating leases expenses           | <b>944,962.00</b>                            | 852,686.00                          |
| Others                              | <b>5,812,305.74</b>                          | 5,971,722.88                        |
|                                     | <b>63,140,388.15</b>                         | 59,099,519.61                       |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (38) Finance expenses – net

|                                     | Six months<br>ended 30<br>June 2013 | Six months<br>ended 30<br>June 2012 |
|-------------------------------------|-------------------------------------|-------------------------------------|
| Interest income on deposits         | 2,765,819.27                        | 4,532,642.70                        |
| Interest expense on bank borrowings | (3,036,385.34)                      | (10,605,856.46)                     |
| Bank charges                        | (218,125.69)                        | (108,021.85)                        |
| Unwinding of discount (Note 7(22))  | (165,506.49)                        | —                                   |
| Net foreign exchange gains/(losses) | 3,165.82                            | (270.91)                            |
|                                     | <b>(651,032.43)</b>                 | (6,181,506.52)                      |

For each of the six months end 30 June 2013 and 2012, all the Group's interest expense was related to the borrowings repayable.

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

|   | Six months<br>ended 30<br>June 2013 | Six months<br>ended 30<br>June 2012 |
|---|-------------------------------------|-------------------------------------|
| Provision for decline in value of inventories               | 6,469,288.13                        | 1,183,081.08                        |
| Provision for/(written back of)<br>bad debt provision — net | (23,150.00)                         | 534,531.78                          |
|   | <b>6,446,138.13</b>                 | 1,717,612.86                        |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (40) Investment losses (Note 7(8))

|   | <b>Six months<br/>ended 30<br/>June 2013</b> | Six months<br>ended 30<br>June 2012 |
|---|--|-------------------------------------|
| Losses from a joint-venture under equity method | <b>(4,767,164.23)</b>                        | (4,809,910.79)                      |
| Losses from an associate under equity method    | —  | (278,936.33)                        |
|   | <b>(4,767,164.23)</b>                        | (5,088,847.12)                      |

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

|                | <b>Six months<br/>Ended 30<br/>June 2013</b> | Six months<br>Ended 30<br>June 2012 | Reason for current<br>period fluctuation             |
|----------------|--|-------------------------------------|--|
| Hexin Mining   | <b>(4,767,164.23)</b>                        | (4,809,910.79)                      | Change of operating situation<br>of invested company |
| Puxiong Mining | —  | (278,936.33)                        | Change of operating situation<br>of invested company |
|                | <b>(4,767,164.23)</b>                        | (5,088,847.12)                      |  |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (41) Non-operating income

|                                  | Six months<br>ended 30<br>June 2013 | Six months<br>ended 30<br>June 2012 |
|----------------------------------|-------------------------------------|-------------------------------------|
| Government grants (Note (a))     | 1,487,062.74                        | 514,970.25                          |
| Gain on disposal of fixed assets | —                                   | 2,034.65                            |
| Others                           | 286,120.35                          | 367,373.24                          |
|                                  | <b>1,773,183.09</b>                 | 884,378.14                          |

#### (a) Details of government grants

|  | Six months<br>ended 30<br>June 2013 | Six months<br>ended 30<br>June 2012 |
|--|-------------------------------------|-------------------------------------|
| Funds for new type industrial development                  | 845,271.76                          | 300,000.00                          |
| Energy saving subsidies                                    | 312,500.00                          | 100,000.00                          |
| Incentive for termination of obsolete                      | 200,000.00                          | —                                   |
| Social security benefits for<br>enterprise in difficulties | 33,000.00                           | —                                   |
| Platinum tax refund  | —                                   | 18,679.27                           |
| Others   | 96,290.98                           | 96,290.98                           |
|  | <b>1,487,062.74</b>                 | 514,970.25                          |

### (42) Non-operating expenses

|  | Six months<br>ended 30<br>June 2013 | Six months<br>ended 30<br>June 2012 |
|--|-------------------------------------|-------------------------------------|
| Donations                                | 155,000.00                          | 105,000.00                          |
| Others                                   | 41,658.68                           | 670,866.83                          |
| Losses on disposal of non-current assets | 1,357.25                            | —                                   |
|  | <b>198,015.93</b>                   | 775,866.83                          |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (43) Income tax expenses

|                     | <b>Six months<br/>ended 30<br/>June 2013</b> | Six months<br>ended 30<br>June 2012 |
|---------------------|--|-------------------------------------|
| Current income tax  | <b>4,961,389.13</b>                          | 9,504,051.01                        |
| Deferred income tax | <b>(4,092,798.21)</b>                        | (5,054,692.88)                      |
|                     | <b>868,590.92</b>                            | 4,449,358.13                        |

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

|  | <b>Six months<br/>ended 30<br/>June 2013</b> | Six months<br>ended 30<br>June 2012 |
|--|--|-------------------------------------|
| Total profit   | <b>4,071,050.06</b>                          | 21,959,629.43                       |
| Income tax expenses calculated at statutory tax rate of 25%                      | <b>1,017,762.52</b>                          | 5,489,907.36                        |
| Effect of tax reduction during tax incentive period                              | <b>(3,119,407.87)</b>                        | (3,455,206.28)                      |
| Effect of change in the tax rates  | <b>1,878,809.91</b>                          | —                                   |
| Losses/(income) not subject to tax   | —  | 1,272,211.78                        |
| Costs, expenses and losses not deductible for tax purposes                       | <b>1,097,168.09</b>                          | 299,206.73                          |
| Deductible temporary differences for which no deferred tax asset were recognised | <b>1,453,020.10</b>                          | 843,238.53                          |
| Differences recognised by tax law for previous year's losses                     | <b>(1,458,761.83)</b>                        | —                                   |
|  | <b>868,590.92</b>                            | 4,449,358.13                        |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

|   | <b>Six months<br/>ended 30<br/>June 2013</b> | Six months<br>ended 30<br>June 2012 |
|---|--|-------------------------------------|
| Consolidated net profit attributable to equity holders of the Company | <b>5,926,718.60</b>                          | 18,732,291.51                       |
| Weighted average number of ordinary shares outstanding                | <b>2,210,000,000.00</b>                      | 2,210,000,000.00                    |
| Basic/diluted earnings per share                                      | <b>0.003</b>                                 | 0.008                               |

Diluted earnings per share is calculated by dividing net profit attributable to equity holders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares in issue of the Company. As there were no dilutive potential ordinary shares for the six months ended 30 June 2013 (for the six months ended 30 June 2012: Nil), diluted earnings per share equal to basic earnings per share.

### (45) Notes to consolidated cash flow statement

#### (a) Cash received relating to other operating activities

|   | <b>Six months<br/>ended 30<br/>June 2013</b> | Six months<br>ended 30<br>June 2012 |
|---|--|-------------------------------------|
| Interest income                         | <b>2,462,880.40</b>                          | 4,744,057.47                        |
| Government grants received              | <b>1,487,062.74</b>                          | —                                   |
| The receipt of restricted cash at banks | —  | 25,122,883.91                       |
| Others                                  | <b>33,398.43</b>                             | 9,059,629.30                        |
|   | <b>3,983,341.57</b>                          | 38,926,570.68                       |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (b) Cash paid relating to other operating activities

|   | Six months<br>ended 30<br>June 2013 | Six months<br>ended 30<br>June 2012 |
|---|-------------------------------------|-------------------------------------|
| The payment of restricted cash at banks | 8,741,347.62                        | —                                   |
| Sewage charge                           | 5,394,048.00                        | 3,211,549.00                        |
| Administrative expenses                 | 5,110,141.58                        | 5,595,438.54                        |
| Transportation expenses                 | 3,089,798.89                        | 5,055,124.65                        |
| Comprehensive supporting service fee    | 1,700,450.04                        | 1,630,450.02                        |
| Agency fees                             | 1,289,063.19                        | 776,949.06                          |
| Public welfare donations                | —                                   | 105,000.00                          |
| Others                                  | 938,914.75                          | 3,514,485.19                        |
|   | <b>26,263,764.07</b>                | 19,888,996.46                       |

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

|  | Six months<br>ended 30<br>June 2013 | Six months<br>ended 30<br>June 2012 |
|--|-------------------------------------|-------------------------------------|
| Net profit                                       | 3,202,459.14                        | 17,510,271.30                       |
| Adjustment: Provisions for asset impairment      | 6,446,138.13                        | 1,717,612.86                        |
| Depreciation of fixed assets                     | 61,525,049.53                       | 44,168,150.24                       |
| Amortisation of intangible assets                | 8,738,073.42                        | 8,865,075.33                        |
| Investment losses                                | 4,767,164.23                        | 5,088,847.12                        |
| Financial expenses                               | 3,201,891.83                        | 10,605,856.46                       |
| Amortisation of long-term prepaid expenses       | 24,361.44                           | 188,169.64                          |
| Net losses /(income) on disposal of fixed assets | 1,357.25                            | (2,034.65)                          |
| Increase in inventories                          | (294,761,545.66)                    | (31,811,272.44)                     |
| Increase in deferred tax assets                  | (3,764,687.61)                      | (4,560,458.40)                      |
| Decrease in deferred tax liabilities             | (328,110.60)                        | (494,234.48)                        |
| Decrease/ (increase) in operating receivables    | 192,276,852.31                      | (161,956,589.12)                    |
| Increase in operating payables                   | 8,293,587.12                        | 11,104,656.73                       |
| Increase in restricted cash at banks             | (8,741,347.62)                      | —                                   |
| Others   | —                                   | (116,179.93)                        |
| Net cash flows from operating activities         | <b>(19,118,757.09)</b>              | (99,692,129.34)                     |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (d) Movement of cash and cash equivalents

|   | <b>Six months<br/>ended 30<br/>June 2013</b> | Six months<br>ended 30<br>June 2012 |
|---|--|-------------------------------------|
| Cash and cash equivalents<br>at end of the period (e)         | <b>652,659,903.48</b>                        | 456,550,507.43                      |
| Less: cash and cash equivalents<br>at beginning of the period | <b>(470,196,746.21)</b>                      | (568,501,002.36)                    |
| Net increase /(decrease) in cash<br>and cash equivalents      | <b>182,463,157.27</b>                        | (111,950,494.93)                    |

#### (e) Cash and cash equivalents

|   | <b>30 June<br/>2013</b> | 31 December<br>2012 |
|---|-------------------------|---------------------|
| Cash  | <b>652,659,903.48</b>   | 456,550,507.43      |
| Including: Cash on hand                             | <b>101,024.59</b>       | 97,388.40           |
| Cash at bank that can be readily<br>drawn on demand | <b>652,558,878.89</b>   | 456,453,119.03      |
| Cash and cash equivalents                           | <b>652,659,903.48</b>   | 456,550,507.43      |



# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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 the six months ended 30 June 2013 and 2012, the Group's sales were conducted in China and the Group's assets and liabilities were in China.

For the six months ended 30 June 2013, revenue from top three customers of the Group accounted for 13.38%, 12.86% and 11.64% of the total revenue of the Group respectively (six months ended 30 June 2012: 20.63%, 20.31% and 8.86%, respectively).

## 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 for a related party

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

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (1) Information of the parent company

#### (a) Information of the parent company

| Name of company            | Place of registration   | Nature of business   | Type                | Legal representative | Code of organisation |
|----------------------------|---|--|---------------------|----------------------|----------------------|
| Xinjiang Non-ferrous Group | Youse Building No. 4<br>You Hao North Road<br>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 2012 | Current period additions | Current period reductions | 30 June 2013     |
|----------------------------|------------------|--------------------------|---------------------------|------------------|
| Xinjiang Non-ferrous Group | 1,441,525,444.00 | 38,000,000.00            | —                         | 1,479,525,444.00 |

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

| Name                       | 30 June 2013<br>% interests held and % voting rights | 31 December 2012<br>% 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).

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (4) Other related party information

| Name of related parties  | Relationship with the Group  | Code of organisation |
|--|------------------------------|----------------------|
| Xinjiang Ashele Copper Industry Co., Ltd.                                    | Associate of holding company | 71296908-X           |
| Xinjiang Haoxin Lithia Developing Co., Ltd.                                  | Fellow subsidiary            | 792293875            |
| Xinjiang A'xi Gold Mine  | Fellow subsidiary            | 230581082            |
| Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.                     | Fellow subsidiary            | 742210752            |
| Xinjiang Non-ferrous Metal Dibian Trade Company                              | Fellow subsidiary            | 228582932            |
| 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            |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Related party transactions

#### (a) Pricing policy of transactions with related party

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

#### (b) Purchases of materials from related parties

|   | Six months<br>ended<br>30 June 2013 | Six months<br>ended<br>30 June 2012 |
|---|-------------------------------------|-------------------------------------|
| <u>Purchase of equipment and parts</u><br>Xinjiang Non-ferrous Metal Industry (Group)<br>Quanxin Construction Co., Ltd. | <b>451,192.00</b>                   | 2,128,883.91                        |
| <u>Purchase of coal</u><br>Fukang Non-ferrous Development Co., Ltd.   | —                                   | 305,598.63                          |
| <u>Purchase of nickel concentrate</u><br>Hexin Mining   | <b>40,364,115.33</b>                | 55,453,444.27                       |
| <u>Purchase of raw materials and consumables</u><br>Fukang Non-ferrous Development Co., Ltd.                            | <b>4,065,505.94</b>                 | 2,331,404.07                        |
| China Non-ferrous Metal Import and Export<br>Xinjiang Co., Ltd.   | <b>3,963,449.61</b>                 | —                                   |
| Xinjiang Non-ferrous Metal Industrial Materials<br>(Group) Co., Ltd.  | <b>5,570.00</b>                     | 4,760.68                            |
|   | <b>48,849,832.88</b>                | 60,224,091.56                       |

Purchase of raw materials from related parties for the six months ended 30 June 2013 represented 12% of total purchase of raw materials (six months ended 30 June 2012: 12%).

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Related party transactions (continued)

#### (c) Provision of services

|   | <b>Six months<br/>ended<br/>30 June 2013</b> | Six months<br>ended<br>30 June 2012 |
|---|--|-------------------------------------|
| <u>Construction services</u>  |  |                                     |
| Xinjiang Non-ferrous Metal Industry (Group)<br>Quanxin Construction Co., Ltd.   | <b>29,673,378.38</b>                         | 114,053,763.78                      |
| China Non-ferrous Metal Import and Export<br>Xinjiang Co., Ltd.                 | —  | 1,000,000.00                        |
| <u>Supply of heat</u>   |  |                                     |
| Fukang Non-ferrous Development Co., Ltd.  | <b>14,534.10</b>                             | 16,312.63                           |
| <u>Transportation services</u>  |  |                                     |
| Fukang Non-ferrous Development Co., Ltd.  | <b>4,094,846.92</b>                          | 1,717,056.90                        |
| Xinjiang Non-ferrous Metallurgy Transportation<br>Company Co., Ltd.             | <b>1,826,042.66</b>                          | 4,078,938.90                        |
| Xinjiang Non-ferrous Metal Industry<br>(Group) Fuyun Xingtong Service Co., Ltd. | <b>93,377.70</b>                             | —                                   |
| <u>Comprehensive supporting services</u>  |  |                                     |
| Xinjiang Non-ferrous Metal Industry<br>(Group) Fuyun Xingtong Service Co., Ltd. | <b>1,700,450.04</b>                          | 1,600,450.02                        |
| <u>Design fees</u>  |  |                                     |
| Xinjiang Metallurgical Design Institute<br>of Non-ferrous Metals Co., Ltd.      | —  | 1,479,000.00                        |
| <u>Storage fees</u>   |  |                                     |
| Beijing Baodi Xindi Kemao Co., Ltd.   | <b>353,708.66</b>                            | —                                   |
| <u>Other services</u>   |  |                                     |
| Xinjiang Non-ferrous Metal Industry (Group)<br>Fuyun Xingtong Service Co., Ltd. | <b>228,460.44</b>                            | 461,934.07                          |
|   | <b>37,984,798.90</b>                         | 124,407,456.30                      |

Payment for construction services to related party for the six months ended 30 June 2013 represents 11% of total payment of construction services (six months ended 30 June 2012: 38%).

Payment for transportation services to related party party for the six months ended 30 June 2013 represents 39 % of total payment of transportation services (six months ended 30 June 2012: 36%).

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Related party transactions (continued)

#### (d) Sale of products to related parties

|  | Six months<br>ended<br>30 June 2013 | Six months<br>ended<br>30 June 2012 |
|--|-------------------------------------|-------------------------------------|
| Fuyun Hengsheng Beryllium Industry Co., Ltd.                                     | 10,202,708.08                       | 14,754,375.43                       |
| Xinjiang Non-ferrous Metal Industry (Group)<br>Quanxin Construction Co., Ltd.    | 1,222,863.93                        | —                                   |
| Xinjiang Non-ferrous Metal Industry (Group)<br>Fuysun Xingtong Service Co., Ltd. | 10,310.85                           | —                                   |
|  | <b>11,435,882.86</b>                | 14,754,375.43                       |

Sales by the group to related party for the six months ended 30 June 2013 represented 3% of total sales (six months ended 30 June 2012: 2%).

#### (e) Lease fee payable to a related party

|                            | Six months<br>ended<br>30 June 2013 | Six months<br>ended<br>30 June 2012 |
|----------------------------|-------------------------------------|-------------------------------------|
| Xinjiang Non-ferrous Group | 817,965.00                          | 817,965.00                          |

The Group and Xinjiang Non-ferrous Group entered into an agreement that the Group leases the office from Xinjiang Non-ferrous Group during 1 January 2013 to 31 December 2015. Rental fee payable to Xinjiang Non-ferrous Group accounted for 100% of total lease fee for six months ended 30 June 2013 (six months ended 30 June 2012: 100%).

#### (f) Remuneration of key management

|                                | Six months<br>ended<br>30 June 2013 | Six months<br>ended<br>30 June 2012 |
|--------------------------------|-------------------------------------|-------------------------------------|
| Remuneration of key management | 2,544,877.21                        | 2,529,815.74                        |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Related party transactions (continued)

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

Directors' emoluments for the six months ended 30 June 2013 are as follows:

| Name                | Fee               | Salary and allowance | Pension          | Total               |
|---------------------|-------------------|----------------------|------------------|---------------------|
| Yuan Ze             | —                 | 266,800.00           | —                | 266,800.00          |
| Shi Wenfeng         | —                 | 268,520.00           | 11,373.60        | 279,893.60          |
| Zhang Guohua        | —                 | 268,520.00           | 11,373.60        | 279,893.60          |
| Liu Jun             | —                 | 215,125.00           | 11,373.60        | 226,498.60          |
| Li Wing Sum, Steven | 51,987.11         | —                    | —                | 51,987.11           |
| Chen Jianguo        | 35,000.00         | —                    | —                | 35,000.00           |
| Wang Lijin          | 35,000.00         | —                    | —                | 35,000.00           |
| <b>Total</b>        | <b>121,987.11</b> | <b>1,018,965.00</b>  | <b>34,120.80</b> | <b>1,175,072.91</b> |

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

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

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Related party transactions (continued)

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

Supervisors' emoluments for the six months ended 30 June 2013 are as follows:

| Name           | Fee              | Salary and allowance | Pension          | Total             |
|----------------|------------------|----------------------|------------------|-------------------|
| Jiang Mingshun | —                | 193,816.00           | 11,373.60        | 205,189.60        |
| Sun Baohui     | —                | 127,478.00           | 11,653.20        | 139,131.20        |
| Hu Zhijiang    | 20,000.00        | —                    | —                | 20,000.00         |
| Chen Yuping    | 20,000.00        | —                    | —                | 20,000.00         |
| <b>Total</b>   | <b>40,000.00</b> | <b>321,294.00</b>    | <b>23,026.80</b> | <b>384,320.80</b> |

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

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



# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Related party transactions (continued)

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

##### The five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the six months ended 30 June 2013 included four (six months ended 30 June 2012: four) directors whose emoluments were reflected in the analysis presented above. The emolument payable to the remaining one (six months ended 30 June 2012: one) is as follows:

|   | <b>Six months ended<br/>30 June 2013</b> | Six months ended<br>30 June 2012 |
|---|--|----------------------------------|
| Basic salaries, bonus, housing allowance,<br>other allowances in kind | <b>305,987.70</b>                        | 304,915.80                       |
| Pension   | —  | —                                |
|   | <b>305,987.70</b>                        | 304,915.80                       |

|   | <b>Number of individuals</b>             |                                  |
|---|--|----------------------------------|
|   | <b>Six months ended<br/>30 June 2013</b> | Six months ended<br>30 June 2012 |
| Emolument bands:<br>HK\$0–1,000,000<br>(approximately RMB0–796,550) | <b>1</b>                                 | 1                                |

##### Remuneration of other management

|   | <b>Number of individuals</b>             |                                  |
|---|--|----------------------------------|
|   | <b>Six months ended<br/>30 June 2013</b> | Six months ended<br>30 June 2012 |
| Emolument bands:<br>HK\$0–1,000,000<br>(approximately RMB0–796,550) | <b>3</b>                                 | 3                                |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Related party transactions (continued)

#### (g) Dividend paid

|                            | <b>Six months<br/>ended<br/>30 June 2013</b> | Six months<br>ended<br>30 June 2012 |
|----------------------------|--|-------------------------------------|
| Xinjiang Non-ferrous Group | —  | 26,556,120.00                       |

#### (h) Receipt of loan repayment (Note 7(25)(b))

|                            | <b>Six months<br/>ended<br/>30 June 2013</b> | Six months<br>ended<br>30 June 2012 |
|----------------------------|--|-------------------------------------|
| Xinjiang Non-ferrous Group | <b>50,000,000.00</b>                         | —                                   |

#### (i) Receipt of entrusted loans (Note 7(25)(a))

|                            | <b>Six months<br/>ended<br/>30 June 2013</b> | Six months<br>ended<br>30 June 2012 |
|----------------------------|--|-------------------------------------|
| Xinjiang Non-ferrous Group | —  | 250,000,000.00                      |

#### (j) 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.

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Accounts receivable

|   | <b>30 June<br/>2013</b> | 31 December<br>2012 |
|---|-------------------------|---------------------|
| Fuyun Hengsheng Beryllium Industry Co., Ltd.                                  | <b>4,050,777.78</b>     | 1,155,416.10        |
| Xinjiang Non-ferrous Metal Industry (Group)<br>Quanxin Construction Co., Ltd. | <b>742,375.00</b>       | 703,000.00          |
| Xinjiang Haoxin Lithia Developing Co., Ltd.                                   | <b>301,201.70</b>       | 324,351.70          |
|   | <b>5,094,354.48</b>     | 2,182,767.80        |

As at 30 June 2013, the accounts receivable from related parties accounted for 26.02% of total accounts receivable (31 December 2012: 4.53%). Provision for impairment the accounts receivable amounted to RMB301,201.70 (31 December 2012: RMB324,351.70).

#### (b) Other receivables

|   | <b>30 June<br/>2013</b> | 31 December<br>2012 |
|---|-------------------------|---------------------|
| Puxiong Mining  | <b>7,047,810.01</b>     | 7,047,810.01        |
| Hexin Mining  | <b>2,714,105.90</b>     | 2,714,105.90        |
| Xinjiang Non-ferrous Metal Industry (Group)<br>Quanxin Construction Co., Ltd. | —                       | 86,540.40           |
|   | <b>9,761,915.91</b>     | 9,848,456.31        |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (c) Advances to suppliers

|   | 30 June<br>2013      | 31 December<br>2012 |
|---|----------------------|---------------------|
| Hexin Mining  | 13,000,000.00        | —                   |
| Xinjiang Non-ferrous Metals Industrial<br>Materials (Group) Co., Ltd.         | 656,200.00           | 656,200.00          |
| Xinjiang Non-ferrous Metal Industry (Group)<br>Quanxin Construction Co., Ltd. | 474,387.05           | 602,000.65          |
| China Non-ferrous Metal Import and Export<br>Xinjiang Co., Ltd.               | —                    | 5,000,000.00        |
|   | <b>14,130,587.05</b> | 6,258,200.65        |

As at 30 June 2013, the advances to related parties accounted for 4.86% of total advances (31 December 2012: 6.14%).

#### (d) Accounts payable

|   | 30 June<br>2013     | 31 December<br>2012 |
|---|---------------------|---------------------|
| Hexin Mining  | 5,790,361.88        | 17,459,101.44       |
| Xinjiang Non-ferrous Metal Industry (Group)<br>Fuyun Xingtong Service Co., Ltd. | 2,234,675.06        | 2,225,233.45        |
| Fukang Non-ferrous Development Co., Ltd.  | 938,681.34          | 1,524,641.58        |
| Xinjiang Non-ferrous Metal Industry (Group)<br>Quanxin Construction Co., Ltd.   | 696,397.04          | 521,130.20          |
| Xinjiang Non-ferrous Metallurgy Transportation<br>Co., Ltd.                     | 221,775.02          | 1,231,149.26        |
| Xinjiang Non-ferrous Metallurgy<br>Manufacture Factory                          | 6,562.21            | —                   |
|   | <b>9,888,452.55</b> | 22,961,255.93       |

As at 30 June 2013, the payables to related parties accounted for 6.01% of total payables (31 December 2012: 14.18%).

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (e) Other payables

|   | 30 June<br>2013       | 31 December<br>2012 |
|---|-----------------------|---------------------|
| Xinjiang Non-ferrous Metal Industry (Group)<br>Quanxin Construction Co., Ltd. | <b>106,255,014.81</b> | 119,310,475.22      |
| China Non-ferrous Metal Import and<br>Export Xinjiang Co., Ltd.               | <b>2,226,000.00</b>   | 2,226,000.00        |
| Xinjiang Non-ferrous Industry Group<br>Precious Metal Co., Ltd.               | <b>282,678.40</b>     | 282,678.40          |
| Xinjiang Non-ferrous Metallurgy<br>Transportation Co., Ltd.                   | <b>150,000.00</b>     | 150,000.00          |
| Fukang Non-ferrous Development Co., Ltd.                                      | <b>150,000.00</b>     | 150,000.00          |
| Xinjiang Non-ferrous<br>Geological Engineering Co., Ltd.                      | <b>121,540.40</b>     | 271,540.40          |
|   | <b>109,185,233.61</b> | 122,390,694.02      |

As at 30 June 2013, the other payables to related parties accounted for 27% of total other payables (31 December 2012: 32%).

#### (f) Advances from customers

|  | 30 June<br>2013 | 31 December<br>2012 |
|--|-----------------|---------------------|
| Fuyun Hengsheng Beryllium Industry Co., Ltd. | —               | 18,544.73           |

As at 30 June 2013, advances from related parties accounted for 0% of total advances from customers (31 December 2012: 0.17%).

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (g) Loans

|   | 30 June<br>2013       | 31 December<br>2012 |
|---|-----------------------|---------------------|
| Entrusted loan (Note 7(23)(a)), (Note 7(25)(a)) | 455,000,000.00        | 455,000,000.00      |
| Borrowings from Xinjiang Non-ferrous Group      | 50,000,000.00         | —                   |
|   | <b>505,000,000.00</b> | 455,000,000.00      |

### (7) Guarantee for a related party

Except for Note 7(25), each of the Company and the joint venture partner has issued corporate guarantees in favour of Hexin Mining's bank borrowing and financial lease. As at 30 June 2013, the financial lease has been repaid and the relevant guarantee has been released. As at 30 June 2013, the balance of bank borrowings was RMB405,000,000.00, and the relevant guarantee of RMB202,500,000.00 are provided by the Company.

## 11 COMMITMENTS

### (1) Capital commitments

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

|                                     | 30 June<br>2013 | 31 December<br>2012 |
|-------------------------------------|-----------------|---------------------|
| Buildings, machinery, and equipment | 779,460,278.54  | 889,366,358.97      |

### (2) Operating lease commitments

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

|               | 30 June<br>2013     | 31 December<br>2012 |
|---------------|---------------------|---------------------|
| Within 1 year | 1,635,930.00        | 1,635,930.00        |
| 1-2 years     | 1,635,930.00        | 1,635,930.00        |
| 2-3 years     | 817,965.00          | 1,635,930.00        |
|               | <b>4,089,825.00</b> | 4,907,790.00        |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

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

### (1) Market risk

#### (a) Interest rate risk

The Group's interest rate risk arises mainly from bank deposits and loan. Bank deposits and loans at variable rate expose the Group to cash flow interest rate risk. The Group adjusts the relative proportion of contracts at fixed rate and contracts at floating rate based on market situation. As at 30 June 2013, the Group's interest bearing borrowings were mainly at floating rates and denominated in RMB, which totalled RMB2,474,450,835.66 (31 December 2012: RMB2,020,000,000.00).

As at 30 June 2013, if interest rates had been 10% lower/higher with all other variables held constant, post-tax profit for the six months ended 30 June 2013 would have been RMB 10,827,227.58 higher/lower (31 December 2012: higher/lower RMB7,858,000.00).

#### (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, notes receivable etc.

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

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

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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 amounts disclosed in the table are the contractual undiscounted cash flows.

|                             | 30 June 2013            |                       |                       |                       | total                   |
|-----------------------------|-------------------------|-----------------------|-----------------------|-----------------------|-------------------------|
|                             | Within 1 year           | 1 to 2 years          | 2 to 5 years          | over 5 years          |                         |
| Trade payables              | 164,433,975.60          | —                     | —                     | —                     | 164,433,975.60          |
| Borrowings                  | 1,504,964,156.70        | 386,014,596.23        | 730,161,773.97        | 104,837,426.23        | 2,725,977,953.13        |
| Notes payable               | 8,000,000.00            | —                     | —                     | —                     | 8,000,000.00            |
| Other payables and accruals | 403,138,603.25          | —                     | —                     | —                     | 403,138,603.25          |
|                             | <b>2,080,536,735.55</b> | <b>386,014,596.23</b> | <b>730,161,773.97</b> | <b>104,837,426.23</b> | <b>3,301,550,531.98</b> |

|                             | 31 December 2012 |                |                |                | total            |
|-----------------------------|------------------|----------------|----------------|----------------|------------------|
|                             | Within 1 year    | 1 to 2 years   | 2 to 5 years   | above 5 years  |                  |
| Trade payables              | 161,931,531.84   | —              | —              | —              | 161,931,531.84   |
| Borrowings                  | 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 |



# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENT AND RISK (CONTINUED)

### (1) Market risk (continued)

#### (d) Concentration risk

Revenues are principally derived from sales of nickel cathode and copper cathode. Approximately 59.50% of the total sales for the six months ended 30 June 2013 (six months ended 30 June 2012: 50%) were contributed by the top three customers for which the Group has not entered into any long-term sales contracts with them. In the event that these major customers terminate the business relationship with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations.

#### (e) Fair value estimation

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

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

The financial instruments in the group are mainly account receivable, account payable, notes receivable, notes payable and borrowings. As at 30 June 2013 and 31 December 2012, there were no financial instruments which are measured at fair value for the Group.

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

### (1) Cash and bank balances

|                          | <b>30 June<br/>2013</b> | 31 December<br>2012 |
|--------------------------|-------------------------|---------------------|
| Cash on hand             | <b>26,483.28</b>        | 11,751.28           |
| Cash at bank             | <b>375,852,684.10</b>   | 361,406,990.33      |
| Restricted cash at banks | <b>6,295,313.63</b>     | 6,295,313.63        |
|                          | <b>382,174,481.01</b>   | 367,714,055.24      |

### (2) Notes receivable

|                       | <b>30 June<br/>2013</b> | 31 December<br>2012 |
|-----------------------|-------------------------|---------------------|
| Bank acceptance notes | <b>107,227,091.02</b>   | 422,005,436.30      |

### (3) Accounts receivable

|                               | <b>30 June<br/>2013</b> | 31 December<br>2012 |
|-------------------------------|-------------------------|---------------------|
| Accounts receivable           | <b>15,830,290.23</b>    | 47,862,590.63       |
| Less: provision for bad debts | <b>(2,533,703.08)</b>   | (2,556,853.08)      |
|                               | <b>13,296,587.15</b>    | 45,305,737.55       |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### (3) Accounts receivable (continued)

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

|              | 30 June 2013         |                    |                         | 31 December 2012 |                    |                         |
|--------------|----------------------|--------------------|-------------------------|------------------|--------------------|-------------------------|
|              | Amount               | % of total balance | Provision for bad debts | Amount           | % of total balance | Provision for bad debts |
| With 1 year  | 11,404,951.44        | 72.05%             | —                       | 42,677,499.01    | 89.17%             | —                       |
| 1 to 2 years | 622,807.31           | 3.93%              | —                       | 2,048,554.14     | 4.28%              | —                       |
| 2 to 3 years | 882,098.70           | 5.57%              | —                       | 192,954.70       | 0.40%              | —                       |
| 3 to 4 years | 7,921.00             | 0.05%              | (7,921.00)              | 394,650.70       | 0.82%              | (7,921.00)              |
| Over 4 years | 2,912,511.78         | 18.40%             | (2,525,782.08)          | 2,548,932.08     | 5.33%              | (2,548,932.08)          |
|              | <b>15,830,290.23</b> | <b>100.00%</b>     | <b>(2,533,703.08)</b>   | 47,862,590.63    | 100.00%            | (2,556,853.08)          |

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

|   | 30 June 2013         |                    |                         |               | 31 December 2012 |                    |                         |       |
|---|----------------------|--------------------|-------------------------|---------------|------------------|--------------------|-------------------------|-------|
|   | 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   | 4,351,979.48         | 27.49%             | (301,201.70)            | 6.92%         | 4,030,765.94     | 8.42%              | (324,351.70)            | 8.04% |
| — Ageing group  | 11,478,310.75        | 72.51%             | (2,232,501.38)          | 19.45%        | 43,831,824.69    | 91.58%             | (2,232,501.38)          | 5.09% |
| With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis | —                    | —                  | —                       | —             | —                | —                  | —                       | —     |
|   | <b>15,830,290.23</b> | <b>100.00%</b>     | <b>(2,533,703.08)</b>   | <b>16.01%</b> | 47,862,590.63    | 100.00%            | (2,556,853.08)          | 5.34% |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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 follows:

|               | 30 June 2013         |                    |                         |                 | 31 December 2012     |                    |                         |                 |
|---------------|----------------------|--------------------|-------------------------|-----------------|----------------------|--------------------|-------------------------|-----------------|
|               | Ending balance       |                    | Provision for bad debts |                 | Ending balance       |                    | Provision for bad debts |                 |
|               | Amount               | % of total balance | Amount                  | Provision ratio | Amount               | % of total balance | Amount                  | Provision ratio |
| Within 1 year | 8,509,589.76         | 74.13%             | —                       | —               | 41,069,502.21        | 93.70%             | —                       | —               |
| 1 to 2 years  | 622,807.31           | 5.43%              | —                       | —               | 336,866.40           | 0.77%              | —                       | —               |
| 2 to 3 years  | 113,412.30           | 0.99%              | —                       | —               | 192,954.70           | 0.44%              | —                       | —               |
| 3 to 4 years  | 7,921.00             | 0.07%              | (7,921.00)              | 100.00%         | 7,921.00             | 0.02%              | (7,921.00)              | 100.00%         |
| Over 4 years  | 2,224,580.38         | 19.38%             | (2,224,580.38)          | 100.00%         | 2,224,580.38         | 5.07%              | (2,224,580.38)          | 100.00%         |
|               | <b>11,478,310.75</b> | <b>100.00%</b>     | <b>(2,232,501.38)</b>   | <b>19.45%</b>   | <b>43,831,824.69</b> | <b>100.00%</b>     | <b>(2,224,580.38)</b>   | <b>5.09%</b>    |

- (d) As at 30 June 2013, there were no accounts receivable from shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2012: Nil).
- (e) As at 30 June 2013, the top five accounts receivable are analysed as follows:

|  | Relationship with the Group | Amount               | Ageing         | % of total balance |
|--|-----------------------------|----------------------|----------------|--------------------|
| Tianfeng Stainless Steel                     | Third party                 | 8,040,213.04         | Within 2 years | 50.79%             |
| Fuyun Hengsheng Beryllium Industry Co., Ltd. | Related party               | 4,050,777.78         | Within 4 years | 25.59%             |
| Shanghai Jinmin Trading Co., Ltd.            | Third party                 | 802,933.20           | Over 5 years   | 5.07%              |
| Xinjiang Yihua Chemical Industry Co., Ltd.   | Third party                 | 562,570.43           | Within 1 year  | 3.55%              |
| Yixing Lishengshang Trade Co., Ltd.          | Third party                 | 407,146.20           | Over 5 years   | 2.57%              |
|  |                             | <b>13,863,640.65</b> |                | <b>87.57%</b>      |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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               | 30 June 2013        |                    |                         | 31 December 2012    |                    |                         |
|---|---------------------|--------------------|-------------------------|---------------------|--------------------|-------------------------|
|   | Amount              | % of total balance | Provision for bad debts | Amount              | % of total balance | Provision for bad debts |
| Fuyun Hengsheng Beryllium Industry Co., Ltd | 4,050,777.78        | 25.59%             | —                       | 1,155,416.10        | 2.41%              | —                       |
| Xinjiang Haoxin Lithia Developing Co., Ltd. | 301,201.70          | 1.90%              | (301,201.70)            | 324,351.70          | 0.68%              | (324,351.70)            |
| Wuxin Copper Mining                         | —                   | —                  | —                       | 2,550,998.14        | 5.33%              | —                       |
|   | <b>4,351,979.48</b> | <b>27.49%</b>      | <b>(301,201.70)</b>     | <b>4,030,765.94</b> | <b>8.42%</b>       | <b>(324,351.70)</b>     |

### (4) Other receivables

|   | 30 June 2013          | 31 December 2012 |
|---|-----------------------|------------------|
| Amount due from subsidiaries                    | <b>431,567,028.23</b> | 382,635,848.66   |
| Amount due from a joint-venture (Note 7(4)(ii)) | <b>2,656,320.00</b>   | 2,656,320.00     |
| Revolving fund                                  | <b>604,119.67</b>     | 400,637.27       |
| Factoring cost receivable (Note 7(4)(iii))      | —                     | 7,417,405.73     |
| Other   | <b>586,661.63</b>     | 384,302.21       |
|   | <b>435,414,129.53</b> | 393,494,513.87   |
| Less: provision for bad debts                   | <b>(6,275.21)</b>     | (6,275.21)       |
|   | <b>435,407,854.32</b> | 393,488,238.66   |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### (4) Other receivables (continued)

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

|               | 30 June 2013          |                    |                         | 31 December 2012      |                    |                         |
|---------------|-----------------------|--------------------|-------------------------|-----------------------|--------------------|-------------------------|
|               | Amount                | % of total balance | Provision for bad debts | Amount                | % of total balance | Provision for bad debts |
| Within 1 year | 432,698,133.64        | 99.37%             | —                       | 386,371,647.99        | 98.19%             | —                       |
| 1 to 2 years  | 10,650.00             | 0.01%              | —                       | 4,415,835.99          | 1.12%              | —                       |
| 3 to 4 years  | 2,666,320.00          | 0.61%              | —                       | 2,677,000.50          | 0.68%              | —                       |
| Over 4 years  | 39,025.89             | 0.01%              | (6,275.21)              | 30,029.39             | 0.01%              | (6,275.21)              |
|               | <b>435,414,129.53</b> | <b>100.00%</b>     | <b>(6,275.21)</b>       | <b>393,494,513.87</b> | <b>100.00%</b>     | <b>(6,275.21)</b>       |

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

|   | 30 June 2013          |                    |                         |              | 31 December 2012      |                    |                         |              |
|---|-----------------------|--------------------|-------------------------|--------------|-----------------------|--------------------|-------------------------|--------------|
|   | 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   | 434,223,348.23        | 99.73%             | —                       | —            | 385,274,864.08        | 97.91%             | —                       | —            |
| — Ageing group  | 1,190,781.30          | 0.27%              | (6,275.21)              | 0.01%        | 8,219,649.79          | 2.09%              | (6,275.21)              | 0.01%        |
| With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis | —                     | —                  | —                       | —            | —                     | —                  | —                       | —            |
|   | <b>435,414,129.53</b> | <b>100.00%</b>     | <b>(6,275.21)</b>       | <b>0.01%</b> | <b>393,494,513.87</b> | <b>100.00%</b>     | <b>(6,275.21)</b>       | <b>0.01%</b> |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 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 follows:

|               | 30 June 2013   |                    |                         |        | 31 December 2012 |                    |                         |        |
|---------------|----------------|--------------------|-------------------------|--------|------------------|--------------------|-------------------------|--------|
|               | 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 | 1,131,105.41   | 94.99%             | —                       | —      | 4,263,103.91     | 51.86%             | —                       | —      |
| 1 to 2 years  | 10,650.00      | 0.89%              | —                       | —      | 3,905,835.99     | 47.52%             | —                       | —      |
| 3 to 4 years  | 10,000.00      | 0.84%              | —                       | —      | 20,680.50        | 0.25%              | —                       | —      |
| 4 to 5 years  | 8,996.50       | 0.76%              | —                       | —      | —                | —                  | —                       | —      |
| Over 5 years  | 30,029.39      | 2.52%              | (6,275.21)              | 20.90% | 30,029.39        | 0.37%              | (6,275.21)              | 20.90% |
|               | 1,190,781.30   | 100.00%            | (6,275.21)              | 0.53%  | 8,219,649.79     | 100.00%            | (6,275.21)              | 0.01%  |

- (d) As at 30 June 2013, there was no other receivables from shareholders who held more than 5% (including 5%) of the voting rights of the Company (31 December 2012: Nil).
- (e) As at 30 June 2013, the top five other receivables are analysed as follows:

|                     | Relationship with the Group | Amount         | Ageing         | % of total balance |
|---------------------|-----------------------------|----------------|----------------|--------------------|
| Kalatongke Mining   | Subsidiary                  | 394,482,294.25 | Within 1 year  | 90.60%             |
| Wuxin Copper Mining | Subsidiary                  | 34,544,794.00  | Within 1 year  | 7.93%              |
| Hexin Mining        | Joint-venture               | 2,656,320.00   | Over 3 years   | 0.61%              |
| Shaanxi Xinxin      | Subsidiary                  | 2,473,500.00   | Within 2 years | 0.57%              |
| Beijing Xinding     | Subsidiary                  | 66,319.98      | Within 1 year  | 0.01%              |
|                     |                             | 434,223,228.23 |                | 99.72%             |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### (4) Other receivables (continued)

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

|                     | Relationship with the Group | 30 June 2013          |                    |                        | 31 December 2012      |                    |                         |
|---------------------|-----------------------------|-----------------------|--------------------|------------------------|-----------------------|--------------------|-------------------------|
|                     |                             | Amount                | % of total balance | Provision for ad debts | Amount                | % of total balance | Provision for bad debts |
| Kalatongke Mining   | Subsidiary                  | 394,482,294.25        | 90.60%             | —                      | 376,174,771.08        | 95.60%             | —                       |
| Wuxin Copper Mining | Subsidiary                  | 34,544,794.00         | 7.93%              | —                      | 4,735,273.00          | 1.20%              | —                       |
| Hexin Mining        | Joint-venture               | 2,656,320.00          | 0.61%              | —                      | 2,656,320.00          | 0.68%              | —                       |
| Shaanxi Xinxin      | Subsidiary                  | 2,473,500.00          | 0.57%              | —                      | 1,708,500.00          | 0.43%              | —                       |
| Beijing Xinding     | Subsidiary                  | 66,319.98             | 0.01%              | —                      | —                     | —                  | —                       |
| Mengxi Mining       | Subsidiary                  | 120.00                | 0.01%              | —                      | —                     | —                  | —                       |
|                     |                             | <b>434,233,348.23</b> | <b>99.73%</b>      | <b>—</b>               | <b>385,274,864.08</b> | <b>97.91%</b>      | <b>—</b>                |

### (5) Advances to suppliers

The ageing of advances to suppliers is analysed below:

|               | 30 June 2013          |                    | 31 December 2012      |                    |
|---------------|-----------------------|--------------------|-----------------------|--------------------|
|               | Amount                | % of total balance | Amount                | % of total balance |
| Within 1 year | 183,425,180.21        | 97.13%             | 117,383,073.29        | 95.73%             |
| 1 to 2 years  | 3,525,320.00          | 1.87%              | 3,905,083.57          | 3.18%              |
| 2 to 3 years  | 957,103.38            | 0.51%              | 1,052,091.43          | 0.86%              |
| Over 3 years  | 928,082.04            | 0.49%              | 279,045.00            | 0.23%              |
|               | <b>188,835,685.63</b> | <b>100.00%</b>     | <b>122,619,293.29</b> | <b>100.00%</b>     |



# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### (6) Inventories

|                     | 30 June 2013          |  |                       | 31 December 2012 |  |                 |
|---------------------|-----------------------|--|-----------------------|------------------|--|-----------------|
|                     | Ending balance        | Provision for declines in value of inventories | Carrying amount       | Ending balance   | Provision for declines in value of inventories | Carrying amount |
| Raw materials       | 26,234,286.10         | (543,427.80)                                   | 25,690,858.30         | 21,636,225.21    | (543,427.80)                                   | 21,092,797.41   |
| Work in progress    | 42,518,538.47         | —  | 42,518,538.47         | 53,111,385.99    | —  | 53,111,385.99   |
| Semi-finished goods | 369,755,815.29        | —  | 369,755,815.29        | 362,894,571.98   | —  | 362,894,571.98  |
| Finished goods      | 356,236,749.11        | —  | 356,236,749.11        | 148,071,817.96   | —  | 148,071,817.96  |
|                     | <b>794,745,388.97</b> | <b>(543,427.80)</b>                            | <b>794,201,961.17</b> | 585,714,001.14   | (543,427.80)                                   | 585,170,573.34  |

### (7) Other current assets

|                | 30 June 2013         | 31 December 2012 |
|----------------|----------------------|------------------|
| Deductible VAT | <b>52,027,064.08</b> | 30,223,238.24    |

### (8) Long-term equity investments

|                          | 30 June 2013            | 31 December 2012 |
|--------------------------|-------------------------|------------------|
| Subsidiaries (Note (a))  | <b>2,871,531,420.87</b> | 2,871,531,420.87 |
| Joint venture (Note (b)) | <b>142,901,536.62</b>   | 147,668,700.85   |
|                          | <b>3,014,432,957.49</b> | 3,019,200,121.72 |

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

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

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

#### (a) Subsidiaries

|                     | Accounting<br>treatment | Investment cost | 31 December<br>2012 | Current period<br>additions | 30 June<br>2013  | Equity interest<br>held | Voting rights<br>held |
|---------------------|-------------------------|-----------------|---------------------|-----------------------------|------------------|-------------------------|-----------------------|
| Mengxi Mining       | Cost method             | 10,200,000.00   | 10,200,000.00       | —                           | 10,200,000.00    | 51%                     | 51%                   |
| Xinjiang Yakesi     | Cost method             | 467,894,415.12  | 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%                   |
| Kalatongke Mining   | Cost method             | 10,000,000.00   | 1,230,000,000.00    | —                           | 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%                   |
|                     |                         |                 | 2,871,531,420.87    |                             | 2,871,531,420.87 |                         |                       |

#### (b) Joint venture

|              | Accounting<br>treatment | Investment cost | 31 December<br>2012 | Share of losses | 30 June 2013   | Equity interest<br>held | Voting rights<br>held |
|--------------|-------------------------|-----------------|---------------------|-----------------|----------------|-------------------------|-----------------------|
| Hexin Mining | Equity method           | 95,326,500.00   | 147,668,700.85      | (4,767,164.23)  | 142,901,536.62 | 50%                     | 50%                   |

As at 30 June 2013, there was no indication of impairment for long-term equity investments (31 December 2012: Nil).

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### (9) Fixed assets

|   | Building       | Machinery and<br>equipment | Electronic<br>equipment<br>office<br>equipment | Motor vehicles | Building       |
|---|----------------|----------------------------|--|----------------|----------------|
| <u>Cost</u>                               |                |                            |  |                |                |
| 31 December 2012                          | 182,588,557.47 | 433,458,339.27             | 11,709,634.08                                  | 15,029,809.40  | 642,786,340.22 |
| Transfer-in from construction in progress | 1,041,025.64   | —                          | —  | —              | 1,041,025.64   |
| Additions                                 | —              | 164,373.40                 | 236,205.82                                     | 1,032,987.78   | 1,433,567.00   |
| Disposals                                 | —              | —                          | —  | (237,130.00)   | (237,130.00)   |
| 30 June 2013                              | 183,629,583.11 | 433,622,712.67             | 11,945,839.90                                  | 15,825,667.18  | 645,023,802.86 |
| <u>Accumulated depreciation</u>           |                |                            |  |                |                |
| 31 December 2012                          | 79,738,107.61  | 112,529,972.75             | 6,808,526.27                                   | 6,901,376.58   | 205,977,983.21 |
| Additions                                 | 3,369,594.95   | 14,821,823.09              | 751,366.04                                     | 718,958.83     | 19,661,742.91  |
| Disposals                                 | —              | —                          | —  | (230,016.10)   | (230,016.10)   |
| 30 June 2013                              | 83,107,702.56  | 127,351,795.84             | 7,559,892.31                                   | 7,390,319.31   | 225,409,710.02 |
| <u>Net book value</u>                     |                |                            |  |                |                |
| 30 June 2013                              | 100,521,880.55 | 306,270,916.83             | 4,385,947.59                                   | 8,435,347.87   | 419,614,092.84 |
| 31 December 2012                          | 102,850,449.86 | 320,928,366.52             | 4,901,107.81                                   | 8,128,432.82   | 436,808,357.01 |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### (10) Intangible assets

|                          | 31 December<br>2012 | Additions    | 30 June<br>2013      |
|--------------------------|---------------------|--------------|----------------------|
| Cost                     | 41,470,665.40       | —            | <b>41,470,665.40</b> |
| Land use rights          | 41,228,502.90       | —            | <b>41,228,502.90</b> |
| Others                   | 242,162.50          | —            | <b>242,162.50</b>    |
| Accumulated amortisation | 5,027,742.74        | 437,552.58   | <b>5,465,295.32</b>  |
| Land use rights          | 5,024,366.37        | 420,703.80   | <b>5,445,070.17</b>  |
| Others                   | 3,376.37            | 16,848.78    | <b>20,225.15</b>     |
| Net book value           | 36,442,922.66       | (437,552.58) | <b>36,005,370.08</b> |
| Land use rights          | 36,204,136.53       | (420,703.80) | <b>35,783,432.73</b> |
| Others                   | 238,786.13          | (16,848.78)  | <b>221,937.35</b>    |

### (11) Accounts payable

|                            | 30 June<br>2013      | 31 December<br>2012 |
|----------------------------|----------------------|---------------------|
| Payable for materials      | <b>9,963,772.32</b>  | 15,519,398.31       |
| Transportation fee payable | <b>772,619.46</b>    | 3,291,649.06        |
| Others                     | <b>44,617.77</b>     | —                   |
|                            | <b>10,781,009.55</b> | 18,811,047.37       |

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

|               | 30 June<br>2013      | 31 December<br>2012 |
|---------------|----------------------|---------------------|
| 0-90 days     | <b>6,774,256.88</b>  | 15,839,443.28       |
| 91-180 days   | <b>692,447.67</b>    | 1,015,679.24        |
| Over 181 days | <b>3,314,305.00</b>  | 1,955,924.85        |
|               | <b>10,781,009.55</b> | 18,811,047.37       |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### (12) Advances from customers

|                    | <b>30 June<br/>2013</b> | 31 December<br>2012 |
|--------------------|-------------------------|---------------------|
| Advances for goods | <b>22,111,677.52</b>    | 8,136,102.64        |

### (13) Employee benefits payable

|   | 31 December<br>2012 | Current period<br>additions | Current period<br>reductions | <b>30 June<br/>2013</b> |
|---|---------------------|-----------------------------|------------------------------|-------------------------|
| Salaries, bonuses, allowances<br>and subsidies  | 18,061,636.75       | 28,995,254.04               | (34,790,862.10)              | <b>12,266,028.69</b>    |
| Staff welfare                                   | —                   | 2,222,187.50                | (2,222,187.50)               | —                       |
| Social insurances                               | 8,222.04            | 10,374,855.56               | (10,374,855.56)              | <b>8,222.04</b>         |
| Including: Medical insurance                    | 2,176.91            | 2,498,045.62                | (2,498,045.62)               | <b>2,176.91</b>         |
| Pension insurance                               | —                   | 6,326,416.89                | (6,326,416.89)               | —                       |
| Unemployment<br>insurance                       | 6,045.13            | 630,734.13                  | (630,734.13)                 | <b>6,045.13</b>         |
| Work injury<br>insurance                        | —                   | 597,696.20                  | (597,696.20)                 | —                       |
| Maternity insurance                             | —                   | 310,924.22                  | (310,924.22)                 | —                       |
| Illness insurance                               | —                   | 11,038.50                   | (11,038.50)                  | —                       |
| Housing funds                                   | 566,956.00          | 3,636,482.00                | (3,636,482.00)               | <b>566,956.00</b>       |
| Labor union fund and<br>employee education fund | 2,879,613.12        | 1,013,766.21                | (922,469.75)                 | <b>2,970,909.58</b>     |
| Others  | 411,504.11          | 2,228,433.32                | (2,269,285.33)               | <b>370,652.10</b>       |
|   | 21,927,932.02       | 48,470,978.63               | (54,216,142.24)              | <b>16,182,768.41</b>    |

### (14) Taxes payable

|   | <b>30 June<br/>2013</b> | 31 December<br>2012 |
|---|-------------------------|---------------------|
| Value added tax payable                       | <b>498,385.35</b>       | 585,842.08          |
| Individual income tax payable                 | <b>138,225.49</b>       | (31,107.49)         |
| Stamp duty payable                            | <b>11,170.21</b>        | 686,127.60          |
| City maintenance and construction tax payable | <b>31.50</b>            | 41,008.95           |
| Educational surcharge payable                 | <b>22.50</b>            | 17,575.26           |
| Others  | <b>454.52</b>           | 144,018.83          |
| Total   | <b>648,289.57</b>       | 1,443,465.23        |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### (15) Other payables

|                                       | 30 June<br>2013     | 31 December<br>2012 |
|---------------------------------------|---------------------|---------------------|
| Payables for equipments               | 6,191,924.42        | 6,256,942.78        |
| Payables for construction in progress | 311,923.53          | 268,228.56          |
| Agency fee                            | 15,000.00           | 1,582,185.23        |
| Others                                | 1,598,541.86        | 3,535,164.90        |
| <b>Total</b>                          | <b>8,117,389.81</b> | 11,642,521.47       |

### (16) Revenue and cost of sales

|                              | Six months<br>ended 30<br>June 2013          | Six months<br>ended 30<br>June 2012          |
|------------------------------|--|--|
| Revenue from main operation  | 389,276,927.49                               | 656,278,886.71                               |
| Revenue from other operation | 9,290,814.28                                 | 1,673,424.55                                 |
|                              | <b>398,567,741.77</b>                        | 657,952,311.26                               |
|                              | <b>Six months<br/>ended 30<br/>June 2013</b> | <b>Six months<br/>ended 30<br/>June 2012</b> |
| Cost of main operation       | 369,045,279.56                               | 576,916,083.82                               |
| Cost of other operation      | 8,980,283.76                                 | 1,177,390.44                                 |
|                              | <b>378,025,563.32</b>                        | 578,093,474.26                               |

#### (a) Revenue and cost of sales from main operation

|                | Six months ended<br>30 June 2013 |                           | Six months ended<br>30 June 2012 |                           |
|----------------|----------------------------------|---------------------------|----------------------------------|---------------------------|
|                | Revenue from<br>main operation   | Cost of main<br>operation | Revenue from<br>main operation   | Cost of main<br>operation |
| Nickel cathode | 243,780,419.45                   | 253,126,917.88            | 493,543,938.00                   | 454,804,094.49            |
| Copper cathode | 144,624,185.37                   | 115,195,893.62            | 161,357,191.15                   | 119,213,029.29            |
| Others         | 872,322.67                       | 722,468.06                | 1,377,757.56                     | 2,898,960.04              |
|                | <b>389,276,927.49</b>            | <b>369,045,279.56</b>     | 656,278,886.71                   | 576,916,083.82            |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### (16) Revenue and cost of sales (continued)

#### (b) Revenue and cost of sales from other operation

|                      | Six months ended<br>30 June 2013 |                                       | Six months ended<br>30 June 2012 |                                       |
|----------------------|----------------------------------|---------------------------------------|----------------------------------|---------------------------------------|
|                      | Revenue from<br>other operation  | Cost of sales from<br>other operation | Revenue from<br>other operation  | Cost of sales from<br>other operation |
| Sales of materials   | 8,981,941.71                     | 8,970,232.01                          | 218,250.06                       | 209,567.83                            |
| Scrap sales          | 155,272.68                       | —                                     | 637,631.18                       | 200,210.72                            |
| Sales of electricity | —                                | —                                     | 700,756.63                       | 698,729.39                            |
| Others               | 153,599.89                       | 10,051.75                             | 116,786.68                       | 68,882.50                             |
|                      | <b>9,290,814.28</b>              | <b>8,980,283.76</b>                   | 1,673,424.55                     | 1,177,390.44                          |

#### (c) Top five customers of the Company

Top five of the revenue of the Company amounted to RMB231,100,185.64 for the six months ended 30 June 2013 (six months ended 30 June 2012: RMB453,920,473.20), which accounted for 58% (six months ended 30 June 2012: 69%) of the total revenue of the Company. Details are as follows:

|  | Revenue               | Percentage of the<br>total revenue<br>of the Group<br>(%) |
|--|-----------------------|---|
| Shaanxi Shenghua Non-ferrous Metal Co., Ltd. | 57,012,703.16         | 14.30%  |
| Tianfeng Stainless Steel                     | 54,797,838.11         | 13.75%  |
| Ningbo Kelun Metal Co., Ltd.                 | 49,595,980.00         | 12.44%  |
| Tianjin Steel Raw Materials Trading Center   | 41,110,982.92         | 10.31%  |
| Shenyang Chengtong Metal Co., Ltd.           | 28,582,681.45         | 7.17%   |
|  | <b>231,100,185.64</b> | <b>57.97%</b>   |

### (17) Investment losses

|   | Six months<br>ended 30<br>June 2013 | Six months<br>ended 30<br>June 2012 |
|---|-------------------------------------|-------------------------------------|
| Income from a joint-venture under equity method | (4,767,164.23)                      | (4,809,910.79)                      |
| Income from subsidiaries under cost method      | —                                   | 45,333,333.09                       |
|   | <b>(4,767,164.23)</b>               | 40,523,422.30                       |

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

## 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### (18) Supplementary information to consolidated cash flow statements

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

|  | Six months<br>ended 30<br>June 2013 | Six months<br>ended 30<br>June 2012 |
|--|-------------------------------------|-------------------------------------|
| Net (losses)/profit                          | <b>(7,685,780.61)</b>               | 67,695,315.25                       |
| Adjustment:                                  |                                     |                                     |
| (Adverse)/provisions<br>for asset impairment | <b>(23,150.00)</b>                  | 1,627,541.66                        |
| Depreciation of fixed assets                 | <b>19,661,742.91</b>                | 29,683,565.12                       |
| Amortisation of intangible assets            | <b>437,552.58</b>                   | 3,111,129.45                        |
| Investment (income)/losses                   | <b>4,767,164.23</b>                 | (40,523,422.30)                     |
| Financial expenses                           | <b>3,036,385.34</b>                 | 10,301,064.86                       |
| (Gains) on disposal of fixed assets          | —                                   | (2,034.65)                          |
| Increase in deferred tax assets              | <b>(255,512.31)</b>                 | —                                   |
| Increase in inventories                      | <b>(209,031,387.83)</b>             | (31,496,540.89)                     |
| Decrease/(Increase) in operating receivables | <b>238,674,637.68</b>               | (727,992,555.06)                    |
| (Decrease)/Increase in operating payables    | <b>(25,930,332.80)</b>              | 623,175,251.00                      |
| Others                                       | —                                   | (6,118.19)                          |
| Net cash flows from operating activities     | <b>23,651,319.19</b>                | (64,426,803.75)                     |

#### (b) Movement of cash and cash equivalents

|   | Six months<br>ended 30<br>June 2013 | Six months<br>ended 30<br>June 2012 |
|---|-------------------------------------|-------------------------------------|
| Cash and cash equivalents at end of period                | <b>375,879,167.38</b>               | 384,705,800.71                      |
| Less: Cash and cash equivalents<br>at beginning of period | <b>(361,418,741.61)</b>             | (484,985,770.67)                    |
| Net decrease in cash and cash equivalents                 | <b>14,460,425.77</b>                | (100,279,969.96)                    |



## NOTES TO FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(All amounts in RMB Yuan unless otherwise stated)

### 15 NET CURRENT ASSETS

|                           | <b>The Group</b>          |                     |
|---------------------------|---------------------------|---------------------|
|                           | <b>30 June<br/>2013</b>   | 31 December<br>2012 |
| Current assets            | <b>2,352,504,276.64</b>   | 2,034,359,585.82    |
| Less: current liabilities | <b>(2,048,786,730.41)</b> | (1,499,892,791.86)  |
| Net current assets        | <b>303,717,546.23</b>     | 534,466,793.96      |

|                           | <b>The Company</b>      |                     |
|---------------------------|-------------------------|---------------------|
|                           | <b>30 June<br/>2013</b> | 31 December<br>2012 |
| Current assets            | <b>1,973,170,724.38</b> | 1,966,526,572.62    |
| Less: current liabilities | <b>(317,841,134.86)</b> | (321,961,068.73)    |
| Net current assets        | <b>1,655,329,589.52</b> | 1,644,565,503.89    |

### 16 TOTAL ASSETS LESS CURRENT LIABILITIES

|                                       | <b>The Group</b>          |                     |
|---------------------------------------|---------------------------|---------------------|
|                                       | <b>30 June<br/>2013</b>   | 31 December<br>2012 |
| Total assets                          | <b>9,034,169,488.85</b>   | 8,480,502,858.95    |
| Less: current liabilities             | <b>(2,048,786,730.41)</b> | (1,499,892,791.86)  |
| Total assets less current liabilities | <b>6,985,382,758.44</b>   | 6,980,610,067.09    |

|                                       | <b>The Company</b>      |                     |
|---------------------------------------|-------------------------|---------------------|
|                                       | <b>30 June<br/>2013</b> | 31 December<br>2012 |
| Total assets                          | <b>5,615,564,797.39</b> | 5,627,370,511.87    |
| Less: current liabilities             | <b>(317,841,134.86)</b> | (321,961,068.73)    |
| Total assets less current liabilities | <b>5,297,723,662.53</b> | 5,305,409,443.14    |



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