



Xinjiang Xinxin Mining Industry Co., Ltd.*

新疆新鑫礦業股份有限公司

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

Stock Code : 3833

Annual Report

20
13



* For identification purpose only

We See The Future

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Yuan Ze (*Chairman*)
Shi Wenfeng
Zhang Guohua
Liu Jun (*resigned on 23 January 2014*)

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 (*Chairman*)
(*appointed on 26 June 2013*)
Sun Baohui
Cao Sanxin
Hu Zhijiang
Chen Yuping

COMPANY SECRETARIES

Lam Cheuk Fai FCCA, FCPA
Zhang Junjie

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

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE IN HONG KONG

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

STATUTORY ADDRESS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

LEGAL ADVISERS TO THE COMPANY

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, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PUBLIC RELATIONS

Wonderful Sky Financial Group Limited

COMPANY WEBSITE

kunlun.wsfg.hk

STOCK CODE

3833

SUMMARY

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

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

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

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

The Company acquired 51% equity interests in Shaanxi Xinxin Mining Co., Ltd (“Shaanxi Xinxin”) in 2011. Shaanxi Xinxin held two vanadium mines in Xianghe Street and Mujia River in Shangnan, Shaanxi (陝西商南縣的湘河街和穆家河) in which the Company held 51% equity interests thereof. As at 31 December 2013, two vanadium mines in Xianghe Street and Mujia River were still under the stage of resource exploration and had not yet conducted mining activities.

RESOURCES AND RESERVES

The resources and reserves estimates for the deposits of four nickel-copper mines in Kalatongke, Huangshandong, Huangshan and Xiangshan as at 31 December 2013 are set out in the following tables:

	Ore contents (t)	Grade		Metal contents	
		Cu (%)	Ni (%)	Cu (t)	Ni (t)
Resources as at 31 December 2013					
Kalatongke nickel-copper mine	32,422,859	1.00	0.55	323,309	179,784
Three nickel-copper mines in Huangshandong, Huangshan, Xiangshan	83,315,739	0.27	0.45	227,150	373,642
Total	115,738,598			550,459	553,426

CORPORATE INFORMATION

	Ore contents	Grade		Metal contents	
	(t)	Cu (%)	Ni (%)	Cu (t)	Ni (t)
Reserves as at 31 December 2013					
Kalatongke nickel-copper mine	18,473,714	1.02	0.61	187,769	112,210
Three nickel-copper mines in Huangshandong, Huangshan, Xiangshan	32,934,989	0.30	0.49	100,226	162,524
Total	51,408,703			287,995	274,734

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

The resources estimates for the deposits of two vanadium mines in Xianghe Street and Mujia River as at 31 December 2013 are set out in the following table:

	Ore contents (t)	V ₂ O ₅ Grade (%)	V ₂ O ₅ contents (t)
Resources as at 31 December 2013			
Xianghe Street vanadium mine	10,159,400	0.95	96,300
Mujia River vanadium mine	29,295,500	0.88	257,800
Total	39,454,900		354,100

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

SUMMARY OF FINANCIAL INFORMATION

RESULTS OF OPERATIONS

	Year ended 31 December				2013 RMB'000
	2009 RMB'000 (Note)	2010 RMB'000 (Note)	2011 RMB'000	2012 RMB'000	
Revenue	728,083	1,168,064	1,454,643	1,529,212	844,914
Operating profit/(loss)	232,324	360,234	246,562	10,232	(67,538)
Total profit/(loss) before income tax	222,231	352,016	250,966	12,813	(65,531)
Net profit/(loss)	221,484	350,168	190,415	10,208	(66,892)
Total comprehensive income/(loss)	221,484	350,168	190,415	10,208	(66,892)
Net profit/(loss) or total comprehensive income/(loss) attributable to					
— Shareholders of the Company	221,684	350,211	191,266	21,823	(58,514)
— Minority interests/(loss)	(200)	(43)	(851)	(11,615)	(8,378)
Earnings/(loss) per share					
— basic and diluted (RMB/share)	0.100	0.158	0.087	0.010	(0.026)

CASH FLOWS

Net cash flows generated from/ (used in) operating activities	62,833	85,766	(156,459)	(132,685)	(997,410)
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FINANCIAL POSITION

	As at 31 December				2013 RMB'000
	2009 RMB'000 (Note)	2010 RMB'000 (Note)	2011 RMB'000	2012 RMB'000	
Total assets	5,635,140	6,221,146	7,244,187	8,480,503	11,059,191
Total liabilities	349,692	526,030	1,548,938	2,841,346	5,471,586
Equity attributable to owners of the Company	5,239,344	5,479,056	5,338,821	5,294,344	5,237,570
Minority interests	46,104	216,060	356,428	344,813	350,035
Total shareholders' equity	5,285,448	5,695,116	5,695,249	5,639,157	5,587,605
TOTAL SHARES (NUMBER OF SHARES)					
Domestic shares	1,451,000,000	1,451,000,000	1,451,000,000	1,451,000,000	1,451,000,000
H Shares	759,000,000	759,000,000	759,000,000	759,000,000	759,000,000
	2,210,000,000	2,210,000,000	2,210,000,000	2,210,000,000	2,210,000,000

Note: For the 2011, 2012 and 2013 financial information to be comparable, the summary of financial information of the Group for the years of 2009 to 2010 were prepared in accordance with the CAS.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I would like to extend my gratitude for your confidence and support to Xinjiang Xinxin Mining Industry Co., Ltd.* (the "Company") and its subsidiaries (collectively referred to as the "Group"). I am pleased to report the operating results for the year ended 31 December 2013 ("Year 2013" or the "Year"):

MARKET OVERVIEW

As generally known, the demand for nickel cathode and copper cathode was affected by the economic structural adjustments and the slowdown of the growth in the PRC and the lower-than-expected global economic recovery, in addition to the increase in the global production output and inventory of nickel products. As such, the domestic and international commodity prices of nickel cathode and copper cathode continued to fluctuate downward throughout 2013.

In 2013, the average three-month future price of nickel cathode in London Metal Exchange ("LME") was US\$15,098 per tonne, representing a decrease of 14.2% as compared to 2012, and the average three-month future price of copper cathode was US\$7,353 per tonne, representing a decrease of 7.5% as compared to that in 2012.

In 2013, the average spot price (including tax) of nickel cathode in Shanghai Yangtze River Non-ferrous Metals Spot Market was RMB105,858 per tonne, representing a decrease of 16.1% as compared to that in 2012, and the average spot price (including tax) of copper cathode was RMB53,346 per tonne, representing a decrease of 6.9% as compared to that in 2012.

The domestic price trends of nickel cathode and copper cathode were basically in line with the international market in 2013.

For the year of 2013, although the demand for nickel cathode and copper cathode was affected by the economic structural adjustments and the slowdown of the growth in the PRC and the lower-than-expected global economic recovery, there existed a relative shortage in the supply of nickel and copper resources. Consequently, the supply of nickel cathode and copper cathode by the domestic manufacturers was still unable to fulfill the consumption demand and this shortage required substantial import, which caused active trading and an increase in the transaction volume in the domestic market of nickel cathode and copper cathode.

INDUSTRY POSITION

The Group is a mining company principally engaged in the mining, ore processing, smelting and refining of nickel cathode products and other non-ferrous metals, (namely, copper, cobalt, gold, silver, platinum and palladium). According to the statistics of China Non-ferrous Metals Industry Association, the total domestic output of nickel for the year of 2013 amounted to 278,500 tonnes, representing an increase of 21.5% as compared to that in 2012. With an output of 10,307 tonnes of nickel cathode for the year of 2013, the Group remains the second largest domestic manufacturer of nickel cathode produced with nickel sulfide resources.

BUSINESS REVIEW

Production and Operation

During 2013, in order to cope with the adverse influence to the enterprise caused by the continuous decrease in domestic market prices of nickel cathode and copper cathode and the fluctuated operating environment, the Group has taken a series of measures to lower product costs and expenditures as well as improve overall operation efficiency of the Company. Such measures included enhancing fundamentals of the management, gradually lifting technical-economic indicators in the production process, strictly controlling non-productive expenditures, improving technological renovation and expansion projects as well as fulfilling planned production volume and attaining stated targets through performing the trial run and commissioning as soon as possible. In the meantime, the Group intensified the marketing analysis and research, and adopted a marketing strategy which adequately increase the finished goods inventory and control the sales volume of nickel cathode, so as to sell the Group's major product — the nickel cathode at a higher market price which would in turn improve the economic benefits of the Group.

For the year of 2013, the Group recorded a total nickel cathode output of 10,307 tonnes, representing an increase of 1.6% as compared to that in 2012. Total copper cathode output was 7,659 tonnes, representing an increase of 1.5% as compared to that in 2012.

For the year of 2013, the Group recorded total nickel cathode sales of 4,182 tonnes, representing a decrease of 59.3% as compared to that in 2012. Total copper cathode output was 7,936 tonnes, representing an increase of 9.0% as compared to that in 2012.

For the year of 2013, the Group recorded an average selling price of nickel cathode (tax exclusive) of RMB94,442 per tonne, representing a decrease of 11.6% as compared to 2012. Average selling price of copper cathode (tax exclusive) of RMB45,126 per tonne, representing a decrease of 7.7% as compared to that in 2012.

For the year of 2013, the Group recorded an average cost of sales of nickel cathode of RMB93,187 per tonne, representing a decrease of 3.0% as compared to that in 2012. Average cost of sales of copper cathode of RMB33,109 per tonne, representing a decrease of 11.9% as compared to that in 2012.

In the year of 2013, while the production volume of the Group increased as compared with 2012, and the product cost decreased as compared with 2012, the continuous decrease in the market prices of nickel cathode and copper cathode had nonetheless led to a loss in the operating results of the Group in 2013.

In the year of 2013, the Group achieved revenue of RMB844.9 million, representing a decrease of 44.7% as compared to that in 2012, with net loss of RMB66.9 million, as compared to net profit of RMB10.2 million in 2012, and the loss per share (basic and diluted) was RMB0.026, as compared to the earnings per share (basic and dilute) of RMB0.010 in 2012.

CHAIRMAN'S STATEMENT

In respect of mineral exploration, for the year of 2013, Xinjiang Kalatongke Mining Industry Company Limited (“Kalatongke Mining”) mainly completed mineral exploration projects such as 377 meters of tunnel exploration and 19,361 meters of drilling in pit. It also jointly carried out the project of “special research on prospecting in the deep ore body of the Kalatongke Copper and Nickel Mine in Fuyun County, Xinjiang” with the Institute of Geology and Geophysics under the Chinese Academy of Science, Xinjiang Yakesi Resources Co. Ltd. (“Xinjiang Yakesi”) and Hami Jubao Resources Co. Ltd. (“Hami Jubao”) mainly completed mineral exploration projects such as 274 meters of tunnel exploration, 15,052 meters of drilling in pit, 570 meters of surface drilling, 523 meters of borehole three-component magnetic survey and 13.7 meters of controlled source audio-magnetotelluric tensor (CSAMT) profile surveying. In 2013, the total amount of expenditure that the Group expended on mineral exploration was approximately RMB7.6 million.

In respect of mining development: in 2013, Kalatongke Mining mainly completed mining development projects such as certain installation projects of the pumping room and substation mine chamber at 260 mid-segment of No. 2 ore body and the excavation and concrete supports at the 260-mid-segment of No. 2 auxiliary shaft's measure well; as well as mining development construction such as the excavation of 1,246 meters of tunnels at 530 mid-segment of No.3 ore body, excavation of 1,100 meters of tunnels at 410 mid-segment, as well as slope supporting of 650 meters at the 530 mid-segment and 410 mid-segment of No. 3 ore body. Xinjiang Yakesi and Hami Jubao mainly completed mining development construction such as the excavation of 5,625 meters of tunnels at 350 mid-segment, 450 mid-segment and 530 mid-segment of No. 30 ore body of Huangshanxi (“黄山西”), as well as the excavation of 186 cubic meters of chambers, 2,804 cubic meters of concreting supports of chambers and the excavation of 300 meters of ore passes at 88 mid-segment. In 2013, the Group's total expenditure for mining development amounted to approximately RMB212.8 million.

In respect of ore mining operation business: in 2013, Kalatongke Mining produced 667,495 tonnes of ore, while Xinjiang Yakesi and Hami Jubao produced 716,684 tonnes of ore. In 2013, the aggregate expenditure of the ore mining operation of the Group was approximately RMB275.7 million.

In respect of ore processing operations: in 2013, Kalatongke Mining produced 81,666 tonnes of nickel-copper combined concentrate, while Xinjiang Yakesi and Hami Jubao produced 29,335 tonnes of nickel concentrate, 3,276 tonnes of copper concentrate and 8,651 tonnes of nickel-copper combined concentrate.

In respect of smelting and refining processing operation: for the year 2013, Kalatongke Mining produced 18,472 tonnes of water hardening and nickel matte. Xinjiang Zhongxin Mining Company Limited (“Hami Zhongxin”) produced 8,046 tonnes of water hardening and nickel matte. Fukang Refinery of Xinjiang Xinxin Mining Industry Co., Ltd. (“Fukang Refinery”) manufactured 10,307 tonnes of nickel cathode and 7,659 tonnes of copper cathode.

In respect of sales business, for the year of 2013, the Group achieved revenue from principal businesses of RMB771.0 million, which comprised RMB395.0 million of sales revenue from nickel cathode, accounting for 51.2% of the revenue from principal businesses of the Group, and RMB358.1 million of sales revenue from copper cathode, accounting for 46.5% of the revenue from principal businesses of the Group. Other products (including copper concentrate, electrolytic cobalt, gold, silver, platinum and palladium) achieved a sales revenue of RMB17.9 million, representing 2.3% of the revenue from principal businesses of the Group.

In 2013, the overall production and operation of the Group were generally stable, with no material operation difficulties or operational problems.

CHAIRMAN'S STATEMENT

Progress of Technological Renovation and Expansion Projects and Infrastructure Projects

In 2013, the technological renovation and expansion projects and infrastructure projects carried out by the Group mainly included four technological renovation and infrastructure projects, which were the technological renovation and expansion project involving the enhancement of the mining, ore processing and smelting capacity of Kalatongke Mining, the technological renovation and expansion project involving the enhancement of the auxiliary facilities in Fukang Refinery to increase the refining capacity of nickel cathode and copper cathode and an additional production capacity of nickel cathode to 15,000 tonnes per year, the technological renovation and expansion project involving additional mining and ore processing capacity of Xinjiang Yakesi, and the infrastructure project of Xinjiang Wuxin Copper Company Limited ("Wuxin Copper") involving an annual output of copper cathode of 100,000 tonnes. The technological renovation and expansion projects and the infrastructure projects of the Group proceeded smoothly as a whole in 2013 and the required progress of works was achieved on time during the Reporting Year. A total investment of RMB1,230.8 million has been made, including:

In 2013, a total of RMB102.9 million was invested in the further enhancement of the technological advancement and expansion projects involving the daily mining of 3,400 tonnes, daily processing capacity of 3,000 tonnes as well as annual production capacity of water hardening and nickel matte of 8,000 tonnes of Kalatongke Mining.

In 2013, a total of RMB15.9 million was invested in the further enhancement of the technological renovation and capacity expansion project of enhancing the refining capacities of nickel cathode and copper cathode of the auxiliary facilities of Fukang Refinery, as well as for the technological renovation and capacity expansion project of enhancing additional nickel cathode production capacity to 15,000 tonnes.

As for the technological renovation and expansion projects of Xinjiang Yakesi in relation to the addition of daily mining and ore processing capacity of 4,000 tonnes, a total investment of RMB196.1 million was made in 2013.

With respect to the infrastructure projects of Wuxin Copper with an annual output of 100,000 tonnes of copper cathode, a total investment of RMB915.9 million was made during 2013.

Equity Investment

In October 2013, the Company and Xinjiang Ashele Copper Industry Company Limited ("Xinjiang Ashele"), which is a connected person of the Company, completed the capital increase into Wuxin Copper totalling RMB40.0 million. In particular, the Company contributed RMB26.4 million in proportion to its existing equity holding percentage into Wuxin Copper. After the capital increase, the registered capital of Wuxin Copper increased from RMB790.0 million to RMB830.0 million, and the equity holding percentage of the Company in Wuxin Copper remained at 66%.

Environmental Protection and Safety

The Group adheres to the environmental protection policies of "Safety First, Precaution Foremost" and "Equal Emphasis on Both Resources Development and Environmental Protection" earnestly to ensure its production safety and environmental protection. In 2013, the Group achieved its target of production safety. The environmental protection was stringently observed in compliance with the relevant national laws and regulations.

CHAIRMAN'S STATEMENT

OUTLOOK

Operating Environment

In the year of 2014, even the global economy remains in a recovery stage, and there are more uncertainties affecting the recovery of global economy, the Chinese economy still maintains robust growth with more attention to be paid to the structural adjustment and the change in the mode of growth, but the pace of growth has slowed down (the PRC government forecasts China's GDP growth rate target for the year 2014 to be around 7.5%). Therefore the Group expects the consumption volume of nickel cathode and copper cathode in the domestic non-ferrous metal market to keep on growing in 2014. Due to the comparative shortage in the supply of nickel and copper resources, nickel cathode and copper cathode products from domestic manufacturers are still unable to fulfill the domestic consumption demand in 2014 and substantial import amount is required to ease the shortage in supply from the domestic market. In 2014, it is expected that the domestic market of nickel cathode and copper cathode will continue to sustain trading with active and growing transactions.

The Group expects the domestic market prices of nickel cathode for the year of 2014 to rise amidst fluctuations based on the average prices in Shanghai Yangtze River Non-ferrous Metals Spot Market in December 2013, and forecasts a slight increase in the average price throughout the year as compared with 2013. The domestic market prices of copper cathode for the year 2014 may keep fluctuating based on the average prices in Shanghai Yangtze River Non-ferrous Metals Spot Market for the second half of 2013.

Operational objectives

For the year of 2014, the Group plans to produce 11,000 tonnes of nickel cathode and 64,110 tonnes of copper cathode (among which, Fukang Refinery produces 7,335 tonnes and Wuxin Copper produces 56,775 tonnes). Please be cautioned that because of quite a number of uncertainties in metal prices and the domestic raw materials market, the above plan has been made merely on the basis of the current market situation and the existing conditions of the Group. The Board may adjust the relevant production plan according to the changes of situation.

BUSINESS STRATEGIES

Production and operation

In the year of 2014, as there are more uncertainties that may affect the recovery of the global economy, the Group should strengthen its research and analysis to the trend of price in the international and domestic nickel cathode and cathode copper markets and carry out more flexible and proactive marketing strategies. Moreover, 2014 is the critical year for various technological renovation and expansion projects of the Group to gradually substantiate their production capacity. The Group shall complete supplementary enhancement of the technological renovation and expansion projects in order to meet the stated targets and planned production volume as soon as possible, and based on this foundation, fully explore its internal potential, strive to increase output and income, and further reduce its production cost and expenses through stringent control of non-production expenditures with an aim to generating greater economic benefits for the Group.

CHAIRMAN'S STATEMENT

Projects Construction Work

For the year of 2014, we plan to invest RMB188.1 million in aggregate in major construction projects of the Group. In particular:

For the year 2014, Kalatongke Mining will undergo further enhancement of its technological renovation and expansion project, with daily mining and ore processing capabilities of 3,400 tonnes and 3,000 tonnes respectively, as well as annual production of 8,000 tonnes of water hardening and nickel matte. The Company expects to invest RMB56.7 million in the plan above.

For the year of 2014, Fukang Refinery will undergo further enhancement of its technological renovation and expansion project for refining auxiliary facilities to enhance the refining capacity of nickel cathode and copper cathode as well as its technological renovation and expansion project for increasing new production capacity of nickel cathode to 15,000 tonnes annually. The Company expects to invest RMB15.1 million in the plan above.

For the year of 2014, we plan to invest RMB79.9 million in the technological renovation and expansion project of Xinjiang Yakesi in relation to the addition of 4,000 tonnes of mining and ore processing daily capacity. The project is expected to reach the designed production capacity by the end of 2015.

For the year of 2014, we plan to invest RMB36.4 million in the construction project of 100,000 tonnes of copper cathode of Wuxin Copper. The construction of the project is expected to complete by 2014 and trial operation will be commenced.

Mineral Resources Control and Search for Mines by Geological Means

Mineral resources are the fundamental guarantee for the continuing development of a mining company. After all, the control of mineral resources and the search for mines by geological means are the core components of the business development of the Group. The Group places great emphasis on searching for preliminary mining projects with potentials for acquisition, enhances in-depth exploration, extends exploration in the surrounding areas of its existing major mines, and applies effective mine searching methods to achieve effective growth of the mineral resources and reserves of the Group. For the year of 2014, the Group plans to invest RMB44.3 million in in-depth exploration and extension of exploration in the surrounding area of existing major mines resources and search for mines by geological means. In particular, Kalatongke Mining plans to invest RMB19.4 million in exploration. Xinjiang Yakesi and Hami Jubao plan to invest RMB24.9 million in exploration.

Mergers and Acquisition

The Company has placed great emphasis on mergers and acquisition of enterprises since its listing. Following the successful acquisition of various mining companies including Xinjiang Yakesi, Hami Jubao, Hami Zhongxin, Shaanxi Xinxin and Hami Hexin Mining Company Limited (in which the Company holds 50% equity interest), the Group's nickel and copper resources and reserves as well as its subsequent development and production capacity achieved substantial increase. The acquisitions have further optimized the Group's production chain, strengthened its core competitiveness and uplifted the operational efficiency of assets as a whole. In the year of 2014, the Group will fully utilize its strength to enhance merger and acquisition, initiate economic cooperation and capture the opportunities of merger and acquisition in the international and the domestic metal markets. The Group will strive for new breakthrough in terms of mergers and acquisition of enterprises and capital management leading to the new milestone of the Group.

CHAIRMAN'S STATEMENT

2014 is a year both of opportunities and challenges for the Group. The Group will take more proactive and progressive strategies to cope with the difficult environment in this ever-changing global economy and its sluggish recovery, so that the Group can manage to achieve sustained and moderate growth under an operating condition featuring high efficiency and low-cost. Also the Group has an experienced management team in the industry, sound financial standing, abundant resources and reserves and a favorable industry positioning to enable us to enjoy sufficient benefits when the world economy further improves. The Group believes that with the great efforts of its staff and the tremendous support from various sectors of the society, the Group will achieve sustained and stable development in 2014.

Yuan Ze

Chairman

Xinjiang, the PRC

21 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

In 2013, the revenue of the Group amounted to RMB844.9 million, representing a decrease of 44.7% as compared to RMB1,529.2 million in 2012; the comprehensive loss of the Group amounted to RMB66.9 million, as compared to the comprehensive income of RMB10.2 million in 2012; the comprehensive loss attributable to shareholders of the Company amounted to RMB58.5 million, as compared to the comprehensive income of RMB21.8 million in 2012.

In 2013, the revenue of the Group decreased as compared to 2012, which was primarily due to the decreased prices of nickel cathode and copper cathode as well as the decreased volume of sale of nickel cathode; the main reason for the decrease in comprehensive income as compared with that in 2012 was that the market prices of nickel cathode and copper cathode declined continuously in 2013.

REVENUE AND GROSS PROFIT OF THE PRINCIPAL BUSINESSES

The following table illustrates the details of sales by products of the Group for the two years ended 31 December 2013 and 31 December 2012:

Product Name	For the year ended 31 December 2013			For the year ended 31 December 2012			
	Sales		% to Revenue	Sales		% to Revenue	Amount + / (-)
	volume Tonnes	Amount RMB'000		Volume Tonnes	Amount RMB'000		
Nickel cathode	4,182	394,993	51.2%	10,268	1,096,752	73.5%	(64%)
Copper cathode	7,936	358,101	46.5%	7,280	355,817	23.8%	0.6%
Copper concentrate	1,281	13,470	1.7%	2,063	16,114	1.1%	(16.4%)
Other Products		4,386	0.6%		23,920	1.6%	(81.7%)
Total revenue of the principal businesses		770,950	100%		1,492,603	100%	(48.3%)
Cost of the principal business		(668,509)	86.7%		(1,290,318)	86.5%	(48.2%)
Gross profit		102,441	13.3%		202,285	13.5%	(49.4%)

In 2013, the revenue of nickel cathode of the Group amounted to RMB395 million, representing a decrease of 64% as compared to that in 2012, mainly attributable to the decrease in the volume of sale and selling prices of nickel cathode. The average selling price of the Group's nickel cathode in 2013 amounted to RMB94,442 per tonne, representing a decrease of 11.6% as compared to the average selling price of RMB106,812 per tonne in 2012; the Group enhanced its economic benefits by adopting a market strategy in which it enlarged the inventories of products appropriately to control the sales volume of nickel cathode. As a result, the Group's nickel cathode products could be sold at higher market prices. In 2013, the Group's sales volume of nickel cathode was 4,182 tonnes, representing a decrease of 59.3% as compared to 10,268 tonnes in 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2013, the revenue of copper cathode of the Group amounted to RMB358.1 million, representing an increase of 0.6% as compared to 2012, mainly due to the increase in and the sales volume of copper cathode, which was partially offset by the decrease of the selling price. The average selling price of copper cathode of the Group in 2013 was RMB45,126 per tonne, representing a decrease of 7.7% as compared to the average selling price of RMB48,873 per tonne in 2012; the sales volume of copper cathode of the Group was 7,936 tonnes, representing an increase of 9.0% as compared to 7,280 tonnes in 2012.

In 2013, the revenue of copper concentrate of the Group amounted to RMB13.5 million, representing a decrease of 16.4% as compared to that in 2012, mainly due to the decrease in sales volume caused by the need of the Group for copper concentrate reserve.

In 2013, the revenue of other products of the Group amounted to RMB4.4 million, representing a decrease of 81.7% as compared to that in 2012, because there was no sales of gold in 2013.

In 2013, gross profits from the Group's principal businesses decreased by 49.4% from RMB203.3 million in 2012 to RMB102.4 million. The decrease in the gross profits was mainly due to the drop in the product price. The gross profit margin in 2013 was 13.3%, representing a decrease of 0.2 percentage point as compared with 13.5% in 2012.

SELLING AND DISTRIBUTION EXPENSES

In 2013, selling and distribution expenses incurred by the Group decreased by 37.2% to RMB9.8 million, as compared to RMB15.7 million in 2012, mainly due to the decrease in the Group's sales of nickel cathode in 2013, which also led to the corresponding decrease in the loading fees as well as transportation fees of products.

GENERAL AND ADMINISTRATIVE EXPENSES

In 2013, general and administrative expenses incurred by the Group decreased by 15.9% to RMB142.7 million, as compared to RMB169.8 million in 2012. The decrease in expenses was primarily due to the decrease in administrative expenses and employee benefits and the decrease in the amortisation of exploration costs.

FINANCE EXPENSES — NET

In 2013, finance expenses incurred by the Group decreased by RMB4.6 million to net finance income of RMB1.6 million from net finance expense of RMB3.0 million in 2012, primarily due to the accounting of the discount interest income of the long-term payables in 2013 amounted to RMB6.9 million, resulting in a net finance income as shown in the finance expenses of the Group.

FINANCIAL POSITION

The Group's consolidated balance sheet remained solid. Shareholders' equity decreased from RMB5,639.2 million to RMB5,587.6 million in 2013, primarily due to the losses in the results of operations in 2013; total assets increased by 30.4% to RMB11,059.2 million, primarily due to the increase in inventories and continuous commencement of technological renovation projects of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2013, the net cash outflow generated by the Group's operating activities amounted to RMB997.4 million. As compared to the net cash outflow of RMB132.7 million in 2012, there was an increase in the net outflow of RMB864.7 million, primarily due to the decrease in product prices and the reduction in operational cash inflow resulting from the decrease in sales volume of nickel cathode and the increase in inventories; the net cash outflow generated from investment activities was RMB1,058.9 million, which was mainly used in purchasing equipment and as the construction costs of the Group's various technology renovation and expansion projects; the net cash inflow generated from financing activities amounted to RMB2,164 million. The cash inflow mainly came from bank loans and other interest-bearing borrowings received by the Group. The cash outflow was mainly attributable to the Group's repayment of bank loans and interest in 2013.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group had total cash and cash equivalents amounting to RMB577.9 million (2012: RMB470.2 million), and the interest-bearing borrowings of the Group amounted to RMB4,285.2 million (2012: RMB2,020 million).

	As at 31 December 2013	As at 31 December 2012
Current ratio (<i>times</i>)	1.1	1.4
Gearing ratio (<i>borrowings/total assets</i>)	38.7%	23.8%

COMMODITY PRICE RISK

The prices of the Group's products are influenced by international and domestic market prices and changes in global supply and demand for such products. Price volatility of non-ferrous metals is also affected by the global and PRC economic cycles as well as the fluctuations of the global currency markets. Both the international and domestic market prices of non-ferrous metals as well as the volatility of their supply and demand are beyond the control of the Company. Therefore, the volatility of commodity prices may materially affect the turnover and the comprehensive income of the Group.

RISK OF FLUCTUATIONS IN EXCHANGE RATE

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

MANAGEMENT DISCUSSION AND ANALYSIS

INTEREST RATE RISK

The Group's interest rate risk mainly arises from bank loans and interest-bearing long-term borrowings. Amounts of borrowing from/deposit to banks at variable rates can expose the Group to cash flow interest rate risk. The Group adjusts the relative proportion of contracts at fixed rate and contracts at floating rate based on market situation. As at 31 December 2013, the Group's interest bearing borrowings were mainly at floating rates and denominated in RMB, which totalled RMB4,285.2 million (2012: RMB2,020.0 million). Any increase in the interest rate will cause an increase in the cost of debt financing of the Company. The Group did not execute any form of interest rate agreement or derivative to hedge against the fluctuation in interest rate.

CHARGE ON ASSETS

As at 31 December 2013, included in cash at bank and on hand of the Group was restricted cash at banks amounted to RMB73.1 million set aside as the security for issuing bank acceptance notes and other purposes. Wuxin Copper Mining, a subsidiary of the Company, entered into two pledge contracts with the banks in respect of copper concentrate inventories with value of RMB303.9 million. The borrowing limit of the pledge amounted to RMB212.7 million. As at 31 December 2013, bank borrowings of RMB200 million were obtained. Save as disclosed above, the Group did not have any other charges or pledges of its assets as at 31 December 2013.

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 production technology of the Group. The following table sets out the conditions of the Group's capital expenditure as well as the ratio of the capital expenditure of each operation over total capital expenditure for the year ended 31 December 2013 based on various categories of operations:

	Year ended 31 December 2013	
	RMB'000	Percentage %
Mining, ore processing, smelting and complementary operations in Kalatongke Mining	113,157	8.8
Refining and complementary operations in Fukang Refinery	21,964	1.7
Mining and ore processing operations in Xinjiang Yakesi	190,107	14.8
Mining operation in Hami Jubao	14,910	1.2
Smelting and complementary operations of Hami Zhongxin	4,561	0.3
100,000 tonnes of copper smelting operation of Wuxin Copper	919,861	71.4
Research and development of non-ferrous metal industrial products and storage base project of Beijing Xinding	23,671	1.8
Total	1,288,231	100

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As at 31 December 2013, the Group had a total of 3,799 full-time employees. Breakdowns by function and division are as follows:

Division	Employees (Headcounts)	Total (in percentage)
Management and administration	219	5.7%
Engineering technician	620	16.3%
Production staff	2158	56.8%
Repair and maintenance	592	15.6%
Inspection	189	5.0%
Sales	21	0.6%
Total	3,799	100.0%
Employee remuneration for the year ended 31 December 2013 (RMB'000)		328,286*

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

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yuan Ze (袁澤), aged 64, has been an executive Director and the Chairman of the Company since September 2005. Mr. Yuan completed a postgraduate course in natural geography at Nanjing University (南京大學) in December 1997. From October 1998 to January 2002, he served as the secretary of the communist party committee of Xinjiang Non-ferrous Industry Co. (新疆有色金屬工業公司). Since February 2002, Mr. Yuan has served as the secretary of the communist party committee and chairman of Xinjiang Non-ferrous. Mr. Yuan received the Xinjiang Uygur Autonomous Region Model Labour Award (新疆維吾爾自治區勞動模範殊榮) in 2005 and 2007 and was elected a representative of the 11th National People's Congress in March 2008. Mr. Yuan received the National Model Labour Special Award (全國勞動模範殊榮) awarded by the State Council in 2010.

Mr. Shi Wenfeng (史文峰), aged 46, has been an executive Director and the general manager of the Company since September 2005. Mr. Shi studied at Chengdu University of Science and Technology (成都科技大學) with a Bachelor's degree, majoring in the metallurgy of non-ferrous metals from September 1985 to July 1989. Mr. Shi has accumulated more than 25 years of experience in the smelting industry. From September 1993 to January 1994, he served as the deputy head of the refinery workshop of the Fukang Refinery (阜康冶煉廠). From November 1994 to January 1995, he as the head of the production division of Fukang Refinery. From February 1995 to March 1998, he served as an assistant to the head of Fukang Refinery. From April 1998 to January 2002, he served as the deputy head of Fukang Refinery. From February 2002 to August 2005, he served as the head of Fukang Refinery. Mr. Shi received the National Model Labour Award awarded by the State Council in 2005, and he received the Scientific and Technological Progress First Prize (科學技術進步一等獎) in 1995 and 2002 awarded by the National Committee of Science and Technology of the PRC (國家科學技術委員會) and the People's Government of Xinjiang, respectively, for his contribution to the development of the wet process in the refining technology of nickel and the development of technology and production application in extracting copper and precious metals from smelting tailing of nickel ore.

Mr. Zhang Guohua (張國華), aged 49, has been an executive Director and the Executive Deputy General Manager of the Company since September 2005. Mr. Zhang completed a postgraduate course in management science and engineering at Dalian University of Technology in November 2003. Mr. Zhang has accumulated more than 30 years of experience in the mining industry. From October 1988 to December 1993, he served as a deputy section leader and section leader of the environmental safety section of Kalatongke Mine. From January 1994 to June 1996, he served as a mining workshop supervisor of Kalatongke Mine. From June 1996 to March 1997, he served as an assistant to the head of Kalatongke Mine. From March 1997 to March 1998, he served as the chairman of the labour union of Kalatongke Mine. From March 1998 to March 1999, he served as the secretary of the communist party committee of the Kalatongke Mine. He served as the deputy general manager and general manager of the sales branch of Xinjiang Non-ferrous Metals Industry Co. from April 1999 to February 2002. From March 2002 to August 2005, he served as the head of Kalatongke Mine. Mr. Zhang has also served as the secretary of the Communist Party committee of the Company since September 2005.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Zhou Chuanyou (周傳有), aged 49, has been a non-executive Director and the vice-chairman of the Company since September 2005. Mr. Zhou completed a postgraduate course in law at Fudan University (復旦大學) with a Master's degree in July 1987. From September 1995, Mr. Zhou served as the chairman of the board of Shanghai Jinying Investment Company Ltd. (上海金鷹投資有限公司), which is the predecessor of Zhongjin Investment, and is now the chairman of the board of Zhongjin Investment in which he is the beneficial owner of 100% interest. He has served as a director of Shanghai Zhongjin Real Estate (Group) Co., Ltd. (上海中金房產(集團)有限公司) since February 1998 and a director of Shanghai Yilian since May 2005 and is currently the beneficial owner of 100% shareholding of Shanghai Yilian. Shanghai Yilian holds 12.80% shareholding of the Company and Zhongjin Investment holds 8.96% shareholding of the Company. The interest attributable to Mr. Zhou in the Company represents his indirect deemed interest in the Company's issued share capital via his equity interests held in the Company through Shanghai Yilian and Zhongjin Investment. Mr. Zhou has served as deputy chairman of the Board of Dazhong Insurance Co., Ltd. of China (大眾保險股份有限公司) from September 1998 to December 2009.

Mr. Niu Xuetao (牛學濤), aged 49, has been a non-executive Director of the Company since September 2005. He completed an undergraduate course in law at Northwest University of Political Science and Law (西北政法大學) with a Bachelor's degree, majoring in law from September 1986 to July 1990. From February 2003 to February 2008, Mr. Niu served as the deputy chief executive officer of Zhongjin Investment. He served as the Head Supervisor of Zhongjin Investment since October 1999. From June 2004 to July 2005, Mr. Niu has served as the vice-president of Xinjiang Fanhua Mine and Energy Industrial Company Ltd. (新疆泛華礦能實業有限公司). From May 2005 to December 2009, he was the general manager of Shanghai Yilian.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Jianguo (陳建國), aged 50, has been an independent non-executive Director of the Company since June 2006. Mr. Chen studied at Xinjiang University of Finance and Economics (新疆財經大學) with a Bachelor's degree, majoring in economics from September 1981 to July 1985. From September 1985 to July 1988, he studied at Dongbei University of Finance and Economics (東北財經大學) with a Master's degree, majoring in accounting. Since 1988, he has been teaching at the Faculty of Finance of Xinjiang University of Finance and Economics. He has become the Head of Faculty of Finance of Xinjiang Institute of Finance and Economics (now known as Xinjiang University of Finance and Economics) from August 1997 to September 2007. He has become the head of research and development department of Xinjiang University of Finance and Economics from October 2007 to January 2011. He has been appointed as the dean and a professor of Institute of Accounting of Xinjiang University of Finance and Economics since February 2011. Mr. Chen participated in the Chinese Management Development Program. From January 1999 to August 1999, he studied in Nyenrode Business Universiteit (奈爾洛德商業大學) in Netherlands. From January 2000 to April 2001, Mr. Chen studied at Haagse Hogeschool with a Master's degree in Business Administration. Since April 2002, Mr. Chen has served as a standing council member of Xinjiang International Taxation Research Institute (新疆國際稅收研究會常務理事). Since November 2002, Mr. Chen has served as a council member of Xinjiang Institute of Investment (新疆投資學會). He has been appointed as the executive council member and deputy secretary of Xinjiang Institute of Accounting (新疆會計學會) since April 2011. Mr. Chen acted as an independent director of Markor International Furniture Co. Ltd (Stock Code: 600337), Xinjiang Guannong Fruit & Antler Group Co., Ltd. (Stock Code: 600251) and Zhudong Petroleum Technology Co., Ltd. (Stock Code: 002207) from May 2002 to August 2008, from January 2003 to December 2007 and September 2004 to December 2009 respectively. Since September 2008, Mr. Chen has been as an independent director of Xinjiang International Enterprise Co., Ltd (Stock Code: 000159), Xinjiang Kangdi Planting Technology Company Limited* (新疆康地種業科技股份有限公司) since January 2010 and Xinjiang Tianshan Power Company Ltd. (新疆天山電力股份有限公司) since June 2011. Since March 2012, Mr. Chen has been an independent director of Xinjiang Beixin Road & Bridge Group Co., Ltd. (Stock Code: 002307), Mr. Chen acted again as an independent director of Markor International Furniture Co., Ltd since August 2011.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Li Jin (汪立今), aged 54, has been an independent non-executive Director of the Company since 16 May 2011. He studied at Xinjiang University with a Bachelor's degree, majoring in Survey and Exploration of Mineral Resources from February 1978 to February 1982. Since February 1982, Mr. Wang has been teaching in the College of Geology and Exploration of Xinjiang University (新疆大學地質與勘查工程學院), and was promoted to professor in November 2000, and is a Master Instructor of Xinjiang University. In 2006, Mr. Wang was awarded the "Distinguished Teacher of Xinjiang University", and in 2007 and 2008 was named "Outstanding Thesis Instructor of Xinjiang University". During March 2004 to September 2004, Mr. Wang was sent by the National Government to the Department of Geological Sciences, University of Michigan Ann Arbor, USA, for further study, majoring in mineral deposit geology and mineralogy, and conducting scientific research work in mineral deposit geology and mineralogy. In the past three decades, Mr. Wang has been engaged in university geology teaching and research work, loaded with professional expertise, and has been familiar with business. Mr. Wang currently serves as a council member of the China Society of Mineralogy, Petrology and Geochemistry (中國礦物岩石地球化學學會), a committee member of the Professional Committee of Technological Mineralogy of China (中國工藝礦物學專業委員會), an executive director of the China Geological Society of Education (中國地質教育學會), a committee member of the China Environmental Mineralogy Professional Committee (中國環境礦物學專業委員會), and is the life member of the China Society of Mineralogy, Petrology and Geochemistry.

Mr. Li Wing Sum Steven (李永森), aged 57, has been an independent non-executive Director of the Company since 14 October 2011. Mr. Li is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong, and a member of the Hong Kong Institute of Directors and Certified Tax Adviser Institute of Hong Kong. Mr Li has accumulated over 30 years' experience in auditing, accounting, company secretarial services, taxation and financial management. Mr Li had worked in an international accounting firm (Coopers & Lybrand, now known as PricewaterhouseCoopers) and had been employed as financial controller of various companies including a Hong Kong listed company. Mr Li was an independent non-executive director and an executive director of Dynamic Global Holdings Limited (Stock Code: 231) (now known as Madex International (Holding) Limited), the joint company secretary of Ausnutria Dairy Corporation Ltd (Stock Code: 1717) in the period from September 2004 to July 2005 and from January 2006 to June 2009, and was the independent non-executive director of Ruifeng Petroleum Chemical Holdings Limited (Stock Code: 8096) from 1 June 2012 to 5 October 2013. Since July 2000 and up to present, Mr. Li has been the Qualified Accountant and the Company Secretary of Shanghai Fudan Microelectronics Group Company Limited (Stock Code: 1385). Mr. Li is also a certified public accountant (practicing) and a director and a partner respectively of two certified public accountants firm in Hong Kong.

EMPLOYEES' REPRESENTATIVE SUPERVISORS

Mr. Wang Haibang (王海邦), aged 54, was appointed as the employees' representative supervisor of the Company effective from 26 June 2013 and the chairman of the Supervisory Committee from 12 July 2013. From 1992 to 1995, Mr. Wang studied in Kunming University of Science and Technology(昆明理工大學), majoring in administrative management. From October 1983 to April 1988, Mr. Wang served as the vice captain of the Gem Mining Team and the Mining Services Team of the Xinjiang Keketuohai Mining Bureau (新疆可可托海礦務局). From May 1988 to October 1998, he served as the Party branch secretary of Kelatongke Mine Smelting Workshop* (喀拉通克礦冶煉車間), the manager of Kelatongke Mining Services Company* (喀拉通克礦服務公司), the department head of the Labour and Personnel Department of Kelatongke Mine, the workshop supervisor of Kelatongke Mine Smelting Workshop and the vice chairman of the Labour Union of Kelatongke Mine, respectively. He served as the chairman of the Labour Union of Kelatongke Mine from November 1998 to May 2000, the Party Committee secretary and the chairman of the Labour Union of Kelatongke Mine from June 2000 to August 2005, the Party Committee vice secretary, the Disciplinary Committee secretary and the chairman of the Labour Union of the Company from September 2005 to May 2013. Since June 2013, he has been serving as the vice secretary of the Party Committee and the chairman of the Labour Union of the Company, and been serving as the secretary of the Dicipinary Committee since October 2013.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Sun Baohui (孫寶輝), aged 44, has been the employees' representative Supervisor of the Company since June 2006. He studied at Kunming University of Science and Technology with a Bachelor's degree majoring in the metallurgy of non-ferrous metals from September 1988 to July 1992. Mr. Sun served as a technician, the deputy head and the head of the smelting workshop at Kalatongke Mine from July 1992 to September 2000. From April 2003 to August 2005, he served as the head of the ore processing workshop at Kalatongke Mine. From September 2005 to May 2009, he served as the head of and the deputy general manager of the labour union at Kalatongke Mine. Mr. Sun is currently the general manager of Wuxin Copper since May 2009.

SHAREHOLDERS' REPRESENTATIVE SUPERVISOR

Mr. Cao Sanxing (曹三星), aged 37, has been appointed as shareholders' representative Supervisor of the Company since 14 December 2012. Mr. Cao studied at Hainan University with a Bachelor's degree, majoring in international finance from September 1995 to July 1999. He completed a postgraduate course in business management at Xiamen University in July 2006. Mr. Cao joined Zijin Mining Group Co., Ltd. (Stock Code: 2899) in October 2003 and served various posts including deputy chief of the Audit and Supervision Division under the Office of Zijinshan Gold Mine, deputy chief and chief of the Audit and Supervision Division under the Office of Bayannaer Zijin Non-ferrous Metal Co., Ltd., chairman of the Board of Supervisors of Bayannaer Zijin Nonferrous Metal Co., Ltd.. At present, Mr. Cao serves as Chairman of the Board of Supervisors of Zijin Mining Group Northwest Co., Ltd. (a subsidiary of Zijin Mining Group Co., Ltd.).

INDEPENDENT SUPERVISORS

Ms. Chen Yuping (陳玉萍), aged 49, is an independent Supervisor of the Company since June 2006. Ms. Chen studied at Xinjiang University of Finance and Economics (新疆財經大學) with a Bachelor's degree, majoring in economics from September 1981 to July 1985 and a Master's degree in business administration at Oklahoma City University (奧克拉荷馬城大學) in the U.S.A. from June 1987 to June 1989. On January 2000, Ms. Chen participated in the Chinese Management Development Project. From January 2000 to September 2000, she studied in Nyenrode Business Universiteit in Netherlands. Since July 1985, Ms. Chen has been teaching in Xinjiang University of Finance and Economics. Ms. Chen had been the deputy head of the Faculty of Business Administration of Xinjiang University of Finance and Economics (previously known as Xinjiang Institute of Finance and Economics (新疆財經學院)) since July 2001 and was promoted to a professor in 2006. Ms. Chen served as the deputy head of the Student Registry of Xinjiang University of Finance and Economics from October 2007 to December 2010. She has served as the office of academic affairs director by the Xinjiang University of Finance and Economics since January 2011.

Mr. Hu Zhijiang (胡志江), aged 68, is an independent Supervisor of the Company since June 2006. Mr. Hu studied at Xinjiang University of Finance and Economics from 1990 to 1992, majoring in finance. Mr. Hu is a qualified senior accountant and a practising accountant. He was a deputy head in the Agriculture Section of the Finance Department of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區財政廳農業處) from 1992 to 1994. From 1994 to 1997, he served as the head of the Legal and Taxation Section of the Finance Department of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區財政廳法制稅政處). From 1997 to 2001, he served as the head of the Accounting Section of the Finance Department of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區財政廳會計處). From 2001 to 2005, he served as the inspector (副廳級巡視員) at the deputy department level of the Finance Department of Xinjiang Uygur Autonomous Region. From 1998 to 2000, Mr. Hu served as a member of the Senior Assessment Committee for Professional Qualification in Accounting of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區會計專業技術資格高級評審委員會). He was the vice chairman of the eighth committee of the Accounting Association of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區會計學會第八屆理事會) in 2002.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

OTHER SENIOR MANAGEMENT

Mr. Zhang Junjie (張俊傑), aged 51, is one of the two joint company secretaries of the Company since June 2006. Mr. Zhang studied at University of Zhongnan (中南大學) with a Bachelor's degree, majoring in mining engineering from September 1979 to July 1983. From October 1988 to March 1991, Mr. Zhang was the head of the mining workshop of Kalatongke Mine and the chief of the production technology division of Kalatongke Mine. From April 1991 to March 1993, he was the deputy head of the production technology division of Xinjiang Keketuohai Mining Bureau. From March 1993 to August 1997, he was the deputy chief economist of Xinjiang Non-ferrous Industry Co. Copper and Nickel Branch (新疆有色金屬工業公司銅鎳分公司). From August 1997 to March 1998, he was a deputy general manager of Xinjiang Non-ferrous Industry Co. Copper and Nickel Branch (新疆有色金屬工業公司銅鎳分公司). From April 1998 to July 2002, he was the head of the finance department of Xinjiang Nonferrous Metal Industry Co.. From July 2002 to August 2005, he served as the head of the assets management department of Xinjiang Non-ferrous. Since September 2005, Mr. Zhang has also served as the secretary to the Board of Directors of the Company.

Mr. Lam Cheuk Fai (林灼輝), aged 60, joined the Company in June 2006, is the qualified accountant and one of the two joint company secretaries. Mr. Lam studied at Hong Kong Polytechnic (the predecessor of Hong Kong Polytechnic University), majoring in accounting, and obtained a Higher Certificate in Accountancy awarded by the institute from 1975 to 1979. He studied at University of East Asia, Macau with a Master's degree, majoring in business administration from 1985 to 1988. Mr. Lam is a fellow member of both the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. From 1979 to 1985, he worked for Touche Ross & Co. (now known as Deloitte Touche Tohmatsu.) in Hong Kong and the U.S.A. and Arthur Young & Co. (now known as Ernst & Young) in Hong Kong. From 1999 to 2001, he was employed as the chief financial officer and the company secretary by Magician Industries (Holdings) Limited (now known as Lisi Group (Holdings) Limited) (Stock Code: 526). Mr. Lam has approximately 30 years of working experience in auditing, accounting, internal control, taxation, company secretarial work and financial management in multinational organisations in the U.S.A., Hong Kong and the mainland China.

Mr. Wu Tao (吳濤), aged 47, has been the chief engineer of the Company since September 2005. Mr. Wu studied at Chengdu University of Science and Technology with a Bachelor's degree, majoring in the metallurgy of nonferrous metals from September 1985 to July 1989. From February 1995 to March 1998, Mr. Wu served as the head of the cobalt workshop and the copper workshop of Fukang Refinery (阜康冶煉廠). He served as the head of production control division and an assistant to the head of Fukang Refinery from April 1998 to January 2002 and served as the deputy head of Fukang Refinery from February 2002 to August 2005. Mr. Wu was awarded two Scientific and Technological Progress First Prizes (科學技術進步一等獎), one by the National Committee of Science and Technology in 1995 for his contribution to the wet process adopted in nickel refining and one by the People's Government of Xinjiang for the year of 2002 for his contribution to the development of production methods in smelting, extraction from tailings and the production of copper and precious metals.

Mr. He Hongfeng (何洪峰), aged 44, has served as the chief financial officer of the Company since September 2005. Mr. He studied at Xinjiang University of Finance and Economics from September 1988 to July 1992 with a Bachelor's degree, majoring in accounting. He completed a postgraduate course in Business Administration at Xinjiang University of Finance and Economics with a Master's degree in June 2009. Mr. He is a certified accountant, certified valuer and certified tax consultant in the PRC. From July 1992 to August 2005, he worked for Zhongjin Investment. He joined the Company since September 2005.

CORPORATE GOVERNANCE REPORT

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 Group as it believes that effective corporate governance practices are fundamental to safeguarding the interests of shareholders and other stakeholders and enhancing shareholder value.

The Board has adopted the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Group has fully complied with all the code provisions under the CG Code in the financial year of 2013.

THE BOARD OF DIRECTORS

Functions and Duties of the Board

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

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

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

- (a) to develop and review the Company’s policies and practices on corporate governance and report to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- (e) to review the Company’s compliance with the CG Code and disclosure in the Corporate Governance Report.

Appropriate Directors’ liability insurance cover has been arranged by the Company to indemnify the Directors for liabilities arising out of corporate activities. The coverage and the sum insured under the policy are reviewed annually.

CORPORATE GOVERNANCE REPORT

Board Composition

On 14 October 2011, the Board has changed into the third session, and still comprises nine Directors, four of whom are executive Directors, two of whom are non-executive Directors and three of whom are independent non-executive Directors. There is no financial, business, family or any other relevant relationships among any members of the Board. On 23 January 2014, Mr. Liu Jun, an executive Director of the Company has resigned and the Company proposes to elect and appoint an executive Director on 2013 AGM.

There is a strong independent element on the Board, to ensure the independence and objectivity of the Board's decision-making process as well as the thoroughness and impartiality of the Board's oversight of the Management. The Board possesses, both as individual Directors and collectively, appropriate experience, competencies and personal qualities, including professionalism and integrity, to discharge its responsibilities adequately and effectively. In addition, the Board collectively has adequate knowledge and expertise relevant to each of the material business activities that the Company pursues and the associated risks in order to ensure effective governance and oversight.

Members of the Board, who come from a variety of different backgrounds, have a diverse range of business, mining and professional expertise. Brief biographical particulars of the Directors are set out in pages 18 to 20 of this Annual Report.

The Board considers that its diversity is a vital asset to the business. For better corporate governance, the Board has adopted a board diversity policy (the "Policy") during the year. The essence of the Policy is that the Board's appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company remains committed to meritocracy in the Board, which requires a diverse and inclusive culture where Directors believe that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated.

As at the date of this Annual Report, an analysis of the Board composition is as follows:

Gender:	Male (8); Female (0)
Designation:	ED (3); NED (2); INED (3)
Geographic:	PRC (7); HKSAR(1)
Age:	40~49 (4); 50~59 (3); 60~69 (1)
Background:	Mining (3); Geology (1); Business (2); Accounting Professionals (2)

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

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

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

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

The Board and Management

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

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

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

Board Meetings

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

CORPORATE GOVERNANCE REPORT

For the year of 2013, five Board meetings and one general meeting were held, and the details of each of the Directors' attendance record of the meetings are as follows:

Name of Directors	Number of meetings attended/ Number of meetings convened during the term of office	
	Board meeting	General meeting
<i>Chairman (Executive Director)</i>		
Yuan Ze (袁澤)	5/5	1/1
<i>Executive Directors</i>		
Shi Wenfeng (史文峰) (General Manager)	5/5	1/1
Zhang Guohua (張國華) (Executive Deputy General Manager)	5/5	1/1
Liu Jun (劉俊) (Deputy General Manager)*	5/5	1/1
<i>Non-executive Directors</i>		
Zhou Chuanyou (周傳有) (Vice-Chairman)	4/5	1/1
Niu Xuetao (牛學濤)	5/5	1/1
<i>Independent non-executive Directors</i>		
Chen Jianguo (陳建國)	5/5	1/1
Wang Lijin (汪立今)	5/5	1/1
Li Wing Sum, Steven (李永森)	5/5	1/1

* Resigned on 23 January 2014

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

CORPORATE GOVERNANCE REPORT

Directors' Training and Board Committees

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

The Board currently has four committees, namely the Audit Committee, the Remuneration and Review Committee, Nomination Committee and Strategic Development Committee. Members of these committees and the types of trainings in which all directors participated during the year are as follows:

	Audit Committee	Remuneration and Review Committee	Nomination Committee	Strategic Development Committee	Type of Trainings
Executive Directors					
Yuan Ze			↓ (Chairman)	↓ (Chairman)	A, B, C
Shi Wenfeng		↓		↓	A, B, C
Zhang Guohua				↓	A, B, C
Liu Jun*					A, B, C
Non-Executive Directors					
Zhou Chuanyou		↓		↓	A, B, C
Niu Xuetao	↓				A, B, C
Independent Non-Executive Directors					
Chen Jianguo	↓ (Chairman)	↓ (Chairman)	↓		A, B
Wang Lijin		↓		↓	A, B
Li Wing Sum, Steven	↓	↓	↓		A, B

* Resigned on 23 January 2014

- A: attending seminars, conferences and/or expert briefings relevant to the business or directors' duties
- B: reading newspapers, journals and updates relating to the economy, general business or regulatory information
- C: paying visits to the Group's local management and facilities

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers ("Model Code") contained in Appendix 10 to the listing Rules as its own code of conduct regarding securities transactions by the Directors and the Supervisors of the Company (the "Supervisors"). Having made specific enquiries of all Directors and Supervisors, all Directors and Supervisors have complied with the required standards as set out in the Model Code for the year ended 31 December, 2013.

CORPORATE GOVERNANCE REPORT

DIRECTOR NOMINATION AND NOMINATION COMMITTEE

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

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

In 2013, the Nomination Committee convened one meeting and attendance rate was 100%. The summary of work performed by the Nomination Committee during the Year was: reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and made recommendations on proposed changes to the Board to complement the Company's corporate strategy; and assessed the independence of the Independent Non-executive Directors of the Company. As none of the Directors of the Company resigned during the Year, the Nomination Committee did not identify or select any director candidates or make recommendation on the appointment or reappointment of Directors.

REMUNERATION AND REVIEW COMMITTEE

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

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

- (a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (d) to make recommendations to the Board on the remuneration of non-executive Directors; and
- (e) to make performance appraisal including assessing performance of all Directors and senior management and to monitor the execution of the Company's remuneration system.

CORPORATE GOVERNANCE REPORT

In 2013, one meeting of the Remuneration and Review Committee was held with an attendance rate of 100%. Summary of work during the Year by the Remuneration and Review Committee included:

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

AUDIT COMMITTEE

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

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

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

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) to monitor integrity of the Company's financial statements and annual report and accounts and interim report, and to review significant financial reporting judgements contained in them and to provide advice and comments thereon to the Board;
- (d) to review the Company's financial controls, internal control and risk management systems;
- (e) to consider major investigations findings on internal control matters as delegated by the Board or on its own initiative and to report to the Board when the Committee notices any irregularities, internal control deficiencies or any non-compliances to any applicable rules, regulations, codes or laws when situation warrants the attention of the Board; and

CORPORATE GOVERNANCE REPORT

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

In 2013, two meetings of the Audit Committee were held with an attendance rates of 100%. Summary of work during the Year by the Audit Committee included:

- reviewed of the annual report and results announcement of the Company for the year ended 31 December 2012, with a recommendation to the Board for approval;
- reviewed the external auditors' independence and their report, with a recommendation to the Board for the re-appointment of the external auditors by the shareholders of the Company at its 2012 annual general meeting;
- reviewed continuing connected transactions;
- reviewed the interim report and results announcement of the Company for the six months ended 30 June 2013, with a recommendation to the Board for approval;
- considered the audit and non-audit services provided by the external auditors;
- reviewed the effectiveness of the system of internal control of the Company and its subsidiaries;
- reviewed periodic reports prepared by the Internal Audit Department;
- reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programme and the relevant budget; and
- reviewed the audit fees payable to the external auditors for the year ended 31 December 2013, with a recommendation to the Board for approval.

AUDITORS' REMUNERATION

For the year ended 31 December 2013, audit fees charged by the auditors of the Company amounted to approximately RMB2.21 million and no non-audit service assignment was made.

STRATEGIC DEVELOPMENT COMMITTEE

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

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

CORPORATE GOVERNANCE REPORT

SUPERVISORY COMMITTEE

The Company's Supervisory Committee was established in 2005 pursuant to the Company's Articles of Association and has changed into the third session on 14 October 2011, still comprising five Supervisors. Mr. Wang Haibang was appointed as the Chairman of the Supervisory Committee on 26 June 2013 to take the place of Mr Jiang Mingshun (resigned on 20 June 2013). One of the Supervisors was elected by the shareholders as Shareholders' Representative Supervisor, two Employees' Representative Supervisors were elected by the employees and two other independent Supervisors were appointed. Supervisors serve for a term of three years and are subject to re-election.

The Supervisory Committee is responsible for exercising supervision over the Board, its members and the senior management; and preventing them from abusing their authorities and jeopardizing the interests of the shareholders, the Company and its employees. Three meetings were held by the Supervisory Committee in 2013 with attendance rate of 100% for two of them and 80% for the other one. During the meetings, the Supervisory Committee reviewed the financial conditions and operations of the Company and the due diligence of the senior management. The Supervisory Committee's members perform their duties in accordance with the Company's Articles of Association.

SHARE INTEREST OF SENIOR MANAGEMENT

As at 31 December 2013, none of the senior management of the Company held any share interests in the Company.

COMPANY SECRETARIES

For the year ended 31 December 2013, the two Company secretaries of the Company had received relevant professional trainings of not less than 15 hours to update their skills and knowledge.

SHAREHOLDERS' MEETING AND INVESTOR RELATIONS

As at 31 December 2013 and up to the date of this Annual Report, the Company issued 1,451,000,000 shares of domestic shares and 759,000,000 H shares, totalling 2,210,000,000 shares.

In 2013, the Company convened one general meeting. All proposed resolutions were approved with a passing rate of over 99%. The general meetings were chaired by the Chairman of the Board, who explained matters concerning the procedures for voting for shareholders' consideration and the shareholders voted on each proposed resolution. Each of the Directors and Supervisors were notified of and attended the general meetings.

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

The Secretariat Office and the Corporate Finance and Securities Department of the Board offer comprehensive services to the shareholders and answer their enquiries on a timely basis in order to enhance their understanding of the Company. They also maintain effective communications with the shareholders to ensure that the views of the shareholders will be communicated to the Board. There were no changes in the Company's constitutional documents during the year ended 31 December 2013.

As at 31 December 2013, total market capitalization of the Company was approximately HK\$2.56 billion, of which the market capitalization of public floatation of H shares was approximately HK\$0.88 billion.

INTERNAL CONTROL

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

FINANCIAL REPORTING

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

There are four ESG subject areas: Workplace Quality, Environmental Protection, Operating Practices and Community Involvement. Corporate Governance is not included as it is disclosed separately in the annual report of the Company pursuant to Appendix 14 of the Main Board Listing Rules.

The Group invited stakeholders periodically to identify material aspects and key performance indicators and understand their views. Stakeholders are parties that have interests in or are affected by the decisions and activities of the Group. They may include shareholders (including holders of domestic shares and H shares), business partners, employees, suppliers, contractors, consumers, regulators and the public.

Stakeholder engagement is usually achieved through personal interview and various other means including annual general meetings, telephone interviews, seminars, focus groups, questionnaires, online forums as well as feedbacks and written enquiries collected from shareholders by public relations companies.

In 2013, subject areas, aspects and key performance indicators that are material in the context of corporate strategy of the Group were prioritised, and relevant prominent issues are set out as follows:

WORKPLACE QUALITY

Workplace

Policies and regulations principally adopted by the Group in respect of compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunity, diversity and other benefits and welfare are as follows:

1. Remuneration of employees is determined by the Group in accordance with the requirements under the Remuneration Policy of Xinjiang Xinxin Mining Industry Co., Ltd. (《新疆新鑫礦業股份有限公司工資制度》);
2. Employees are recruited, promoted and dismissed by the Group pursuant to Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the Employment Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and in compliance with Administrative Measures on Recruitment and Employment Contract of Employees of Xinjiang Xinxin Mining Industry Co., Ltd. (《新疆新鑫礦業股份有限公司員工聘用及勞動合同管理辦法》).
3. Working hours of our employees strictly comply with the requirements in the Employment Contract Law of the People's Republic of China by following a working system that provides 8-hour work day and 40-hour work week with Saturday and Sunday off and public holidays;
4. The Group provides paid leaves for employees in strict compliance with the Regulation on Paid Annual Leave of the Employees (Decree No. 514) (《職工帶薪年休假條例》) issued by the State Council of the People's Republic of China;
5. Under the Staff Recruitment Policy of Xinjiang Xinxin Mining Industry Co., Ltd. (《新疆新鑫礦業股份有限公司員工招聘規定》), identical qualification requirements are offered to college graduates and working professionals while candidates have equal opportunity in the process of staff recruitment;
6. Regarding the diversity of employees and other benefits and welfares, varieties of benefits and welfares are provided to all the staff by the Group pursuant to the requirements as stipulated by local governments of places where our enterprises are located, including endowment insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing fund which are equivalent to 20%, 6% to 9%, 2%, 0.5% to 2%, 0.6% to 1% and 12% of monthly basic salary respectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Laws, regulations and relevant policies of the Company mentioned above were strictly followed by the Group with an aim to provide a favorable working environment for all of our staff. In 2013, there was no material violation of relevant codes, regulations and rules in the Group.

As at 31 December 2013, the total workforce of the Group by employment type, age group and geographical region is set out as follows:

Staff engaged with labor contract	Employment type (person)		Age group (person)			Geographical region (person)			
	Staff of other kinds	Total number of staff	Staff below 35 years old	Staff aged 35 to 50	Staff over 50 years old	Total number of staff	Staff in Mainland	Staff in Hong Kong	Total number of staff
3,799	0	3,799	1,648	1,997	154	3,799	3,798	1	3,799

In 2013, the employee turnover rate of the Group by age group and geographical region is set out as follows:

	Age group			Geographical region	
	Staff below 35 years old	Staff aged 35 to 50	Staff over 50 years old	Staff in Mainland	Staff in Hong Kong
Loss of employees (person)	280	44	0	324	0
Employee turnover rate (%)	17.0	2.2	0	8.5	0

Health and safety

The Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), Measures on the Administration and Supervision on Occupational Hygiene of Workplace (《工作場所職業衛生監督管理規定》) (Decree No. 47 of State Administration of Work Safety (the "SAWS")), Measures for the Declaration of Projects with Occupational Hazards (SAWS Decree No. 48) (《職業病危害項目申報辦法》), Measures for the Supervision and Administration of Employers' Occupational Health Surveillance (SAWS Decree No. 49) (《用人單位職業健康監護監督管理辦法》), Interim Measures for Supervision and Administration of the "Three Simultaneities" for Occupational Health at Construction Projects (SAWS Decree No. 51) (《建設專案職業衛生「三同時」監督管理暫行辦法》) and the national standard Technical Specifications for Occupational Health Surveillance (GBZ188-2007) (《職業健康監護技術規範》) were the laws, regulations and policies mainly adopted by the Group in respect of providing safe working environment and protecting employees from occupational hazards.

Requirements of laws, regulations and policies mentioned above were strictly complied with by the Group, striving to provide a safe working environment and protect employees from occupational hazards. In 2013, there was no material violation of relevant codes, regulations and rules in the Group.

The Group had no work-related fatalities in 2013.

The loss of working days due to work injury of our staff was around 1,555 days in 2013.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Measures on occupational health and safety adopted by the Group and relevant implementation and supervisory methods thereof are as follows:

- 1 In order to enhance the management of basic works relating to occupational health and safety precautions, our regulatory organisation for occupational health and safety precautions staffed by administrative personnel was established and improved.
- 2 Companies with the Group had established and improved their management system in relation to occupational health and safety precautions after referring to industry features. Such systems were strictly implemented.
- 3 An occupational health surveillance file was opened for each staff by the Group while occupational health examination was organised by relevant medical institutions for our employees on a regular basis. An occupational hazard notification policy was enforced as well.
- 4 Protection facilities and labor protection articles for occupational hazards were properly prepared for employees according to the nature of their work. Occupational diseases controlling and prevention institution, an independent third party of the Group was engaged to monitor the occupational hazardous factors in the Group and conduct evaluation on the protection effectiveness of our protection facilities for occupational hazards.
- 5 Work-related injury insurance and other commercial insurances were provided to our staff, so as to offer adequate protection for the interests of staff.

Development and training

The Group had established administrative institutions to be in charge of staff training and career skills in each enterprise, and formulated incentive policies on remuneration, career promotion and training fees, thus encouraged all employees to participate in job trainings so that their knowledge and skills for discharging duties at work could be improved continuously.

The Group had promoted and provided the following trainings for the employees: the guidance of the experienced employees and mutual trainings, trainings on technical skills for different positions provided by the in-house training sessions and entrusted training institutions; encouragement of technology professionals and the management to attend the professional trainings provided by colleges and training institutions in order to update their expertise and professional skills.

In 2013, the percentage of employees trained by employee category (such as the senior management, middle management and others) of the Group was as follows:

	Senior management	Employee category Middle management	Other employees
The percentage of employees trained	42.86%	44.44%	86.5%

In 2013, the average training hours completed per employee by employee category of the Group was as follows:

	Senior management	Employee category Middle management	Other employees
The average training hours completed per employee	88 hours	25 hours	13.84 hours

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Labour standards

As for preventing child labour or forced labour, the Group mainly implemented Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Employment Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other relevant laws and regulations.

The Group strictly complied with relevant laws and regulations including Labor Law of the People's Republic of China and the Employment Contract Law of the People's Republic of China. Across all companies under the Group, internal administrative institutions were set up to manage their employees in a professional manner when such employees were recruited and employed, so as to eliminate situations such as child labors and forced labors in the Group. In 2013, there was no material violation of relevant codes, regulations and rules in the Group.

ENVIRONMENTAL PROTECTION

Emissions

The wastes disposed by the Group were mainly waste mining rocks, mineral processing tailings and smelting sulfur dioxide gas. In the process of waste disposal, the Group mainly complied with the stipulations of the Law on Mineral Resources the PRC (《中華人民共和國礦產資源法》), the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the PRC (《中華人民共和國固體廢物污染環境防治法》), the Law on Environmental Impact Assessment of the People's Republic of China (《中華人民共和國環境影響評價法》), and the Standard for Pollution Control on General Industrial Solid Waste Sites (GB18599-2001) (《一般工業固體廢物貯存、處置場污染控制標準》(GB18599-2001)), the Comprehensive Emission Standard of Atmospheric Pollutants (GB16297-1996) (《大氣污染物綜合排放標準》(GB16297-2004)), the Industrial Emission Standard of Pollutants for Copper, Nickel, Cobalt (GB25467-2010) (《銅、鎳、鈷工業污染源排放標準》(GB25467-2010)) and other relevant laws, regulations and policies.

The Group strictly complied with the stipulations of the aforementioned laws, regulations and policies to improve the recycling and utilisation of the wastes and strive to decrease the wastes disposal. In 2013, there was no material violation of relevant codes, rules and regulations by the Group.

In 2013, the Group disposed waste mining rocks of approximately 200,000 tonnes, mineral processing tailings of approximately 1,000,000 tonnes, smelting sulfur dioxide gas (including sulfur dioxide) of approximately 6,615 tonnes, among which the disposed waste mining rocks were non-hazardous waste, while the disposed mineral processing tailings and emitted smelting sulfur dioxide gas were hazardous waste.

The emission of sulfur dioxide gas by the smelting plants of the Group was recycled by the comprehensive sulfur dioxide recycling facilities. With those facilities, the plants disposed sulfur dioxide gas with "double conversion and double absorption" method to fully recycle sulfur dioxide in the sulfur dioxide gas and used them to produce by-product of sulphuric acid for sale. The elimination rate of the sulfur dioxide in the sulfur dioxide gas by such facilities was 99.0% to 99.6%. As a result, the emission of sulfur dioxide gas was in accordance with the emission requirements stipulated by the national standard of Industrial Emission Standard of Pollutants for Copper, Nickel, Cobalt (GB25467-2010) and other relevant policies. Moreover, recycling and utilisation facilities were built by Kalatongke Mining, the principal mining enterprise of the Group, to classify and dispose mineral processing tailings, as and use them for underground filling of mines, which could fully discover the use value of waste and decrease the waste disposal.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The waste mining rock of the Group was used for underground filling of mines and road paving after being crushed. The remaining waste was stockpiled in special waste rock plants. Some of the mineral processing tailings were transported for underground filling of mines after being classified and disposed. The remaining waste was stockpiled in the mineral tailing facilities. The sulfur dioxide in the smelting gas was recycled for producing by-product of sulphuric acid, and the other solid smoke and dust was all recycled for use. The smelting solid waste residue was all provided to surrounding cement plants for producing raw materials of quality cement to utilise comprehensively. After purification and treatment, waste water was used for industrial cyclic utilisation and the green irrigation in the enterprise. The Group's safe disposal rate of industrial waste reached 100% through the aforementioned measures.

Use of resources

In respect of effective use of resources (including energy, water and other raw materials), the Group strictly implemented the Law on the Water Resources of the PRC (《中華人民共和國水利法》), the Law on Power Generation of the PRC (《中華人民共和國電力法》), the Law on Energy of the PRC (《中華人民共和國能源法》), the Law on Energy Saving of the PRC (《中華人民共和國能源節約法》) and other relevant laws and regulations.

In 2013, the Group consumed electricity of 475,720,000 KWh, coke of 71,180 tonnes, coal of 55,976 tonnes, diesel of 821.3 tonnes and petrol of 57.6 tonnes in total.

In 2013, the total amount of water consumed by the Group was 5,150,000 tonnes.

The Group did not have any prominent energy efficiency programmes and the relevant results during the year.

The Group did not have problems in seeking appropriate water resources. The existing supply of water resources could satisfy the Group's needs in the aspects of volume, quality of water and the guarantee of water supply facilities. In 2013, the Group saved water of approximately 500,000 tonnes in total through carrying out measures of reduction in water consumption, recycling and utilisation of industrial waste water, etc. in major water consumption process including mineral processing and smelting.

All of the packing material used by the main products of the Group including electrolytic nickel and cathode copper were steel belts used for packing. In 2013, the Group consumed steel belts of 21.9 tonnes in total, approximately 1.2 kg of which was used for products per tonne.

The environment and natural resources

The Group is an enterprise producing and processing nonferrous metals and mineral products. In the process of producing electrolytic nickel and cathode copper products, the Group consumed mineral resources and used natural resources including the land, and generated waste which may affect the environment to some extent. The Group legally obtained and used natural resources pursuant to the requirements of the relevant laws and regulations including the Law on Mineral Resources of the PRC (《中華人民共和國礦產資源法》), The Land Administration Law of the PRC (《中華人民共和國土地管理法》), the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》). Therefore, the Group consistently increased its capacities on comprehensive recycling and utilisation of natural resources, decreased the natural resources consumption and the disposal of various kinds of waste, and reduced the material influence of the Group's operation to the environment and natural resources.

The Group was devoted to the corporate philosophy of preservation of resources of all personnel, reduction of waste disposal and protection for the ecological environment. The Group increased investment in new skills and techniques and improved the technical skills of the enterprise. Moreover, it formulated incentive policies and concrete measures of comprehensive use of resources, technological innovation, energy saving and emission reduction. Through consistently promoting the enterprise to achieve effective utilisation and saving resources as well as environment protection pursuant to the laws, the environment of mining plant areas were constantly improved and put on the path of sustainable healthy development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATION PRACTICES

Anti-corruption

The Company established multiple management regulations in compliance with the relevant laws, regulations and requirements of the country with reference to the actual situation of the Company. The regulations include Supervision and Management Measures on Quality and Price Comparison for Procurement of Xinjiang Xinxin Mining Industry Co., Ltd., Regulations for Preventing Job-related Crimes in Xinjiang Xinxin Mining Industry Co., Ltd., Long-term Mechanism of Prevention and Management of Commercial Bribery of Xinjiang Xinxin Mining Industry Co., Ltd., Enforcement of Regulation on Establishing a Long-term Mechanism to Prevent “Private Coffers” of Xinjiang Xinxin Mining Industry Co., Ltd., etc. These regulations are formulated to prevent criminal activities such as job-related crimes, bribery, extortion, fraud and money laundering, etc. from occurring in the Group.

The Company established a working team for the supervision and management of anti-corruption of the Group. Comprised of departments such as discipline inspection and supervision, labour union, auditing and finance, the working team pays special attention to the regular supervision and inspection on the procurement, project construction, bidding and tendering, procedures for examination and approval, and implementation of mechanism, etc.

The Company established a petition and report system open to all staff and the society for supervision and whistle-blowing on the crimes such as job-related crimes, bribery, extortion, fraud and money laundering. It has designated persons responsible for the petition and report of the Company. In 2013, the Company has not yet received any report on crimes such as bribery, extortion, fraud and money laundering in the Group.

In 2013, there have been no illegal cases on job-related crimes, bribery, extortion, fraud and money laundering.

In 2013, there have been no concluded legal cases regarding corruption brought up by the Company or its employees.

The whistle-blowing procedures on crimes such as job-related crimes, bribery, extortion, fraud and money laundering, etc.:

Directly making the call or sending emails to report.

The hotline of the Company is: (0991)4852923

The whistle-blowing email of the Company is: xxkyjw@163.com

COMMUNITY INVOLVEMENT

Community investment

The Group is engaged in and supports the welfare undertakings such as education, public health, culture and sport, etc. in the cities and towns where the employees' communities and the enterprises locate mainly through charitable donations.

In 2013, the Group has made charitable donations amounting to approximately RMB231,000.

REPORT OF THE DIRECTORS

The Directors are pleased to present the 2013 report and the audited financial statements of Xinjiang Xinxin Mining Industry Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group’s results for the year ended 31 December 2013 and the state of financial affairs of the Company and the Group at that date are set out in the Financial Statements on pages 57 to 172.

The Board of Directors of the Company (the “Board of Directors” or the “Board”) did not recommend any payment of final dividend for the year ended 31 December 2013.

MAJOR INVESTMENTS AND DISPOSAL

Save as disclosed in equity investment as set out in the Chairman’s Statement on page 9 of this annual report and the share transfer of the long-term equity investment in an associated company as set out in Note 7(8)(b) to the Financial Statements, the Company had no other acquisitions, sale or merger of assets and other equity investments during the Year.

USE OF PROCEEDS FROM THE COMPANY’S INITIAL PUBLIC OFFERING

During the Year, the Company used the proceeds from its initial public offering of RMB26.4 million to increase capital of Wuxin Copper.

SUMMARY OF FINANCIAL INFORMATION

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

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the Year are set out in Note 7(9) and 17(9) to the Financial Statements, respectively. The Group did not hold any investment property.

SHARE CAPITAL

Details of movements in the Company’s share capital during the Year are set out in Note 7(29) to the Financial Statements.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

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

BANK LOANS AND BORROWINGS

As at 31 December 2013, the Group had bank loans and other interest-bearing borrowings with total amount of RMB4,285.2 million, of which unsecured loans amounted to RMB4,085.2 million and the loans secured by inventories amounted to RMB200.0 million. Out of the unsecured loans RMB120.0 million were entrusted loans from Xinjiang Non-ferrous Group.

DISTRIBUTABLE RESERVES

According to the Articles of Association of the Company as revised in October 2011, the reserves available for distribution are based on the Company's profit as determined under CAS. In accordance with the Company Law of the PRC, profit after tax can be distributed as dividends after the allocation of the statutory surplus reserve. As at 31 December 2013, the Group's distributable reserve attributable to shareholders of the Company under CAS amounted to RMB203,196,020.03.

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling RMB230,650.

MAJOR CUSTOMERS AND SUPPLIERS

As at 31 December 2013, the proportion of purchases and sales from major suppliers and major customers of the Company to the total purchases and sales, respectively, are as follows:

Purchases

The total purchases from the largest supplier of the Company represent 4.7% of the total purchase value. The total purchases from the five largest suppliers of the Company represent 18.9% of the total purchase value.

Sales

The total sales to the largest customer of the Company represent 14.1% of the total sales value. The total sales to the five largest customers of the Company represent 43.3% of the total sales value.

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

REPORT OF THE DIRECTORS

MAJOR LITIGATION AND ARBITRATION

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

CONTINGENT LIABILITIES

Save as disclosed in Note 9 to the Financial Statements, the Group had no other significant contingent liabilities as at 31 December 2013.

CAPITAL COMMITMENTS

Saved as disclosed in Note 11 to the Financial Statements, the Group had no other significant capital commitments as at 31 December 2013.

EVENTS AFTER THE BALANCE SHEET DATE

On 18 February 2014, the Company completed the issue of the first tranche of the medium-term notes in the amount of RMB500 million with a term of 3 years, and at a fixed interest rate of 7.12% per annum.

Save as disclosed above, the Group has no other events after the balance sheet date to be disclosed or adjusted.

DIRECTORS AND SUPERVISORS

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

Executive Directors:

Mr. Yuan Ze	袁澤先生	(Chairman)
Mr. Shi Wenfeng	史文峰先生	
Mr. Zhang Guohua	張國華先生	
Mr. Liu Jun	劉俊先生	(resigned on 23 January 2014)

Non-executive Directors:

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

Independent non-executive Directors:

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

Supervisors:

Mr. Jiang Mingshun	姜明順先生	(resigned on 20 June 2013)
Mr. Wang Haibang	王海邦先生	(appointed on 26 June 2013)
Mr. Sun Baohui	孫寶輝先生	
Mr Cao Sanxing	曹三星先生	

Independent Supervisors:

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

Biographical details of the Directors and Supervisors are set out on pages 18 to 21.

REPORT OF THE DIRECTORS

Service contracts of Directors and Supervisors

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

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

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

Confirmation of independence

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

Directors', Supervisors' and senior management's remunerations

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

Directors' and Supervisors' interests in contracts

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

Directors' and Supervisors' interests and short positions in shares

Share Appreciation Rights Incentive Scheme

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

REPORT OF THE DIRECTORS

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

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

There were no share appreciation rights allocated and outstanding as at 31 December 2013.

As at 31 December 2013, the interests or short positions, if any, of the Directors and Supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Long Positions in Shares and Underlying Shares of the Company by the Directors/Supervisors as at 31 December 2013

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

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

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

REPORT OF THE DIRECTORS

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

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

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

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

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

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

(L) = Long positions

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

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

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

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

Connected transaction not exempt under the Listing Rules

On 27 September 2013, the Company and Xinjiang Ashele entered into the third registered capital increase agreement to further increase the registered capital of Wuxin Copper from RMB790 million to RMB830 million. The Company and Xinjiang Ashele has contributed RMB26.4 million and RMB13.6 million, respectively, by way of cash to the registered capital of Wuxin Copper in proportion to their respective equity interests in Wuxin Copper. Xinjiang Non-ferrous is the controlling Shareholder of the Company and Xinjiang Ashele is owned as to 34% by Xinjiang Non-ferrous. Therefore, Xinjiang Ashele is an associate of Xinjiang Non-ferrous. Accordingly, Xinjiang Ashele is a connected person of the Company.

Continuing connected transactions not exempt under the Listing Rules

1. Mutual Supply Agreement

On 19 October 2012, Xinjiang Non-ferrous and the Company entered into a renewed mutual supply agreement (the “Renewed Mutual Supply Agreement”) whereby both parties agreed that (a) Xinjiang Non-ferrous and its subsidiaries (collectively referred to as the “Xinjiang Non-ferrous Group”) will provide construction services, certain production supplies, storage, transportation and loading services and other supporting and ancillary services to the Group; and (b) the Group will provide products such as nickel cathode, copper cathode and sulphuric acid to the Xinjiang Non-ferrous Group from 1 January 2013 to 31 December 2015.

For each of the three years ending 31 December 2013, 2014 and 2015, the annual caps of the aggregate fees payable by the Group to Xinjiang Non-ferrous Group in respect of the construction services and supporting and ancillary services are approximately RMB1.62 billion, RMB2.17 billion and RMB2.35 billion, respectively. For the year ended 31 December 2013, the total transaction amount payable by the Group to Xinjiang Non-ferrous Group in respect of the construction services and supporting and ancillary services was approximately RMB162.5 million.

For each of the three years ending 31 December 2013, 2014 and 2015, the annual caps of the aggregate fees payable by Xinjiang Non-ferrous Group to the Group in respect of product fees are approximately RMB55.5 million, RMB65 million and RMB75 million. For the year ended 31 December 2013, the total transaction amount payable by Xinjiang Non-ferrous Group to the Group in respect of product fees was approximately RMB18.3 million.

2. Comprehensive Services Agreement

On 19 October 2012, Kalatongke Mine, a wholly-owned subsidiary of the Company, entered into a renewed comprehensive services agreement (the “Renewed Comprehensive Services Agreement”) with Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Company Limited* (新疆有色金屬工業(集團)富蘊興銅服務有限公司) (“Fuyun Xingtong”), a wholly-owned subsidiary of Xinjiang Non-ferrous, whereby Fuyun Xingtong agreed to provide certain supporting services including educational, nursery, medical and healthcare services to the employees of the Group from 1 January 2013 to 31 December 2015.

For each of the three years ending 31 December 2013, 2014 and 2015, the annual caps of the services fees payable by the Group to Fuyun Xingtong are approximately RMB3.5 million, RMB3.8 million and RMB3.8 million, respectively. For the year ended 31 December 2013, the total transaction amount of the services fees payable by the Group to Fuyun Xingtong was approximately RMB3.2 million.

3. Property Lease Agreement

On 19 October 2012, the Company entered into a renewed property lease agreement (the “Renewed Property Lease Agreement”) with Xinjiang Non-ferrous pursuant to which Xinjiang Non-ferrous agreed to lease to the Company office premises on the 7th and 8th floors, Youse Building, No. 4 You Hao North Road, Urumqi, Xinjiang, the PRC with a total gross floor area of approximately 1,992 square metres (the “Office Premises”) for office use from 1 January 2013 to 31 December 2015.

For each of the three years ending 31 December 2013, 2014 and 2015, the annual caps of the rental payable to Xinjiang Non-ferrous by the Company are all approximately RMB1.6 million. For the year ended 31 December 2013, the rental payable by the Company to Xinjiang Non-ferrous was approximately RMB1.6 million.

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

REPORT OF THE DIRECTORS

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

- (i) were in the ordinary and usual course of business of the Company;
- (ii) have been entered into by the Company on normal commercial terms or on terms no less favorable to the Company than terms to or by independent third parties; and
- (iii) have been entered in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole.

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

- 1. have been approved by the Board;
- 2. are in accordance with the pricing policies of the Company if the transactions involved provision of goods or services by the Company;
- 3. have been entered into and conducted in accordance with the relevant agreements governing the transactions; and
- 4. have not exceeded the annual caps and revised annual caps disclosed in the relevant announcements of the continuing connected transactions.

NON-COMPETITION AGREEMENT

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

RELATED PARTY TRANSACTIONS

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

PUBLIC FLOAT

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

REPORT OF THE DIRECTORS

CLOSURE OF REGISTER FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from 23 April 2014 to 23 May 2014 (both days inclusive), during which time no share transfers will be registered. In order to be eligible to attend the 2013 annual general meeting of the Company, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on 22 April 2014.

AUDIT COMMITTEE

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

The audit committee provides an important link between the Board of Directors and the Company's auditors in matters falling within the scope of the audit of the Company and the Group. It will review the effectiveness of the external audit and internal controls and risk evaluation and will provide comments and advice to the Board of Directors. The audit committee comprises one non-executive Director namely, Mr. Niu Xuetao and two independent non-executive Directors, namely, Mr. Chen Jianguo and Mr. Li Wing Sum, Steven, with Mr. Chen Jianguo serving as the Chairman. The audit committee and management have reviewed the audited results of the Group for the year ended 31 December 2013.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2013 have been audited by PricewaterhouseCoopers Zhong Tian LLP (formerly known as PricewaterhouseCoopers Zhong Tian CPAs Limited Company), who will retire upon the conclusion of the forthcoming annual general meeting of the Company. A resolution for the re-appointment of PricewaterhouseCoopers Zhong Tian LLP as the international and the PRC auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board

Yuan Ze
Chairman

Xinjiang, the PRC
21 March 2014

REPORT OF THE SUPERVISORY COMMITTEE

To all Shareholders:

For the year 2013, the supervisory committee of the Company (the “Supervisory Committee”) faithfully fulfilled the supervisory duties to effectively safeguard the interests of the shareholders of the Company in accordance with the requirements of the Company Law and relevant applicable laws and regulations and the Articles of Association of the Company. Below is an independent report on the work progress and the due performance of duties by the Supervisory Committee.

I. ROUTINE DUTIES OF THE SUPERVISORY COMMITTEE

- (1) The Supervisory Committee held three meetings in 2013. Five supervisors of the Company expressed clear and true opinions in a serious and responsible manner on the issues in compliance with the laws and the Articles of Association of the Company. The Supervisors also performed their duties diligently and acted in the best interests of the Company’s shareholders as a whole. Details of the meetings are as follows:

On the fifth meeting of the third session of the Supervisory Committee of the Company held on 22 March 2013, relevant resolutions were approved, including the Report of the Supervisory Committee for 2012, the Consolidated Financial Statement of the Company for 2012, the Annual Report of the Company for 2012, the Resolution regarding the non-distribution of final dividend for 2012 to the Company’s shareholders, the internal audit report for 2012 and the internal audit plan for 2013 of the Company, and the Resolution regarding the approval of the granting of performance based remuneration to the Chairman of the Supervisory Committee of the Company for 2012.

On the sixth meeting of the third session of the Supervisory Committee of the Company held on 12 July 2013, the resolution regarding the appointment of Mr. Wang Haibang as the chairman of the Supervisory Committee was approved.

On the seventh meeting of the third session of the Supervisory Committee of the Company held on 23 August 2013, resolutions regarding the Consolidated Financial Statement of the Company for the six months ended 30 June 2013(unaudited) and the interim report of the Company for 2013 were approved.

- (2) Through attending each and every Board meeting of the Company in 2013, all Supervisors have effectively overseen the legitimacy of the Board meetings, the lawfulness of the resolutions, the compliance with the laws and regulations and the Articles of Association of the Company, the conformity with the resolutions of the general meetings of the Company as well as the practical needs to facilitate the operations and development of the Company.
- (3) Through various activities including the attendance at the general manager’s meetings, the Supervisory Committee has effectively monitored significant economic activities of the Company such as resources integration, project construction, connected transactions, operation performance evaluation of subsidiaries and branch. The Supervisory Committee members have conducted site visits, investigation and research studies to provide relevant opinions and recommendations regarding the issues concerned.

REPORT OF THE SUPERVISORY COMMITTEE

- (4) The Supervisory Committee has monitored the lawfulness and truth of the financial operations of the Company by examining its financial plans and reviewing various financial statements of the Company.
- (5) The Supervisory Committee has monitored the performance of the senior management of the Company and the management of the Company's subsidiaries, maintained frequent communications with them and offered their opinions and suggestions on job performance.

In 2013, all Supervisors of the Company have uplifted their ability of job performance and carried out their obligations and duties diligently in accordance with the annual work plan of the Supervisory Committee. The two independent Supervisors, who are experienced financial specialists, have made significant progress in enhancing the Supervisory Committee's ability to monitor the lawfulness of the financial operation of the Company through improving the independence of the Supervisory Committee.

2. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE

(1) Legitimate Operation by the Company

In 2013, the Supervisory Committee monitored the Company's operation, observed or attended the board meetings and general meeting, strictly carried out monitoring of the performance of the decision-making procedures and the performance of duties of the members of the Board and senior management of the Company in accordance with laws. The Supervisory Committee believed that, the decision-making procedures of the Company and the convening of the general meeting and board meeting were in strict compliance with the requirement in the Company Law and the Articles of Association of the Company. The members of the Board and senior management of the Company have duly carried out their duties in accordance with the relevant requirements under the relevant laws and regulations in the PRC and the Articles of Association of the Company. During the reporting period, none of the Directors or senior management had, in the discharge of their duties or execution of their rights, contravened any laws, regulations or the Articles of Association or acted in such manner as would be harmful to the interests of the Company.

(2) Assets of the Company

In 2013, the Company had no mergers and acquisitions.

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

REPORT OF THE SUPERVISORY COMMITTEE

(3) Financial Management of the Company

The Supervisory Committee has conscientiously inspected, audited and supervised the financial position and management of the Company for 2013 in accordance with laws. PricewaterhouseCoopers Zhong Tian LLP have audited the 2013 financial statements of the Company which have been prepared in accordance with the CASBE and issued the auditors' report with standard unqualified opinion. The Supervisory Committee is of the view that the Company has a sound financial system, standard internal operation and good financial position. The 2013 financial statements of the Company truly, accurately and completely present the financial position and operating results of the Company.

Operating revenue of the Group for 2013 was RMB844.9 million and the loss attributable to equity holders of the Company was RMB58.5 million.

In 2013, the Company did not encounter any circumstances of misappropriation of fund of the Company by controlling shareholders or other connected parties.

(4) Connected Transactions

In 2013, the Group was involved in connected transactions with the Company's controlling shareholder Xinjiang Non-ferrous and its subsidiaries, with regard to construction service, supply of raw material and transportation which amounted to RMB162.5 million, labour service payment to Fuyun Xingtong which amounted to RMB3.2 million, product sales which amounted to RMB18.3 million and lease payment which amounted to RMB1.7 million. All connected transactions were conducted within the scope of the Mutual Supply Master Agreement between Xinjiang Non-ferrous Metal Industry (Group) Ltd. and Xinjiang Xinxin Mining Industry Co., Ltd.. The transaction amounts also have not exceeded the Company's 2013 annual caps of continuing connected transaction, which were approved by the Board or general meetings. All the connected transactions were made pursuant to the market rule, being fair and reasonable. No deterioration of the Company's interests was found upon reviews. The Company has also engaged PricewaterhouseCoopers Zhong Tian LLP to perform the duties of international auditors and perform certain procedures on relevant transactions, for details please refer to pages 46 to 48 of this annual report.

(5) Internal Control of the Company

The Supervisory Committee is of the view that, the Company has established a relatively sound corporate governance structure and an internal control and management system in accordance with relevant laws, regulations and the Company's actual situation, which is in line with the development needs of the operation and management goals at the current stage and the actual demands of production, operation and management of the Company and ensures the standard operation of the Company's businesses and segments, and the effective prevention and control of operation risks. In the reporting period, the Company's internal control system was standard and legal, and run in an effective way.

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

REPORT OF THE SUPERVISORY COMMITTEE

The Company implemented a set of performance assessment mechanism for remuneration management and ensured fairness and transparency, which greatly aroused the enthusiasm of staff.

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

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

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

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

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

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

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

All directors and senior management of the Company were diligent and responsible in their work during 2013. They conformed to the laws and regulations and demonstrated cooperation. Their duties were properly segregated. They were responsible and ensured effective implementation of all resolutions as approved by general meetings and the Board. In carrying out their duties, there were no breaches of the laws and regulations, the Articles of Association of the Company or any other actions which were against the interests of the Company. As a result of the scientific decisions on the major issues of the Company and efficient implementation made by the Board and the management, the Company achieved outstanding performance in various aspects including production, safety, operations and project construction.

REPORT OF THE SUPERVISORY COMMITTEE

3. FOCUS OF THE SUPERVISORY COMMITTEE IN 2014

In 2014, the Supervisory Committee will continue to faithfully fulfill its duties, and further promote the standard operation of the Company in strict accordance with the relevant provisions under the Company Law and other relevant laws, regulations and the Articles of Association of the Company. The focus of the Supervisory Committee in 2014 will be mainly on the following aspects:

- (1) To explore more new solutions and approaches in carrying out the supervisory works within the boundary of the laws and regulations. It will practically strengthen its own construction, give full play to the role of independent supervisors and continuously improve the work level of the Supervisor Committee so as to ensure effective implementation of the resolutions of general meetings and the Board.
- (2) To supervise the Company's business operations pursuant to laws and actively promote the construction and effective operation of the Company's internal control system.
- (3) To examine the financial operation of the Company and supervise the financial operation of the Company through periodic understanding and reviewing of financial reports.
- (4) To supervise the diligence and fulfillment of responsibilities of directors and senior management of the Company to prevent behaviors damaging the interests and image of the Company.
- (5) To strengthen supervision over material matters including capital operation, disposal of assets, acquisition and merger, connected transactions, financial management, etc. to guarantee sound development of the Company and practically safeguard the interests of shareholders of the Company.

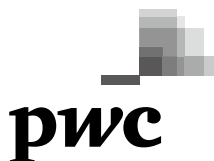
Wang Haibang

Chairman of the Supervisory Committee

Xinjiang, the PRC

21 March 2014

INDEPENDENT AUDITOR'S REPORT



普华永道

AUDITOR'S REPORT

PwC ZT Shen Zi (2014) No. 10050
(Page 1 of 2)

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

We have audited the accompanying financial statements of Xinjiang Xinxin Mining Industry Co., Ltd. (hereinafter "the Company"), which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated and company income statements, the consolidated and company statements of changes in shareholders' equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

普华永道中天会计师事务所(特殊普通合伙)
PricewaterhouseCoopers Zhong Tian LLP, 11/F, PricewaterhouseCoopers Center
2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
T: +86 (21) 2323 8888, F: +86 (21) 2323 8800, www.pwccn.com

INDEPENDENT AUDITOR'S REPORT



普华永道

AUDITOR'S REPORT (CONTINUED)

PwC ZT Shen Zi (2014) No. 10050
(Page 2 of 2)

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

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

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 31 December 2013, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China

21 March 2014

CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 31 DECEMBER 2013

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Notes	31 December 2013 Consolidated	31 December 2012 Consolidated	31 December 2013 Company	31 December 2012 Company
Current assets					
Cash at bank and on hand	7(1)/17(1)	651,010,080.21	482,972,122.96	300,431,212.96	367,714,055.24
Notes receivable	7(2)/17(2)	133,886,691.82	456,807,562.15	128,346,691.82	422,005,436.30
Interest receivable		245,719.69	87,979.00	—	—
Accounts receivable	7(3)/17(3)	22,900,277.31	45,663,452.26	20,406,895.65	45,305,737.55
Advances to suppliers	7(5)/17(5)	280,532,390.93	101,830,470.37	177,019,210.55	122,619,293.29
Other receivables	7(4)/17(4)	62,520,664.23	20,318,231.64	162,209,103.83	393,488,238.66
Inventories	7(6)/17(6)	1,923,981,097.13	804,676,938.17	1,162,146,749.72	585,170,573.34
Other current assets	7(7)/17(7)	354,074,494.70	122,002,829.27	116,949,359.68	30,223,238.24
Total current assets		3,429,151,416.02	2,034,359,585.82	2,067,509,224.21	1,966,526,572.62
Non-current assets					
Long-term equity investments	7(8)/17(8)	148,419,053.08	151,255,784.82	3,046,350,473.95	3,019,200,121.72
Fixed assets	7(9)/17(9)	2,628,112,008.92	1,635,932,436.98	577,358,306.69	436,808,357.01
Construction materials	7(10)	4,266,819.31	1,640,762.29	—	—
Construction in progress	7(11)	3,657,516,423.72	3,490,268,403.71	3,406,698.15	162,500,785.55
Intangible assets	7(12)/17(10)	1,033,453,316.15	1,025,986,722.15	35,567,817.50	36,442,922.66
Goodwill	7(13)	28,087,550.20	28,087,550.20	—	—
Long-term prepaid expenses		400,406.52	372,227.22	—	—
Deferred tax assets	7(28)	43,164,884.23	25,979,885.76	14,694,634.49	611,752.31
Other non-current assets	7(14)	86,619,500.00	86,619,500.00	5,280,000.00	5,280,000.00
Total non-current assets		7,630,039,962.13	6,446,143,273.13	3,682,657,930.78	3,660,843,939.25
TOTAL ASSETS		11,059,191,378.15	8,480,502,858.95	5,750,167,154.99	5,627,370,511.87

CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 31 DECEMBER 2013

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	Notes	31 December 2013 Consolidated	31 December 2012 Consolidated	31 December 2013 Company	31 December 2012 Company
Current liabilities					
Short-term loans	7(25)/17(13)	1,783,765,982.36	845,000,000.00	410,000,000.00	260,000,000.00
Financial liabilities at fair value through profit or loss	7(16)	7,521,800.00	—	—	—
Notes payable	7(17)	40,000,000.00	100,000.00	20,000,000.00	—
Accounts payable	7(18)/17(12)	272,831,076.59	161,931,531.84	25,542,934.72	18,811,047.37
Advances from customers	7(19)/17(14)	77,211,138.47	11,005,077.30	10,005,164.88	8,136,102.64
Employee benefits payable	7(20)/17(15)	54,433,598.44	54,741,279.04	18,533,970.33	21,927,932.02
Taxes payable	7(21)/17(16)	17,045,455.77	12,213,207.52	1,512,851.09	1,443,465.23
Interest payable		7,270,360.33	470,250.01	—	—
Other payables	7(22)/17(17)	468,800,548.88	384,431,446.15	8,312,297.07	11,642,521.47
Current portion of non-current liabilities	7(24)/17(13)	451,700,000.00	30,000,000.00	10,000,000.00	—
Total current liabilities		3,180,579,960.84	1,499,892,791.86	503,907,218.09	321,961,068.73
Non-current liabilities					
Provisions	7(23)	6,348,279.62	5,989,261.37	—	—
Long-term loans	7(25)/17(13)	2,049,700,000.00	690,000,000.00	—	10,000,000.00
Long-term payables	7(26)	43,069,517.66	455,000,000.00	—	—
Deferred tax liabilities	7(28)	139,980,434.51	138,607,490.13	—	—
Other non-current liabilities	7(27)	51,908,349.38	51,855,931.20	909,778.00	—
Total non-current liabilities		2,291,006,581.17	1,341,452,682.70	909,778.00	10,000,000.00
Total liabilities		5,471,586,542.01	2,841,345,474.56	504,816,996.09	331,961,068.73

CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 31 DECEMBER 2013
(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY (CONTINUED)	Notes	31 December 2013 Consolidated	31 December 2012 Consolidated	31 December 2013 Company	31 December 2012 Company
Owners' equity					
Share capital	7(29)	552,500,000.00	552,500,000.00	552,500,000.00	552,500,000.00
Capital surplus	7(30)	4,254,754,857.49	4,254,754,857.49	4,254,754,857.49	4,254,754,857.49
Specific reserve	7(31)	1,739,144.73	—	—	—
Surplus reserve	7(32)	225,379,515.90	225,379,515.90	225,379,515.90	225,379,515.90
Undistributed profits	7(33)	203,196,020.03	261,710,170.19	212,715,785.51	262,775,069.75
Total equity attributable to equity holders of the Company		5,237,569,538.15	5,294,344,543.58	5,245,350,158.90	5,295,409,443.14
Minority interests	7(34)	350,035,297.99	344,812,840.81	—	—
Total owners' equity		5,587,604,836.14	5,639,157,384.39	5,245,350,158.90	5,295,409,443.14
TOTAL LIABILITIES AND OWNERS' EQUITY		11,059,191,378.15	8,480,502,858.95	5,750,167,154.99	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

FOR THE YEAR ENDED 31 DECEMBER 2013

(All amounts in RMB Yuan unless otherwise stated)

	Notes	2013 Consolidated	2012 Consolidated	2013 Company	2012 Company
Revenue	7(35)/17(18)	844,913,855.12	1,529,211,982.61	768,783,259.00	1,476,863,501.47
Less: Cost of sales	7(35)/17(18)	(695,592,668.85)	(1,313,791,791.55)	(725,315,570.20)	(1,355,741,757.28)
Taxes and surcharges	7(37)	(6,340,604.03)	(11,689,393.13)	(321,195.31)	(2,467,712.55)
Selling and distribution expenses	7(38)	(9,841,186.11)	(15,664,725.60)	(8,732,303.12)	(14,080,527.06)
General and administrative expenses	7(39)	(142,707,215.62)	(169,787,035.29)	(41,596,948.56)	(61,180,338.52)
Financial income/(expenses)– net	7(40)/17(19)	1,601,320.60	(3,014,605.94)	(1,822,243.23)	(1,062,260.34)
Asset impairment losses	7(15)/7(41)/ 17(11)	(38,842,488.06)	(4,859,007.34)	(87,355,517.18)	(729,746.23)
Losses on the changes in fair value	7(42)	(7,521,800.00)	—	—	—
Investment (losses)/income	7(43)/17(20)	(13,207,282.89)	(172,989.00)	32,834,771.87	45,925,907.65
Including: Share of profit/(losses) of associate and joint venture		750,352.23	(172,989.00)	750,352.23	592,574.56
Operating (loss)/profit		(67,538,069.84)	10,232,434.76	(63,525,746.73)	87,527,067.14
Add: Non-operating income	7(44)	2,465,574.44	3,725,321.68	1,018,037.49	2,085,359.14
Less: Non-operating expenses	7(45)	(458,500.69)	(1,144,375.79)	(163,743.90)	(277,476.95)
Including: Losses on disposal of non-current assets		(4,448.17)	(17,114.44)	(3,093.90)	—
Total (loss)/profit		(65,530,996.09)	12,813,380.65	(62,671,453.14)	89,334,949.33
Less: Income tax expenses	7(46)/17(21)	(1,360,696.89)	(2,604,891.93)	12,612,168.90	(7,467,793.50)
Net (loss)/profit		(66,891,692.98)	10,208,488.72	(50,059,284.24)	81,867,155.83

CONSOLIDATED AND COMPANY INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in RMB Yuan unless otherwise stated)

	Notes	2013 Consolidated	2012 Consolidated	2013 Company	2012 Company
Attributable to equity holders of the Company		(58,514,150.16)	21,823,335.27	(50,059,284.24)	81,867,155.83
Minority interests		(8,377,542.82)	(11,614,846.55)	—	—
Earnings per share					
Basic (loss)/earnings per share	7(47)	(0.026)	0.010	—	—
Diluted (loss)/earnings per share	7(47)	(0.026)	0.010	—	—
Other comprehensive income after tax					
		—	—	—	—
Total comprehensive (loss)/income					
		(66,891,692.98)	10,208,488.72	—	—
Attributable to equity holders of the Company		(58,514,150.16)	21,823,335.27	—	—
Minority interests		(8,377,542.82)	(11,614,846.55)	—	—

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 dividend	7(33)	—	—	—	—
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CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

(All amounts in RMB Yuan unless otherwise stated)

	Notes	2013 Consolidated	2012 Consolidated	2013 Company	2012 Company
Cash flows from operating activities					
Cash received from sales of goods		1,396,621,475.48	1,647,577,890.81	1,218,399,263.93	1,613,076,871.58
Cash received relating to other operating activities	7(48)(a)	15,587,794.74	53,242,803.52	249,197,593.45	426,251,711.49
Sub-total of cash inflows		1,412,209,270.22	1,700,820,694.33	1,467,596,857.38	2,039,328,583.07
Cash paid for goods and services		(1,858,573,707.26)	(1,262,014,676.38)	(1,514,476,874.81)	(1,738,646,345.06)
Cash paid to and on behalf of employees		(328,412,245.61)	(323,459,813.56)	(105,888,669.43)	(138,180,512.22)
Payments of taxes and surcharges		(119,043,956.72)	(199,628,943.12)	(8,736,365.06)	(58,893,195.17)
Cash paid relating to other operating activities	7(48)(b)	(103,589,481.46)	(48,401,788.07)	(19,694,664.64)	(43,818,252.08)
Sub-total of cash outflows		(2,409,619,391.05)	(1,833,505,221.13)	(1,648,796,573.94)	(1,979,538,304.53)
Net cash flows (used in)/generated from operating activities	7(48)(c) 17(22)(a)	(997,410,120.83)	(132,684,526.80)	(181,199,716.56)	59,790,278.54
Cash flows from investing activities					
Cash received from returns on investments		—	—	32,084,419.64	45,333,333.09
Cash received from disposal of fixed assets		80,591.87	19,766.50	4,020.00	19,596.50
Sub-total of cash inflows		80,591.87	19,766.50	32,088,439.64	45,352,929.59
Cash paid to acquire fixed assets and other long-term assets		(1,018,933,813.41)	(1,005,243,939.17)	(25,996,754.47)	(153,237,874.76)
Cash paid for the futures margin		(40,000,000.00)	—	—	—
Cash paid to increase capital of subsidiaries		—	—	(26,400,000.00)	(4,230,712.96)
Sub-total of cash outflows		(1,058,933,813.41)	(1,005,243,939.17)	(52,396,754.47)	(157,468,587.72)
Net cash flows used in investing activities		(1,058,853,221.54)	(1,005,224,172.67)	(20,308,314.83)	(112,115,658.13)

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in RMB Yuan unless otherwise stated)

	Notes	2013 Consolidated	2012 Consolidated	2013 Company	2012 Company
Cash flows from financing activities					
Cash received from borrowings		3,530,884,093.97	1,201,000,000.00	410,000,000.00	10,000,000.00
Cash received from capital contributions		13,600,000.00	—	—	—
Including: Cash received from minority shareholders of subsidiaries		13,600,000.00	—	—	—
Sub-total of cash inflows		3,544,484,093.97	1,201,000,000.00	410,000,000.00	10,000,000.00
Cash repayment of loans		(1,214,600,000.00)	—	(260,000,000.00)	—
Cash payments for distribution of dividends		—	(66,300,000.00)	—	(66,300,000.00)
Cash payments for interest expenses		(165,909,557.56)	(95,095,556.68)	(16,160,738.89)	(14,941,649.47)
Sub-total of cash outflows		(1,380,509,557.56)	(161,395,556.68)	(276,160,738.89)	(81,241,649.47)
Net cash flows generated from/ (used in) financing activities		2,163,974,536.41	1,039,604,443.32	133,839,261.11	(71,241,649.47)
Effect of foreign exchange rate changes on cash and cash equivalents		—	—	—	—
Net increase/(decrease) in cash and cash equivalents	7(48) (d)/17(22)(b)	107,711,194.04	(98,304,256.15)	(67,668,770.28)	(123,567,029.06)
Add: Cash and cash equivalents at beginning of year	7(48) (d)/17(22)(b)	470,196,746.21	568,501,002.36	361,418,741.61	484,985,770.67
Cash and cash equivalent at end of year	7(48) (d)/17(22)(b)	577,907,940.25	470,196,746.21	293,749,971.33	361,418,741.61

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

Legal representative:
Yuan Ze

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Li Jianhua

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

(All amounts in RMB Yuan unless otherwise stated)

	Attributable to equity holders of the Company					Sub-total	Minority interests (Note 7(34))	Total owners' equity
	Share capital (Note 7(29))	Capital surplus (Note 7(30))	Specific reserve (Note 7(31))	Surplus reserve (Note 7(32))	Undistributed profits (Note 7(33))			
Balance at 1 January 2012	552,500,000.00	4,254,754,857.49	—	217,192,800.32	314,373,550.50	5,338,821,208.31	356,427,687.36	5,695,248,895.67
Movements								
Comprehensive income								
— Net profit	—	—	—	—	21,823,335.27	21,823,335.27	(11,614,846.55)	10,208,488.72
— Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	21,823,335.27	21,823,335.27	(11,614,846.55)	10,208,488.72
Profit distribution								
— Appropriation to surplus reserve	—	—	—	8,186,715.58	(8,186,715.58)	—	—	—
— Profit distribution to equity holders	—	—	—	—	(66,300,000.00)	(66,300,000.00)	—	(66,300,000.00)
Appropriation to specific reserve	—	—	13,953,142.77	—	—	13,953,142.77	—	13,953,142.77
Utilisation of specific reserve	—	—	(13,953,142.77)	—	—	(13,953,142.77)	—	(13,953,142.77)
Balance at 31 December 2012	552,500,000.00	4,254,754,857.49	—	225,379,515.90	261,710,170.19	5,294,344,543.58	344,812,840.81	5,639,157,384.39
Balance at 1 January 2013	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
Movements								
Comprehensive loss								
— Net profit	—	—	—	—	(58,514,150.16)	(58,514,150.16)	(8,377,542.82)	(66,891,692.98)
— Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive loss	—	—	—	—	(58,514,150.16)	(58,514,150.16)	(8,377,542.82)	(66,891,692.98)
Profit distribution								
— Appropriation to surplus reserve	—	—	—	—	—	—	—	—
— Profit distribution to equity holders	—	—	—	—	—	—	—	—
Appropriation to specific reserve	—	—	13,883,344.03	—	—	13,883,344.03	—	13,883,344.03
Utilisation of specific reserve	—	—	(12,144,199.30)	—	—	(12,144,199.30)	—	(12,144,199.30)
Capital investment of minority shareholders of subsidiaries	—	—	—	—	—	—	13,600,000.00	13,600,000.00
Balance at 31 December 2013	552,500,000.00	4,254,754,857.49	1,739,144.73	225,379,515.90	203,196,020.03	5,237,569,538.15	350,035,297.99	5,587,604,836.14

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

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in RMB Yuan unless otherwise stated)

	Share capital (Note 7(29))	Capital surplus (Note 7(30))	Specific reserve	Surplus reserve (Note 7(32))	Undistributed profits	Total owners' equity
Balance at 1 January 2012	552,500,000.00	4,254,754,857.49	—	217,192,800.32	255,394,629.50	5,279,842,287.31
Movements						
Comprehensive income						
— Net profit	—	—	—	—	81,867,155.83	81,867,155.83
— Other comprehensive income	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	81,867,155.83	81,867,155.83
Profit distribution						
— Appropriation to surplus reserve	—	—	—	8,186,715.58	(8,186,715.58)	—
— Profit distribution to equity holders	—	—	—	—	(66,300,000.00)	(66,300,000.00)
Appropriation to specific reserve	—	—	1,150,842.73	—	—	1,150,842.73
Utilisation of specific reserve	—	—	(1,150,842.73)	—	—	(1,150,842.73)
Balance at 31 December 2012	552,500,000.00	4,254,754,857.49	—	225,379,515.90	262,775,069.75	5,295,409,443.14
Balance at 1 January 2013	552,500,000.00	4,254,754,857.49	—	225,379,515.90	262,775,069.75	5,295,409,443.14
Movements						
Comprehensive loss						
— Net profit	—	—	—	—	(50,059,284.24)	(50,059,284.24)
— Other comprehensive income	—	—	—	—	—	—
Total comprehensive loss	—	—	—	—	(50,059,284.24)	(50,059,284.24)
Profit distribution						
— Appropriation to surplus reserve	—	—	—	—	—	—
— Profit distribution to equity holders	—	—	—	—	—	—
Appropriation to specific reserve	—	—	31,872.73	—	—	31,872.73
Utilisation of specific reserve	—	—	(31,872.73)	—	—	(31,872.73)
Balance at 31 December 2013	552,500,000.00	4,254,754,857.49	—	225,379,515.90	212,715,785.51	5,245,350,158.90

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

Legal representative:
Yuan Ze

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Li Jianhua

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 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 RMB 300,000,000.00 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 RMB 300,000,000.00 to RMB 380,000,000.00. 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 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 RMB 552,500,000.00 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 21 March 2014.

2 BASIS OF PREPARATION

The financial statements have been prepared according to the Basic Standard and specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on and after 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”) and Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - the General Provisions of Financial Reports (Revised in 2010).

The Ministry of Finance issued the Accounting Standards for Business Enterprises No. 39 - fair value measurement and No.40 - the joint venture arrangement and revised standard No. 30 - presentation of financial statements and No. 33 - the consolidated financial statements in 2014. The above standards will take effect on 1 July 2014 and overseas listed companies are encouraged to implement in advance. The Group is a Hong Kong listing company, therefore, the 2013 financial statements have been prepared according to the above standards in advance (Note 7(8), 7(16), 7(20) and 7(31)).

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 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 year ended 31 December 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 31 December 2013 and of their financial performance, cash flows and other information for the year then ended.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Accounting year

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

(2) Recording currency

The recording currency is Renminbi (RMB).

(3) Business combinations involving enterprises not under common control

(a) Business combinations involving enterprises under common control

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

(b) Business combinations involving enterprises not under common control

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 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 FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 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)).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are derivative financial instruments which are not specified and do not conform to hedging.

Receivables

Receivables refer to non-derivative financial instruments which have no offer in the active market or whose recoverable amount is fixed or confirmable.

(ii) Recognition and measurement

Receivables are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised as expenses as incurred. Transaction costs of other financial assets are included in the initial recognition amount.

Financial assets at fair value through profit or loss are measured at fair value subsequently. But for which there is no quoted price in the active market and whose fair value can not be reliably measured, the equity instrument investments are measured at cost. Accounts receivable and held-to-maturity investments are measured at amortised cost using effective interest.

Financial assets at fair value through profit or loss are measured at fair value, subsequently with changes in fair value recognised in earnings. Interests or cash dividends received subsequently (including those received in the period of investment) are recognised as income. On derecognition of a financial asset, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognised in earnings.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(7) Financial instruments (continued)

(a) Financial assets (continued)

(iii) Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for (Note 4(8)).

Objective evidence of impairment of financial assets is event which actually happens after initial recognition of financial assets, affects expected future cash flow of the financial assets and the Group can measure the effect reliably.

Objective evidence which suggests impairment of marketable equity instruments includes serious or permanent decline of the fair value. The Group assesses every marketable equity instruments for impairment individually at each balance sheet date. If the fair value of marketable equity instruments at balance sheet date is blow its initial investment more than 50% (including 50%) or the fair value is blow its initial investment longer than one year (including one year), impairment exits. If the fair value of marketable equity instruments at balance sheet date is blow its initial investment more than 20% but not more than 50%, the Group will considers other relevant factors, such as price volatility to judge whether impairment exits. The Group uses weighted average method to calculate initial investment of marketable equity instruments.

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) (Note 4(8)). 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.

If there is objective evidence that an impairment loss on available-for-sale financial assets incurred, the cumulative losses arising from the decline in fair value that had been recognised directly in equity are transferred out from equity and into impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed into profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised directly in equity.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in RMB Yuan unless otherwise stated)

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

(7) Financial instruments (continued)

(a) Financial assets (continued)

(iv) Derecognition of financial assets

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

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

(b) Financial liabilities

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

Derivative financial instruments which are not specified and do not conform to hedging are disclosed as financial assets at fair value through profit or loss.

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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in RMB Yuan unless otherwise stated)

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

(7) Financial instruments (continued)

(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. For the financial instrument which is not traded in active market, the fair is determined by using a valuation technique with enough available data and other information to support in current situation. Valuation techniques include market approach, income approach and etc. When a valuation technique is used to establish the fair value of a financial instrument, we should consider the market inputs of the assets or liabilities which have consistent features of the assets or liabilities traded by market participants and make the maximum use of observable market inputs. When relevant observable market inputs can not be obtained, we shall use unobservable market inputs.

(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 those 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	Aging analysis method

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in RMB Yuan unless otherwise stated)

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

(8) Receivables (continued)

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

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

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

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

(c) Receivables with amounts those 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 FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 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.

(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 and of which the Group can only enjoy rights of the net assets. 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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 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)

(a) Determination of investment cost

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

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

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

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

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

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

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

(10) Long-term equity investments (continued)

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

Control is possessing power over the investee so as to obtain variable returns from its operating activities. And it has the ability to use the power to impact the amount of return.

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

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

(d) Impairment of long-term equity investments

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

(11) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

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

(11) Fixed assets (continued)

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

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

(b) Depreciation methods of fixed assets

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

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

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

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

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

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

(d) Disposal of fixed assets

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

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

(12) Construction in progress

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

(13) Borrowing costs

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

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

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

(14) Intangible assets

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

(a) Mining rights

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

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

(14) Intangible assets (continued)

(b) Exploration rights

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

(c) Land use rights

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

(d) Periodical review of useful life and amortisation method

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

(e) Impairment of intangible assets

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

(15) Exploration assets and filling cost

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

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

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

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

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

(16) Goodwill

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

(17) Long-term prepaid expenses

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

(18) Impairment of long-term assets

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

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

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

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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 or to terminate labour relation.

(a) Short-term compensation

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. Among which, non-monetary benefits are measured at fair value.

(b) Basic pension benefits

Employees of the Group participate in the defined contribution pension plan set up and administered by local labour and social security departments. Based on salaries of the employees, basic pensions are provided for monthly according to stipulated proportions, which is paid to local labour and social security institutions. After the employees are retired, the local labour and social security departments have the responsibility to pay basic pension benefits to them. Basic pension benefits are recognised as payables in the accounting period in which an employee has rendered service, as costs of assets or expenses to whichever the employee service is attributable.

(20) Dividend distribution

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

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FOR THE YEAR ENDED 31 DECEMBER 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(21) Provisions

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

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

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

(22) Deferred tax assets and deferred tax liabilities

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

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

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

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

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

Deferred tax assets and liabilities are offset when:

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

(23) Revenue recognition

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

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

(a) Sale of goods

Revenue is recognised when the rights and risks of the products have 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.

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

(24) Leases

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

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

(25) Government Grants

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

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

Government grants related to assets are grants used in the acquisition, construction and obtaining long-term assets in other ways. Government grants related to income are grants other than government grants related to assets.

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.

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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

If there are major changes in the following critical accounting estimates and key assumptions, they will have a significant influence on the carrying amounts of assets and liabilities in the following accounting years.

(a) Carrying value of non-current assets

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

As at 31 December 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. The major assumptions and estimates used in the value-in-use calculation of assets include forecast of selling price of nickel and copper, discount rates and inflation rate.

(b) Goodwill impairment assessment

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

As at 31 December 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.

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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.

According to the accounting policy mentioned in note 4(22), the Group compiles profit forecast annually. For those deductible temporary differences which can be deducted from the taxable income in future years in accordance with the tax law, they should be recognised as deferred tax assets.

Deductible temporary differences that are not recognised as deferred tax assets as at 31 December 2013, please refer to note 7(28).

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

(27) Critical accounting estimates and assumptions (continued)

Critical accounting estimates and key assumptions (continued)

(f) Estimate of inventory net realizable value

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

5 TAXATION

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

Type	Taxable base	Tax rate
Corporate income tax	Taxable income	15%/25% (Note 1)
Value-added tax ("VAT")	Taxable turnover amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)	17% (Note 2)
Resources tax	Amount of ore output during the current month	RMB6 per ton or RMB7.6 per ton (Note 3)
Urban construction tax	Value added tax and business tax	7%/5%
Education surcharge	Value added tax and business tax	3%
Mineral compensation	Actual sales income of copper and nickel, after adjusting rate of recovery	Tax standards of mineral products of located place (Note 4)

(1) Corporate income tax

The Group applies the PRC Corporate Income Tax Law passed by the National People's Congress on 16 March 2007. The corporate income tax rate is 25%.

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

- (a) On 6 April 2012, the State Administration of Taxation announced about carrying out the Western Development Strategy on the issue of corporate income tax, and the Company has obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region in 2012, the Company calculated and paid corporate income tax using the preferential rate of 15% for the year ended 31 December 2013 after communication with local tax authorities (2012: 15%).
- (b) The applicable income tax rate of Shanghai Sales Branch is 25% in 2013 (2012: 25%).

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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. On 6th April, 2012, the State Administration of Taxation announced about carrying out the Western Development Strategy on the issue of corporate income tax, 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. Xinjiang Yakesi calculated and paid corporate income tax using the preferential rate of 15% for the year ended 31 December 2012 and 2013 after communication with local tax authorities.
- (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. On 6th April, 2012, the State Administration of Taxation announced about carrying out the Western Development Strategy on the issue of corporate income tax, 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. Hami Jubao calculated and paid corporate income tax using the preferential rate of 15% for the year ended 31 December 2013 after communication with local tax authorities (2012: 15%).
- (e) The subsidiary, Xinjiang Kalatongke Mining Industry Co., Ltd. (hereafter “Kalatongke Mining”) applied the corporate income tax of 25% in 2012. On 6th April, 2012, the State Administration of Taxation announced about carrying out the Western Development Strategy on the issue of corporate income tax, 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. Kalatongke Mining calculated and paid corporate income tax using the preferential rate of 15% for the year ended 31 December 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% in 2013 (2012: 25%).

(2) Value-added tax

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

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

NOTES TO FINANCIAL STATEMENTS

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5 TAXATION (CONTINUED)

(3) Resources tax

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

(4) Mineral compensation

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

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

Based on the regulations issued by Land and Resources Bureau of Aletai in Xinjiang Uygur Autonomous Region, valuation coefficient of 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 nickel concentrate and copper concentrate × mineral compensation rate 2% × recovery rate

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(1) Subsidiaries

(a) Subsidiaries acquired from establishment or investment

Name of subsidiaries	Type	Place of registration	The main premises	Nature of business and principal activities	Registered capital	Scope of business	Nature	Legal representative	Code of organisation
Mengxi Mining	Controlling	Hami, the PRC	Hami, the PRC	Mining	15,918,400.00	Mineral resources exploration, investment, processing and sales	Co., Ltd.	Zhang Guohua	676306990
Wuxin Copper Mining	Controlling	Fukang, the PRC	Fukang, the PRC	Smelting	830,000,000.00	Common non-ferrous metal smelting, processing and sales	Co., Ltd.	Sun Baohui	68959791-8
Kalatongke Mining	Wholly-owned	Fuyun, the PRC	Fuyun, the PRC	Mining and smelting	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	Beijing, the PRC	Research and development	100,000,000.00	Development of technology, provision of technical services, consultancy of education, investment management, and sales of mineral products, metal materials, chemical products and mechanical equipment	Co., Ltd.	Wang Zhongwen	57909372-7

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6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(1) Subsidiaries (continued)

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

Name of subsidiaries	Ending balance of actual contribution	Ending balance of other items which forms a part of net investment in subsidiaries	% equity interest held by the Group	% voting rights held by the Group	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders
Mengxi Mining	10,200,000.00	Not applicable	51%	51%	Yes	1,902,578.92	(57,602.84)
Wuxin Copper Mining	547,800,000.00	Not applicable	66%	66%	Yes	271,891,406.85	6,621,755.53
Kalatongke Mining	123,000,000.00	Not applicable	100%	100%	Yes	—	—
Beijing Xinding	100,000,000.00	Not applicable	100%	100%	Yes	—	—
	<u>1,888,000,000.00</u>					<u>273,793,985.77</u>	<u>6,564,152.69</u>

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

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

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FOR THE YEAR ENDED 31 DECEMBER 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

Name of subsidiaries	Ending balance of actual contribution	Ending balance of other items which forms substantially a part of net investment in subsidiaries	% equity interest held by the Group	% voting rights held by the Group	Consolidated or not	Minority Interests	Amount of loss attributed to the minority shareholders
Xinjiang Yakesi	720,171,915.12	Not applicable	100%	100%	Yes	—	—
Hami Jubao	91,100,349.00	Not applicable	100%	100%	Yes	—	—
Zhongxin Mining	118,659,156.75	Not applicable	97.58%	97.58%	Yes	1,308,666.16	957,789.47
Shaanxi Xinxin	80,000,000.00	Not applicable	51%	51%	Yes	74,932,646.06	855,600.66
	<u>1,009,931,420.87</u>					<u>76,241,312.22</u>	<u>1,813,390.13</u>

(c) Subsidiaries with significant minority rights

	31 December 2013 Minority rights	2013 Minority interests	Dividend declared allocated to mi-nority shareholders in 2013
Zhongxin Mining	1,308,666.16	(957,789.46)	—
Shaanxi Xinxin	74,932,646.06	(855,600.66)	—
Mengxi Mining	1,902,578.92	57,602.83	—
Wuxin Copper Mining	271,891,406.85	(6,621,755.53)	—
	<u>350,035,297.99</u>	<u>(8,377,542.82)</u>	—

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FOR THE YEAR ENDED 31 DECEMBER 2013
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6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(1) Subsidiaries (continued)

(c) Subsidiaries with significant minority rights (continued)

Main financial information of the above subsidiaries in 2013

	Financial condition on 31 December 2013				
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets
Zhongxin Mining	89,179,390.61	181,807,937.59	228,318,872.54	9,125,335.72	33,543,119.94
Shaanxi Xinxin	157,177.06	13,801,427.36	7,399,586.95	—	6,559,017.47
Mengxi Mining	9,373,978.97	—	5,491,164.84	—	3,882,814.13
Wuxin Copper Mining	1,329,412,481.27	2,476,178,687.33	1,482,607,560.23	1,523,303,000.00	799,680,608.37
	1,428,123,027.91	2,671,788,052.28	1,723,817,184.56	1,532,428,335.72	843,665,559.91

	Financial condition on 31 December 2012				
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets
Zhongxin Mining	109,385,562.33	184,025,171.88	211,564,253.69	9,335,113.60	72,511,366.92
Shaanxi Xinxin	235,604.23	13,695,887.00	5,626,349.96	—	8,305,141.27
Mengxi Mining	9,246,657.32	—	5,481,400.00	—	3,765,257.32
Wuxin Copper Mining	205,794,752.71	1,531,835,185.10	480,870,577.88	477,603,000.00	779,156,359.93
	324,662,576.59	1,729,556,243.98	703,542,581.53	486,938,113.60	863,738,125.44

	Operating results in 2013				
	Revenue	Total (losses)/profit	Net(losses)/profit	Other comprehensive income	Total comprehensive (loss)/income
Zhongxin Mining	453,876,271.32	(42,353,491.44)	(38,968,246.98)	—	(38,968,246.98)
Shaanxi Xinxin	—	(1,746,123.80)	(1,746,123.80)	—	(1,746,123.80)
Mengxi Mining	—	156,742.62	117,556.81	—	117,556.81
Wuxin Copper Mining	8,817,194.45	(19,475,751.56)	(19,475,751.56)	—	(19,475,751.56)
	462,693,465.77	(63,418,624.18)	(60,072,565.53)	—	(60,072,565.53)

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6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(1) Subsidiaries (continued)

(c) Subsidiaries with significant minority rights (continued)

	Operating results in 2012				
	Revenue	Total (losses)/ profit	Net(losses)/ profit	Other compre- hensive income	Total comprehen- sive (loss)/income
Zhongxin Mining	590,721,924.37	(22,724,049.81)	(18,787,301.24)	—	(18,787,301.24)
Shaanxi Xinxin	—	(1,480,254.38)	(1,481,754.38)	—	(1,481,754.38)
Mengxi Mining	—	(16,308,841.32)	(16,308,841.32)	—	(16,308,841.32)
Wuxin Copper Mining	868,872.44	(7,141,306.10)	(7,141,306.10)	—	(7,141,306.10)
	591,590,796.81	(47,654,451.61)	(43,719,203.04)	—	(43,719,203.04)

	Cash flow in 2013				
	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at beginning of year	Cash and cash equivalents at end of year
Zhongxin Mining	3,995,878.55	(4,573,057.14)	—	980,392.11	403,213.52
Shaanxi Xinxin	68,645.83	(107,073.00)	—	187,004.23	148,577.06
Mengxi Mining	(9,401.82)	—	—	9,137,661.10	9,128,259.28
Wuxin Copper Mining	(866,422,016.70)	(845,673,327.10)	1,857,169,463.78	64,779,134.90	209,853,254.88
	(862,366,894.14)	(850,353,457.24)	1,857,169,463.78	75,084,192.34	219,533,304.74

	Cash flow in 2012				
	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at beginning of year	Cash and cash equivalents at end of year
Zhongxin Mining	(8,421,210.94)	(3,334,869.90)	—	12,736,472.95	980,392.11
Shaanxi Xinxin	310,825.58	(316,400.00)	—	192,578.65	187,004.23
Mengxi Mining	54,534.83	—	—	9,083,126.27	9,137,661.10
Wuxin Copper Mining	(47,780,068.65)	(465,006,868.07)	564,442,439.51	13,123,632.11	64,779,134.90
	(55,835,919.18)	(468,658,137.97)	564,442,439.51	35,135,809.98	75,084,192.34

The amounts above are before combined offsetting of the subsidiaries.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash and bank balances

	31 December 2013	31 December 2012
Cash on hand	82,891.23	180,693.71
Cash at bank	577,825,049.02	470,016,052.50
Restricted cash at banks (a)	73,102,139.96	12,775,376.75
	651,010,080.21	482,972,122.96

(a) Included in the restricted cash at banks, cash balances of RMB 39,490,456.53 represented deposits of the Group for the purpose of applying for unconditional, irrevocable bank letters of guarantee (31 December 2012: Nil); approximately RMB20,000,000.00 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 RMB11,590,214.67 was set aside as guarantee deposits for environmental recovery and safety of production (31 December 2012: RMB10,662,814.07); and approximately RMB 2,021,468.76 was set aside as deposits for compensation of industrial injury of migrant workers (31 December 2012: RMB2,012,562.68).

(2) Notes receivable

	31 December 2013	31 December 2012
Bank acceptance notes	133,886,691.82	456,807,562.15

All the notes receivable will be matured within 180 days. On 31 December 2013, there were no pledged notes receivable (31 December 2012: Nil) to the banks as the guarantee of issuing notes payable within the Group.

(3) Accounts receivable

	31 December 2013	31 December 2012
Accounts receivable	26,474,876.63	48,220,305.34
Less: provision for bad debts	(3,574,599.32)	(2,556,853.08)
	22,900,277.31	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 31 December 2013 and 2012, there were no significant past due but not impaired accounts receivable.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 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:

	31 December 2013			31 December 2012		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
With 1 year	21,388,180.75	80.79%	—	43,523,935.06	90.26%	—
1 to 2 years	776,760.00	2.93%	—	1,559,832.80	3.24%	—
2 to 3 years	1,196,548.40	4.52%	(461,211.84)	192,954.70	0.40%	—
3 to 4 years	192,954.70	0.73%	(192,954.70)	394,650.70	0.82%	(7,921.00)
4 to 5 years	394,650.70	1.49%	(394,650.70)	324,351.70	0.67%	(324,351.70)
Over 5 years	2,525,782.08	9.54%	(2,525,782.08)	2,224,580.38	4.61%	(2,224,580.38)
	26,474,876.63	100.00%	(3,574,599.32)	48,220,305.34	100.00%	(2,556,853.08)

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

	31 December 2013				31 December 2012			
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts		Ratio	
	Amount	% of total balance	Amount	Amount	% of total balance	Amount		
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	—	—	—	—	—	—	—	
That the related provision for bad debts is provided on the grouping basis								
— Related party group	2,633,261.49	9.95%	(1,149,143.24)	2,182,767.80	4.53%	(324,351.70)	14.86%	
— Ageing group	23,841,615.14	90.05%	(2,425,456.08)	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	—	—	—	—	—	—	—	
	26,474,876.63	100.00%	(3,574,599.32)	48,220,305.34	100.00%	(2,556,853.08)		

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Accounts receivable (continued)

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

	31 December 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	20,857,737.06	87.49%	—	—	42,820,935.06	93.01%	—	—
1 to 2 years	130,560.00	0.55%	—	—	791,146.40	1.72%	—	—
2 to 3 years	427,862.00	1.79%	—	—	192,954.70	0.42%	—	—
3 to 4 years	192,954.70	0.81%	(192,954.70)	100.00%	7,921.00	0.02%	(7,921.00)	100.00%
Over 5 years	2,232,501.38	9.36%	(2,232,501.38)	100.00%	2,224,580.38	4.83%	(2,224,580.38)	100.00%
	23,841,615.14	100.00%	(2,425,456.08)		46,037,537.54	100.00%	(2,232,501.38)	

- (d) Accounts receivable are analysed by categories as follows:

	31 December 2013	31 December 2012
Production Customer	17,590,031.74	27,006,212.56
Trading Customer	8,884,844.89	21,214,092.78
	26,474,876.63	48,220,305.34

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

	As at 31 December 2013			As at 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.	1,187,810.20	4.49%	(847,941.54)	1,155,416.10	2.40%	—
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	1,144,249.59	4.32%	—	703,000.00	1.46%	—
Xinjiang Haoxin Lithia Developing Co., Ltd.	301,201.70	1.14%	(301,201.70)	324,351.70	0.67%	(324,351.70)
	2,633,261.49	9.95%	(1,149,143.24)	2,182,767.80	4.53%	(324,351.70)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Accounts receivable (continued)

(f) As at 31 December 2013, the top five accounts receivable are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Gansu Jisco Group Hongxing Steel Co., Ltd.	Third party	10,581,677.26	Within 1 year	39.97%
Tianjin Haoshun Tongda Metallurgical Furnance Burden Selling Co., Ltd.	Third party	8,081,911.69	Within 1 year	30.53%
Fuyun Hengsheng Beryllium Industry Co., Ltd.	Related party	1,187,810.20	Within 5 years	4.49%
Manasi Aoyang Technology Co., Ltd. Shanghai	Third party	985,901.40	Within 1 year	3.72%
Jinmin Trading Co., Ltd.	Third party	802,933.20	Over 5 years	3.03%
		21,640,233.75		81.74%

(g) As at 31 December 2013, there was no accounts receivable that the related provision for bad debts had been provided in full amount or in large proportion in previous years but are collected or reversed in full amount or in large proportion in current year.

(h) There were no accounts receivables written off in current year.

(i) As at 31 December 2013, there were no accounts receivable from shareholders who held more than 5% (including 5%) of the voting rights of the Company (31 December 2012: Nil).

(j) There were no accounts receivable derecognised due to transfer.

(k) As at 31 December 2013, there were no accounts receivable denominated in foreign currencies.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) Other receivables

	31 December 2013	31 December 2012
Reposits for futures trading (Note (i))	42,995,015.28	—
Amount due from equity and debt transfer (Note (ii))	10,812,100.00	—
Amount due from a joint-venture (Note (iii))	2,710,075.90	2,714,105.90
Cash advance	1,977,283.70	1,403,108.41
Factoring cost receivable	—	7,417,405.73
Amount due from an associate (Note (ii))	—	7,047,810.01
Others	4,122,535.76	2,536,607.59
	62,617,010.64	21,119,037.64
Less: provision for bad debts	(96,346.41)	(800,806.00)
	62,520,664.23	20,318,231.64

- (i) According to the future contract signed by the Group with Jinshi Futures Co., Ltd. on 5th July 2013, the Group paid Jinshi Futures Co., Ltd. futures margin RMB 40,000,000.00 in October, November and December separately. As at 31 December based on the trading result, the Group recorded a gain of RMB2,995,015.28 after deducting the trading expenses.
- (ii) According to the share transfer agreement entered into between Gansu Ximai New Material Technology Co., Ltd. (hereafter "Gansu Ximai") which was the controlling shareholder of Tibet Puxiong Mining Co., Ltd (hereafter "Puxiong Mining"), Xinjiang Yakesi which was the minority shareholder of Puxiong Mining, Li Dingjun who was the individual shareholder (hereafter "the original shareholders") and Tibet Qiangrui Mining Development Co., Ltd. (hereafter "Tibet Qiangrui") on 26th March 2013, the original shareholders would transfer all their shares to Tibet Qiangrui. As a result, Xinjiang Yakesi reclassified the investment to Puxiong Mining of RMB 3,600,000.00 to other receivable. The legal procedures of share transfer was completed in July 2013. Xinjiang Yakesi transferred its amount due from Puxiong Mining of RMB7,000,000.00 and the interest receivable of RMB 47,810.01 to Tibet Qiangrui. According to the share transfer agreement, Tibet Qiangrui paid full amount of share transfer to Gansu Ximai, Gansu Ximai will pay related amount of share transfer to Xinjiang Yakesi.
- (iii) According to the contract signed by the Company and Hami Hexin Mining Co., Ltd. (hereafter "Hexin Mining") on 29 June 2009, the Company provided a loan of RMB 50,000,000 to Hexin Mining. The principal amount was repaid in 2013. As at 31 December 2012 and 2013, the balance represented interest receivable.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) Other receivables (continued)

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

	31 December 2013			31 December 2012		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	52,438,222.47	83.74%	—	7,130,526.87	33.76%	—
1 to 2 years	116,324.18	0.19%	—	3,961,738.05	18.76%	—
2 to 3 years	35,691.27	0.06%	—	16,916.36	0.08%	(16,916.36)
3 to 4 years	16,916.36	0.03%	(16,916.36)	2,758,862.12	13.06%	—
4 to 5 years	2,758,862.12	4.40%	—	47,810.01	0.23%	—
Over 5 years	7,250,994.24	11.58%	(79,430.05)	7,203,184.23	34.11%	(783,889.64)
	62,617,010.64	100.00%	(96,346.41)	21,119,037.64	100.00%	(800,806.00)

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

	31 December 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 (Note ii)	7,047,810.01	11.25%	—	—	—	—	—	—
That the related provision for bad debts is provided on the grouping basis								
— Related party group	2,710,075.90	4.33%	—	—	9,848,456.31	46.63%	(704,459.59)	7.15%
— Ageing group	52,859,124.73	84.42%	(96,346.41)	0.18%	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	—	—	—	—	—	—	—	—
	62,617,010.64	100.00%	(96,346.41)		21,119,037.64	100.00%	(800,806.00)	

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) Other receivables (continued)

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

	31 December 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	52,384,466.57	99.11%	—	—	6,986,200.57	61.99%	—	—
1 to 2 years	116,324.18	0.22%	—	—	3,961,738.05	35.15%	—	—
2 to 3 years	35,691.27	0.07%	—	—	16,916.36	0.15%	(16,916.36)	100.00%
3 to 4 years	16,916.36	0.03%	(16,916.36)	100.00%	102,542.12	0.91%	—	—
4 to 5 years	102,542.12	0.19%	—	—	—	—	—	—
Over 5 years	203,184.23	0.38%	(79,430.05)	39.09%	203,184.23	1.80%	(79,430.05)	39.09%
	52,859,124.73	100.00%	(96,346.41)			100.00%	(96,346.41)	

- (d) Other receivables that the related provision for bad debts had been provided in full amount or in large proportion in previous years but are collected or reversed in full amount or in large proportion in current year are as follows:

	Reason for reversal/ collection	Basis for determining the provision for bad debts	Cumulative amount of provision provided before reversal/ collection	Amount of reversal/ collection
Puxiong Mining	Share Transfer	Change of debtor	(704,459.59)	704,459.59

- (e) There were no other receivables written off in current year.
- (f) As at 31 December 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).

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) Other receivables (continued)

(g) As at 31 December 2013, the top five other receivables are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Jinshi Futures Co., Ltd.	Third party	42,995,015.28	Within 1 year	68.66%
Gansu Ximai	Third party	10,812,100.00	Within 1 year	17.27%
Hexin Mining	Joint-venture	2,710,075.90	4 to 5 years	4.33%
Land and Resources Bureau of Fuyun (Mine production enterprise reclamation deposit)	Third party	100,000.00	Over 5 years	0.16%
Hami Zhenlan Production Co., Ltd.	Third party	45,000.00	Within 1 year	0.07%
		56,662,191.18		90.49%

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

	Relationship with the Group	31 December 2013			31 December 2012		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Hexin Mining	Joint-venture	2,710,075.90	4.33%	—	2,714,105.90	12.85%	—
Puxiong Mining (Note 7(4)(ii))		—	—	—	7,047,810.01	33.37%	(704,459.59)
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	Fellow Subsidiary	—	—	—	86,540.40	0.41%	—
		2,710,075.90	4.33%	—	9,848,456.31	46.63%	(704,459.59)

(i) As at 31 December 2013, there were no other receivables denominated in foreign currencies.

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(5) Advances to suppliers

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

	31 December 2013		31 December 2012	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	238,267,346.02	84.94%	77,955,768.50	76.55%
1 to 2 years	24,160,409.86	8.61%	17,584,816.01	17.27%
2 to 3 years	12,017,581.84	4.28%	5,539,792.88	5.44%
Over 3 years	6,087,053.21	2.17%	750,092.98	0.74%
	280,532,390.93	100.00%	101,830,470.37	100.00%

As at 31 December 2013, advances to suppliers over 1 year with a carrying amount of RMB 42,265,044.91 (31 December 2012: RMB 23,874,701.87) are mainly advances paid for raw materials which are not fully settled due to unfinished supply of materials.

(b) As at 31 December 2013, the top five advances to suppliers are analysed as follows:

	Relationship with the Group	Amount	% of total balance	Recognition date
Tuoke Trading (Singapore) Co., Ltd.	Third party	66,502,846.67	23.71%	2013
MRI Trading AG	Third party	51,577,338.15	18.39%	2013
Wenquan Shunkaida Mining Co., Ltd.	Third party	30,000,000.00	10.69%	2011 and 2012
Yantai Xinhai Freight Forwarding Co., Ltd.	Third party	25,794,337.74	9.19%	2013
Jiayou International Logistics (Beijing) Co., Ltd.	Third party	19,956,039.73	7.11%	2013
		193,830,562.29	69.09%	

(c) As at 31 December 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).

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(5) Advances to suppliers (continued)

(d) Advances to suppliers denominated in foreign currencies are as follows:

	31 December 2013			31 December 2012		
	Amount in foreign currency	Exchange rate	Amount in RMB	Amount in foreign currency	Exchange rate	Amount in RMB
USD	19,367,249.72	6.0969	118,080,184.82	—	—	—

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

	31 December 2013			31 December 2012		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	656,200.00	0.24%	—	656,200.00	0.64%	—
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	138,773.85	0.05%	—	602,000.65	0.59%	—
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	38,845.00	0.01%	—	5,000,000.00	4.91%	—
	833,818.85	0.30%	—	6,258,200.65	6.14%	—

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) Inventories

(a) Classification of inventories is as follows:

	31 December 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	741,948,094.56	(543,427.80)	741,404,666.76	235,132,212.88	(543,427.80)	234,588,785.08
Work in progress	49,342,373.31	—	49,342,373.31	49,291,452.47	—	49,291,452.47
Semi-finished goods	472,616,072.51	—	472,616,072.51	376,007,506.69	—	376,007,506.69
Finished goods	693,516,335.93	(32,898,351.38)	660,617,984.55	148,828,383.84	(4,039,189.91)	144,789,193.93
	1,957,422,876.31	(33,441,779.18)	1,923,981,097.13	809,259,555.88	(4,582,617.71)	804,676,938.17

Wuxin Copper Mining signed two mortgage loan contracts with a bank in 2013 with copper concentrate of RMB 303,900,000.00 mortgaged (Note 7 (25)(d)(note i)).

(b) Inventories balance fluctuation is analysed as follows:

	31 December 2012	Increase in current year	Decrease in current year	31 December 2013
Raw materials	235,132,212.88	1,762,844,859.97	(1,256,028,978.29)	741,948,094.56
Work in progress	49,291,452.47	247,532,630.79	(247,481,709.95)	49,342,373.31
Semi-finished goods	376,007,506.69	1,054,771,485.24	(958,162,919.42)	472,616,072.51
Finished goods	148,828,383.84	1,213,264,132.90	(668,576,180.81)	693,516,335.93
	809,259,555.88	4,278,413,108.90	(3,130,249,788.47)	1,957,422,876.31

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

	31 December 2012	Current year additions	Current year Write-off	31 December 2013
Raw materials	(543,427.80)	—	—	(543,427.80)
Finished goods	(4,039,189.91)	(38,529,201.41)	9,670,039.94	(32,898,351.38)
	(4,582,617.71)	(38,529,201.41)	9,670,039.94	(33,441,779.18)

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) Inventories (continued)

(d) Provision for decline in value of inventories is 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	1.39%

(7) Other current assets

	31 December 2013	31 December 2012
Deductible VAT	344,001,041.00	122,002,829.27
Advanced payment of income tax	10,073,453.70	—
	354,074,494.70	122,002,829.27

(8) Long-term equity investments

	31 December 2013	31 December 2012
Joint-venture (a)	148,419,053.08	147,668,700.85
— Open quotation	—	—
— No open quotation	148,419,053.08	147,668,700.85
Associate — unlisted company (b)	—	3,587,083.97
	148,419,053.08	151,255,784.82

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

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(8) Long-term equity investments (continued)

(a) Joint-venture

Investment in joint ventures

Accounting Method	Investment cost	31 December 2012	Current year movement				31 December 2013	Share holding (%)	Voting rights (%)	Provision for impairment	Impairment provided in the current year
			Increase/Decrease in investment	profit using the equity method (Note 7 (43))	Cash dividend declared	Other changes in equity					
Hexin Mining Equity	145,326,500.00	147,668,700.85	—	750,352.23	—	—	148,419,053.08	50%	50%	—	—

The place of registration and main premises of Hexin Mining are both in China and Hexin Mining is one of the main raw material suppliers of the Group and has strategic significance to ensure the raw material supply. The Group has 50% shareholding and 50% voting rights in Hexin Mining.

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 RMB 95,096,500.00. 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 RMB 50,000,000.00 into Hexin Mining.

Hexin Mining owns mining right of Tulargen copper/nickel mine in Hami Region.

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(8) Long-term equity investments (continued)

(a) Joint-venture (continued)

Set out below are the summarised financial information for the joint venture.

	Hexin Mining	
	31 December 2013	31 December 2012
Cash and cash equivalents	15,259,004.50	36,923,465.55
Other current assets	100,075,601.41	50,472,755.12
Total current assets	115,334,605.91	87,396,220.67
Total non-current assets	496,589,437.28	527,100,963.73
Account payable	—	—
Other financial liabilities	(295,000,000.00)	(285,000,000.00)
Other current liabilities	(14,922,709.73)	(2,623,169.47)
Total current liabilities	(309,922,709.73)	(287,623,169.47)
Financial liabilities	(94,500,000.00)	(120,873,385.93)
Other liabilities	—	—
Total non-current liabilities	(94,500,000.00)	(120,873,385.93)
Net assets	207,501,333.46	206,000,629.00
Total equity attributable to the Company	207,501,333.46	206,000,629.00
Adjustment to the fair value of identifiable net assets of the joint venture when obtained	—	—
Total equity attributable to the Company after adjustment	207,501,333.46	206,000,629.00
Shareholding of the Group	50%	50%
Interest in the joint venture	103,750,666.73	103,000,314.50
Goodwill included in long-term equity investments	44,668,386.35	44,668,386.35
Offset of unrealized internal trade (Note 7 (43))	(16,965,566.43)	—
Provision for impairment	—	—
Long-term equity investments	148,419,053.08	147,668,700.85

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(8) Long-term equity investments (continued)

(a) Joint-venture (continued)

	Hexin Mining	
	2013	2012
Revenue	140,438,185.66	122,866,930.24
Depreciation and amortisation	(30,097,186.55)	(26,547,170.66)
Interest income	96,241.72	62,301.06
Interest expense	(17,294,723.99)	(14,070,138.36)
Total profit	1,500,704.46	1,185,149.11
Income tax	—	—
Net profit	1,500,704.46	1,185,149.11
Other comprehensive income	—	—
Total comprehensive income	1,500,704.46	1,185,149.11

(b) Associate

Accounting Method	Investment cost	31 December 2012	Current year movement				31 December 2013	Share holding (%)	Voting rights (%)	Provision for impairment	Impairment provided in the current year
			Increase/Decrease in investment	Share of net profit using the equity method	Cash dividend declared	Other changes in equity					
Puxiong Mining Equity Method	6,901,029.17	3,587,083.97	(3,587,083.97)	—	—	—	30%	30%	—	—	

On 26 March 2013, Xinjiang Yakesi entered into a share transfer agreement with Tibet Qiangri. Xinjiang Yakesi would transfer their shares to Tibet Qiangrui. The share transfer completed in July 2013. The amount of share transfer was RMB3,600,000.00 (Note 7(4)(ii)) and the related investment income was RMB12,916.03.

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(9) Fixed assets

	Building	Mining structure	Machinery and equipment	Electronic and office equipment	Motor vehicles	Total
Cost						
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	217,465,860.25	529,742,468.54	323,209,227.89	25,904,769.60	5,545,496.22	1,101,867,822.50
Additions	1,041,025.64	—	8,008,618.75	2,763,767.23	4,676,026.13	16,489,437.75
Disposal	—	—	(14,163.14)	(25,910.00)	(394,523.00)	(434,596.14)
31 December 2013	930,616,413.19	825,384,014.36	1,453,658,091.43	53,452,096.31	70,673,835.60	3,333,784,450.89
Accumulated depreciation						
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	25,738,728.98	15,396,937.84	76,120,277.49	3,699,029.62	5,178,727.76	126,133,701.69
Disposal	—	—	(1,335.34)	(9,734.73)	(379,539.45)	(390,609.52)
31 December 2013	239,374,432.98	82,131,586.57	335,996,091.59	18,143,524.36	30,026,806.47	705,672,441.97
Net book value						
31 December 2013	691,241,980.21	743,252,427.79	1,117,661,999.84	35,308,571.95	40,647,029.13	2,628,112,008.92
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 2013, the Group has not pledged any fixed assets.

For the year ended 31 December 2013, depreciation expense of fixed assets amounted to RMB 126,133,701.69 (2012: RMB101,039,278.37) in total, of which RMB115,161,691.32 has been charged to cost of sales, RMB8,940,535.21 to general and administrative expense, RMB147,650.84 to selling expense and RMB1,883,824.32 to construction in progress (2012: RMB91,020,525.16, RMB7,264,145.95, RMB140,616.78 and RMB2,613,990.48).

The costs of fixed assets transferred-in from construction in progress amounted to RMB 1,101,867,822.50 for the year ended 31 December 2013 (2012: RMB 821,295,869.47).

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(9) Fixed assets (continued)

(a) Temporarily idle fixed assets

	Cost	Accumulated depreciation	Carrying amount
Machinery and equipment	28,872,165.36	(27,793,646.74)	1,078,518.62
Building	797,193.00	(773,277.21)	23,915.79
Electronic and office equipment	170,873.92	(93,536.96)	77,336.96
	29,840,232.28	(28,660,460.91)	1,179,771.37

As at 31 December 2013, machinery and equipment and electronic and office equipment with carrying amount of RMB 1,179,771.37 (cost of RMB 29,840,232.28) were temporarily idle for the purpose of production facility improvement (31 December 2012: 2,037,047.07 (cost of RMB 29,840,232.28)).

(10) Construction materials

	31 December 2012	Additions	Reductions	31 December 2013
Construction materials	1,640,762.29	14,716,408.58	(12,090,351.56)	4,266,819.31

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) Construction in progress

	31 December 2013			31 December 2012		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
The Company:						
<i>Fukang Refinery</i>						
Utilisation of tailings project	309,517.96	—	309,517.96	139,640,070.07	—	139,640,070.07
Nickel refining project	3,097,180.19	—	3,097,180.19	1,650,292.74	—	1,650,292.74
Office building	—	—	—	21,210,422.74	—	21,210,422.74
Sub-total of the Company	3,406,698.15	—	3,406,698.15	162,500,785.55	—	162,500,785.55
Subsidiaries:						
<i>Xinjiang Yakesi</i>						
Huangshanxi mining and ore processing project	1,012,598,390.20	—	1,012,598,390.20	839,427,503.68	—	839,427,503.68
Huangshandong #17 mine construction project	10,996,937.92	—	10,996,937.92	2,220,960.00	—	2,220,960.00
Xiangshan mine construction project	2,372,173.56	—	2,372,173.56	—	—	—
<i>Hami Jubao</i>						
Huangshandong #12 mine project	13,883,690.23	—	13,883,690.23	—	—	—
<i>Zhongxin Mining</i>						
Auxiliary project for smelting operations	—	—	—	—	—	—
<i>Wuxin Copper Mining</i>						
Ten thousand copper smelting project	2,341,425,701.70	—	2,341,425,701.70	1,433,994,324.76	—	1,433,994,324.76
DPA project	74,104,693.27	—	74,104,693.27	65,607,484.57	—	65,607,484.57
<i>Shaanxi Xinxin</i>						
Other projects	794,073.00	—	794,073.00	691,000.00	—	691,000.00
<i>Kalatongke Mine</i>						
Nickel smelting, mining and ore processing project	97,576,845.34	—	97,576,845.34	884,485,524.56	—	884,485,524.56
Resource exploration project	11,137,374.55	—	11,137,374.55	38,935,830.27	—	38,935,830.27
Other constructions in progress for production	60,768,240.70	—	60,768,240.70	57,619,835.67	—	57,619,835.67
<i>Beijing Xinding</i>						
Other project	28,451,605.10	—	28,451,605.10	4,785,154.65	—	4,785,154.65
Sub-total of subsidiaries	3,654,109,725.57	—	3,654,109,725.57	3,327,767,618.16	—	3,327,767,618.16
	3,657,516,423.72	—	3,657,516,423.72	3,490,268,403.71	—	3,490,268,403.71

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) Construction in progress (continued)

Project name:	Budget	31 December	Current year	Transfer to	Current year	31 December	% of expenditures	Cumulative	Including:	Capitalisation rate	Source of funds
		2012	addition	fixed assets	reduction	2013	incurred to	capitalised	borrowing costs		
				(Note 7(9))			budgeted amount	borrowing costs	capitalised in		
Kalatongke Mining											
Nickel smelting, mining and ore processing project	1,657,551,493.00	884,485,524.56	102,931,041.49	(889,839,720.71)	—	97,576,845.34	99.76%	37,327,073.00	26,272,269.24	6.00%	Self-funding/loans/ government grants
Resource exploration project	53,610,806.00	38,935,830.27	4,330,803.82	(32,129,259.54)	—	11,137,374.55	93.94%	—	—	—	Self-funding/ government grants
Other constructions in progress for production	75,046,239.00	57,619,835.67	3,148,405.03	—	—	60,768,240.70	80.98%	—	—	—	Self-funding
Fukang Refinery											
Utilisation of tailings project	387,631,650.00	139,640,070.07	13,871,331.30	(153,201,883.41)	—	309,517.96	91.00%	4,322,781.17	1,243,827.89	6.35%	Self-funding
Nickel refining project	163,360,000.00	1,650,292.74	1,446,887.45	—	—	3,097,180.19	9.50%	—	—	—	Self-funding
Office building	23,000,000.00	21,210,422.74	539,750.05	(21,750,172.79)	—	—	94.57%	—	—	—	Self-funding
Xinjiang Yakesi											
Huangshanxi mining and ore processing project	1,017,259,700.00	839,427,503.68	173,170,886.52	—	—	1,012,598,390.20	99.54%	126,469,207.24	56,952,521.79	6.31%	Self-funding/loans/ government grants
Huangshandong #17 mine construction project	109,000,000.00	2,220,960.00	9,361,491.20	(585,513.28)	—	10,996,937.92	99.92%	—	—	—	Self-funding
Xiangshan mine construction project	37,717,536.00	—	2,965,393.53	(593,219.97)	—	2,372,173.56	98.95%	—	—	—	Self-funding
Hami Jubao											
Huangshandong #12 mine project	70,800,000.00	—	13,926,690.23	(43,000.00)	—	13,883,690.23	97.71%	—	—	—	Self-funding
Zhongxin Mining											
Auxiliary project for smelting operations	90,000,000.00	—	3,725,052.80	(3,725,052.80)	—	—	98.42%	—	—	—	Self-funding/ government grants
Wuxin Copper Mining											
Ten thousand copper smelting project	2,360,940,100.00	1,433,994,324.76	907,431,376.94	—	—	2,341,425,701.70	99.98%	101,011,971.81	77,788,826.61	6.74%	Self-funding/loans/ government grants
DPA project	100,000,000.00	65,607,484.57	8,497,208.70	—	—	74,104,693.27	74.10%	—	—	—	Self-funding
Shaanxi Xinxin											
Other projects	10,000,000.00	691,000.00	103,073.00	—	—	794,073.00	7.94%	—	—	—	Self-funding
Beijing Xinding											
Other project	30,000,000.00	4,785,154.65	23,666,450.45	—	—	28,451,605.10	94.84%	—	—	—	Self-funding
	6,185,917,524.00	3,490,268,403.71	1,269,115,842.51	(1,101,867,822.50)	—	3,657,516,423.72		269,131,033.22	162,257,445.53		

As at 31 December 2013, there was no impairment on construction in progress provided. The Group estimates the progress of construction projects based on the proportion of expenditures incurred to budgeted amount.

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(12) Intangible assets

	31 December 2012	Additions	Reduction	31 December 2013
Cost	1,116,335,904.96	26,601,054.00	—	1,142,936,958.96
Mining rights	699,654,158.24	—	—	699,654,158.24
Exploration rights	208,153,000.00	—	—	208,153,000.00
Land use rights	207,101,115.12	26,601,054.00	—	233,702,169.12
Others	1,427,631.60	—	—	1,427,631.60
Accumulated amortisation	90,349,182.81	19,134,460.00	—	109,483,642.81
Mining rights	71,523,948.37	14,545,586.36	—	86,069,534.73
Land use rights	17,858,936.86	4,450,692.42	—	22,309,629.28
Others	966,297.58	138,181.22	—	1,104,478.80
Net book value	1,025,986,722.15	7,466,594.00	—	1,033,453,316.15
Mining rights	628,130,209.87	(14,545,586.36)	—	613,584,623.51
Exploration rights	208,153,000.00	—	—	208,153,000.00
Land use rights	189,242,178.26	22,150,361.58	—	211,392,539.84
Others	461,334.02	(138,181.22)	—	323,152.80

For the year ended 31 December 2013, the amortisation expense of intangible assets was RMB 19,134,460.00 (2012: RMB 19,095,695.33), of which RMB 17,517,606.91 (2012: RMB 17,478,848.24) is recognised in profit or loss for the current period.

The new exploration rights were acquired through the acquisition of Shaanxi Xinxin by the Group in 2011. Shaanxi Xinxin has applied to convert the exploration rights of two mines located in Shangnan, Shaanxi into mining rights. As at 31 December 2013, the application was in the process of approving.

As at 31 December 2013 and 2012, there was no impairment on intangible assets provided.

None of intangible assets was pledged for borrowings.

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

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(12) Intangible assets (continued)

Land use rights by locations and approved land use periods are analysed as follows:

	31 December 2013	31 December 2012
In Mainland China -		
10 to 50 years	230,042,061.39	203,441,007.39
Over 50 years	3,660,107.73	3,660,107.73
	233,702,169.12	207,101,115.12

(13) Goodwill

	31 December 2013	31 December 2012
The acquisition of Zhongxin Mining	17,844,894.10	17,844,894.10
The acquisition of Xinjiang Yakesi and Hami Jubao	9,987,911.01	9,987,911.01
The acquisition of Shaanxi Xinxin	254,745.09	254,745.09
	28,087,550.20	28,087,550.20

As at 31 December 2013 and 2012, according to the accounting policy of note 4(8), the Group performed goodwill impairment test (Note 4(27)(b)). Based on the results of the test, the Group did not make impairment provision on goodwill.

(14) Other non-current assets

	31 December 2013	31 December 2012
Prepayment for purchase of land (Note 1)	45,280,000.00	45,280,000.00
Prepaid utilities (Note 2)	41,339,500.00	41,339,500.00
Total	86,619,500.00	86,619,500.00

Note 1: Included in the balance was RMB 40,000,000.00 prepaid for purchase of a land use right for office building construction by Xinjiang Yakesi, and RMB 5,280,000.00 prepaid for purchase of a land use right for office building construction by Fukang Refinery.

Note 2: The balance represented the prepayment for utilities of Xinjiang Yakesi, which will be offset the utilities to be incurred after 1 January 2015.

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(15) Provision for asset impairment

	31 December 2012	Current year additions (Note 7(41))	Current year reductions (Note 7(41))	31 December 2013
Provision for bad debts	3,357,659.08	313,286.65	—	3,670,945.73
Including: Provision for bad debts of accounts receivables	2,556,853.08	1,017,246.24	—	3,574,599.32
Provision for bad debts of other receivables	800,806.00	(704,459.59)	—	96,346.41
Provision for decline in value of inventories (Note 7(6)(c))	4,582,617.71	38,529,201.41	(9,670,039.94)	33,441,779.18
	7,940,276.79	38,842,488.06	(9,670,039.94)	37,112,724.91

(16) Financial liabilities at fair value through profit or loss

	31 December 2013	31 December 2012
Futures contract	7,521,800.00	—

The Group entered into the future contracts in October, November and December 2013 with the initial hold fair value of zero. According to the fluctuating of the price of the futures contract, the Group sold out the futures contract. From October to December, earnings from the futures contract were RMB 3,121,620.00 and the transaction expenses were RMB 126,604.72. As at 31 December 2013, the Group still hold 1,216 lots (6,080 tons) of copper futures contract. According to the closing price of Shanghai Futures Exchange on the last trading day in 2013, the fair value of the futures contract was RMB -7,521,800.00 (Note 7(42)).

(17) Notes payable

	31 December 2013	31 December 2012
Bank acceptance notes	40,000,000.00	100,000.00

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

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(18) Accounts payable

	31 December 2013	31 December 2012
Payable for purchase of materials	191,935,280.79	109,928,799.99
Payable for services fee	69,529,953.78	44,663,300.85
Payable for transportation fee	9,266,570.44	6,417,936.21
Others	2,099,271.58	921,494.79
	272,831,076.59	161,931,531.84

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

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

	31 December 2013	31 December 2012
Hexin Mining	42,685,141.27	17,459,101.44
Fukang Non-ferrous Development Co., Ltd.	7,685,744.51	1,524,641.58
Xinjiang Dongsanhuan Trading Co., Ltd.	3,755,990.20	—
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	3,644,277.39	2,225,233.45
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	849,797.42	1,231,149.26
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	579,788.00	521,130.20
The Western Gold Hami Gold Mine Co., Ltd.	409,911.15	—
Beijing Baodi Xindi Kemao Co., Ltd.	319,660.50	—
Xinjiang Non-ferrous Metal Industry Group Tianchi Co., Ltd.	88,892.40	—
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	19,732.67	—
	60,038,935.51	22,961,255.93

(c) As at 31 December 2013, accounts payable over one year with carrying amount of RMB 14,287,895.30 (31 December 2012: RMB 6,925,282.89) were mainly payables for purchase of materials.

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(18) Accounts payable (continued)

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

	31 December 2013	31 December 2012
Within 3 months	203,238,725.73	136,855,237.88
3 to 6 months	36,019,689.06	8,759,344.21
Over 6 months	33,572,661.80	16,316,949.75
	272,831,076.59	161,931,531.84

(e) As at 31 December 2013, there were no accounts payable denominated in foreign currencies.

(19) Advances from customers

	31 December 2013	31 December 2012
Advances for sales of goods	77,211,138.47	11,005,077.30

(a) As at 31 December 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 RMB10,337,836.05 were recognised as revenue.

(b) As at 31 December 2013, advances from customers over one year was with carrying amount of approximately RMB 626,731.01 (31 December 2012: RMB 637,459.61).

(c) Advances from related parties

	31 December 2013	31 December 2012
Fuyun Hengsheng Beryllium Industry Co., Ltd.	62,249.47	18,544.73

(d) As at 31 December 2013, there were no advances from customers denominated in foreign currencies.

NOTES TO FINANCIAL STATEMENTS

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(20) Employee benefits payable

	31 December 2012	Current year additions	Current year reductions	31 December 2013
Salaries, bonuses, allowances and subsidies	38,156,794.47	227,043,765.55	(227,079,270.11)	38,121,289.91
Staff welfare	—	8,603,311.13	(8,603,311.13)	—
Social insurances	3,972,907.67	63,246,291.84	(63,527,867.57)	3,691,331.94
Including: Medical insurance	1,177,509.76	14,701,737.22	(14,801,405.29)	1,077,841.69
Pension insurance	1,535,399.91	38,755,271.12	(38,924,503.28)	1,366,167.75
Unemployment insurance	975,221.41	3,909,904.10	(3,931,599.35)	953,526.16
Work injury insurance	218,194.94	4,184,558.45	(4,177,307.88)	225,445.51
Maternity insurance	66,581.65	1,632,756.97	(1,630,987.79)	68,350.83
Illness insurance	—	62,063.98	(62,063.98)	—
Housing funds	2,137,016.94	21,421,306.00	(21,257,180.00)	2,301,142.94
Labor union fund and employee education fund	8,207,111.42	7,323,796.91	(6,619,518.87)	8,911,389.46
Others	2,267,448.54	647,449.73	(1,506,454.08)	1,408,444.19
	54,741,279.04	328,285,921.16	(328,593,601.76)	54,433,598.44

As at 31 December 2013, no defaulted payables were included in the employee benefits payable and the balance was estimated to be used up in 2014.

(21) Taxes payable

	31 December 2013	31 December 2012
Value added tax payable (Note 5(2))	6,730,662.99	4,052,230.53
Resource compensation fee (Note 5(4))	4,326,846.11	4,686,439.15
Income tax payables (Note 5(1))	2,675,084.14	280.02
Stamp duty	1,036,224.64	1,733,365.77
Resource tax (Note 5(3))	767,503.92	683,720.92
City maintenance and construction tax payable	558,273.71	316,544.39
Individual income tax	512,349.56	330,993.41
Educational surcharge payable	395,663.82	226,125.80
Others	42,846.88	183,507.53
	17,045,455.77	12,213,207.52

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(22) Other payables

	31 December 2013	31 December 2012
Payables for purchase of equipments	261,150,220.27	191,219,270.45
Payables for construction projects	176,248,863.98	178,624,322.96
Quality guarantee	12,176,811.30	2,981,721.85
Payable for sewage charges	5,624,699.00	2,075,000.00
Agency fee	2,038,569.54	2,288,580.89
Others	11,561,384.79	7,242,550.00
	468,800,548.88	384,431,446.15

(a) As at 31 December 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:

	31 December 2013	31 December 2012
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	127,531,348.67	119,310,475.22
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	2,226,000.00	2,226,000.00
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	282,678.40	282,678.40
China Non-ferrous Geological Engineering Company	222,876.40	271,540.40
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	150,000.00	150,000.00
Fukang Non-ferrous Development Co., Ltd.	150,000.00	150,000.00
Xinjiang Non-ferrous Metal Industry (Group) Yili Aluminium Factory	80,000.00	—
Xinjiang Dongsanhuan Trading Co., Ltd.	50,000.00	—
Fukang Non-ferrous Property Management Co., Ltd.	38,064.70	—
	130,730,968.17	122,390,694.02

(c) As at 31 December 2013, other payables over one year with carrying amount of RMB 213,390,417.58 (31 December 2012: RMB 62,625,750.00) were mainly payables for construction projects, equipment and quality guarantee.

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(23) Provisions

	31 December 2012	Current year additions (Note 7(40))	31 December 2013
Provision for close down, restoration and environmental costs	5,989,261.37	359,018.25	6,348,279.62

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.

(24) Current portion of non-current liabilities

	31 December 2013	31 December 2012
Current portion of long-term borrowings (a) (Note 7(25)(a))	331,700,000.00	30,000,000.00
Current portion of long-term payables (Note 7(26))	120,000,000.00	—
	451,700,000.00	30,000,000.00

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(24) Current portion of non-current liabilities (continued)

(a) Current portion of long-term borrowings

As at 31 December 2013, the Group has no overdue borrowings.

The six largest current portions of long-term borrowings:

	Starting date	Ending date	Currency	Interest rate	31 December 2013 (%) Amount in RMB	31 December 2012 Amount in RMB
Bank of Communication Urumqi Youhao Road Sub-branch	10/03/2011	19/12/2014	RMB	Floating rate	50,000,000.00	—
Bocom International Trust Co., Ltd.	24/12/2013	01/07/2014	RMB	Floating rate	44,500,000.00	—
Bocom International Trust Co., Ltd.	24/12/2013	01/10/2014	RMB	Floating rate	44,500,000.00	—
Bank of Communication Urumqi Youhao Road Sub-branch	10/01/2011	19/12/2014	RMB	Floating rate	20,000,000.00	—
Bank of Communication Urumqi Youhao Road Sub-branch	22/03/2011	19/12/2014	RMB	Floating rate	20,000,000.00	—
Bank of Communication Urumqi Youhao Road Sub-branch	08/04/2011	19/12/2014	RMB	Floating rate	20,000,000.00	—
Bank of Communication Urumqi Youhao Road Sub-branch	18/10/2010	19/12/2013	RMB	Floating rate	—	20,000,000.00
Bank of Communication Urumqi Youhao Road Sub-branch	01/12/2010	19/12/2013	RMB	Floating rate	—	10,000,000.00
					199,000,000.00	30,000,000.00

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(25) Borrowings

(a) Long-term borrowings

	31 December 2013	31 December 2012
Unsecured loans	2,381,400,000.00	720,000,000.00
Less: current portion of long-term borrowings (Note 7(24))	(331,700,000.00)	(30,000,000.00)
	2,049,700,000.00	690,000,000.00

As at 31 December 2013, the long-term borrowings were due for repayment since March 2015. The interest was payable on a quarterly basis. In 2013 the weighted average interest rate of long-term borrowings was 6.59% annually (2012: 6.90%).

(b) The five largest long-term borrowings

	Starting date	Ending date	Currency	Interest rate (%)	31 December 2013 Amount in RMB	31 December 2012 Amount in RMB
Bocom International Trust Co., Ltd. Industrial and Commercial	24/12/2013	23/12/2018	RMB	Floating rate	350,000,000.00	—
Bank of China Fukang Sub-branch	01/11/2013	13/09/2021	RMB	Floating rate	155,720,180.30	—
Bank of Communication Urumqi Youhao Road Sub-branch	08/07/2011	19/12/2016	RMB	Floating rate	150,000,000.00	150,000,000.00
Bank of China Fukang Sub-branch	08/10/2013	21/12/2020	RMB	Floating rate	100,500,000.00	—
Bank of China Fukang Sub-branch	26/06/2013	21/12/2020	RMB	Floating rate	100,000,000.00	—
					856,220,180.30	150,000,000.00

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

	31 December 2013	31 December 2012
1 to 2 years	439,100,000.00	135,000,000.00
2 to 5 years	1,051,100,000.00	455,000,000.00
over 5 years	559,500,000.00	100,000,000.00
	2,049,700,000.00	690,000,000.00

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(25) Borrowings (continued)

(d) Short-term borrowings

	Currency	31 December 2013	31 December 2012
Unsecured loans	RMB	1,194,450,835.66	811,500,000.00
Pledged loans (Note1)	RMB	200,000,000.00	—
Import bill advance (Note2)	USD	195,815,146.70	—
Other borrowings (Note3)	RMB	193,500,000.00	33,500,000.00
		1,783,765,982.36	845,000,000.00

In 2013, the weighted average interest rate of short-term borrowings was 6.26% annually (2012: 6.34%).

Note 1: Wuxin Copper Mining signed two mortgage loan contracts with a bank in 2013 with copper concentrate of RMB303,900,000.00 mortgaged. The mortgage loan limit was RMB 212,700,000.00 and the total loan balance on 31 December 2013 was RMB200,000,000.00 (31 December 2012: Nil).

Note 2: Wuxin Copper Mining signed four import bill advance contracts with two banks in 2013. As at 31 December 2013, the import bill advance balance was USD 32,117,165.56, which was RMB195,815,146.70 (31 December 2012: Nil).

Note 3: (a) Wuxin Copper Mining signed an investment agreement with a bank and a financial assets manager in 2013, entrusting the bank to provide a loan of RMB100,000,000.00 to Wuxin Copper Mining. As at 31 December 2013, the loan balance was RMB100,000,000.00 (31 December 2012: Nil) and the annual interest rate was 6.00%.

(b) Kalatongke Mining signed a contract with a bank in 2013. Kalatongke Mining transferred the benefits of its construction in progress with carrying amount of RMB151,902,011.45 to the bank and obtained a loan with the limit of RMB53,000,000.00. As at 31 December 2013, the loan balance was 50,000,000.00 (31 December 2012: Nil). The annual interest rate was 6.00%.

(c) Xinjiang Yakesi entered into two account receivable factoring agreements with a bank with the factoring financing limit of RMB43,500,000.00 in 2013. The ending balance of loan was RMB43,500,000.00 as at 31 December 2013 (31 December 2012: RMB33,500,000.00) and the annual interest rate was 5.63%.

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(26) Long-term payables

	31 December 2013	31 December 2012
Payables to related parties (Note 1)	50,000,000.00	—
Entrusted loans (Note 2)	120,000,000.00	455,000,000.00
Less: current portion of long-term payables	(120,000,000.00)	—
Less: discounted payables to related parties (Note 7(40))	(6,930,482.34)	—
Entrusted loans	43,069,517.66	455,000,000.00

Note 1: In 2013, Xinjiang Non-ferrous Group provided Beijing Xinding with interest-free loan of RMB50,000,000.00 (31 December 2012: Nil).

Note 2: As at 31 December 2013, the entrusted loan was provided by Xinjiang Non-ferrous Group to Wuxin Copper Mining through a bank. The loan was guaranteed by the Company (66% of equity interests) and another shareholder of Wuxin Copper Mining (34% of equity interests). The entrusted loan was a two-year loan with annual interest rate of 6.77%. As at 31 December 2013, the loan balance was 120,000,000.00 (31 December 2012: RMB455,000,000.00).

(27) Other non-current liabilities

	31 December 2013	31 December 2012
Deferred income (a)	51,908,349.38	51,855,931.20

(a) Deferred income

	31 December 2013	31 December 2012
— Enterprise development fund (Note 1)	22,603,000.00	22,603,000.00
— Land use right (Note 2)	9,125,335.72	9,335,113.60
— Project on exploration of No.2 mine in Kalatongke Mine (Note 3)	7,880,000.00	7,880,000.00
— Project on energy saving (Note 4)	6,130,667.00	5,925,000.00
— Project on use of well water (Note 4)	2,700,000.00	2,700,000.00
— General improvement project (Note 4)	1,600,000.00	1,600,000.00
— Project on technology improvement (Note 5)	1,300,000.00	1,300,000.00
— Online monitoring of pollution sources (Note 6)	400,000.00	400,000.00
— Project on recovery of No. 1 mine residual ore (Note 7)	90,235.66	112,817.60
— Project on concentration of reducing sodium (Note 8)	79,111.00	—
	51,908,349.38	51,855,931.20

	31 December 2013	31 December 2012
Government grants related to assets	51,908,349.38	51,855,931.20

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(27) 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 RMB 12,603,000.00 by Finance Bureau of Fukang. According to relevant document, Xinlin Chemical was entitled enterprise development fund allocation of RMB 10,000,000.00 by Finance Bureau of Fukang in 2012. These projects are currently under construction.

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

Note 3: The project funds were allocated by Land and Resources Bureau of Xinjiang Uygur Autonomous Region with RMB 7,180,000.00 and by Development Committee of Xinjiang Uygur Autonomous Region with RMB 700,000.00 respectively, for a total of RMB 7,880,000.00. The project is under construction currently.

Note 4: The funds of the projects were allocated by Finance Department of Xinjiang Uygur Autonomous Region Urumchi City and Changji Hui Autonomous. Among these projects, 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. Changji Hui Autonomous Prefecture of Xinjiang Uygur Autonomous Region appropriated RMB 840,000.00 to technical transformation project of 75 tons boiler of Fukang Refinery in 2013, which has been put into use in October 2013, the relevant government funds were amortized based on the 15-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 under construction 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 under construction 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.

Note 8: The fund was a special fund allocated by Changji Hui Autonomous Prefecture of Xinjiang Uygur Autonomous Region for project on concentration of reducing sodium of Fukang Refinery. The project has been put into use in October 2013, the relevant government funds were amortized based on the 15-year useful life of the assets.

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(28) Deferred tax assets and deferred tax liabilities

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

	31 December 2013		31 December 2012	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Deductible tax losses	16,360,437.78	68,078,702.58	11,794,153.90	47,176,615.60
Unrealized profit	17,727,506.61	125,739,381.65	7,389,885.69	46,099,425.60
Government grants	3,027,002.04	20,180,013.66	4,819,454.40	19,917,817.60
Impairment provision	5,655,753.05	37,112,724.90	1,749,736.53	7,940,276.79
Others	394,184.75	1,576,739.02	226,655.24	906,620.96
	43,164,884.23	252,687,561.81	25,979,885.76	122,040,756.55
Deferred tax assets:				
— Deferred tax asset to be recovered within 12 months	23,758,662.61		11,772,424.15	
— Deferred tax asset to be recovered after more than 12 months	19,406,221.62		14,207,461.61	
	43,164,884.23		25,979,885.76	

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

	31 December 2013		31 December 2012	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Business combination involving entities not under common control (Note)	138,247,813.92	596,197,963.11	138,607,490.13	600,169,183.41
Discount of long-term payables	1,732,620.59	6,930,482.36	—	—
	139,980,434.51	603,128,445.47	138,607,490.13	600,169,183.41
Deferred tax liabilities:				
— Deferred tax liability to be recovered within 12 months	2,428,861.40		359,676.21	
— Deferred tax liability to be recovered after more than 12 months	137,551,573.11		138,247,813.92	
	139,980,434.51		138,607,490.13	

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.

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FOR THE YEAR ENDED 31 DECEMBER 2013
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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(28) Deferred tax assets and deferred tax liabilities (CONTINUED)

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

	31 December 2013	31 December 2012
Deductible temporary differences	49,580,885.45	27,895,854.02

- (d) Deductible temporary differences that are not recognised as deferred tax assets will fall due in the following years:

	31 December 2013	31 December 2012
2015	1,123,093.18	1,123,093.18
2016	3,057,965.76	3,057,965.76
2017	23,714,795.08	23,714,795.08
2018	21,685,031.43	—
	49,580,885.45	27,895,854.02

(29) Share capital

	31 December 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 share holders	759,000,000	34.34%	759,000,000	34.34%
	2,210,000,000	100.00%	2,210,000,000	100.00%

The par value of each share is RMB0.25, and the total share capital is RMB 552,500,000.00 (Note 1).

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(30) Capital surplus

	Contribution from Parent Company related to mining right (Note 1)	Share premium (Note 2)	Total
As at 1 January 2013 and 31 December 2013	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.

(31) Specific reserve

	31 December 2012	Current year additions	Current year reductions	31 December 2013
Safety fund (Note)	—	13,883,344.03	(12,144,199.30)	1,739,144.73

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

Note: Pursuant to certain regulations issued by the State Administration of Work Safety, Kalatongke Mining, Xinjiang Yakesi and Hami Jubao are required to set aside an amount to a safety fund at RMB 10 (2012: RMB10) per ton of raw ore mined by Kalatongke Mining, Xinjiang Yakesi and Hami Jubao; and at 4% of consumed amount of vitriol for FuKang Refinery. The accrual of safety fund is charged to production cost and credited to specific reserve. The safety expenditures that are expenses in nature are directly debited to specific reserve. Specific reserve expenditures of RMB 12,144,199.30 were used for safety related projects for the year ended 31 December 2013 (2012: RMB 13,953,142.77).

(32) Surplus reserve

	31 December 2012	Current year additions	Current year reductions	31 December 2013
Statutory reserve	225,379,515.90	—	—	225,379,515.90

Pursuant to the PRC Company Law and the Company's Articles of Association, every year the Company are required to appropriate 10% of the profit after taxation to the statutory reserve until the balance reaches 50% of the share capital. Subject to the approval, such reserve can be used to offset against net losses or to increase share capital. The Company didn't appropriate the statutory reserve (2012: 10% of the net profit for year, amounting to RMB 8,186,715.58) due to losses in 2013.

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(33) Undistributed profits

	2013		2012	
	Amount	Ratio for appropriation or distribution	Amount	Ratio for appropriation or distribution
Undistributed profits at the beginning of the year	261,710,170.19		314,373,550.50	
Add: Net profit attributable to the equity holders of the Company for the year	(58,514,150.16)	—	21,823,335.27	—
Less: Appropriation for statutory reserve	—	—	(8,186,715.58)	10%
Ordinary share dividend	—	—	(66,300,000.00)	—
Undistributed profits at the end of the year	203,196,020.03		261,710,170.19	

As at 31 December 2013, included in the undistributed profits, RMB 48,900,772.21 was subsidiaries' surplus reserve attributable to the Company (31 December 2012: RMB 39,272,353.19), of which RMB 9,628,419.02 was appropriated for the year ended 31 December 2013 (2012: RMB 4,902,749.64).

	2013	2012
Dividends proposed but not paid as at year end	—	—
Total dividends paid in the year	—	66,300,000.00

(34) Minority interests

Minority interests attributable to the minority shareholders of subsidiaries

	31 December 2013	31 December 2012
Wuxin Copper Mining	271,891,406.85	264,913,162.38
Shaanxi Xinxin	74,932,646.06	75,788,246.73
Mengxi Mining	1,902,578.92	1,844,976.08
Zhongxin Mining	1,308,666.16	2,266,455.62
	350,035,297.99	344,812,840.81

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(35) Revenue and cost of sales

	2013	2012
Revenue from main operation	770,950,117.86	1,492,602,582.78
Revenue from other operation	73,963,737.26	36,609,399.83
	844,913,855.12	1,529,211,982.61
	2013	2012
Cost of sales from main operation	668,509,416.55	1,290,318,398.93
Cost of sales from other operation	27,083,252.30	23,473,392.62
	695,592,668.85	1,313,791,791.55

(a) Revenue and cost of sales from main operation

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

	2013		2012	
	Revenue from main operation	Cost of sales from main operation	Revenue from main operation	Cost of main operation
Nickel cathode	394,992,957.15	389,743,472.92	1,096,752,118.61	986,781,418.82
Copper cathode	358,100,816.13	262,741,249.25	355,817,148.55	273,679,070.76
Copper concentrate	13,469,574.25	3,875,405.65	16,113,714.05	6,104,195.20
Others	4,386,770.33	12,149,288.73	23,919,601.57	23,753,714.15
	770,950,117.86	668,509,416.55	1,492,602,582.78	1,290,318,398.93

(b) Revenue and cost of sales from other operation

	2013		2012	
	Revenue from main operation	Cost of sales from main operation	Revenue from main operation	Cost of main operation
Sales of electricity	17,205,896.69	17,696,025.40	14,425,671.15	14,699,432.24
Scrap sales	41,494,186.17	640,973.47	8,454,386.02	693,264.32
Sales of materials	5,878,254.79	5,138,374.39	8,272,045.25	5,267,619.53
Supply of heating	3,116,364.76	793,314.25	1,229,717.80	729,293.34
Others	6,269,034.85	2,814,564.79	4,227,579.61	2,083,783.19
	73,963,737.26	27,083,252.30	36,609,399.83	23,473,392.62

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FOR THE YEAR ENDED 31 DECEMBER 2013
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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(35) Revenue and cost of sales (CONTINUED)

(c) Revenue from top five customers of the Group

Revenue from top five customers of the revenue of the Group amounted to RMB 365,655,554.94, which accounted for 43.28 % (2012: RMB 932,511,460.34, accounted for 60.99%) of the total revenue of the Group. Details are as follows:

	Revenue of sales	Percentage of the total revenue of the Group
Shaanxi Shenghua Non-ferrous Metal Co., Ltd.	119,055,632.49	14.09%
Gansu Jisco Group Hongxing Steel Co., Ltd.	81,861,988.38	9.69%
Ningbo Kelun Metal Co., Ltd.	61,257,032.12	7.25%
Xinjiang Boyuan Cable (Copper) Co., Ltd	59,235,435.61	7.01%
Tianjin Steel Raw Materials Trading Center	44,245,466.34	5.24%
	365,655,554.94	43.28%

(36) Expenses by nature

	2013	2012
Raw materials and consumables used	630,731,254.05	704,384,066.01
Employee benefit expense	280,800,521.22	286,917,989.26
External services fee	153,548,358.65	153,886,941.54
Energy Charge	137,185,247.22	139,405,520.44
Depreciation	124,249,877.37	98,425,287.89
Inventory write-down	38,529,201.41	5,222,270.99
Other overhead	23,497,406.02	30,901,769.18
Taxation	22,919,520.51	27,907,642.82
Amortisation	17,517,606.91	17,478,848.24
Mineral resources compensation fees	14,919,607.28	15,547,415.12
Safety fund (Note 7(31))	13,883,344.03	13,953,142.77
Administrative fees	12,929,338.32	19,785,615.13
Sewage charges	12,184,006.00	6,214,952.00
Service charge	3,200,900.00	3,230,900.50
Auditor's Remuneration	2,210,000.00	2,180,000.00
Provision for bad debt	313,286.65	(363,263.65)
Write-off of exploration project	—	26,535,866.01
Changes in inventories of finished goods and work in progress	(641,347,438.74)	(80,051,107.17)
Others	18,968,873.47	20,754,703.21
	866,240,910.37	1,492,318,560.29

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FOR THE YEAR ENDED 31 DECEMBER 2013
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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(37) Tax and surcharges

	2013	2012
City maintenance and construction tax	3,331,135.35	6,139,472.05
Education surcharge	2,583,316.69	5,250,184.40
Others	426,151.99	299,736.68
	6,340,604.03	11,689,393.13

(38) Selling expenses

	2013	2012
Transportation fee	6,375,095.92	12,121,796.15
Employee benefits	1,362,533.96	1,129,320.40
Administration and travel expense	185,079.04	360,580.33
Depreciation	129,422.84	140,616.78
Others	1,789,054.35	1,912,411.94
	9,841,186.11	15,664,725.60

(39) General and administrative expenses

	2013	2012
Employee benefits	66,610,986.89	72,690,512.29
Mineral resources compensation fees	14,919,607.28	15,547,415.12
Administration expense	12,744,259.28	19,425,034.80
Sewage charges	12,184,006.00	6,214,952.00
Depreciation and amortization	11,846,838.00	10,100,326.45
Taxation	8,121,111.49	7,021,315.52
Intermediary agency fee	3,966,694.88	3,875,329.78
Service charge	3,200,900.00	3,230,900.50
Operating leases expenses	2,824,823.72	1,810,051.42
Auditor's Remuneration	2,210,000.00	2,180,000.00
Write-off of exploration project	—	26,535,866.01
Others	4,077,988.08	1,155,331.40
	142,707,215.62	169,787,035.29

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(40) Financial (income)/expenses net

	2013	2012
Interest expense	172,709,667.88	114,004,695.04
Bank borrowings	149,223,376.90	96,553,790.90
Other borrowings	23,486,290.98	17,450,904.14
Less: Capitalised interest	(162,257,445.53)	(104,937,814.63)
Less: Interest income on bank deposits	(6,117,012.60)	(7,033,482.67)
Discount interest income/expenses — net (Note 7(23)/(26))	(6,571,464.09)	(128,416.93)
Bank charges	638,099.56	261,248.38
Foreign exchange (gains)/losses	(3,165.82)	132,337.02
Notes discounted	—	1,158,371.67
Loan interest income from an associate	—	(442,331.94)
	(1,601,320.60)	3,014,605.94

Interest expenses are analysed by the repayment terms of bank and other borrowings as follows:

	31 December 2013		31 December 2012	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within five years	121,495,538.06	23,486,290.98	90,660,755.28	17,450,904.14
Not wholly repayable within five years	27,727,838.41	—	5,893,035.62	—
	149,223,376.47	23,486,290.98	96,553,790.90	17,450,904.14

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

	2013	2012
Provision for decline in value of inventories	38,529,201.41	5,222,270.99
Provision/(reversal) for bad debts — net	313,286.65	(363,263.65)
	38,842,488.06	4,859,007.34

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(42) Loss on changes in fair value

	2013	2012
Loss on changes in fair value of futures contract (Note 7(16))	7,521,800.00	—

(43) Investment loss (Note 7(8))

	2013	2012
Income from a joint-venture under equity method	750,352.23	592,574.56
Offset of unrealized internal trade	(16,965,566.43)	—
Income earned during the holding period of financial assets at fair value through profit or loss (Note 7(16))	2,995,015.28	—
Income from disposal of an associate	12,916.03	—
Loss from an associate under equity method	—	(765,563.56)
	(13,207,282.89)	(172,989.00)

There is no restriction on recovery of investment income.

Investment incomes are all from non-listed investments in 2013. (2012: Investment incomes from non-listed investments RMB 172,989.00).

(a) Loss from long-term equity investments under equity method

	2013	2012	Reason for current year fluctuation
Hexin Mining	(16,215,214.20)	592,574.56	Increase in inventories of internal sales
Puxiong Mining	—	(765,563.56)	Disposal of long-term equity investments
	(16,215,214.20)	(172,989.00)	

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(44) Non-operating income

	2013	2012	Amount recognised in non-recurring profit or loss in 2013
Government grants (a)	1,142,542.49	2,841,897.88	1,142,542.49
Gains on disposal of fixed assets	41,053.42	2,034.65	41,053.42
Others	1,281,978.53	881,389.15	1,281,978.53
	2,465,574.44	3,725,321.68	2,465,574.44

(a) Details of government grants

	2013	2012	Explanation
Energy saving subsidies	635,222.00	625,000.00	Related to assets
Funds for the development of new type industry	60,000.00	1,970,000.00	Related to income
Mine equipment project	22,581.96	22,581.96	Related to assets
Safety reward	5,000.00	5,000.00	Related to income
Others	419,738.53	219,315.92	Related to income
Total	1,142,542.49	2,841,897.88	

(45) Non-operating expenses

	2013	2012	Amount recognised in non-recurring profit or loss in 2013
Donations	230,650.00	210,503.00	230,650.00
Penalties and fines	85,000.00	453,023.52	85,000.00
Losses on disposal of fixed assets	4,448.17	17,114.44	4,448.17
Others	138,402.52	463,734.83	138,402.52
	458,500.69	1,144,375.79	458,500.69

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(46) Income tax expenses

	2013	2012
Current income tax	17,172,750.98	21,797,062.21
Deferred income tax	(15,812,054.09)	(19,192,170.28)
	1,360,696.89	2,604,891.93

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

	2013	2012
Consolidated total (loss)/profit	(65,530,996.09)	12,813,380.65
Income tax expenses calculated at applicable tax rate of 25%	(16,382,749.02)	3,203,345.16
Effect of tax reductions	2,312,260.60	(13,733,445.14)
Effect of change in the tax rates	2,011,978.71	779,536.72
Income not subject to tax identification	(199,382.30)	—
Expenses not deductible for tax purposes	2,812,062.14	5,507,710.40
Deductible temporary differences for which no deferred tax assets were recognised	5,421,257.86	5,928,698.77
Differences recognised by tax law for previous year's losses	(934,291.50)	919,046.02
Reversal of deductible losses because of insufficient taxable income which were recognised as deferred tax assets in previous years	6,319,560.40	—
	1,360,696.89	2,604,891.93

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(47) Earnings per share

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

	2013	2012
Consolidated net (loss)/profit attributable to equity holders of the Company	(58,514,105.16)	21,823,335.27
Weighted average number of ordinary shares in issue of the Company	2,210,000,000.00	2,210,000,000.00
Basic/diluted (loss)/earnings per share	(0.026)	0.010

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

(48) Notes to consolidated cash flow statements

(a) Cash received relating to other operating activities

	2013	2012
The receipt of discount charge	7,417,405.73	—
Interest income	5,959,271.91	7,599,250.38
Government grants received	1,194,960.67	14,692,640.16
The receipt of restricted cash at banks	—	30,221,211.35
Others	1,016,156.43	729,701.63
	15,587,794.74	53,242,803.52

(b) Cash paid relating to other operating activities

	2013	2012
Restricted cash at banks	60,326,763.21	—
Administrative expenses	12,407,867.61	19,985,615.13
Sewage charge	12,184,006.00	6,214,952.00
Transportation expenses	8,307,380.29	12,121,796.15
Agency fee	6,146,694.88	6,055,329.78
Comprehensive supporting service fee	3,200,900.00	3,230,900.50
Public welfare donations	230,650.00	210,503.00
Others	785,219.47	582,691.51
	103,589,481.46	48,401,788.07

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

	2013	2012
Net (loss)/profit	(66,891,692.98)	10,208,488.72
Adjustment:		
Provisions for asset impairment	38,842,488.06	4,859,007.34
Loss on the changes in fair value of financial liabilities at fair value through profit or loss	7,521,800.00	
Depreciation of fixed assets	124,249,877.37	98,425,287.89
Amortisation of intangible assets	17,517,606.91	17,478,848.24
(Gain)/loss on disposal of fixed assets	(36,605.25)	15,079.79
Increase in deferred tax assets	(17,184,998.47)	(6,936,614.57)
Increase/(Decrease) in deferred tax liabilities	1,372,944.38	(12,255,555.71)
Financial expenses	3,880,758.26	10,096,835.15
Amortisation of long-term prepaid expenses	—	193,870.55
Investment loss	13,207,282.89	172,989.00
Safety fund provided not used	(1,174,798,926.80)	(121,798,810.22)
Increase in inventories	1,739,144.73	—
Decrease/(increase) in operating receivables	169,785,568.46	(171,488,152.35)
Decrease in operating payables	(56,288,605.18)	(14,505,624.76)
(Increase)/decrease in restricted cash at banks	(60,326,763.21)	30,221,211.35
Expensed exploration project expenditure	—	22,628,612.78
Net cash flows from operating activities	(997,410,120.83)	(132,684,526.80)

(d) Movement of cash and cash equivalents

	2013	2012
Cash and cash equivalents at the end of the year (Note (e))	577,907,940.25	470,196,746.21
Less: cash and cash equivalents at the beginning of the year	(470,196,746.21)	(568,501,002.36)
Net increase/(decrease) in cash and cash equivalents	107,711,194.04	(98,304,256.15)

NOTES TO FINANCIAL STATEMENTS

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(e) Cash and cash equivalents

	2013	2012
Cash	577,907,940.25	470,196,746.21
Including: Cash on hand	82,891.23	180,693.71
Cash at bank that can be readily drawn on demand	577,825,049.02	470,016,052.50
Cash and cash equivalents	577,907,940.25	470,196,746.21

8 SEGMENT INFORMATION

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

For each of the years ended 31 December 2013 and 2012, the Group's sales were conducted in China and the Group's assets and liabilities were in China.

For the year ended 31 December 2013, revenue of top three customers of the Group accounted for 14%, 10% and 7% of the total revenue of the Group respectively (2012: 20%, 12% and 11%).

9 CONTINGENCIES

(1) Environmental contingencies

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

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

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9 CONTINGENCIES (CONTINUED)

(2) Insurance

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

(3) Guarantee provided

Please refer to Note 10(7).

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Information of the parent company

(a) Information of the parent company

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

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

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

Name of company	31 December 2012	Current year additions	Current year reductions	31 December 2013
Xinjiang Non-ferrous Group	1,441,525,444.00	—	—	1,441,525,444.00

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

Name	31 December 2013 % interests held and % voting rights	31 December 2012 % interests held and % voting rights
Xinjiang Non-ferrous Group	40.06%	40.06%

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10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Information of subsidiaries

Please refer to Note 6.

(3) Information of joint-venture and associate

Please refer to Note 7(8).

(4) Other related party information

Name of related parties	Relationship with the Group	Code of organisation
Xinjiang Ashele Copper Industry Co., Ltd.	Associate of holding company	71296908-X
Xinjiang Haoxin Lithia Developing Co., Ltd.	Fellow subsidiary	792293875
Xinjiang A'xi Gold Mine	Fellow subsidiary	230581082
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	Fellow subsidiary	742210752
Xinjiang Non-ferrous Metal Dibian Trade Co., Ltd	Fellow subsidiary	228582932
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd,	Fellow subsidiary	228580216
Xinjiang Non-ferrous Metallurgy Manufacture Factory	Fellow subsidiary	228663820
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	Fellow subsidiary	742236645
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	Fellow subsidiary	745200250
Fukang Non-ferrous Development Co., Ltd.	Fellow subsidiary	745211507
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	Fellow subsidiary	710872225
Xinjiang Jinhui Real Estate Development Co., Ltd.	Fellow subsidiary	712967877
Urumqi Mingyuan Property Management Co., Ltd.	Fellow subsidiary	718924448
Xinjiang Sangong Power Co., Ltd.	Fellow subsidiary	722315151
Fuyun Hengsheng Beryllium Industry Co., Ltd.	Fellow subsidiary	751693397
Beijing Baodi Xindi Kemao Co., Ltd.	Fellow subsidiary	10210338-5
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	Fellow subsidiary	666695937
Xinjiang Non-ferrous Metal Industry (Group) Fukang Retirement Center	Fellow subsidiary	XJ00YS044
West Gold Co., Ltd.	Fellow subsidiary	73835557X
Xinjiang Non-ferrous Geological Engineering Co., Ltd.	Fellow subsidiary	22877641-1
Hexin Mining	Joint-venture	792293429
Puxiong Mining (Note 7(8)(b))	Associate	741914686
Xinjiang Dongsanhuan Trading Co., Ltd.	Fellow subsidiary	78988517-5
Xinjiang Non-ferrous Metal Industry Group Yili Aluminium Factory	Fellow subsidiary	23058103-1
The Western Gold Hami Gold Mine Co., Ltd.	Fellow subsidiary	56054066-2
Xinjiang Non-ferrous Metal Industry Group Tianchi Mining Co., Ltd.	Fellow subsidiary	74521151-5
Xinjiang Zhanxin Fire Isulation Materials Co., Ltd.	Fellow subsidiary	59593415-1
Fukang Non-ferrous Property Management Co., Ltd.	Fellow subsidiary	71553653-8

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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

	2013	2012
Purchase of equipment parts		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	763,535.89	5,899,919.84
China Non-ferrous Metal Import and Export Company of Xinjiang Co., Ltd.	—	40,969,764.66
Purchase of nickel concentrate		
Hexin Mining	104,684,269.97	96,678,026.10
Purchase of copper concentrate		
Hexin Mining	31,062,435.94	—
China Non-ferrous Metal Import and Export Company of Xinjiang Co., Ltd.	3,523,135.08	—
Purchase of raw materials, consumables and equipment		
Xinjiang Dongsanhuan Trading Co., Ltd. (Note)	25,168,878.09	—
Fukang Non-ferrous Development Co., Ltd.	12,638,134.16	6,280,923.69
Xinjiang Non-ferrous Metal Industry Group Tianchi Mining Co., Ltd.	960,342.07	—
The Western Gold Hami Gold Mine Co., Ltd.	350,351.41	—
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	188,867.09	20,722.73
Xinjiang Non-ferrous Metal Industry Group Yili Aluminium Factory	130,000.00	—
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	44,572.37	4,760.68
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	—	48,717.95
	179,514,522.07	149,902,835.65

Purchase of raw materials from related parties for the year ended 31 December 2013 represented 4.18% of total purchase of raw materials (2012: 11.28%).

Note: Xinjiang Dongsanhuan Trading Co., Ltd. is a new related party.

NOTES TO FINANCIAL STATEMENTS

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10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(c) Provision of services by related parties

	2013	2012
Construction services		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	93,867,500.12	303,828,750.81
China Non-ferrous Geological Engineering Company	136,336.00	271,540.40
Xinjiang Dongsanhuan Trading Co., Ltd.	50,000.00	—
Provision of heat		
Fukang Non-ferrous Development Co., Ltd.	16,229.68	26,782.41
Transportation services		
Fukang Non-ferrous Development Co., Ltd.	14,572,379.21	6,244,289.68
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	5,517,072.52	7,406,366.59
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	175,283.88	120,014.57
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	—	522,880.00
Comprehensive supporting services		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	3,200,900.00	3,400,900.50
Storage fee		
Beijing Baodi Xindi Kemao Co., Ltd.	673,369.16	1,065,441.25
Fukang Non-ferrous Development Co., Ltd.	18,000.00	—
Other services		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	3,448,507.41	1,188,143.28
Fukang Non-ferrous Property Management Co., Ltd.	253,310.54	—
Fukang Non-ferrous Development Co., Ltd.	20,000.00	—
	121,948,888.52	324,075,109.49

Payment for construction services to related party for 2013 represents 7.41% of total payment of construction services. (2012: 18.25%).

Payment for transportation services to related party 2013 represents 67.09% of total payment of transportation services. (2012: 28.15%).

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10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(d) Sale of products to related parties

	2013	2012
Fuyun Hengsheng Beryllium Industry Co., Ltd.	17,583,203.19	21,871,258.85
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	439,309.53	3,246,841.83
Xinjiang Zhanxin Fire Isulation Materials Co., Ltd.	247,073.92	—
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	—	20,808.12
	18,269,586.64	25,138,908.80

Sales of products to related parties for the year ended 31 December 2013 represented 2.16% of total sales (2012: 1.64%).

(e) Lease fee receivable from a related party

	2013	2012
Xinjiang Zhanxin Fire Isulation Materials Co., Ltd.	28,680.00	—

(f) Lease fee payable to a related party

	2013	2012
Xinjiang Non-ferrous Group	1,635,930.00	1,635,930.00

The Group and Xinjiang Non-ferrous Group entered into an agreement that the Group leases the office from Xinjiang Non-ferrous Group during 1 January 2013 to 31 December 2015. Rental fee payable to Xinjiang Non-ferrous Group accounted for 57.91% of total lease fee (2012: 90.38%).

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10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(g) Remuneration of key management

	2013	2012
Remuneration of key management	4,533,681.49	5,260,394.20

Directors' emoluments for the year ended 31 December 2013 are as follows:

Name	Fee	Salary and allowance	Pension	Total
Yuan Ze	—	533,600.00	—	533,600.00
Shi Wenfeng	—	539,310.00	23,865.60	563,175.60
Zhang Guohua	—	539,310.00	23,865.60	563,175.60
Liu Jun (Resigned on 23 January 2014)	—	432,510.00	23,865.60	456,375.60
Li Wing Sum, Steven	104,520.00	—	—	104,520.00
Chen Jianguo	70,000.00	—	—	70,000.00
Wang Lijin	70,000.00	—	—	70,000.00
Total	244,520.00	2,044,730.00	71,596.80	2,360,846.80

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

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

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10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(g) Remuneration of key management (continued)

Supervisors' emoluments for the year ended 31 December 2013 are as follows:

Name	Fee	Salary and allowance	Pension	Total
Jiang Mingshun (Resigned on 20 June 2013)	—	162,071.67	9,291.60	171,363.27
Sun Baohui	—	260,407.09	24,145.20	284,552.29
Wang Haibang (Appointed on 26 June 2013)	—	227,738.33	14,574.00	242,312.33
Hu Zhijiang	40,000.00	—	—	40,000.00
Chen Yuping	40,000.00	—	—	40,000.00
Total	80,000.00	650,217.09	48,010.80	778,227.89

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

Name	Fee	Salary and allowance	Pension	Total
Jiang Mingshun (Resigned on 20 June 2013)	—	390,800.00	20,660.40	411,460.40
Sun Baohui	—	420,536.00	20,660.40	441,196.40
Hu Zhijiang	40,000.00	—	—	40,000.00
Chen Yuping	40,000.00	—	—	40,000.00
Total	80,000.00	811,336.00	41,320.80	932,656.80

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FOR THE YEAR ENDED 31 DECEMBER 2013
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10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(g) Remuneration of key management (continued)

The five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2012: three) directors whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining three (2012: two) individuals during the year are as follows:

	2013	2012
Basic salaries, bonus, housing allowance, other allowances in kind	1,297,530.00	1,026,800.00
Pension	71,596.80	34,410.40
	1,369,126.80	1,061,210.40

	Number of individuals	
	2013	2012
Emolument bands: HK\$0 – 1,000,000 (approximately RMB0 – 810,700)	3	2

(h) Loans to a related party

	2013	2012
Hexin Mining	105,000,000.00	—

The Group provided Hexin Mining, which was the joint venture company, with interest-free loan totaling RMB 105,000,000.00 in June, October and December respectively. As at 31 December 2013, all the principal amount of the loans had been repaid.

(i) Loans from a related party (Note 7(26))

	2013	2012
Xinjiang Non-ferrous Group	50,000,000.00	—

(j) Receipt of repayment of interest from an associate

	2013	2012
Puxiong Mining (Note 7(8)(b))	—	442,331.94

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10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(k) Dividend paid

	2013	2012
Xinjiang Non-ferrous Group	—	26,556,120.00

(l) Receipt of entrusted loans (Note 7(26))

	2013	2012
Xinjiang Non-ferrous Group	—	455,000,000.00

(m) Use of registered trademark

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

(6) Balances due from or due to related parties

(a) Accounts receivable (Note 7(3)(e))

	2013	2012
Fuyun Hengsheng Beryllium Industry Co., Ltd.	1,187,810.20	1,155,416.10
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Constuction Co., Ltd.	1,144,249.59	703,000.00
Xinjiang Haoxin Lithia Developing Co., Ltd.	301,201.70	324,351.70
	2,633,261.49	2,182,767.80

As at 31 December 2013, the receivables from related parties accounted for 9.95% of total receivables (2012: 4.53%). Bad debt provision for the receivables due from related parties amounted to RMB 1,149,143.24 (31 December 2012: RMB 324,351.70).

(b) Other receivables (Note 7(4)(b))

	31 December 2013	31 December 2012
Hexin Mining	2,710,075.90	2,714,105.90
Puxiong Mining (Note 7(8)(b))	—	7,047,810.01
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	—	86,540.40
	2,710,075.90	9,848,456.31

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10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

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

(c) Advances to suppliers (Note 7(5)(e))

	31 December 2013	31 December 2012
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	656,200.00	656,200.00
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	138,773.85	602,000.65
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	38,845.00	5,000,000.00
	833,818.85	6,258,200.65

As at 31 December 2013, the advances to related parties accounted for 0.30% of total advances (2012: 6.14%).

(d) Accounts payable (Note 7(18)(b))

	31 December 2013	31 December 2012
Hexin Mining	42,685,141.27	17,459,101.44
Fukang Non-ferrous Development Co., Ltd.	7,685,744.51	1,524,641.58
Xinjiang Dongsanhuan Trading Co., Ltd.	3,755,990.20	—
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	3,644,277.39	2,225,233.45
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	849,797.42	1,231,149.26
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	579,788.00	521,130.20
The Western Gold Hami Gold Mine Co., Ltd.	409,911.15	—
Beijing Baodi Xindi Kemao Co., Ltd.	319,660.50	—
Xinjiang Non-ferrous Metal Industry Group Tianchi Mining Co., Ltd.	88,892.40	—
Xinjiang Non-ferrous Metal Industrial Materials (Group)Co., Ltd.	19,732.67	—
	60,038,935.51	22,961,255.93

As at 31 December 2013, the payables to related parties accounted for 22% of total payables (31 December 2012: 14%).

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10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

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

(e) Other payables (Note 7(22)(b))

	31 December 2013	31 December 2012
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	127,531,348.67	119,310,475.22
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	2,226,000.00	2,226,000.00
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	282,678.40	282,678.40
Xinjiang Non-ferrous Geological Engineering Co., Ltd.	222,876.40	271,540.40
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	150,000.00	150,000.00
Fukang Non-ferrous Development Co., Ltd.	150,000.00	150,000.00
Xinjiang Non-ferrous Metal Industry Group Yili Aluminium Factory	80,000.00	—
Xinjiang Dongsanhuan Trading Co., Ltd	50,000.00	—
Fukang Non-ferrous Property Management Co., Ltd.	38,064.70	—
	130,730,968.17	122,390,694.02

As at 31 December 2013, the other payables to related parties accounted for 28% of total other payables (31 December 2012: 32%).

(f) Advances from customers (Note 7(19)(c))

	31 December 2013	31 December 2012
Fuyun Hengsheng Beryllium Industry Co., Ltd.	62,249.47	18,544.73

As at 31 December 2013, advances from related parties accounted for 0.08% of total advances from customers (31 December 2012: 0.17%).

(g) Long-term payables (Note 7(26))

	31 December 2013	31 December 2012
Xinjiang Non-ferrous Group		
— Current portion of long-term payables	120,000,000.00	—
— Long-term payables	50,000,000.00	455,000,000.00
	170,000,000.00	455,000,000.00

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10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(7) Guarantee for a related party

The Company and the joint venture partner provided guarantees for the bank borrowing by Hexin Mining of RMB 369,500,000.00, in which the Company issued corporate guarantees to the related lender of Hexin Mining in the amount of RMB184,750,000.00 (31 December 2013: RMB243,000,000.00). Such corporate guarantees remained in force as at 31 December 2013.

11 COMMITMENTS

(1) Capital commitments

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

	31 December 2013	31 December 2012
Buildings, machinery, and equipment	250,902,790.16	889,366,358.97

The Group's share of the joint ventures' own commitments for capital expenditure are as follows:

	31 December 2013	31 December 2012
Buildings, machinery, and equipment	6,410,000.00	7,880,000.00

(2) Operating lease commitments

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

	31 December 2013	31 December 2012
Within one year	1,635,930.00	1,635,930.00
Between one and two years	1,635,930.00	1,635,930.00
Between two and three years	—	1,635,930.00
	3,271,860.00	4,907,790.00

12 EVENTS AFTER THE BALANCE SHEET DATE

The Group completed issuing the first phrase medium-term notes of RMB500,000,000.00 for a period of three years on 18 February 2014 and the fixed interest rate is 7.12%. The starting date of interests calculation is 19 February 2014, and the interests will be paid annually. The principal of notes will be paid on 19 February 2017. Apart from this, the Group has no other events after the balance sheet date to be disclosed or adjusted.

NOTES TO FINANCIAL STATEMENTS

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13 LEASES

Lease payments under operating leases recognised in profit or loss for the current period amount to RMB 2,824,823.72 in 2013(2012: RMB 1,810,051.42).

As at 31 December 2013, the Group didn't own fixed assets held under finance leases.

14 FINANCIAL INSTRUMENT AND RISK

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

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognized assets and liabilities. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies. The Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. During 2012 and 2013, the Group did not enter into any forward exchange contracts or currency swap contracts.

As at 31 December 2012, the Group did not have assets and liabilities denominated in foreign currencies. As at 31 December 2013, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarised below:

	31 December 2013		Total
	USD	Others	
Financial assets denominated in foreign currency			
— Advance to suppliers	118,080,184.82	—	118,080,184.82
Financial liabilities denominated in foreign currency			
— Short-term borrowings	195,815,146.70	—	195,815,146.70

As at 31 December 2013, if the currency had strengthened/ weakened by 10 % against the USD while all other variables had been held constant, the Group's net loss for the year would have been approximately RMB 7,773,496.19 (2012: Nil) lower/higher for various financial assets and liabilities denominated in USD.

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14 FINANCIAL INSTRUMENT AND RISK (CONTINUED)

(1) Market risk (continued)

(b) Interest rate risk

The Group's interest rate risk mainly arises mainly from bank loans and interest-bearing long-term borrowings. Bank deposits and loans at variable rate expose the Group to cash flow interest rate risk. The Group adjusts the relative proportion of contracts at fixed rate and contracts at floating rate based on market situation. As at 31 December 2013, the Group's interest bearing borrowings were mainly at floating rates and denominated in RMB, which totalled RMB 4,285,165,982.36 (2012: RMB2,020,000,000.00).

As at 31 December 2013, if annual interest rates had been 10% lower/higher with all other variables held constant, net loss would have decreased/increased by approximately RMB 341,457.04 (31 December 2012: net profit increase/decrease RMB7,858,000.00).

(c) Concentration risk

Revenues are principally derived from sales of nickel cathode and copper cathode. Approximately 43% of the total sales for the year ended 31 December 2013 (2012: 61%) were contributed by the top five customers for which the Group has not entered into any long-term sales contracts with them. In the event that these major customers terminate the business relationship with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations.

(2) Credit risk

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

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

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

NOTES TO FINANCIAL STATEMENTS

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14 FINANCIAL INSTRUMENT AND RISK (CONTINUED)

(3) Liquidity risk

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

At the balance sheet date, the maturity of all financial assets of the Group are within one year and the amounts of financial liabilities disclosed in the following table are the contractual undiscounted cash flows.

	31 December 2013				
	Within 1 year	1 to 2 years	2 to 5 years	above 5 years	total
Financial liabilities at fair value through profit or loss	7,521,800.00	—	—	—	7,521,800.00
Trade payables	272,831,076.59	—	—	—	272,831,076.59
Borrowings and long-term payable	2,460,016,218.86	567,037,851.38	1,284,709,436.41	594,783,450.27	4,906,546,956.92
Notes payable	40,000,000.00	—	—	—	40,000,000.00
Other payables and accruals	468,800,548.88	—	—	—	468,800,548.88
	3,249,169,644.33	567,037,851.38	1,284,709,436.41	594,783,450.27	5,695,700,382.39

	31 December 2012				
	Within 1 year	1 to 2 years	2 to 5 years	above 5 years	total
Trade payables	161,931,531.84	—	—	—	161,931,531.84
Borrowings and long-term payable	997,724,081.05	650,287,652.74	535,002,282.19	108,247,912.53	2,291,261,928.51
Notes payable	100,000.00	—	—	—	100,000.00
Other payables and accruals	384,431,446.15	—	—	—	384,431,446.15
	1,544,187,059.04	650,287,652.74	535,002,282.19	108,247,912.53	2,837,724,906.50

Bank and other borrowings are analysed by repayment terms as follows:

	2013		2012	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within five years	3,129,165,982.36	170,000,000.00	1,465,000,000.00	455,000,000.00
Not wholly repayable within five years	1,036,000,000.00	—	100,000,000.00	—
	4,165,165,982.36	170,000,000.00	1,565,000,000.00	455,000,000.00

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15 FAIR VALUE ESTIMATION

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

- (1) The Group does not have financial instruments continuingly measured at fair value subsequently.
- (2) The Group does not have financial instruments not continuingly measured at fair value subsequently.
- (3) Besides assets and liabilities disclosed in note 16, the Group does not have financial liabilities not subsequently measured at fair value but subject to disclosure of fair value.

16 ASSETS AND LIABILITIES SUBSEQUENTLY MEASURED AT FAIR VALUE

	31 December 2012	Gains or losses arising from changes in fair value in current year	Cumulative amount of changes in fair value recognised directly in equity	Impairment loss in current year	31 December 2013
Financial liabilities					
— Financial liabilities at fair value through profit or loss	—	(7,521,800.00)	—	—	(7,521,800.00)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Cash and bank balances

	31 December 2013	31 December 2012
Cash on hand	31,322.68	11,751.28
Cash at bank	293,718,648.65	361,406,990.33
Restricted cash at banks	6,681,241.63	6,295,313.63
	300,431,212.96	367,714,055.24

All the restricted cash at banks was set aside as guarantee deposits for environmental recovery and safety of production pursuant to the relevant rules and regulations issued by the government authorities (31 December 2012: RMB6,295,313.63).

NOTES TO FINANCIAL STATEMENTS

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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(2) Notes receivable

	31 December 2013	31 December 2012
Bank acceptance notes	128,346,691.82	422,005,436.30

(3) Accounts receivable

	31 December 2013	31 December 2012
Accounts receivable	23,981,494.97	47,862,590.63
Less: provision for bad debts	(3,574,599.32)	(2,556,853.08)
	20,406,895.65	45,305,737.55

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

	31 December 2013			31 December 2012		
	Amount	% of total balance	Provision for bad debts Amount	Amount	% of total balance	Provision for bad debts Amount
	Amount		Amount	Amount		
Within 1 year	20,099,421.09	83.81%	—	42,677,499.01	89.17%	N
1 to 2 years	—	—	—	2,048,554.14	4.28%	N
2 to 3 years	768,686.40	3.21%	(461,211.84)	192,954.70	0.40%	N
3 to 4 years	192,954.70	0.80%	(192,954.70)	394,650.70	0.82%	(7,921.00)
Over 4 years	2,920,432.78	12.18%	(2,920,432.78)	2,548,932.08	5.33%	(2,548,932.08)
	23,981,494.97	100.00%	(3,574,599.32)	47,862,590.63	100.00%	(2,556,853.08)

NOTES TO FINANCIAL STATEMENTS

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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(3) Accounts receivable (continued)

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

	31 December 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	2,818,049.74	11.75%	(1,149,143.24)	40.78%	4,030,765.94	8.42%	(324,351.70)	8.05%
— Ageing Group	21,163,445.23	88.25%	(2,425,456.08)	11.46%	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	—	—	—	—	—	—	—	—
	23,981,494.97	100.00%	(3,574,599.32)		47,862,590.63	100.00%	(2,556,853.08)	

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

	31 December 2013				31 December 2012			
	Amount		Provision for bad debts		Amount		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	18,737,989.15	88.54%	—	—	41,069,502.21	93.70%	—	—
1 to 2 years	—	—	—	—	336,866.40	0.77%	—	—
2 to 3 years	—	—	—	—	192,954.70	0.44%	—	—
3 to 4 years	192,954.70	0.91%	(192,954.70)	100.00%	7,921.00	0.02%	(7,921.00)	100.00%
Over 5 years	2,232,501.38	10.55%	(2,232,501.38)	100.00%	2,224,580.38	5.07%	(2,224,580.38)	100.00%
	21,163,445.23	100.00%	(2,425,456.08)		43,831,824.69	100.00%	(2,232,501.38)	

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

	31 December 2013	31 December 2012
Production Customer	15,096,650.08	27,102,587.24
Trading Customer	8,884,844.89	20,760,003.39
	23,981,494.97	47,862,590.63

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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(3) Accounts receivable (continued)

(e) As at 31 December 2013, the top five accounts receivable are analysed as follows:

	Relationship with the Company	Amount	Ageing	% of total balance
Gansu Jisco Group Hongxing Steel Co., Ltd.	Third party	10,581,677.26	Within 1 year	44.12%
Tianjin Haoshun Tongda Metallurgical Furnance Burden Selling Co., Ltd.	Third party	8,081,911.69	Within 1 year	33.70%
Fuyun Hengsheng Beryllium Industry Co., Ltd.	Related party	1,155,416.10	2 to5 years	4.82%
Wuxin Copper Mining	Subsidiary	959,557.35	Within 1 year	4.00%
Shanghai Jinmin Trading Co., Ltd.	Third party	802,933.20	Over 5 years	3.35%
		21,581,495.60		89.99%

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

Relationship with the Company	31 December 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.	1,155,416.10	4.82%	(847,941.54)	1,155,416.10	2.41%	—
Wuxin Copper Mining	959,557.35	4.00%	—	2,550,998.14	5.33%	—
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	401,874.59	1.68%	—	—	—	—
Xinjiang Haoxin Lithia Developing Co., Ltd.	301,201.70	1.26%	(301,201.70)	324,351.70	0.68%	(324,351.70)
	2,818,049.74	11.76%	(1,149,143.24)	4,030,765.94	8.42%	(324,351.70)

(g) As at 31 December 2013, there was no accounts receivable that the related provision for bad debts had been provided in full amount or in large proportion in previous years but are collected or reversed in full amount or in large proportion in current year.

(h) There were no accounts receivables written off in current year.

(i) As at 31 December 2013, there were no accounts receivable from shareholders who held more than 5% (including 5%) of the voting rights of the Company (31 December 2012: Nil).

(j) There were no accounts receivable derecognised due to transfer.

NOTES TO FINANCIAL STATEMENTS

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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(4) Other receivables

	31 December 2013	31 December 2012
Amount due from subsidiaries (Note)	158,628,791.09	382,635,848.66
Amount due from a joint-venture (Note 7(4)(iii))	2,656,320.00	2,656,320.00
Revolving fund	485,467.59	400,637.27
Factoring cost receivable	—	7,417,405.73
Others	444,800.36	384,302.21
	162,215,379.04	393,494,513.87
Less: provision for bad debts	(6,275.21)	(6,275.21)
	162,209,103.83	393,488,238.66

Note: The amount due from Kalatongke Mining was RMB 156,037,356.15. The amount due from Shaanxi Xinxin was RMB 2,473,500.00 and the amount due from Beijing Xinding was RMB 117,934.94.

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

	31 December 2013			31 December 2012		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	157,725,283.13	97.24%	—	386,371,647.99	98.19%	—
1 to 2 years	1,240,566.02	0.76%	—	4,415,835.99	1.12%	—
2 to 3 years	542,500.00	0.33%	—	—	—	—
3 to 4 years	—	—	—	2,677,000.50	0.68%	—
Over 4 years	2,707,029.89	1.67%	(6,275.21)	30,029.39	0.01%	(6,275.21)
	162,215,379.04	100.00%	(6,275.21)	393,494,513.87	100.00%	(6,275.21)

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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(4) Other receivables (CONTINUED)

(b) Other accounts receivable by categories are analysed as follows:

	31 December 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	161,285,111.09	99.43%	—	—	385,274,864.08	97.91%	—	—
— Ageing group	930,267.95	0.57%	(6,275.21)	0.67%	8,219,649.79	2.09%	(6,275.21)	0.08%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	—	—	—	—	—	—	—	—
	162,215,379.04	100.00%	(6,275.21)		393,494,513.87	100.00%	(6,275.21)	

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

	31 December 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	804,992.04	86.54%	—	—	4,263,103.91	51.86%	—	—
1 to 2 years	42,066.02	4.52%	—	—	3,905,835.99	47.52%	—	—
2 to 3 years	32,500.00	3.49%	—	—	—	—	—	—
3 to 4 years	—	—	—	—	20,680.50	0.25%	—	—
4 to 5 years	20,680.50	2.22%	—	—	—	—	—	—
Over 5 years	30,029.39	3.23%	(6,275.21)	20.90%	30,029.39	0.37%	(6,275.21)	20.90%
	930,267.95	100.00%	(6,275.21)		8,219,649.79	100.00%	(6,275.21)	

(d) As at 31 December 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).

NOTES TO FINANCIAL STATEMENTS

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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(4) Other receivables (CONTINUED)

(e) As at 31 December 2013, the top five other receivables are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Kalatongke Mining	Subsidiary	156,037,356.15	Within 1 year	96.19%
Hexin Mining	Joint venture	2,656,320.00	4 to 5 years	1.64%
Shaanxi Xinxin	Subsidiary	2,473,500.00	Within 3 years	1.52%
Revolving fund	Third party	477,468.59	Within 1 year	0.29%
Beijing Xinding	Subsidiary	117,934.94	Within 1 year	0.07%
		161,762,579.68		99.71%

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

	Relationship with the Company	31 December 2013			31 December 2012		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Kalatongke Mining	Subsidiary	156,037,356.15	96.19%	—	376,174,771.08	95.60%	—
Hexin Mining	Joint venture	2,656,320.00	1.64%	—	2,656,320.00	0.68%	—
Shaanxi Xinxin	Subsidiary	2,473,500.00	1.52%	—	1,708,500.00	0.43%	—
Beijing Xinding	Subsidiary	117,934.94	0.07%	—	—	—	—
Wuxin Copper Mining	Subsidiary	—	—	—	4,735,273.00	1.20%	—
		161,285,111.09	99.42%	—	385,274,864.08	97.91%	—

(5) Advances to suppliers

The ageing of advances to suppliers is analysed below:

	31 December 2013		31 December 2012	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	174,291,678.54	98.46%	117,383,073.29	95.73%
1 to 2 years	369,051.63	0.21%	3,905,083.57	3.18%
2 to 3 years	1,227,776.10	0.69%	1,052,091.43	0.86%
Over 3 years	1,130,704.28	0.64%	279,045.00	0.23%
	177,019,210.55	100.00%	122,619,293.29	100.00%

NOTES TO FINANCIAL STATEMENTS

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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(6) Inventories

	30 December 2013			30 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	60,312,043.06	(543,427.80)	59,768,615.26	21,636,225.21	(543,427.80)	21,092,797.41
Work in progress	54,112,962.87	—	54,112,962.87	53,111,385.99	—	53,111,385.99
Semi-finished goods	386,810,510.56	—	386,810,510.56	362,894,571.98	—	362,894,571.98
Finished goods	747,792,431.97	(86,337,770.94)	661,454,661.03	148,071,817.96	—	148,071,817.96
	1,249,027,948.46	(86,881,198.74)	1,162,146,749.72	585,714,001.14	(543,427.80)	585,170,573.34

(7) Other current assets

	31 December 2013	31 December 2012
Deductible VAT	115,876,086.62	30,223,238.24
Advance payment of income tax	1,073,273.06	—
	116,949,359.68	30,223,238.24

(8) Long-term equity investments

	31 December 2013	31 December 2012
Subsidiaries - unlisted company(a)	2,897,931,420.87	2,871,531,420.87
Joint venture - unlisted company (Note 7(8)(a))	148,419,053.08	147,668,700.85
	3,046,350,473.95	3,019,200,121.72

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

NOTES TO FINANCIAL STATEMENTS

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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(8) Long-term equity investments (CONTINUED)

(a) Subsidiaries

	Accounting treatment	Initial investment cost	31 December 2012	Current year changes	31 December 2013	Equity interest held	Voting rights held
Mengxi Mining	Cost method	10,200,000.00	10,200,000.00	—	10,200,000.00	51%	51%
Xinjiang Yakesi	Cost method	467,844,415.12	720,171,915.12	—	720,171,915.12	99.51%	99.51%
Hami Jubao	Cost method	75,000,000.00	91,100,349.00	—	91,100,349.00	75%	75%
Zhongxin Mining	Cost method	56,659,156.75	118,659,156.75	—	118,659,156.75	97.58%	97.58%
Wuxin Copper Mining	Cost method	66,000,000.00	521,400,000.00	26,400,000.00	547,800,000.00	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	26,400,000.00	2,897,931,420.87		

The Company's long-term borrowings and loans to subsidiaries are as follows:

As at 31 December 2013, the Company's loan to Kalatongke Mining, which is unsecured and denominated in RMB, amounts to RMB 150,000,000.00 (31 December 2012: RMB 150,000,000.00). The interest is repayable by month, with a rate of 6.23% annually.

(9) Fixed assets

	Building	Machinery and equipment	Electronic equipment office equipment	Motor vehicles	Total
Cost					
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	24,357,734.27	150,076,300.47	518,021.46	—	174,952,056.20
Additions	1,041,025.64	3,028,500.18	626,163.55	1,410,544.14	6,106,233.51
Disposal	—	—	—	(237,130.00)	(237,130.00)
31 December 2013	207,987,317.38	586,563,139.92	12,853,819.09	16,203,223.54	823,607,499.93
Accumulated depreciation					
31 December 2012	79,738,107.61	112,529,972.75	6,808,526.27	6,901,376.58	205,977,983.21
Additions	6,991,438.35	30,593,715.18	1,448,094.31	1,467,978.29	40,501,226.13
Disposal	—	—	—	(230,016.10)	(230,016.10)
31 December 2013	86,729,545.96	143,123,687.93	8,256,620.58	8,139,338.77	246,249,193.24
Net book value					
31 December 2013	121,257,771.42	443,439,451.99	4,597,198.51	8,063,884.77	577,358,306.69
31 December 2012	102,850,449.86	320,928,366.52	4,901,107.81	8,128,432.82	436,808,357.01

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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(10) Intangible assets

	31 December 2012	Additions	Transfer to subsidiary	31 December 2013
Cost	41,470,665.60	—	—	41,470,665.60
Mining rights	—	—	—	—
Land use rights	41,228,502.90	—	—	41,228,502.90
Others	242,162.50	—	—	242,162.50
Accumulated amortisation	5,027,742.74	875,105.16	—	5,902,847.90
Mining rights	—	—	—	—
Land use rights	5,024,366.37	841,407.60	—	5,865,773.97
Others	3,376.37	33,697.56	—	37,073.93
Net book value	36,442,922.66	(875,105.16)	—	35,567,817.50
Mining rights	—	—	—	—
Land use rights	36,204,136.53	(841,407.60)	—	35,362,728.93
Others	238,786.13	(33,697.56)	—	205,088.57

For the year ended 31 December 2013, the amortisation expense of intangible assets was RMB 875,105.16 (2012: RMB 3,496,754.08), of which RMB 875,105.16 (2012: RMB 1,022,045.98) was recognised in profit or loss for the current period.

Land use rights by locations and approved land use periods are analysed as follows:

	31 December 2013	31 December 2012
In Mainland China		
— 10 to 50 years	41,228,502.90	41,228,502.90
— Over 50 years	—	—
	41,228,502.90	41,228,502.90

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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(11) Provision for asset impairment

	31 December 2012	Current year additions	Current year reduction Current year reversal	Current year sold-out	31 December 2013
Provision for bad debts	2,563,128.29	1,017,746.24	—	—	3,580,874.53
Including: Provision for bad debts of accounts receivables	2,556,853.08	1,017,746.24	—	—	3,574,599.32
Provision for bad debts of other receivables	6,275.21	—	—	—	6,275.21
Provision for decline in value of inventories	543,427.80	86,337,770.94	—	—	86,881,198.74
	3,106,556.09	87,355,517.18	—	—	90,462,073.27

(12) Accounts payable

	31 December 2013	31 December 2012
Payable for purchase of materials	22,030,010.68	15,519,398.31
Transportation fee payable	2,765,023.24	3,291,649.06
Others	747,900.80	—
	25,542,934.72	18,811,047.37

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

	31 December 2013	31 December 2012
Within 3 months	15,494,128.03	15,839,443.28
3 to 6 months	5,763,261.12	1,015,679.24
Over 6 months	4,285,545.57	1,955,924.85
	25,542,934.72	18,811,047.37

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(13) Bank and other borrowings

Bank and other borrowings are analysed by repayment terms as follows:

	31 December 2013	31 December 2012
	Bank borrowings	Bank borrowings
Wholly repayable within five years	420,000,000.00	270,000,000.00
Not wholly repayable within five years	—	—
	420,000,000.00	270,000,000.00

(14) Advances from customers

	31 December 2013	31 December 2012
Advances for sales of goods	10,005,164.88	8,136,102.64

(15) Employee benefits payable

	31 December 2012	Current year additions	Current year reductions	31 December 2013
Salaries, bonuses, allowances and subsidies	18,061,636.75	65,846,374.16	(69,558,177.45)	14,349,833.46
Staff welfare	—	4,683,065.38	(4,683,065.38)	—
Social insurances	8,222.04	21,833,077.85	(21,833,077.85)	8,222.04
Including: Medical insurance	2,176.91	5,580,722.68	(5,580,722.68)	2,176.91
Pension insurance	—	13,036,286.92	(13,036,286.92)	—
Unemployment insurance	6,045.13	1,312,786.88	(1,312,786.88)	6,045.13
Work injury insurance	—	1,236,641.89	(1,236,641.89)	—
Maternity insurance	—	644,770.50	(644,770.50)	—
Illness insurance	—	21,868.98	(21,868.98)	—
Housing funds	566,956.00	7,683,872.00	(7,621,207.00)	629,621.00
Labor union fund and employee education fund	2,879,613.12	2,088,666.25	(1,881,849.84)	3,086,429.53
Others	411,504.11	528,265.98	(479,905.79)	459,864.30
	21,927,932.02	102,663,321.62	(106,057,283.31)	18,533,970.33

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(16) Taxes payable

	31 December 2013	31 December 2012
Value added tax payable	636,605.01	585,842.08
Stamp duty	517,719.24	686,127.60
Individual income tax	137,506.43	(31,107.49)
City maintenance and construction tax payable	130,641.16	41,008.95
Educational surcharge payable	56,092.70	17,575.26
Others	34,286.55	144,018.83
Total	1,512,851.09	1,443,465.23

(17) Other payables

	31 December 2013	31 December 2012
Withholding of social security fees	1,918,187.50	2,093,948.74
Cash deposit	1,023,130.74	1,671.00
Payables for purchases of equipments	1,220,894.81	6,256,942.78
Agency fee	1,704,886.30	1,582,185.23
Payables for construction in progress	82,112.33	268,228.56
Others	2,363,085.39	1,439,545.16
Total	8,312,297.07	11,642,521.47

(18) Revenue and cost of sales

	2013	2012
Revenue from main operation	756,197,684.01	1,472,104,123.78
Revenue from other operation	12,585,574.99	4,759,377.69
Total	768,783,259.00	1,476,863,501.47
	2013	2012
Cost of sales from main operation	716,010,819.65	1,353,730,973.29
Cost of sales from other operation	9,304,750.55	2,010,783.99
Total	725,315,570.20	1,355,741,757.28

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(18) Revenue and cost of sales (continued)

(a) Revenue and cost of sales from main operation

	2013		2012	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Nickel cathode	394,992,957.15	427,687,751.08	1,096,752,118.61	1,054,405,699.61
Copper cathode	358,100,816.13	284,604,345.70	355,817,148.55	285,059,398.09
Others	3,103,910.73	3,718,722.87	19,534,856.62	14,265,875.59
	756,197,684.01	716,010,819.65	1,472,104,123.78	1,353,730,973.29

(b) Revenue and cost of sales from other operation

	2013		2012	
	Revenue from other operation	Cost of sales from other operation	Revenue from other operation	Cost of other operation
Sales cold material	8,976,666.66	8,970,103.32	—	—
Supply of heating	2,331,633.25	—	—	—
Scrap sales	687,569.21	—	2,035,011.85	200,210.72
Sales of electricity	463,307.74	321,333.61	1,846,840.82	1,525,711.70
Sales of materials	5,275.05	128.69	226,253.96	215,768.92
Others	121,123.08	13,184.93	651,271.06	69,092.65
	12,585,574.99	9,304,750.55	4,759,377.69	2,010,783.99

(c) Top five customers of the Company

Top five of the revenue of the Company amounted to RMB 365,655,554.94 for the year ended 31 December 2013 (2012: RMB 932,511,460.34), which accounted for 48.35% (2012: 63.15%) of the total revenue of the Company. Details are as follows:

	Revenue of sales	Percentage of the total revenue of the Company (%)
Shaanxi Shenghua Non-ferrous Metal Co., Ltd.	119,055,632.49	15.74%
Gansu Jisco Group Hongxing Steel Co., Ltd.	81,861,988.38	10.83%
Ningbo Kelun Metal Co., Ltd.	61,257,032.12	8.10%
Xinjiang Boyuan Cable (Copper) Co., Ltd	59,235,435.61	7.83%
Tianjin Steel Raw Materials Trading Center	44,245,466.34	5.85%
	365,655,554.94	48.35%

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(19) Financial expenses net

	2013	2012
Interest expense	16,160,738.89	19,686,509.30
Including: bank borrowings	16,160,738.89	19,686,509.30
Less: Capitalised interest	(1,243,827.89)	(3,078,953.28)
Less: Interest income on bank deposits	(13,177,279.70)	(16,979,194.06)
Foreign exchange gains	(3,165.82)	132,337.02
Notes discounted	—	1,158,371.67
Others	85,777.75	143,189.69
	1,822,243.23	1,062,260.34

Interest expenses are analysed by the repayment terms of bank and other borrowings as follows:

	31 December 2013 Bank borrowings	31 December 2012 Bank borrowings
Wholly repayable within five years	16,160,738.89	19,686,509.30
Not wholly repayable within five years	—	—
	16,160,738.89	19,686,509.30

(20) Investment income

	2013	2012
Income from long-term investment in subsidiaries under cost method (Note)	32,084,419.64	45,333,333.09
Net income from a joint-venture under equity method (Note 7(8)(a))	750,352.23	592,574.56
	32,834,771.87	45,925,907.65

Note: According to the resolutions of annual general meeting of Xinjiang Yakasi and Hami Jubao, Xinjiang Yakesi and Hami Jubao distributed dividends to their shareholders of RMB 23,382,512.68 and RMB 11,755,308.36 respectively in October based on their accumulated undistributed profits on 31 December 2012. Xinjiang Xinin received dividend of RMB 23,267,938.37 and RMB 8,816,481.27 from Xinjiang Yakesi and Hami Jubao respectively according to the proportion of shareholding, which was 99.51% and 75%. Both Xinjiang Yakasi and Hami Jubao paid the dividend in December 2013.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(21) Income tax expenses

	2013	2012
Current income tax	1,470,713.28	7,189,573.07
Deferred income tax	(14,082,882.18)	278,220.43
	(12,612,168.90)	7,467,793.50

The reconciliation from income tax calculated based on the applicable tax rates and total (loss)/profit presented in the Company's financial statements to the income tax expenses is listed as below:

	2013	2012
Total (loss)/profit	(62,671,453.14)	89,334,949.33
Income tax expenses calculated at applicable tax rate of 25%	(15,667,863.29)	22,333,737.33
Effect of tax deductions	6,267,145.31	(8,933,494.93)
Effect of tax rate change	—	278,220.44
Income not subject to tax	(4,925,215.78)	(6,888,886.15)
Expenses not deductible for tax purposes	243,051.58	678,216.81
Prior year tax difference	1,470,713.28	—
	(12,612,168.90)	7,467,793.50

(22) Supplementary information to consolidated cash flow statements

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

	2013	2012
Net (loss)/profit	(50,059,284.24)	81,867,155.83
Adjustment:		
Provisions for asset impairment	87,355,517.18	729,746.23
Depreciation of fixed assets	40,501,226.13	47,508,097.12
Amortisation of intangible assets	875,105.16	3,497,225.98
Financial expenses	14,916,911.00	10,225,252.08
Losses on disposal of fixed assets	3,093.90	14,134.30
Investment income	(32,834,771.87)	(45,925,907.65)
(Increase)/decrease in deferred tax assets	(14,082,882.18)	6,889,288.19
(Increase)/decrease in inventories	(663,313,947.32)	20,845,032.82
Decrease/(increase) in operating receivables	494,419,057.71	(664,814,576.86)
(Decrease)/increase in operating payables	(58,593,814.03)	605,755,789.62
Increase in restricted cash at banks	(385,928.00)	(6,795,313.63)
Others	—	(5,645.49)
Net cash flows (used in)/ generated from operating activities	(181,199,716.56)	59,790,278.54

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(22) Supplementary information to consolidated cash flow statements (continued)

(b) Movement of cash and cash equivalents

	2013	2012
Cash and cash equivalents at end of year	293,749,971.33	361,418,741.61
Less: cash and cash equivalents at beginning of year	(361,418,741.61)	(484,985,770.67)
Net increase in cash and cash equivalents	(67,668,770.28)	(123,567,029.06)

18 NET CURRENT ASSETS

	The Group	
	31 December 2013	31 December 2012
Current assets	3,429,151,416.02	2,034,359,585.82
Less: current liabilities	(3,180,579,960.84)	(1,499,892,791.86)
Net current assets	248,571,455.18	534,466,793.96

	The Company	
	31 December 2013	31 December 2012
Current assets	2,067,509,224.21	1,966,526,572.62
Less: current liabilities	(503,907,218.09)	(321,961,068.73)
Net current assets	1,563,602,006.12	1,644,565,503.89

19 TOTAL ASSETS LESS CURRENT LIABILITIES

	The Group	
	31 December 2013	31 December 2012
Total assets	11,059,191,378.15	8,480,502,858.95
Less: current liabilities	(3,180,579,960.84)	(1,499,892,791.86)
Total assets less current liabilities	7,878,611,417.31	6,980,610,067.09

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in RMB Yuan unless otherwise stated)

19 TOTAL ASSETS LESS CURRENT LIABILITIES (CONTINUED)

	The Company	
	31 December 2013	31 December 2012
Total assets	5,750,167,154.99	5,627,370,511.87
Less: current liabilities	(503,907,218.09)	(321,961,068.73)
Total assets less current liabilities	5,246,259,936.90	5,305,409,443.14

20 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During 2013, the Group's strategy, which was unchanged from 2012, was to maintain the gearing ratio within 20% to 60%. The gearing ratios at 31 December 2013 and 2012 were as follows:

	31 December 2013	31 December 2012
Total borrowings		
Short-term borrowings	1,783,765,982.36	845,000,000.00
Long-term borrowings	2,049,700,000.00	690,000,000.00
Bonds payable	—	—
Long-term payables	43,069,517.66	455,000,000.00
Current portion of non-current liabilities	451,700,000.00	30,000,000.00
	4,328,235,500.02	2,020,000,000.00
Less: cash and cash equivalents	577,907,940.25	470,196,746.21
Net debt (a)	3,750,327,559.77	1,549,803,253.79
Total equity (b)	5,587,604,836.14	5,639,157,384.39
Total capital (c)=(a)+(b)	9,337,932,395.91	7,188,960,638.18
Gearing ratio (a)/(c)	40.16%	21.56%



Xinjiang Xinxin Mining Industry Co., Ltd.*
新疆新鑫矿业股份有限公司