



Xinjiang Xinxin Mining Industry Co., Ltd.*

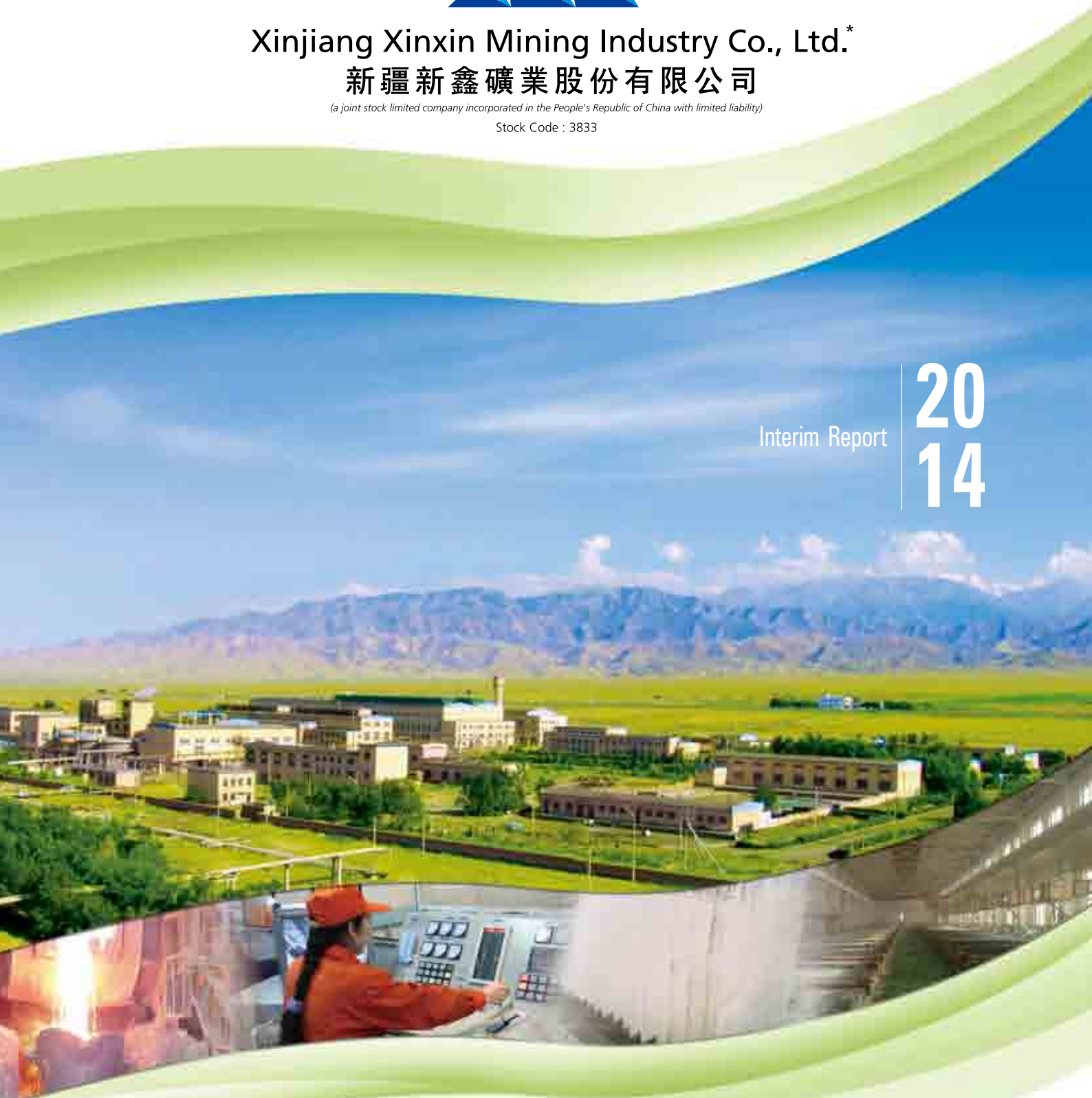
新疆新鑫礦業股份有限公司

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

Stock Code : 3833

Interim Report

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14




* For identification purpose only

We See The Future

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Yuan Ze (*Chairman*) (resigned on 5 August 2014)
Shi Wenfeng
Zhang Guohua
Liu Jun (resigned on 23 January 2014)
Lu Xiaoping (appointed on 23 May 2014)

NON-EXECUTIVE DIRECTORS

Zhou Chuanyou (*Vice Chairman*)
Niu Xuetao

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chen Jianguo
Wang Lijin
Li Wing Sum, Steven

SUPERVISORS

Wang Haibang (*Chairman*)
Sun Baohui
Cao Sanxing
Hu Zhijiang
Chen Yuping

AUDIT COMMITTEE

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

REMUNERATION AND REVIEW COMMITTEE

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

NOMINATION COMMITTEE

Yuan Ze (*Chairman*) (resigned on 5 August 2014)
Chen Jianguo
Li Wing Sum, Steven

STRATEGIC DEVELOPMENT COMMITTEE

Yuan Ze (*Chairman*) (resigned on 5 August 2014)
Shi Wenfeng
Zhang Guohua
Zhou Chuanyou
Wang Lijin

COMPANY SECRETARIES

Lam Cheuk Fai *FCCA, FCPA*
Zhang Junjie

AUTHORISED REPRESENTATIVES

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

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LEGAL ADVISERS

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

AUDITORS

International and PRC auditors
PricewaterhouseCoopers Zhong Tian LLP

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PUBLIC RELATIONS

Wonderful Sky Financial Group Limited

COMPANY WEBSITE

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STOCK CODE

3833

COMPANY RESULTS

The board of directors (the “Board”) of Xinjiang Xinxin Mining Industry Co., Ltd.* (the “Company”) hereby announces the unaudited consolidated operating results of the Company and its subsidiaries (the “Company and its Subsidiaries” or the “Group”) prepared in accordance with the China Accounting Standards for Business Enterprises (“CAS”) for the six months ended 30 June 2014 (the “Period”), together with the unaudited consolidated operating results for the six months ended 30 June 2013 (“First Half of 2013” or the “Same Period Last Year”) for comparison. Such operating results have been reviewed and confirmed by the Company’s audit committee (the “Audit Committee”). Consolidated revenue of the Group for the Period was RMB1,139.4 million, representing an increase of 167.5% as compared to that for the Same Period Last Year, mainly due to the fact that during the Period, the sales of nickel cathode and copper cathode, which are the Group’s major products, increased by 310.2% and 7.0% as compared to that for the Same Period Last Year, respectively. The consolidated net profit attributable to the shareholders of the Company was RMB66.3 million, representing an increase of 1,018.4% as compared to that for the Same Period Last Year, mainly due to the substantial increase in the sales volume and the decrease in cost of sales of products of the Group for the Period and the prices rebound of nickel cathode in the second quarter of 2014 which in turn improved the gross profit.

Basic earnings per share attributable to the shareholders of the Company for the Period amounted to RMB0.03, representing an increase of RMB0.027 per share as compared to that for the Same Period Last Year. The increase in basic earnings per share was mainly due to the increase in net profit.

The Board does not recommend any payment of interim dividend for 2014.

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

* *For identification purpose only*

RESOURCES AND RESERVES

As at 30 June 2014, the estimated resources and reserves for the four nickel-copper mines in Kalatongke, Huangshandong, Huangshan and Xiangshan respectively, which are wholly-owned by the Company, are set out in the following tables:

	Ore contents (t)	Grade		Metal contents	
		Cu (%)	Ni (%)	Cu (t)	Ni (t)
Resources as at 30 June 2014					
Kalatongke nickel-copper mine	32,607,402	0.99	0.56	323,895	180,861
Three nickel-copper mines in Huangshandong, Huangshan, Xiangshan	83,015,729	0.27	0.45	226,490	372,292
Total	115,623,131			550,385	553,153
Reserves as at 30 June 2014					
Kalatongke nickel-copper mine	18,628,920	1.01	0.61	188,639	113,460
Three nickel-copper mines in Huangshandong, Huangshan, Xiangshan	32,634,979	0.30	0.49	99,566	161,174
Total	51,263,899			288,205	274,634

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

As at 30 June 2014, the resources estimates for the deposits of two vanadium mines in Xianghe Street and Mujia River, which are owned as to 51% by the Company, are set out in the following table:

	Ore contents (t)	V ₂ O ₅ Grade (%)	V ₂ O ₅ Contents (t)
Resources as at 30 June 2014			
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 for the deposits at two vanadium mines in Xianghe Street and Mujia River were based on the 2012 estimates of resources as approved for record by the Department of Land and Resources of Shaanxi Province.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the Period, London Metal Exchange (“LME”) average three-month future price of nickel cathode was US\$16,610 per tonne (among which, US\$14,704 per tonne for the first quarter and US\$18,516 per tonne for the second quarter), representing an increase of 2.6% from US\$16,197 per tonne for the Same Period Last Year. The average three-month future price of copper cathode was US\$6,881 per tonne (among which, US\$6,999 per tonne for the first quarter and US\$6,763 per tonne for the second quarter), representing a decrease of 9.1% from 7,571 per tonne for the Same Period Last Year.

During the Period, the average spot price (including tax) of nickel cathode in Shanghai Yangtze River Nonferrous Metals Spot Market was RMB112,114 per tonne (among which, RMB96,195 per tonne for the first quarter and RMB128,034 per tonne for the second quarter), representing a decrease of 1.6% from RMB113,891 per tonne for the Same Period Last Year. The average spot price (including tax) of copper cathode was RMB49,379 per tonne (among which, RMB49,464 per tonne for the first quarter and RMB49,293 per tonne for the second quarter), representing a decrease of 10.3% from RMB55,017 per tonne for the Same Period Last Year.

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

PROSPECTS AND COUNTERMEASURES

The Group expects that in the second half of 2014, the average market prices of nickel cathode and copper cathode in the domestic market can maintain at the same level as the average spot prices of Shanghai Yangtze River Non-ferrous Metals Spot Market in the second quarter of 2014, and the market may fluctuate slightly.

In the second half of 2014, the Group will continue to expand its production scale. The Group plans to produce 5,703 tonnes of nickel cathode, and 60,280 tonnes of copper cathode (among which, Fukang Refinery produces 3,505 tonnes and Xinjiang Wuxin Copper Company Limited (“Wuxin Copper”) produces 56,775 tonnes). The Board would like to emphasize that due to the uncertainties in metal prices and the domestic raw materials market, the above plan has been made solely 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.

In the second half of 2014, the Group will endeavor to stabilize the production capacity and uplift the level of skills and techniques of existing projects, strengthen the management, improve the recycle rate of metal, and reduce the production costs, with an aim to improving the operational efficiency and economic benefits of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the consolidated revenue of the Group amounted to RMB1,139.4 million, representing an increase of 167.5% from RMB426.0 million for the Same Period Last Year. The total consolidated net profit amounted to RMB53.6 million, representing an increase of 1,572.8% from RMB3.2 million for the Same Period Last Year. Among which, the total consolidated net profit attributable to the shareholders of the Company was RMB66.3 million, representing an increase of 1,018.4% from RMB5.9 million for the Same Period Last Year.

During the Period, the Group produced 5,297 tonnes of nickel cathode, representing an increase of 20.1% as compared to 4,411 tonnes for the Same Period Last Year, and produced 3,830 tonnes of copper cathode, representing an increase of 35.4% comparing to 2,828 tonnes for the Same Period Last Year.

During the Period, the Group sold 9,680 tonnes of nickel cathode, representing an increase of 310.2% as compared to 2,360 tonnes for the Same Period Last Year, and sold 3,273 tonnes of copper cathode, representing an increase of 7.0% from 3,058 tonnes for the Same Period Last Year. The increase in the sales of nickel cathode and copper cathode was mainly due to the increase in the production volume of nickel cathode and copper cathode during the Period and the increase in the sales of 4,383 tonnes nickel cathode, the inventory at the end of 2013, as a result of the price rebound of nickel cathode during the Period.

During the Period, the average selling price of nickel cathode of the Group (excluding tax) was RMB99,227 per tonne, among which, RMB81,951 per tonne for the first quarter and RMB109,051 per tonne for the second quarter. The average selling price of copper cathode (excluding tax) was RMB41,899 per tonne, among which, RMB41,942 per tonne for the first quarter and RMB41,865 per tonne for the second quarter.

MINERAL EXPLORATION, MINE DEVELOPMENT AND ORE MINING ACTIVITIES

Mineral Exploration

During the Period, Kalatongke Mining, a wholly-owned subsidiary of the Company, mainly completed 4,764.20 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 and Hami Jubao mainly completed mineral exploration projects such as 120 meters of tunnel exploration, 1,540.90 meters of drilling in pit, 1,775.50 meters of surface drilling, 1,623 meters of borehole three-component magnetic survey and 12.1 kilometers of 1: 5000 gravity profile surveying.

During the Period, the Group’s mineral exploration expenditure amounted to RMB3.3 million.

Mine Development

During the Period, Kalatongke Mining completed excavation of 1,722 meters at 410 meters level of tunnel, excavation of 203 meters from line 59 to 79 at 410 meters level of exploration tunnel for No. 3 ore of Kalatongke nickel-copper mine. No. 3 ore completed the excavation of 322 meters for tunnel access in the direction of No. 3 wind well, and the construction of drainage ditch of 300 meters on the completed ramp between 410 meters and 530 meters level. Xinjiang Yakesi completed certain mining development projects for the mid-section of 150,250,350,450 and 530 for No. 30 ore body of Huangshanxi, including the excavation of 2,534 meters of various tunnels, excavation of 239 cubic meters of various chambers and pouring of 2,842 cubic meters of various chambers.

During the Period, the Group’s total expenditure for the mine development and construction amounted to RMB34.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Ore Mining

During the Period, Kalatongke Mining produced 316,338 tonnes of ores. Xinjiang Yakesi and Hami Jubao produced 316,485 tonnes of ores.

During the Period, the aggregate expenditure on the ore mining operation of the Group was RMB139.0 million.

FINANCIAL REVIEW AND ANALYSIS

Revenue and gross profit

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

Product Name	For the period ended 30 June 2014			For the period ended 30 June 2013		
	Volume Tonnes	Amount RMB'000	% to Revenue	Volume Tonnes	Amount RMB'000	% to Revenue
Nickel cathode	9,680	960,549	84.3%	2,360.3	243,780	57.2%
Copper cathode	3,273	137,129	12.0%	3,057.5	144,624	34.0%
Copper concentrate	877	4,256	0.4%	461.6	5,120	1.2%
Other products		37,460	3.3%		32,469	7.6%
Total revenue		1,139,394	100%		425,993	100%
Cost of sales		(944,599)	82.9%		(343,361)	80.6%
Included:						
Nickel cathode		(804,447)			(225,902)	
Copper cathode		(116,897)			(104,516)	
Copper concentrate		(1,424)			(1,442)	
Other products		(21,831)			(11,501)	
Gross profit		194,795	17.1%		82,632	19.4%

During the Period, the revenue of nickel cathode of the Group increased by 294% to RMB960.5 million as compared to that in the Same Period Last Year. The average selling price of nickel cathode decreased by 3.9% to RMB99,227 per tonne as compared to the Same Period Last Year. The sales volume of nickel cathode increased by 310.2% to 9,680 tonnes as compared to the Same Period Last Year.

During the Period, the revenue of copper cathode of the Group decreased by 5.2% to RMB137.1 million as compared to that in the Same Period Last Year. The average selling price of copper cathode decreased by 11.4% to RMB41,899 per tonne as compared to the Same Period Last Year. The sales volume of copper cathode of the Group increased by 7.0% to 3,273 tonnes as compared to the Same Period Last Year.

During the Period, the revenue of copper concentrate of the Group was RMB4.3 million, the average selling price of copper concentrate was RMB4,853 per tonne and its sales volume was 877 tonnes.

During the Period, the revenue of other products of the Group increased by 15.4% to RMB37.5 million as compared to the Same Period Last Year. The increase in revenue was due to the increase in the sales volume of gold during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the cost of sales per unit of nickel cathode of the Group decreased by approximately 13.2% to RMB83,102 per tonne as compared to the Same Period Last Year. The cost of sales per unit of copper cathode increased by approximately 4.5% as compared to the Same Period Last Year to RMB35,717 per tonne.

During the Period, the gross profit of the Group was RMB194.8 million, representing an increase of 135.7% as compared to RMB82.6 million of the Same Period Last Year.

Sales and marketing costs

During the Period, sales and marketing costs of the Group increased by 160% to RMB10.3 million as compared to that in the Same Period Last Year, mainly due to the increase in the sales volume of nickel cathode and copper cathode as compared to the Same Period Last Year.

Administrative expenses

During the Period, administrative expenses of the Group increased by 3.9% to RMB65.6 million as compared to that in the Same Period Last Year, the increase in the administrative expenses was mainly due to the increase in property related taxes as a result of the commencement of the utilisation of some construction projects progressively as compared to the Same Period Last Year.

Finance expenses-net

Finance expenses-net of the Group for the Period increased to RMB49.7 million as compared to that for the Same Period Last Year of RMB0.7 million, mainly due to the increase in finance expenses resulting from the issuance of medium term notes and the interest expenses arising from the loan attributable to the fixed assets of Kalatongke Mining which were transferred from the project under construction during the period.

Investment losses

Investment losses of the Group for the Period increased to RMB17.8 million from RMB4.8 million of the Same Period Last Year, mainly due to the losses arising from the settlement of part of the futures contracts during the Period of RMB16.2 million.

Financial position

The consolidated balance sheet of the Group remains strong. As at 30 June 2014, the shareholders' equity increased by 1.0% to RMB5,642.3 million as compared to 31 December 2013. As at 30 June 2014, total assets increased by 5.0% to RMB11,614.1 million as compared to 31 December 2013, primarily due to the fact that the Group received the proceeds from the medium-term notes issued by the Company to supplement the working capital and the operating profits generated during the Period.

For the six months ended 30 June 2014, the Group's net cash outflow generated from operating activities was RMB93.5 million, representing an increase of RMB74.4 million as compared to its net cash outflow in the Same Period Last Year, primarily due to the increase in the raw materials storage of Wuxin Copper prepared for its trial production. Net cash outflow generated from investing activities of RMB273.1 million mainly consisted of the payments for the equipment and project expenses in relation to various technology renovation and expansion projects of the Group. Net cash inflow generated from financing activities of RMB287.7 million mainly consisted of the medium-term notes issued during the Period by the Company of RMB500.0 million (among which, RMB200.0 million was used to repay the short-term borrowings from the bank, and RMB300.0 million was used to supplement the working capital of the Company).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group had total cash and cash equivalents amounting to RMB499.0 million, and those as at 31 December 2013 were RMB577.9 million.

	As at 30 June 2014	As at 31 December 2013
Current Ratio (<i>Times</i>)	1.3	1.1
Gearing Ratio (Total borrowings/total assets)	40.0%	38.7%

As at 30 June 2014, the aggregate amount of borrowings of the Group was RMB4,661.3 million, of which, the working capital borrowings by the Company was RMB210.0 million, the proceeds from the issuance of medium-term notes was RMB500.0 million, the technological renovation and expansion projects borrowings by Xinjiang Yakesi was RMB822.0 million, the working capital and infrastructure projects borrowings by a controlling subsidiary of the Company, Wuxin Copper, was RMB2,650.6 million (including the entrustment loan of RMB120.0 million which Wuxin Copper borrowed from a shareholder of the Company, Xinjiang Non-ferrous Metal Industry (Group) Ltd. ("Non-ferrous Group") and gold lease financing of RMB330.5 million), the working capital borrowings by Kalatongke Mining was RMB428.7 million (including gold lease financing of RMB88.7 million), and the interest-free borrowings by Beijing Xinding Shunze High Technology Co., Ltd., a wholly-owned subsidiary of the Company, from Non-ferrous Group was RMB50.0 million (as at 30 June 2014, the provision made for discounted interest was RMB5.6 million).

As at 30 June 2014, the Group's total borrowings amounted to RMB4,661.3 million (as at 31 December 2013: RMB4,335.2 million), including floating rate borrowings amounted to RMB2,459.7 million (as at 31 December 2013: RMB2,769.4 million), fixed rate borrowings amounted to RMB1,732.4 million (as at 31 December 2013: RMB1,515.8 million), gold lease financing amounted to RMB419.2 million (as at 31 December 2013: Nil), and the interest-free loan amounted to RMB50.0million (as at 31 December 2013: RMB50.0 million). Out of the total borrowings, US dollar borrowings amounted and equivalent to RMB2.3 million (as at 31 December 2013: equivalent to RMB195.8 million) and RMB borrowings amounted to RMB4,659.0 million (as at 31 December 2013: RMB4,139.4 million); secured borrowings amounted to RMB380.0 million (as at 31 December 2013: RMB200.0 million) and unsecured borrowings amounted to RMB4,281.3 million (as at 31 December 2013: RMB4,135.2 million).

COMMODITY PRICE RISK

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

MANAGEMENT DISCUSSION AND ANALYSIS

RISK OF FLUCTUATIONS IN EXCHANGE RATE

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

INTEREST RATE RISK

The Group's interest rate risk mainly arises 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 30 June 2014, among the Group's interest bearing borrowings, the borrowings at floating rates amounted to RMB2,459.7 million. Had annual interest rates of the deposits and loans been lower/higher by 10% provided all other variables held constant, the Group's net profit for the Period would have increased/decreased by approximately RMB0.3 million.

TAX RISK

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE ON ASSETS

As at 30 June 2014, a restricted cash of RMB44.1 million out of the cash of the Group (including cash in bank and on hand) was set aside as the security for issuing bank acceptance notes and other purposes. Wuxin Copper, a subsidiary of the Company, entered into two mortgage agreements with the banks in 2013 in respect of the pledge of copper concentrate inventories with value of RMB303.9 million for securing the bank borrowings of RMB200.0 million. As at 30 June 2014, such bank borrowings were not repaid. During the Period, Wuxin Copper entered into a gold lease contract with the banks in respect of the pledge of copper concentrate inventories with value of RMB151.2 million for securing the gold lease of approximately RMB100.0 million. During the Period, Wuxin Copper entered into another mortgage agreement with the bank to obtain bank borrowings in relation to the pledge of the industrial plant and the land use right with an aggregate value of RMB745.9 million and the bank borrowings obtained was RMB80.0 million as at 30 June 2014.

Save as disclosed, there were no other charges or pledges of assets in the Group as at 30 June 2014.

MATERIAL LITIGATION

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

CONTINGENT LIABILITIES

Save as disclosed in Notes 9 and 10(7) to the unaudited consolidated interim financial statements of the Group, the Group had no other significant contingent liabilities as at 30 June 2014.

MAJOR ACQUISITIONS AND DISPOSAL

During the period, the Group had no major acquisition and disposal of assets.

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

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

MANAGEMENT DISCUSSION AND ANALYSIS

HISTORICAL CAPITAL EXPENDITURE

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

	Six months ended 30 June 2014	
	RMB'000	Percentage %
Mining, ore processing and smelting and complementary operations in Kalatongke Mining	65,111	16.7%
Refining and complementary operations in Fukang Refinery of Xinjiang Xinxin Mining Industry Co., Ltd.	7,475	1.9%
Mining and ore processing operations in Xinjiang Yakesi	89,359	22.9%
Mining operation in Hami Jubao	3,766	1.0%
Smelting and complementary operations of Xinjiang Zhongxin Mining Company Limited	3,280	0.8%
Smelting operating of Wuxin Copper with capacity of 100,000 tonnes	190,940	48.9%
Research and development of non-ferrous metal industrial products and storage base project of Beijing Xinding	30,593	7.8%
	390,524	100%

USE OF PROCEEDS

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

COMMITMENTS

Commitments of the Group as at 30 June 2014 are disclosed in Note (11) to the unaudited consolidated interim financial statements.

DIRECTORS' INTEREST

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACT

As at 30 June 2014, none of the directors or supervisors of the Company had any material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, its subsidiaries or any of its fellow subsidiaries was a party during the Period.

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

As at 30 June 2014, the interests or short positions, if any, of the directors and supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long Positions in Shares and Underlying Shares of the Company

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

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

Save as disclosed above, none of the directors and supervisors of the Company or their respective associates had, as at 30 June 2014, any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTEREST

SHARE APPRECIATION RIGHTS INCENTIVE SCHEME

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

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

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

There were no share appreciation rights allocated and outstanding as at 30 June 2014.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE CAPITAL AND DIVIDENDS

SHARE CAPITAL

The Company's share capital as at 30 June 2014 is as follows:

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

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

So far as known to any director or supervisor of the Company, as at 30 June 2014, the persons or companies (other than a director or supervisor of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Number of shares held	Class of share	Approximate percentage of shareholding on relevant class of shares (%)	Approximate percentage of the total share capital (%)
Xinjiang Non-ferrous Metal Industry (Group) Ltd.* (新疆有色金屬工業(集團)有限責任公司)	885,204,000(L)	Domestic share	61.01	40.06
Shanghai Yilian (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 shareholdings/equity interests of Shanghai Yilian and Zhongjin Investment are beneficially owned by Mr. Zhou Chuanyou.

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

Save as disclosed above, as at 30 June 2014, the directors of the Company were not aware of any other person (other than a director or supervisor of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIVIDENDS

The Board does not recommend any payment of interim dividend for 2014 (Nil for 2013).

EMPLOYEES AND WELFARE

As at 30 June 2014, the Group had a total of 3,759 employees. Breakdowns by functions and divisions are as follows:

Division	Employees	Total <i>(In percentage)</i>
Management and administration	220	5.9%
Engineering technician	574	15.3%
Production staff	2,145	57.1%
Repair and maintenance	588	15.6%
Inspection	208	5.5%
Sales	24	0.6%
	3,759	100.0%

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

CORPORATE GOVERNANCE

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company has fully complied with all code provisions prescribed in the Corporate Governance Code (“CG Code”) and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the Period.

Subsequent to the resignation of the chairman of the Board, Mr. Yuan Ze, on 5 August 2014, the Company deviates from the Code Provision A.5.1 of the CG Code as the nomination committee of the Company is not chaired by the chairman of the Board. The Company will endeavour to appoint an appropriate person to fill the vacancy of the chairman of the Board.

BOARD OF DIRECTORS

The Board currently consists of eight directors, including three executive directors, two non-executive directors and three independent non-executive directors. During the Period, the Board convened two meetings (with an attendance rate of 16/16).

SUPERVISORY COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

AUDIT COMMITTEE

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

By Order of the Board
Xinjiang Xinxin Mining Industry Co., Ltd.*
Zhou Chuanyou
Vice Chairman

Xinjiang, the PRC, 22 August 2014

* *For identification purpose only*

CONSOLIDATED AND COMPANY BALANCE SHEETS (UNAUDITED)

AS AT 30 JUNE 2014

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	30 June 2014 Consolidated (unaudited)	31 December 2013 Consolidated (audited)	30 June 2014 Company (unaudited)	31 December 2013 Company (audited)
Current assets					
Cash at bank and on hand	7(1)/17(1)	543,111,523.19	651,010,080.21	364,368,532.51	300,431,212.96
Notes receivable	7(2)/17(2)	493,211,592.17	133,886,691.82	479,222,410.48	128,346,691.82
Interest receivable		245,719.69	245,719.69	—	—
Accounts receivable	7(3)/17(3)	176,553,196.89	22,900,277.31	156,332,562.92	20,406,895.65
Advances to suppliers	7(5)/17(5)	166,297,152.16	280,532,390.93	558,534,938.26	177,019,210.55
Other receivables	7(4)/17(4)	71,134,219.54	62,520,664.23	43,584,268.65	162,209,103.83
Inventories	7(6)/17(6)	2,217,573,583.55	1,923,981,097.13	940,416,822.15	1,162,146,749.72
Other current assets	7(7)/17(7)	298,768,755.65	354,074,494.70	62,153,267.73	116,949,359.68
Total current assets		3,966,895,742.84	3,429,151,416.02	2,604,612,802.70	2,067,509,224.21
Non-current assets					
Long-term equity investments	7(8)/17(8)	150,907,123.51	148,419,053.08	3,048,838,544.38	3,046,350,473.95
Fixed assets	7(9)/17(9)	2,577,053,520.62	2,628,112,008.92	554,340,930.65	577,358,306.69
Construction materials	7(10)	3,198,550.32	4,266,819.31	—	—
Construction in progress	7(11)	3,729,519,587.68	3,657,516,423.72	9,255,746.39	3,406,698.15
Intangible assets	7(12)/17(10)	1,024,353,164.52	1,033,453,316.15	35,130,264.92	35,567,817.50
Goodwill	7(13)	28,087,550.20	28,087,550.20	—	—
Long-term prepaid expenses		352,520.61	400,406.52	—	—
Deferred tax assets	7(29)	47,090,775.91	43,164,884.23	755,112.05	14,694,634.49
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		7,647,182,293.37	7,630,039,962.13	3,653,600,598.39	3,682,657,930.78
TOTAL ASSETS		11,614,078,036.21	11,059,191,378.15	6,258,213,401.09	5,750,167,154.99

CONSOLIDATED AND COMPANY BALANCE SHEETS (UNAUDITED)

AS AT 30 JUNE 2014

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	Note	30 June 2014 Consolidated (unaudited)	31 December 2013 Consolidated (audited)	30 June 2014 Company (unaudited)	31 December 2013 Company (audited)
Current liabilities					
Short-term loans	7(25)/17(13)	1,195,817,424.06	1,783,765,982.36	210,000,000.00	410,000,000.00
Financial liabilities at fair value through profit or loss	7(16)	427,731,640.00	7,521,800.00	—	—
Notes payable	7(17)	23,907,534.42	40,000,000.00	—	20,000,000.00
Accounts payable	7(18)/17(12)	412,177,407.91	272,831,076.59	22,811,718.70	25,542,934.72
Advances from customers	7(19)/17(14)	48,604,176.55	77,211,138.47	36,970,779.33	10,005,164.88
Employee benefits payable	7(20)/17(15)	49,702,349.11	54,433,598.44	17,196,032.32	18,533,970.33
Taxes payable	7(21)/17(16)	27,590,446.96	17,045,455.77	4,130,747.44	1,512,851.09
Interest payable		16,651,496.27	7,270,360.33	12,776,986.30	—
Other payables	7(22)/17(17)	530,635,817.82	468,800,548.88	4,373,730.34	8,312,297.07
Current portion of non-current liabilities	7(24)/17(13)	453,130,000.00	451,700,000.00	—	10,000,000.00
Total current liabilities		3,185,948,293.10	3,180,579,960.84	308,259,994.43	503,907,218.09
Non-current liabilities					
Provisions	7(23)	6,523,554.58	6,348,279.62	—	—
Long-term loans	7(25)/17(13)	2,043,100,000.00	2,049,700,000.00	—	—
Bonds payable	7(26)	500,000,000.00	—	500,000,000.00	—
Long-term payables	7(27)	44,374,145.94	43,069,517.66	—	—
Deferred tax liabilities	7(29)	139,619,711.84	139,980,434.51	—	—
Other non-current liabilities	7(28)	52,249,003.48	51,908,349.38	879,112.00	909,778.00
Total non-current liabilities		2,785,866,415.84	2,291,006,581.17	500,879,112.00	909,778.00
Total liabilities		5,971,814,708.94	5,471,586,542.01	809,139,106.43	504,816,996.09

CONSOLIDATED AND COMPANY BALANCE SHEETS (UNAUDITED)

AS AT 30 JUNE 2014

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	Note	30 June 2014 Consolidated (unaudited)	31 December 2013 Consolidated (audited)	30 June 2014 Company (unaudited)	31 December 2013 Company (audited)
Owners' equity					
Share capital	7(30)	552,500,000.00	552,500,000.00	552,500,000.00	552,500,000.00
Capital surplus	7(31)	4,254,754,857.49	4,254,754,857.49	4,254,754,857.49	4,254,754,857.49
Specific reserve	7(32)	2,825,649.61	1,739,144.73	—	—
Surplus reserve	7(33)	225,379,515.90	225,379,515.90	225,379,515.90	225,379,515.90
Undistributed profits	7(34)	269,483,064.79	203,196,020.03	416,439,921.27	212,715,785.51
Total equity attributable to shareholders of the Company		5,304,943,087.79	5,237,569,538.15	5,449,074,294.66	5,245,350,158.90
Minority interests	7(35)	337,320,239.48	350,035,297.99	—	—
Total owners' equity		5,642,263,327.27	5,587,604,836.14	5,449,074,294.66	5,245,350,158.90
TOTAL LIABILITIES AND OWNERS' EQUITY		11,614,078,036.21	11,059,191,378.15	6,258,213,401.09	5,750,167,154.99

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

Legal representative:
Shi Wenfeng

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Li Jianhua

CONSOLIDATED AND COMPANY INCOME STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

	Note	Six months ended 30 June 2014 Consolidated (unaudited)	Six months ended 30 June 2013 Consolidated (unaudited)	Six months ended 30 June 2014 Company (unaudited)	Six months ended 30 June 2013 Company (unaudited)
Revenue	7(36)/17(18)	1,139,394,197.99	425,993,175.53	1,113,542,364.90	398,567,741.77
Less: Cost of sales	7(36)/17(18)	(944,598,576.51)	(343,360,711.61)	(994,154,664.30)	(378,025,563.32)
Taxes and surcharges	7(38)	(7,193,627.21)	(1,154,555.87)	(1,061,568.91)	(96,105.32)
Selling and distribution expenses	7(39)	(10,342,050.51)	(3,977,302.21)	(8,330,126.07)	(3,567,809.87)
General and administrative expenses	7(40)	(65,581,880.63)	(63,140,388.15)	(19,084,844.14)	(18,537,523.20)
Financial expenses - net	7(41)/17(19)	(49,654,128.31)	(651,032.43)	(21,984,741.67)	(1,005,305.47)
Asset impairment write-back/(losses)	7(15)/7(42)/ 17(11)	10,473,786.73	(6,446,138.13)	40,216,430.18	23,150.00
Add: Losses on the changes in fair value	7(43)	(961,500.00)	—	—	—
Investment losses	7(44)/17(20)	(17,766,682.53)	(4,767,164.23)	97,315,718.91	(4,767,164.23)
Including: Share of losses of associate and joint venture		(1,571,953.89)	(4,767,164.23)	2,488,070.43	(4,767,164.23)
Operating profit		53,769,539.02	2,495,882.90	206,458,568.90	(7,408,579.64)
Add: Non-operating income	7(45)	2,205,070.08	1,773,183.09	109,967.00	1,073,000.00
Less: Non-operating expenses	7(46)	(459,935.95)	(198,015.93)	(105,670.03)	(135,000.00)
Including: Losses on disposal of non-current assets		—	(1,357.24)	—	—
Total profit		55,514,673.15	4,071,050.06	206,462,865.87	(6,470,579.64)
Less: Income tax expenses	7(47)/17(21)	(1,943,055.18)	(868,590.92)	(2,738,730.11)	(1,215,200.97)
Net profit		53,571,617.97	3,202,459.14	203,724,135.76	(7,685,780.61)
Attributable to shareholders of the Company		66,287,044.76	5,926,718.60	203,724,135.76	(7,685,780.61)
Minority interests		(12,715,426.79)	(2,724,259.46)	—	—

CONSOLIDATED AND COMPANY INCOME STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

	Note	Six months ended 30 June 2014 Consolidated (unaudited)	Six months ended 30 June 2013 Consolidated (unaudited)	Six months ended 30 June 2014 Company (unaudited)	Six months ended 30 June 2013 Company (unaudited)
Earnings per share					
Basic earnings per share	7(48)	0.03	0.003	—	—
Diluted earnings per share	7(48)	0.03	0.003	—	—
Other comprehensive income after tax					
		—	—	—	—
Total comprehensive income					
		53,571,617.97	3,202,459.14	203,724,135.76	(7,685,780.61)
Attributable to equity					
holders of the Company		66,287,044.76	5,926,718.60	203,724,135.76	(7,685,780.61)
Minority interests		(12,715,426.79)	(2,724,259.46)	—	—

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

	Legal representative: Shi Wenfeng	Principal in charge of accounting: He Hongfeng	Head of accounting department: Li Jianhua
Proposed dividend	7(34)	—	—

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

Note	Six months ended 30 June 2014 Consolidated (unaudited)	Six months ended 30 June 2013 Consolidated (unaudited)	Six months ended 30 June 2014 Company (unaudited)	Six months ended 30 June 2013 Company (unaudited)
Cash flows from operating activities				
	1,116,838,937.20	881,230,534.53	839,315,663.95	825,196,051.65
Cash received from sales of goods				
Cash received relating to other operating activities	7(49)(a) 35,309,637.71	3,983,341.57	121,296,901.64	10,132,303.03
Sub-total of cash inflows from operating activities	1,152,148,574.91	885,213,876.10	960,612,565.59	835,328,354.68
Cash flows from investing activities				
Cash paid for goods and services	(958,942,153.78)	(694,561,642.95)	(1,187,374,154.54)	(693,296,207.18)
Cash paid to and on behalf of employees	(168,342,045.73)	(156,377,038.12)	(51,568,208.07)	(56,140,758.00)
Payments of taxes and surcharges	(95,786,794.40)	(27,130,188.05)	(7,942,436.74)	(4,979,681.60)
Cash paid relating to other operating activities	7(49)(b) (22,564,680.06)	(26,263,764.07)	(17,162,446.62)	(57,260,388.71)
Sub-total of cash outflows from operating activities	(1,245,635,673.97)	(904,332,633.19)	(1,264,047,245.97)	(811,677,035.49)
Net cash flows (used in)/generated from operating activities	7(49)(c) 17(22)(a) (93,487,099.06)	(19,118,757.09)	(303,434,680.38)	23,651,319.19
Cash flows from investing activities				
Cash received from disposal of fixed assets	765,503.90	34,759.72	—	7,113.90
Cash received from withdrawal of deposit from futures contract	8,000,000.00	—	—	—
Dividends received from subsidiaries	—	—	94,827,648.48	—
Sub-total of cash inflows from investing activities	8,765,503.90	34,759.72	94,827,648.48	7,113.90
Cash flows from investing activities				
Cash paid to acquire fixed assets and other long-term assets	(256,905,740.44)	(232,577,377.14)	(7,187,647.94)	(1,445,224.59)
Payments of deposit for futures contract	(25,000,000.00)	—	—	—
Sub-total of cash outflows from investing activities	(281,905,740.44)	(232,577,377.14)	(7,187,647.94)	(1,445,224.59)
Net cash flows (used in)/generated from investing activities	(273,140,236.54)	(232,542,617.42)	87,640,000.54	(1,438,110.69)

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

Note	Six months ended 30 June 2014 Consolidated (unaudited)	Six months ended 30 June 2013 Consolidated (unaudited)	Six months ended 30 June 2014 Company (unaudited)	Six months ended 30 June 2013 Company (unaudited)
Cash flows from financing activities				
Cash received from borrowings	1,454,239,097.39	504,450,835.66	580,000,000.00	—
Sub-total of cash inflows from financing activities	1,454,239,097.39	504,450,835.66	580,000,000.00	—
Cash repayment of loans	(1,028,435,982.36)	—	(290,000,000.00)	—
Cash payments for interest expenses	(138,065,381.02)	(70,326,303.88)	(10,268,000.61)	(7,752,782.73)
Sub-total of cash outflows from financing activities	(1,166,501,363.38)	(70,326,303.88)	(300,268,000.61)	(7,752,782.73)
Net cash flows generated from/ (used in) financing activities	287,737,734.01	434,124,531.78	279,731,999.39	(7,752,782.73)
Net (decrease)/increase in cash and cash equivalents	7(49) (d)/17(22)(b) (78,889,601.59)	182,463,157.27	63,937,319.55	14,460,425.77
Add: Cash and cash equivalents at beginning of period	7(49) (d)/17(22)(b) 577,907,940.25	470,196,746.21	293,749,971.33	361,418,741.61
Cash and cash equivalents at end of period	7(49) (d)/17(22)(b) 499,018,338.66	652,659,903.48	357,687,290.88	375,879,167.38

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

Legal representative:
Shi Wenfeng

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Li Jianhua

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

	Attributable to shareholders of the Company						Minority interests (Note 7(35))	Total shareholders' equity
	Share capital (Note 7(30))	Capital surplus (Note 7(31))	Specific reserve (Note 7(32))	Surplus reserves (Note 7(33))	Undistributed profits (Note 7(34))	Subtotal		
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 income								
Net profit	—	—	—	—	5,926,718.60	5,926,718.60	(2,724,259.46)	3,202,459.14
Total comprehensive income	—	—	—	—	5,926,718.60	5,926,718.60	(2,724,259.46)	3,202,459.14
Appropriation to								
specific reserve	—	—	5,811,980.22	—	—	5,811,980.22	79.39	5,812,059.61
Utilisation of specific reserve	—	—	(3,650,543.37)	—	—	(3,650,543.37)	—	(3,650,543.37)
Balance at 30 June 2013 (unaudited)	552,500,000.00	4,254,754,857.49	2,161,436.85	225,379,515.90	267,636,888.79	5,302,432,699.03	342,088,660.74	5,644,521,359.77
Balance at 1 January 2014	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
Movements								
Comprehensive income								
Net profit	—	—	—	—	66,287,044.76	66,287,044.76	(12,715,426.79)	53,571,617.97
Total comprehensive income	—	—	—	—	66,287,044.76	66,287,044.76	(12,715,426.79)	53,571,617.97
Appropriation to								
specific reserve	—	—	6,393,708.20	—	—	6,393,708.20	368.28	6,394,076.48
Utilisation of specific reserve	—	—	(5,307,203.32)	—	—	(5,307,203.32)	—	(5,307,203.32)
Balance at 30 June 2014 (unaudited)	552,500,000.00	4,254,754,857.49	2,825,649.61	225,379,515.90	269,483,064.79	5,304,943,087.79	337,320,239.48	5,642,263,327.27

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

Legal representative:
Shi Wenfeng

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Li Jianhua

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in RMB Yuan unless otherwise stated)

	Share capital <i>(Note 7(30))</i>	Capital surplus <i>(Note 7(31))</i>	Specific reserve	Surplus reserves <i>(Note 7(33))</i>	Undistributed profits	Total shareholders' equity
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 income						
Net loss	—	—	—	—	(7,685,780.61)	(7,685,780.61)
Total comprehensive income	—	—	—	—	(7,685,780.61)	(7,685,780.61)
Appropriation to specific reserve	—	—	13,249.03	—	—	13,249.03
Utilisation of specific reserve	—	—	(13,249.03)	—	—	(13,249.03)
Balance at 30 June 2013 (unaudited)	552,500,000.00	4,254,754,857.49	—	225,379,515.90	255,089,289.14	5,287,723,662.53
Balance at 1 January 2014	552,500,000.00	4,254,754,857.49	—	225,379,515.90	212,715,785.51	5,245,350,158.90
Movements						
Comprehensive loss						
Net profit	—	—	—	—	203,724,135.76	203,724,135.76
Total comprehensive loss	—	—	—	—	203,724,135.76	203,724,135.76
Appropriation to specific reserve	—	—	50,632.56	—	—	50,632.56
Utilisation of specific reserve	—	—	(50,632.56)	—	—	(50,632.56)
Balance at 30 June 2014 (unaudited)	552,500,000.00	4,254,754,857.49	—	225,379,515.90	416,439,921.27	5,449,074,294.66

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

Legal representative:
Shi Wenfeng

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Li Jianhua

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

1 GENERAL INFORMATION

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

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

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

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

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

These financial statements were authorised for issue by the Company’s Board of Directors on 22 August 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”).

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 H share listed company, and has therefore early adopted the above standards for the preparation of its financial statements for the year of 2013 and first half-year of 2014 (Note 7(8), 7(16)).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

3 STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Company for the six months ended 30 June 2014 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as of 30 June 2014 and of their financial performance, cash flows and other information for the period then ended.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Accounting year

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

(2) Recording currency

The recording currency is Renminbi (RMB).

(3) Business combinations involving enterprises not under common control

(a) Business combinations involving enterprises under common control

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

(b) Business combinations involving enterprises not under common control

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

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(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 (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(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 (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(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 (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(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 payable 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 (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(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.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

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

(8) Receivables (continued)

- (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.

(9) Inventories

(a) Classification

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

(b) Costing of inventories

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in RMB Yuan unless otherwise stated)

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

(10) Long-term equity investments

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

Subsidiaries are the investees over which the Company is able to exercise control. Joint ventures are the investees over which the Group is able to exercise joint control together with other venturers 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.

(a) Determination of investment cost

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

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

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

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

(10) Long-term equity investments (continued)

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

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

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

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

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

Control is 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.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in RMB Yuan unless otherwise stated)

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

(10) Long-term equity investments (continued)

(d) Impairment of long-term equity investments

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

(11) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

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

(11) Fixed assets (continued)

(b) Depreciation methods of fixed assets

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

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

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

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

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

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

(d) Disposal of fixed assets

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

(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)).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(13) Borrowing costs

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

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

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

(14) Intangible assets

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

(a) Mining rights

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

(b) Exploration rights

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

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

(14) Intangible assets (continued)

(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.

(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.

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

(21) Provisions (continued)

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.

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

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

(23) Revenue recognition

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

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

(a) Sale of goods

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

(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.

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

(25) Government Grants (continued)

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.

(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.

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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)

(a) Carrying value of non-current assets (continued)

As at 30 June 2014, 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 30 June 2014, 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.

(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.

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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)

(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 30 June 2014, 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)

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5 TAXATION (CONTINUED)

(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 six months ended 30 June 2014 after communication with local tax authorities (2013: 15%).
- (b) The applicable income tax rate of Shanghai Sales Branch is 25% in 2014 (2013: 25%).
- (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 6 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 six months ended 30 June 2014 after communication with local tax authorities (2013: 15%).
- (d) The subsidiary, Hami Jubao Resource Development Co., Ltd. (hereafter "Hami Jubao"), qualifies as a foreign investment manufacturing enterprise established in Hami, Xinjiang Uygur Autonomous Region. Hami Jubao was exempted from corporate income tax from 2007 to 2008 and subject to corporate income tax based on a reduced tax rate of 7.5% from 2009 to 2011. 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 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 six months ended 30 June 2014 after communication with local tax authorities (2013: 15%).
- (e) The subsidiary, Xinjiang Kalatongke Mining Industry Co., Ltd. (hereafter "Kalatongke Mining") applied the corporate income tax of 25% in 2012. 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 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 six months ended 30 June 2014 after communication with local tax authorities (2013: 15%).

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5 TAXATION (CONTINUED)

(1) Corporate income tax (continued)

(f) Other subsidiaries, including Xinjiang Zhongxin Mining Industry Co., Ltd. (hereafter “Zhongxin Mining”), Xinjiang Wuxin Copper Co., Ltd. (hereafter “Wuxin Copper”), 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’s subsidiary Fukang Xinlin Chemical Co., Ltd. (hereafter “Xinlin Chemical”), are subject to corporate income tax rate of 25% in 2014 (2013: 25%).

(2) Value-added tax

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

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

(3) Resources tax

Pursuant to “Notification of Financial Department of Xinjiang 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

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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	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

Name of subsidiaries	Ending balance of actual contribution	Ending balance of other items which forms substantially a part of net investment in subsidiaries	% equity interest held by the Group	% voting rights held by the Group	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders
Mengxi Mining	10,200,000.00	Not applicable	51%	51%	Yes	1,900,922.81	1,656.12
Wuxin Copper	547,800,000.00	Not applicable	66%	66%	Yes	259,603,380.03	12,288,026.82
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>261,504,302.84</u>	<u>12,289,682.94</u>

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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	Type	Place of registration	The main premises	Nature of business and principal activities	Registered capital	Debentures issued	Scope of business	Legal representative	Code of organisation
Xinjiang Yakesi	Wholly-owned	Hami, the PRC	Hami, the PRC	Mining	500,000,000.00	—	Copper and nickel mining, Co., Ltd. processing and sales	Duan Weidong	71296966-1
Hami Jubao	Wholly-owned	Hami, the PRC	Hami, the PRC	Mining	5,000,000.00	—	Copper and nickel mining, Co., Ltd. processing and sales	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

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	1,265,668.72	43,365.71
Shaanxi Xinxin	80,000,000.00	Not applicable	51%	51%	Yes	74,550,267.92	382,378.14
	<u>1,009,931,420.87</u>					<u>75,815,936.64</u>	<u>425,743.85</u>

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6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(1) Subsidiaries (continued)

(c) Subsidiaries with significant minority rights

	30 June 2014 Minority rights	Six months ended 30 June 2014 Minority interests	Dividend declared allocated to minority shareholders For the six months ended 30 June 2014
Zhongxin Mining	1,265,668.72	43,365.71	—
Shaanxi Xinxin	74,550,267.92	382,378.14	—
Mengxi Mining	1,900,922.81	1,656.12	—
Wuxin Copper	259,603,380.03	12,288,026.82	—
	337,320,239.48	12,715,426.79	—

Main financial information of the above subsidiaries for the six months ended 30 June 2014

	Financial condition on 30 June 2014				
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets
Zhongxin Mining	254,589,021.36	179,941,855.65	393,439,148.48	9,020,446.78	32,071,281.75
Shaanxi Xinxin	593,028.13	13,802,683.98	8,617,058.19	—	5,778,653.92
Mengxi Mining	9,364,802.63	—	5,485,368.33	—	3,879,434.30
Wuxin Copper	1,685,355,226.14	2,383,801,905.85	1,689,314,778.97	1,616,303,000.00	763,539,353.02
	1,949,902,078.26	2,577,546,445.48	2,096,856,353.97	1,625,323,446.78	805,268,722.99

	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	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

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(All amounts in RMB Yuan unless otherwise stated)

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(1) Subsidiaries (continued)

(c) Subsidiaries with significant minority rights (continued)

	Operating results for the six months ended 30 June 2014				
	Revenue	Total losses	Net losses	Other comprehensive income	Total comprehensive loss
Zhongxin Mining	203,561,648.43	(1,982,741.63)	(1,487,056.22)	—	(1,487,056.22)
Shaanxi Xinxin	—	(780,063.55)	(780,363.55)	—	(780,363.55)
Mengxi Mining	—	(3,379.83)	(3,379.83)	—	(3,379.83)
Wuxin Copper	2,983,276.37	(36,141,255.35)	(36,141,255.35)	—	(36,141,255.35)
	206,544,924.80	(38,907,440.36)	(38,412,054.95)	—	(38,412,054.95)

	Operating results for the six months ended 30 June 2013				
	Revenue	Total (losses)/ profit	Net(losses)/ profit	Other comprehensive income	Total comprehensive (loss)/income
Zhongxin Mining	194,458,904.88	(25,549,036.48)	(19,161,777.35)	—	(19,161,777.35)
Shaanxi Xinxin	—	(996,560.50)	(996,560.50)	—	(996,560.50)
Mengxi Mining	—	33,614.20	25,210.65	—	25,210.65
Wuxin Copper	818,392.70	(5,227,070.81)	(5,227,070.81)	—	(5,227,070.81)
	195,277,297.58	(31,739,053.59)	(25,360,198.01)	—	(25,360,198.01)

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6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(1) Subsidiaries (continued)

(c) Subsidiaries with significant minority rights (continued)

	Cash flow for the six months ended 30 June 2014				
	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at beginning of period	Cash and cash equivalents at end of period
Zhongxin Mining	8,576,847.34	(5,668,223.63)	—	403,213.52	3,311,837.23
Shaanxi Xinxin	439,600.67	(2,149.60)	—	148,577.06	586,028.13
Mengxi Mining	(30,193.56)	—	—	9,128,259.28	9,098,065.72
Wuxin Copper	(129,032,651.23)	(159,812,690.47)	180,418,707.33	209,853,254.88	101,426,620.51
	(120,046,396.78)	(165,483,063.70)	180,418,707.33	219,533,304.74	114,422,551.59

	Cash flow for the six months ended 30 June 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	(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

The amounts above are before inter-company transaction elimination among the subsidiaries of the Group.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash and bank balances

	30 June 2014	31 December 2013
Cash on hand	104,096.85	82,891.23
Cash at bank	498,914,241.81	577,825,049.02
Restricted cash at banks (a)	44,093,184.53	73,102,139.96
	543,111,523.19	651,010,080.21

(a) Included in the restricted cash at banks, cash balances of RMB10,434,094.69 represented deposits of the Group for the purpose of applying for unconditional, irrevocable bank letters of guarantee (31 December 2013: RMB39,490,456.53); RMB13,703,545.47 was set aside as the security for issuing bank notes by the banks (31 December 2013: RMB20,000,000.00); RMB5,004,520.88 was set aside as the security for gold lease; RMB12,928,185.24 was set aside as guarantee deposits for environmental recovery and safety of production (31 December 2013: RMB11,590,214.67); and RMB2,022,838.25 was set aside as deposits for compensation of industrial injury of migrant workers (31 December 2013: RMB2,021,468.76).

(2) Notes receivable

	30 June 2014	31 December 2013
Bank acceptance notes	493,211,592.17	133,886,691.82

All the notes receivable will be matured within 180 days. On 30 June 2014, there were no pledged notes receivable (31 December 2013: Nil) to the banks as the guarantee of issuing notes payable within the Group.

(3) Accounts receivable

	30 June 2014	31 December 2013
Accounts receivable	180,515,101.31	26,474,876.63
Less: provision for bad debts	(3,961,904.42)	(3,574,599.32)
	176,553,196.89	22,900,277.31

The Group conducted sales transactions mainly through cash on delivery, cash receipts in advance or bank acceptance notes. For other sales transactions, credit terms not exceeding 180 days were granted. As at 30 June 2014 and 31 December 2013, there was no significant past due but not impaired accounts receivable.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Accounts receivable (continued)

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

	30 June 2014			31 December 2013		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
With 1 year	175,148,734.38	97.03%	—	21,388,180.75	80.79%	—
1 to 2 years	1,056,431.05	0.59%	(79,830.54)	776,760.00	2.93%	—
2 to 3 years	1,196,548.40	0.66%	(768,686.40)	1,196,548.40	4.52%	(461,211.84)
3 to 4 years	192,954.70	0.11%	(192,954.70)	192,954.70	0.73%	(192,954.70)
4 to 5 years	386,729.70	0.21%	(386,729.70)	394,650.70	1.49%	(394,650.70)
Over 5 years	2,533,703.08	1.40%	(2,533,703.08)	2,525,782.08	9.54%	(2,525,782.08)
	180,515,101.31	100.00%	(3,961,904.42)	26,474,876.63	100.00%	(3,574,599.32)

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

	30 June 2014				31 December 2013			
	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	2,640,761.49	1.46%	(1,516,216.82)	57.42%	2,633,261.49	9.95%	(1,149,143.24)	43.64%
- Ageing group	177,874,339.82	98.54%	(2,445,687.60)	1.37%	23,841,615.14	90.05%	(2,425,456.08)	10.17%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	—	—	—	—	—	—	—	—
	180,515,101.31	100.00%	(3,961,904.42)		26,474,876.63	100.00%	(3,574,599.32)	

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FOR THE SIX MONTHS ENDED 30 JUNE 2014
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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:

	30 June 2014				31 December 2013			
	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	174,610,790.69	98.17%	—	—	20,857,737.06	87.49%	—	—
1 to 2 years	410,231.05	0.23%	(20,231.52)	4.93%	130,560.00	0.55%	—	—
2 to 3 years	427,862.00	0.24%	—	—	427,862.00	1.79%	—	—
3 to 4 years	192,954.70	0.11%	(192,954.70)	100.00%	192,954.70	0.81%	(192,954.70)	100.00%
Over 5 years	2,232,501.38	1.25%	(2,232,501.38)	100.00%	2,232,501.38	9.36%	(2,232,501.38)	100.00%
	177,874,339.82	100.00%	(2,445,687.60)		23,841,615.14	100.00%	(2,425,456.08)	

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

	30 June 2014	31 December 2013
Production Customer	165,702,993.59	17,590,031.74
Trading Customer	14,812,107.72	8,884,844.89
	180,515,101.31	26,474,876.63

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

	As at 30 June 2014			As at 31 December 2013		
	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	0.66%	(1,155,416.10)	1,187,810.20	4.49%	(847,941.54)
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	1,151,749.59	0.64%	(59,599.02)	1,144,249.59	4.32%	—
Xinjiang Haoxin Lithia Developing Co., Ltd.	301,201.70	0.16%	(301,201.70)	301,201.70	1.14%	(301,201.70)
	2,640,761.49	1.46%	(1,516,216.82)	2,633,261.49	9.95%	(1,149,143.24)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Accounts receivable (continued)

(f) As at 30 June 2014, 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	122,663,930.64	within 1 year	67.95%
Shanghai Xiechuan Materials Co., Ltd.	Third party	24,829,730.16	within 1 year	13.76%
Daye Non-ferrous Metals Co., Ltd.	Third party	17,948,049.73	within 1 year	9.95%
Shenyang Chengtong Metals Co., Ltd.	Third party	3,921,192.10	within 1 year	2.17%
Jiangsu Yuanhang Precision Alloy Technology Co., Ltd.	Third party	1,774,737.80	within 1 year	0.98%
		171,137,640.43		94.81%

(g) As at 30 June 2014, 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 period.

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

(i) As at 30 June 2014, there were no accounts receivable from shareholders who held more than 5% (including 5%) of the voting rights of the Company (31 December 2013: Nil).

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

(k) As at 30 June 2014, there were no accounts receivable denominated in foreign currencies.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) Other receivables

	30 June 2014	31 December 2013
Deposit for futures trading (Note (i))	43,800,286.64	42,995,015.28
Amount due from equity and debt transfer (Note (ii))	7,812,100.00	10,812,100.00
Cash advance	3,075,642.60	1,977,283.70
Amount due from a joint-venture (Note (iii))	2,660,375.90	2,710,075.90
Others	13,882,160.81	4,122,535.76
	71,230,565.95	62,617,010.64
Less: provision for bad debts	(96,346.41)	(96,346.41)
	71,134,219.54	62,520,664.23

- (i) On 5 July 2013, the Group signed futures contract with Jinshi Futures Co., Ltd. As at 30 June 2014, the deposit balance represented the combination of the accumulated amount of deposit placed and withdrawn and the trading result during the period. For the six months ended 30 June 2014, based on the trading result, the Group recorded a loss of RMB16,194,728.64 (2013: gain RMB2,995,015.28).
- (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 RMB3,600,000.00 to other receivable. The legal procedures of share transfer were completed in July 2013. Xinjiang Yakesi transferred its amount due from Puxiong Mining of RMB7,000,000.00 and the interest receivable of RMB47,810.01 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. Xinjiang Yakesi has received RMB3,000,000.00 in February 2014.
- (iii) According to the contract signed by the Company and Hami Hexin Mining Co., Ltd. (hereafter "Hexin Mining") on 29 June 2009, the Company provided a loan of RMB50,000,000 to Hexin Mining. The principal amount was repaid in 2011. As at 30 June 2014 and 2013, the balance represented interest receivable.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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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:

	30 June 2014			31 December 2013		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	61,047,297.38	85.70%	—	52,438,222.47	83.74%	—
1 to 2 years	120,822.58	0.17%	—	116,324.18	0.19%	—
2 to 3 years	35,691.27	0.05%	—	35,691.27	0.06%	—
3 to 4 years	16,916.36	0.02%	(16,916.36)	16,916.36	0.03%	(16,916.36)
4 to 5 years	2,749,741.62	3.86%	—	2,758,862.12	4.40%	—
Over 5 years	7,260,096.74	10.20%	(79,430.05)	7,250,994.24	11.58%	(79,430.05)
	71,230,565.95	100.00%	(96,346.41)	62,617,010.64	100.00%	(96,346.41)

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

	30 June 2014				31 December 2013			
	Ending balance	% of total balance	Provision for bad debts		Ending balance	% of total balance	Provision for bad debts	
	Amount		Amount	Ratio	Amount		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	9.89%	—	—	7,047,810.01	11.25%	—	—
That the related provision for bad debts is provided on the grouping basis								
- Related party group	2,971,711.90	4.17%	—	—	2,710,075.90	4.33%	—	—
- Ageing group	61,211,044.04	85.94%	(96,346.41)	0.16%	52,859,124.73	84.42%	(96,346.41)	0.18%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	—	—	—	—	—	—	—	—
	71,230,565.95	100.00%	(96,346.41)		62,617,010.64	100.00%	(96,346.41)	

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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 follows:

	30 June 2014				31 December 2013			
	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	60,731,905.48	99.21%	—	—	52,384,466.57	99.11%	—	—
1 to 2 years	120,822.58	0.20%	—	—	116,324.18	0.22%	—	—
2 to 3 years	35,691.27	0.06%	—	—	35,691.27	0.07%	—	—
3 to 4 years	16,916.36	0.03%	(16,916.36)	100.00%	16,916.36	0.03%	(16,916.36)	100.00%
4 to 5 years	93,421.62	0.15%	—	—	102,542.12	0.19%	—	—
Over 5 years	212,286.73	0.35%	(79,430.05)	37.42%	203,184.23	0.38%	(79,430.05)	39.09%
	61,211,044.04	100.00%	(96,346.41)		52,859,124.73	100.00%	(96,346.41)	

- (d) There were no other receivables written off in current period.
- (e) As at 30 June 2014, there were no other receivables from shareholders who held more than 5% (including 5%) of the voting rights of the Company (31 December 2013: Nil).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) Other receivables (continued)

(f) As at 30 June 2014, the top five other receivables are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Jinshi Futures Co., Ltd.	Third party	43,800,286.64	Within 1 year	61.49%
Gansu Ximai	Third party	7,812,100.00	Over 5 years	10.97%
Wenzhou Erjing Construction Co., Ltd.	Third party	2,664,606.08	Within 1 year	3.74%
Hexin Mining	Joint-venture	2,660,375.90	Over 1 year	3.73%
Xinjiang Beia Railway Co., Ltd.	Third party	2,000,000.00	Within 1 year	2.81%
		58,937,368.62		82.74%

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

	Relationship with the Group	30 June 2014			31 December 2013		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Hexin Mining	Joint-venture	2,660,375.90	3.73%	—	2,710,075.90	4.33%	—
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	Fellow subsidiary	311,336.00	0.44%	—	—	—	—
		2,971,711.90	4.17%	—	2,710,075.90	4.33%	—

(h) As at 30 June 2014, there were no other receivables denominated in foreign currencies.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
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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:

	30 June 2014		31 December 2013	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	126,630,370.20	76.15%	238,267,346.02	84.94%
1 to 2 years	20,935,306.69	12.59%	24,160,409.86	8.61%
2 to 3 years	13,993,060.95	8.41%	12,017,581.84	4.28%
Over 3 years	4,738,414.32	2.85%	6,087,053.21	2.17%
	166,297,152.16	100.00%	280,532,390.93	100.00%

As at 30 June 2014, advances to suppliers over 1 year with a carrying amount of RMB39,666,781.96 (31 December 2013: RMB42,265,044.91) are mainly unsettled advances for raw materials due to purchased materials have not been fully supplied.

(b) As at 30 June 2014, the top five advances to suppliers are analysed as follows:

	Relationship with the Group	Amount	% of total balance	Recognition date
Wenquan Shunkaida Mining Co., Ltd.	Third party	30,000,000.00	18.04%	2011 and 2012
Xian Yitepu International Trade Co., Ltd.	Third party	25,016,743.62	15.04%	2014
Yantai Xinhai Freight Forwarding Co., Ltd.	Third party	21,962,310.74	13.21%	2013
Jiayou International Logistics (Beijing) Co., Ltd.	Third party	16,371,312.93	9.84%	2013
Xinjiang Xianglun Mining Co., Ltd.	Third party	12,089,822.26	7.27%	2014
		105,440,189.55	63.40%	

(c) As at 30 June 2014, there were no advances to shareholders who held more than 5% (including 5%) of the voting rights of the Company (31 December 2013: 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:

	30 June 2014			31 December 2013		
	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:

	30 June 2014			31 December 2013		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Xinjiang Ashele Copper Industry Co., Ltd.	2,608,560.31	1.57%	—	—	—	—
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	899,605.76	0.54%	—	138,773.85	0.05%	—
Fukang Non-ferrous Development Co., Ltd.	58,815.85	0.04%	—	—	—	—
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	48,460.59	0.03%	—	—	—	—
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	18,990.00	0.01%	—	38,845.00	0.01%	—
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	—	—	—	656,200.00	0.24%	—
	3,634,432.51	2.19%	—	833,818.85	0.30%	—

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) Inventories

(a) Classification of inventories is as follows:

	30 June 2014			31 December 2013		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	1,363,989,213.25	(543,427.80)	1,363,445,785.45	741,948,094.56	(543,427.80)	741,404,666.76
Work in progress	46,204,263.70	—	46,204,263.70	49,342,373.31	—	49,342,373.31
Semi-finished goods	488,011,130.88	—	488,011,130.88	472,616,072.51	—	472,616,072.51
Finished goods	322,548,284.19	(2,635,880.67)	319,912,403.52	693,516,335.93	(32,898,351.38)	660,617,984.55
	2,220,752,892.02	(3,179,308.47)	2,217,573,583.55	1,957,422,876.31	(33,441,779.18)	1,923,981,097.13

Wuxin Copper pledged copper concentrate of RMB303,900,000.00 to banks for the mortgage loan (Note 7 (25)(d)) and pledged copper concentrate of RMB151,216,648.00 to banks for gold lease (Note 7(16)(a)).

(b) Inventories balance fluctuation is analysed as follows:

	31 December 2013	Increase in current period	Decrease in current period	30 June 2014
Raw materials	741,948,094.56	908,902,692.85	(286,861,574.16)	1,363,989,213.25
Work in progress	49,342,373.31	244,343,600.34	(247,481,709.95)	46,204,263.70
Semi-finished goods	472,616,072.51	489,959,261.42	(474,564,203.05)	488,011,130.88
Finished goods	693,516,335.93	563,957,723.42	(934,925,775.16)	322,548,284.19
	1,957,422,876.31	2,207,163,278.03	(1,943,833,262.32)	2,220,752,892.02

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

	31 December 2013	Current period additions	Current period Write-off	30 June 2014
Raw materials	(543,427.80)	—	—	(543,427.80)
Finished goods	(32,898,351.38)	(2,635,880.67)	32,898,351.38	(2,635,880.67)
	(33,441,779.18)	(2,635,880.67)	32,898,351.38	(3,179,308.47)

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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/ price recovery	10.20%

(7) Other current assets

	30 June 2014	31 December 2013
Deductible VAT	277,698,672.58	344,001,041.00
Advanced payment of income tax	21,070,083.07	10,073,453.70
	298,768,755.65	354,074,494.70

(8) Long-term equity investments

	30 June 2014	31 December 2013
Joint-venture (a)		
Open quotation	—	—
No open quotation	150,907,123.51	148,419,053.08
	150,907,123.51	148,419,053.08

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 2013	Current period movement				30 June 2014	Share holding (%)	Voting rights (%)	Provision for impairment	Impairment provided in the current period
			Increase/Decrease in investment	Share of net profit using the equity method (Note 7 (44))	Cash dividend declared	Other changes in equity					
Hexin Mining Equity	145,326,500.00	148,419,053.08	—	2,488,070.43	—	—	150,907,123.51	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 RMB95,096,500.00. Initial investment cost included the goodwill which represented the difference of consideration paid in excess of the share of fair value of identifiable net assets obtained.

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

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

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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	
	30 June 2014	31 December 2013
Cash and cash equivalents	6,154,788.20	15,259,004.50
Other current assets	112,746,488.73	100,075,601.41
Total current assets	118,901,276.93	115,334,605.91
Total non-current assets	484,185,436.04	496,589,437.28
Account payable	—	—
Other financial liabilities	(270,000,000.00)	(295,000,000.00)
Other current liabilities	(13,609,238.65)	(14,922,709.73)
Total current liabilities	(283,609,238.65)	(309,922,709.73)
Financial liabilities	(107,000,000.00)	(94,500,000.00)
Other liabilities	—	—
Total non-current liabilities	(107,000,000.00)	(94,500,000.00)
Net assets	212,477,474.32	207,501,333.46
Total equity attributable to the Company	212,477,474.32	207,501,333.46
Adjustment to the fair value of identifiable net assets of the joint venture when obtained	—	—
Total equity attributable to the Company after adjustment	212,477,474.32	207,501,333.46
Shareholding of the Group	50%	50%
Interest in the joint venture	106,238,737.16	103,750,666.73
Goodwill included in long-term equity investments	44,668,386.35	44,668,386.35
Offset of unrealized internal trade (Note 7 (44))	(4,060,024.32)	(16,965,566.43)
Provision for impairment	—	—
Long-term equity investments	150,907,123.51	148,419,053.08

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(8) Long-term equity investments (continued)

(a) Joint-venture (continued)

	Hexin Mining	
	Six months ended 30 June 2014	Six months ended 30 June 2013
Revenue	64,495,529.35	54,098,008.62
Depreciation and amortisation	(15,783,880.08)	(9,898,492.65)
Interest income	33,416.73	43,713.13
Interest expense	(7,679,657.39)	(8,859,150.06)
Total profit	4,976,140.86	(9,534,328.47)
Income tax	—	—
Net profit/(loss)	4,976,140.86	(9,534,328.47)
Other comprehensive income	—	—
Total comprehensive income	4,976,140.86	(9,534,328.47)

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(9) Fixed assets and depreciation expenses

	Building	Mining structure	Machinery and equipment	Electronic and office equipment	Motor vehicles	Total
Cost						
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
Transfer-in from construction in progress	1,500,208.92	24,485,527.23	4,142,522.53	—	—	30,128,258.68
Additions	1,400,000.00	—	3,056,412.41	214,749.25	776,068.39	5,447,230.05
Disposal	—	—	(862,300.00)	—	(373,551.00)	(1,235,851.00)
30 June 2014	933,516,622.11	849,869,541.59	1,459,994,726.37	53,666,845.56	71,076,352.99	3,368,124,088.62
Accumulated depreciation						
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
Additions	16,186,753.31	16,435,674.28	47,511,572.04	3,002,807.89	2,829,089.87	85,965,897.39
Disposal	—	—	(390,334.56)	—	(177,436.80)	(567,771.36)
30 June 2014	255,561,186.29	98,567,260.85	383,117,329.07	21,146,332.25	32,678,459.54	791,070,568.00
Net book value						
30 June 2014	677,955,435.82	751,302,280.74	1,076,877,397.30	32,520,513.31	38,397,893.45	2,577,053,520.62
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

As at 31 December 2013 and 30 June 2014, the Group has not pledged any fixed assets.

For the six months ended 30 June 2014, RMB80,169,380.41 of depreciation expense of fixed assets has been charged to cost of sales, RMB4,596,272.99 to general and administrative expense, RMB75,247.71 to selling expense and RMB1,124,996.28 to construction in progress (For the six months ended 30 June 2013: RMB57,193,904.87, RMB4,259,089.56, RMB72,055.10 and RMB917,874.37).

The costs of fixed assets transferred-in from construction in progress amounted to RMB30,128,258.68 for the six months ended 30 June 2014 (For the six months ended 30 June 2013: RMB4,531,338.64).

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(9) Fixed assets and depreciation expenses (continued)

(a) Temporarily idle fixed assets

	Cost	Accumulated depreciation	Carrying amount
Machinery and equipment	28,872,165.36	(28,005,002.72)	867,162.64
Building	797,193.00	(797,193.00)	—
Electronic and office equipment	170,873.92	(101,720.36)	69,153.56
	29,840,232.28	(28,903,916.08)	936,316.20

As at 30 June 2013, machinery and equipment and electronic and office equipment with carrying amount of RMB936,316.20 (cost of RMB29,840,232.28) were temporarily idle for the purpose of production facility improvement (31 December 2013: 1,179,771.37 (cost of RMB29,840,232.28)).

(10) Construction materials

	31 December 2013	Additions	Reductions	31 December 2014
Construction materials	4,266,819.31	2,256,288.46	(3,324,557.45)	3,198,550.32

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) Construction in progress

	30 June 2014			31 December 2013		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
The Company:						
Fukang Refinery						
Utilisation of tailings project	309,517.96	—	309,517.96	309,517.96	—	309,517.96
Nickel refining project	3,431,519.81	—	3,431,519.81	3,097,180.19	—	3,097,180.19
Others	5,514,708.62	—	5,514,708.62	—	—	—
Sub-total of the Company	9,255,746.39	—	9,255,746.39	3,406,698.15	—	3,406,698.15
Subsidiaries:						
Xinjiang Yakesi						
Huangshanxi mining and ore processing project	1,087,139,761.13	—	1,087,139,761.13	1,012,598,390.20	—	1,012,598,390.20
Huangshandong #17 mine construction project	22,518,865.30	—	22,518,865.30	10,996,937.92	—	10,996,937.92
Xiangshan mine construction project	2,372,173.56	—	2,372,173.56	2,372,173.56	—	2,372,173.56
Hami Jubao						
Huangshandong #12 mine project	17,649,963.47	—	17,649,963.47	13,883,690.23	—	13,883,690.23
Zhongxin Mining						
Auxiliary project for smelting operations	—	—	—	—	—	—
Wuxin Copper						
Ten thousand copper smelting project	2,245,907,247.96	—	2,245,907,247.96	2,341,425,701.70	—	2,341,425,701.70
DPA project	78,038,590.29	—	78,038,590.29	74,104,693.27	—	74,104,693.27
Shaanxi Xinxin						
Other projects	794,073.00	—	794,073.00	794,073.00	—	794,073.00
Kalatongke Mine						
Nickel smelting, mining and ore processing project	136,326,906.52	—	136,326,906.52	97,576,845.34	—	97,576,845.34
Resource exploration project	9,691,611.13	—	9,691,611.13	11,137,374.55	—	11,137,374.55
Other constructions in progress for production	60,780,150.83	—	60,780,150.83	60,768,240.70	—	60,768,240.70
Beijing Xinding						
Other project	59,044,498.10	—	59,044,498.10	28,451,605.10	—	28,451,605.10
Sub-total of subsidiaries	3,720,263,841.29	—	3,720,263,841.29	3,654,109,725.57	—	3,654,109,725.57
	3,729,519,587.68	—	3,729,519,587.68	3,657,516,423.72	—	3,657,516,423.72

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) Construction in progress (continued)

Project name:	Budget	31 December 2013	Current period addition	Transfer to fixed assets (Note 7(9))	Current period reduction	30 June 2014	% of expenditures incurred to budgeted amount	Cumulative capitalised borrowing costs	Including: borrowing costs capitalised in current period	Capitalisation rate	Source of funds
Kalatongke Mining											
Nickel smelting, mining and ore processing project	1,737,551,493.00	97,576,845.34	63,276,369.93	(24,526,308.75)	—	136,326,906.52	98.81%	37,327,073.00	—	—	Self-funding/loans
Resource exploration project	53,610,806.00	11,137,374.55	1,551,791.66	(2,997,555.08)	—	9,691,611.13	96.84%	—	—	—	government grants
Other constructions in progress for production	75,046,239.00	60,768,240.70	38,310.13	(26,400.00)	—	60,780,150.83	81.04%	—	—	—	Self-funding
Fukang Refinery											
Utilisation of tailings project	387,631,650.00	309,517.96	—	—	—	309,517.96	91.00%	4,322,781.17	—	—	Self-funding
Nickel refining project	163,360,000.00	3,097,180.19	334,339.62	—	—	3,431,519.81	9.71%	—	—	—	Self-funding
Others	15,930,000.00	—	5,514,708.62	—	—	5,514,708.52	34.62%	—	—	—	Self-funding
Xinjiang Yakesi											
Huangshanxi mining and ore processing project	1,097,259,700.00	1,012,598,390.20	74,576,460.18	(35,089.25)	—	1,087,139,761.13	99.08%	152,895,497.41	26,526,290.17	6.21%	Self-funding/loans/ government grants
Huangshandong #17 mine construction project	109,000,000.00	10,996,937.92	11,726,927.38	(205,000.00)	—	22,518,865.30	93.52%	—	—	—	Self-funding
Xiangshan mine construction project	37,717,536.00	2,372,173.56	—	—	—	2,372,173.56	98.95%	—	—	—	Self-funding
Hami Jubao											
Huangshandong #12 mine project	75,800,000.00	13,883,690.23	3,766,273.24	—	—	17,649,963.47	96.23%	—	—	—	Self-funding
Zhongxin Mining											
Auxiliary project for smelting operations	91,000,000.00	—	2,337,905.60	(2,337,905.60)	—	—	99.90%	—	—	—	Self-funding/ government grants
Wuxin Copper											
Ten thousand copper smelting project	2,530,940,100.00	2,341,425,701.70	186,358,777.30	—	(281,877,231.04)	2,245,907,247.96	99.88%	171,074,360.75	70,062,408.94	6.42%	Self-funding/loans/ government grants
DPA project	100,000,000.00	74,104,693.27	3,933,897.02	—	—	78,038,590.29	78.04%	—	—	—	Self-funding
Shaanxi Xinxin											
Other projects	10,000,000.00	794,073.00	—	—	—	794,073.00	7.94%	—	—	—	Self-funding
Beijing Xinding											
Other project	60,000,000.00	28,451,605.10	30,592,893.00	—	—	59,044,498.10	98.41%	—	—	—	Self-funding
	6,587,847,524.00	3,657,516,423.72	384,008,653.68	(30,128,258.68)	(281,877,231.04)	3,729,519,587.68		365,719,732.33	96,588,699.11		

As at 30 June 2014, Wuxin Copper pledged industrial plant in progress of RMB649,778,346.00 for its mortgage loans (Note 7(25)(a)).

As at 30 June 2014, 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 and amortisation

	31 December 2013	Additions	Reduction	30 June 2014
Cost	1,142,936,958.96	—	—	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	233,702,169.12	—	—	233,702,169.12
Others	1,427,631.60	—	—	1,427,631.60
Accumulated amortisation	109,483,642.81	9,100,151.63	—	118,583,794.44
Mining rights	86,069,534.73	7,292,793.14	—	93,362,327.87
Land use rights	22,309,629.28	1,511,965.00	—	23,821,594.28
Others	1,104,478.80	295,393.49	—	1,399,872.29
Net book value	1,033,453,316.15	(9,100,151.63)	—	1,024,353,164.52
Mining rights	613,584,623.51	(7,292,793.14)	—	606,291,830.37
Exploration rights	208,153,000.00	—	—	208,153,000.00
Land use rights	211,392,539.84	(1,511,965.00)	—	209,880,574.84
Others	323,152.80	(295,393.49)	—	27,759.31

For the six months ended 30 June 2014, the amortisation expense of intangible assets was RMB9,100,151.63 (For the six months ended 30 June 2013: RMB8,860,979.64), of which RMB9,053,396.27 (For the six months ended 30 June 2013: RMB8,738,073.42) 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 covert the exploration rights of two mines located in Shangnan, Shaanxi into mining rights. As at 30 June 2014, the application was in the process of approving.

As at 30 June 2014 and 31 December 2013, there was no impairment on intangible assets provided.

For the six months ended 30 June 2014, Wuxin Copper signed a loan contract with a bank, and pledged land use right with amount of RMB96,082,638.00 (Note 7(25)(a)).

As at 30 June 2014 and 31 December 2013, the Group's land use rights were located in mainland China with land use right periods ranging from 10-70 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:

	30 June 2014	31 December 2013
In Mainland China		
10 to 50 years	230,042,061.39	230,042,061.39
Over 50 years	3,660,107.73	3,660,107.73
	233,702,169.12	233,702,169.12

(13) Goodwill

	30 June 2014	31 December 2013
The acquisition of Zhongxin Mining	17,844,894.10	17,844,894.10
The acquisition of Xinjiang Yakesi and Hami Jubao	9,987,911.01	9,987,911.01
The acquisition of Shaanxi Xinxin	254,745.09	254,745.09
	28,087,550.20	28,087,550.20

As at 30 June 2014 and 31 December 2013, according to the accounting policy of note 4(16), 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

	30 June 2014	31 December 2013
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 RMB40,000,000.00 prepaid for purchase of a land use right for office building construction by Xinjiang Yakesi, and RMB5,280,000.00 prepaid for purchase of a land use right for office building construction by Fukang Refinery.

Note 2: The balance represented the prepayment for utilities of Xinjiang Yakesi, which will be offset the utilities to be incurred after 1 January 2016.

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(15) Provision for asset impairment

	31 December 2013	Current period additions (Note 7(42))	Current period reductions (Note 7(42))	30 June 2014
Provision for bad debts	3,670,945.73	387,305.10	—	4,058,250.83
Including: Provision for bad debts of accounts receivables	3,574,599.32	387,305.10	—	3,961,904.42
Provision for bad debts of other receivables	96,346.41	—	—	96,346.41
Provision for decline in value of inventories (Note 7(6)(c))	33,441,779.18	2,635,880.67	(32,898,351.38)	3,179,308.47
	37,112,724.91	3,023,185.77	(32,898,351.38)	7,237,559.30

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

	30 June 2014	31 December 2013
Gold lease and related futures contract(a)	419,248,340.00	—
Futures contract(b)	8,483,300.00	7,521,800.00
	427,731,640.00	7,521,800.00

(a) During the period from 1 January 2014 to 30 June 2014, Wuxin Copper and Kalatongke Mining signed gold lease contracts with three banks and one bank respectively to obtain short-term financing. For the purpose of managing the risk of the fluctuation of the price of gold, Wuxin Copper and Kalatongke Mining authorized the banks to purchase the gold future contracts in line with the quantity of leased gold, price of leased gold and the lease period. As at 30 June 2014, the fair value of the leased gold and futures contracts amounted to RMB419,248,340.00.

(b) The Group entered into the futures contracts from October 2013 to June 2014 with the initial hold fair value of zero. According to the fluctuation of the prices of the futures contracts, the Group settled some of the futures contract. For the period, losses arising from the settlement of the futures contracts were RMB16,049,500.00 and the transaction costs were RMB145,228.64. As at 30 June 2014, the Group still held 641 lots (3,205 tons) of copper futures contracts and 18 lots (18 kg) of gold futures contracts. According to the closing prices of Shanghai Futures Exchange on 30 June 2014, the fair value of the futures contracts was floating loss of RMB8,483,300.00 (Note 7(43)) (31 December 2013: floating loss of RMB7,521,800.00).

(17) Notes payable

	30 June 2014	31 December 2013
Bank acceptance notes	23,907,534.42	40,000,000.00

As at 30 June 2014 and 31 December 2013, all notes payable would mature within one year.

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FOR THE SIX MONTHS ENDED 30 JUNE 2014
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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(18) Accounts payable

	30 June 2014	31 December 2013
Payable for purchase of materials	338,264,541.41	191,935,280.79
Payable for services fee	54,265,332.72	69,529,953.78
Payable for transportation fee	7,616,371.26	9,266,570.44
Others	12,031,162.52	2,099,271.58
	412,177,407.91	272,831,076.59

(a) As at 30 June 2014, there were no payables due to shareholders who held more than 5% (including 5%) of the voting rights of the Company (31 December 2013: Nil).

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

	30 June 2014	31 December 2013
Hexin Mining	8,363,751.77	42,685,141.27
Fukang Non-ferrous Development Co., Ltd.	5,303,650.39	7,685,744.51
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	3,010,868.91	3,644,277.39
Xinjiang Dongsanhuan Trading Co., Ltd.	1,539,055.60	3,755,990.20
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	384,881.92	849,797.42
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	75,001.00	579,788.00
Xinjiang Institute of Non-ferrous Metals	50,000.00	—
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	37,787.17	19,732.67
Fukang Non-ferrous Property Management Co., Ltd.	2,208.14	—
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
	18,767,204.90	60,038,935.51

(c) As at 30 June 2014, accounts payable over one year with carrying amount of RMB8,253,310.10 (31 December 2013: RMB14,287,895.30) were mainly payables for purchase of materials.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
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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:

	30 June 2014	31 December 2013
Within 3 months	338,205,433.15	203,238,725.73
3 to 6 months	37,454,678.62	36,019,689.06
Over 6 months	36,517,296.14	33,572,661.80
	412,177,407.91	272,831,076.59

(e) As at 30 June 2014, there were no accounts payable denominated in foreign currencies.

(19) Advances from customers

	30 June 2014	31 December 2013
Advances for sales of goods	48,604,176.55	77,211,138.47

(a) As at 30 June 2014, there were no advances from shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2013: Nil). Up to the approval date of these financial statements RMB14,175,061.88 were recognised as revenue.

(b) As at 30 June 2014, advances from customers over one year was with carrying amount of approximately RMB599,213.61 (31 December 2013: RMB626,731.01).

(c) Advances from related parties:

	30 June 2014	31 December 2013
Xinjiang Dongsanhuan Trading Co., Ltd.	967,231.40	—
Fuyun Hengsheng Beryllium Industry Co., Ltd.	35,487.17	62,249.47
	1,002,718.57	62,249.47

(d) As at 30 June 2014, there were no advances from customers denominated in foreign currencies.

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(20) Employee benefits payable

	31 December 2013	Current period additions	Current period reductions	30 June 2014
Salaries, bonuses, allowances and subsidies	38,121,289.91	114,115,031.11	(119,129,433.13)	33,106,887.89
Staff welfare	—	1,900,924.15	(1,728,774.15)	172,150.00
Social insurances	3,691,331.94	32,454,762.44	(32,257,342.97)	3,888,751.41
Including: Medical insurance	1,077,841.69	7,821,234.82	(7,811,788.15)	1,087,288.36
Pension insurance	1,366,167.75	19,730,566.29	(19,817,327.60)	1,279,406.44
Unemployment insurance	953,526.16	1,972,600.78	(1,969,284.87)	956,842.07
Work injury insurance	225,445.51	2,077,304.36	(1,806,758.56)	495,991.31
Maternity insurance	68,350.83	832,256.19	(831,383.79)	69,223.23
Illness insurance	—	20,800.00	(20,800.00)	—
Housing funds	2,301,142.94	11,187,995.00	(10,966,218.00)	2,522,919.94
Labour union fund and employee education fund	8,911,389.46	3,566,992.12	(2,490,537.45)	9,987,844.13
Others	1,408,444.19	262,790.33	(1,647,438.78)	23,795.74
	54,433,598.44	163,488,495.15	(168,219,744.48)	49,702,349.11

As at 30 June 2014, no defaulted payables were included in the employee benefits payable and the balance was estimated to be used up in 2014.

(21) Taxes payable

	30 June 2014	31 December 2013
Value added tax payable (Note 5(2))	13,600,431.70	6,730,662.99
Income tax payables (Note 5(1))	8,590,370.71	2,675,084.14
Resource compensation fee (Note 5(4))	2,485,320.57	4,326,846.11
Resource tax (Note 5(3))	881,341.49	767,503.92
City maintenance and construction tax payable	772,506.26	558,273.71
Educational surcharge payable	676,701.87	395,663.82
Individual income tax	388,040.08	512,349.56
Stamp duty	191,122.89	1,036,224.64
Others	4,611.39	42,846.88
	27,590,446.96	17,045,455.77

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(22) Other payables

	30 June 2014	31 December 2013
Payables for construction projects	273,813,234.25	176,248,863.98
Payables for purchase of equipments	116,295,707.12	261,150,220.27
Borrowing from related party	99,673,333.33	—
Quality guarantee	16,184,079.50	12,176,811.30
Payable for sewage charges	3,302,419.00	5,624,699.00
Agency fee	517,576.11	2,038,569.54
Others	20,849,468.51	11,561,384.79
	530,635,817.82	468,800,548.88

- (a) Other payables to shareholders who hold more than 5% (including 5%) of the voting rights of the Company are analysed as follows:

	30 June 2014	31 December 2013
Xinjiang Non-ferrous Group	99,673,333.33	—

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(22) Other payables (continued)

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

	30 June 2014	31 December 2013
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	134,345,850.24	127,531,348.67
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	282,678.40	282,678.40
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	199,500.00	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	80,000.00
Xinjiang Dongsanhuan Trading Co., Ltd.	50,000.00	50,000.00
China Non-ferrous Geological Engineering Co., Ltd.	15,000.00	222,876.40
Fukang Non-ferrous Property Management Co., Ltd.	840.70	38,064.70
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	—	2,226,000.00
	135,123,869.34	130,730,968.17

(c) As at 30 June 2014, other payables over one year with carrying amount of RMB50,775,375.45 (31 December 2013: RMB213,390,417.58) were mainly payables for construction projects, equipment and quality guarantee.

(23) Provisions

	31 December 2013	Current period additions (Note 7(41))	30 June 2014
Provision for close down, restoration and environmental costs	6,348,279.62	175,274.96	6,523,554.58

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.

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(24) Current portion of non-current liabilities

	30 June 2014	31 December 2013
Current portion of long-term borrowings (a) (Note 7(25)(a))	333,130,000.00	331,700,000.00
Current portion of long-term payables (Note 7(27))	120,000,000.00	120,000,000.00
	453,130,000.00	451,700,000.00

(a) Current portion of long-term borrowings

As at 30 June 2014, the Group has no overdue borrowings.

The six largest current portions of long-term borrowings:

	Starting date	Ending date	Currency	Interest rate (%)	30 June 2014 Amount in RMB	31 December 2013 Amount in RMB
BOCOM International Trust Co., Ltd.	24/12/2013	01/07/2014	RMB	6.40%	44,500,000.00	44,500,000.00
BOCOM International Trust Co., Ltd.	24/12/2013	01/10/2014	RMB	6.40%	44,500,000.00	44,500,000.00
Industrial and Commerical Bank of China Fukang Sub-branch	23/09/2013	20/11/2014	RMB	Floating rate	20,000,000.00	20,000,000.00
Bank of Communication Urumqi Youhao Road Sub-branch	10/01/2011	19/12/2014	RMB	Floating rate	20,000,000.00	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	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	20,000,000.00
					169,000,000.00	169,000,000.00

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(25) Borrowings

(a) Long-term borrowings

	30 June 2014	31 December 2013
Unsecured loans	2,296,230,000.00	2,381,400,000.00
Mortgage loans (Note 1)	80,000,000.00	—
Less: current portion of long-term borrowings (Note 7(24))	(333,130,000.00)	(331,700,000.00)
	2,043,100,000.00	2,049,700,000.00

As at 30 June 2014, the long-term borrowings were due for repayment since July 2014. The interest was payable on a quarterly basis. For the six months ended 30 June 2014 the weighted average interest rate of long-term borrowings was 6.69% annually (For the six months ended 30 June 2013: 6.89%).

Note 1: For the six months ended 30 June 2014, Wuxin Copper signed a loan contract with a bank, and pledged industrial plant in progress with amount of RMB649,778,346.00 and land use right with amount of RMB96,082,638.00. The loan limit was RMB100,000,000.00. As at 30 June 2014, the borrowing balance was 80,000,000.00 (31 December 2013: Nil).

(b) The five largest long-term borrowings

	Starting date	Ending date	Currency	Interest rate (%)	30 June 2014 Amount in RMB	31 December 2013 Amount in RMB
Bocom International Trust Co., Ltd.	24/12/2013	23/12/2018	RMB	6.40%	261,000,000.00	261,000,000.00
Industrial and Commercial Bank of China Fukang Sub-branch	01/11/2013	13/09/2021	RMB	Floating rate	155,720,180.30	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	100,500,000.00
Bank of China Fukang Sub-branch	26/06/2013	21/12/2020	RMB	Floating rate	100,000,000.00	100,000,000.00
					767,220,180.30	767,220,180.30

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(25) Borrowings (Continued)

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

	30 June 2014	31 December 2013
1 to 2 years	808,420,000.00	439,100,000.00
2 to 5 years	1,199,760,000.00	1,051,100,000.00
over 5 years	34,920,000.00	559,500,000.00
	2,043,100,000.00	2,049,700,000.00

(d) Short-term borrowings

	Currency	30 June 2014	31 December 2013
Unsecured loans	RMB	800,000,000.00	1,194,450,835.66
Mortgage loans (Note 1)	RMB	200,000,000.00	200,000,000.00
Import bill advance (Note 2)	USD	2,317,424.06	195,815,146.70
Other borrowings (Note 3)	RMB	193,500,000.00	193,500,000.00
		1,195,817,424.06	1,783,765,982.36

For the six months ended 30 June 2014, the weighted average interest rate of short-term borrowings was 6.34% annually (For the six months ended 30 June 2013: 6.55%).

Note 1: In 2013, Wuxin Copper signed two mortgage loan contracts with a bank with copper concentrate of RMB303,900,000.00 mortgaged. The mortgage loan limit was RMB212,700,000.00 and the loan balance on 30 June 2014 was RMB200,000,000.00.

Note 2: Wuxin Copper signed an import bill advance contract with a bank for the six months ended 30 June 2014. As at 30 June 2014, the import bill advance balance was USD376,908.85, which was RMB2,317,424.06 (31 December 2013: the import bill advance balance was USD32,117,165.56, which was RMB195,815,146.70).

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(25) Borrowings (continued)

(d) Short-term borrowings (continued)

- Note 3:
- (a) Wuxin Copper 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. As at 30 June 2014, the loan balance was RMB100,000,000.00 (31 December 2013: RMB100,000,000.00) 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 30 June 2014, the loan balance was RMB50,000,000.00 (31 December 2013: RMB50,000,000.00). 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 loan balance was RMB43,500,000.00 at 30 June 2014 (31 December 2013: RMB43,500,000.00) and the annual interest rate was 5.63%.

(26) Bonds payable

	31 December 2013	Increase in current year	Decrease in current year	30 June 2014
Medium term note	—	500,000,000.00	—	500,000,000.00

Related information is as follows:

	Par value	Issuance date	Maturity	Issuance amount
Medium term note	100.00	18 February 2014	3 years	500,000,000.00

Interest accrued of debentures is analyzed as follows:

	31 December 2013	Interest accrued		30 June 2014
		Interest accrued in current year	Interest paid in current year	
Medium term note	—	12,776,986.30	—	12,776,986.30

- (a) The Company issued medium term note with total amount of RMB500,000,000.00 with duration of 3 years. Interest of the debenture is annually paid and calculated by the simple interest method, and the interest rate is 7.12% annually.

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(27) Long-term payables

	30 June 2014	31 December 2013
Payables to related parties (Note 1)	50,000,000.00	50,000,000.00
Entrusted loans (Note 2)	120,000,000.00	120,000,000.00
Less: current portion of long-term payables	(120,000,000.00)	(120,000,000.00)
Less: discounted payables to related parties (Note 7(41))	(5,625,854.06)	(6,930,482.34)
Entrusted loans	44,374,145.94	43,069,517.66

Note 1: For the six months ended 30 June 2014, Xinjiang Non-ferrous Group provided Beijing Xinding with interest-free loan of RMB50,000,000.00 (31 December 2013: RMB50,000,000.00).

Note 2: As at 31 December 2012, the entrusted loan was provided by Xinjiang Non-ferrous Group to Wuxin Copper through a bank. The loan was guaranteed by the Company (66% of equity interests) and another shareholder of Wuxin Copper (34% of equity interests). The entrusted loan was a two-year loan with annual interest rate of 6.77%. As at 30 June 2014, the loan balance was RMB120,000,000.00 (31 December 2013: RMB120,000,000.00).

(28) Other non-current liabilities

	30 June 2014	31 December 2013
Deferred income (a)	52,249,003.48	51,908,349.38

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(28) Other non-current liabilities (continued)

(a) Deferred income

	30 June 2014	31 December 2013
Enterprise development fund (Note 1)	22,603,000.00	22,603,000.00
Land use right (Note 2)	9,020,446.78	9,125,335.72
Project on exploration of No.2 mine in Kalatongke Mine (Note 3)	7,880,000.00	7,880,000.00
Project on energy saving (Note 4)	5,790,167.02	6,130,667.00
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
Department of Finance seedling special funds (Note 9)	800,000.00	—
Online monitoring of pollution sources (Note 6)	400,000.00	400,000.00
Project on recovery of No. 1 mine residual ore (Note 7)	78,944.68	90,235.66
Project on concentration of reducing sodium (Note 8)	76,445.00	79,111.00
	52,249,003.48	51,908,349.38

	30 June 2014	31 December 2013
Government grants related to assets	52,249,003.48	51,908,349.38

Note 1: According to relevant document [2010] 97 issued by the Fukang government, Wuxin Copper was entitled enterprise development fund allocation of RMB12,603,000.00 by Finance Bureau of Fukang. According to relevant document, Xinlin Chemical was entitled enterprise development fund allocation of RMB10,000,000.00 by Finance Bureau of Fukang in 2012. These projects are currently 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.

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(All amounts in RMB Yuan unless otherwise stated)

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(28) Other non-current liabilities (continued)

(a) Deferred income (continued)

Note 3: The project funds were allocated by Land and Resources Bureau of Xinjiang Uygur Autonomous Region with RMB7,180,000.00 and by Development Committee of Xinjiang Uygur Autonomous Region with RMB700,000.00 respectively, for a total of RMB7,880,000.00. The project is 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 RMB840,000.00 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.

Note 9: The fund was a special fund allocated by Science and Technology Department and Finance Department of Xinjiang Uygur Autonomous Region for project on Huangshanxi seedlings cultivating of Xinjiang Yakesi. The project is under construction currently.

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(29) Deferred tax assets and deferred tax liabilities

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

	30 June 2014		31 December 2013	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Deductible tax losses	15,867,266.39	63,469,065.54	16,360,437.78	68,078,702.58
Unrealized profit	26,675,621.74	166,271,653.57	17,727,506.61	125,739,381.65
Government grants	2,978,433.41	20,625,556.70	3,027,002.04	20,180,013.66
Impairment provision	1,175,269.61	7,237,559.30	5,655,753.05	37,112,724.90
Others	394,184.76	1,576,739.02	394,184.75	1,576,739.02
	47,090,775.91	259,180,574.13	43,164,884.23	252,687,561.81
Deferred tax assets:				
Deferred tax asset to be recovered within 12 months	30,537,943.03		23,758,662.61	
Deferred tax asset to be recovered after more than 12 months	16,552,832.88		19,406,221.62	
	47,090,775.91		43,164,884.23	

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

	30 June 2014		31 December 2013	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Business combination involving entities not under common control (Note)	138,213,248.32	594,192,352.90	138,247,813.92	596,197,963.11
Discount of long-term payables	1,406,463.52	5,625,854.08	1,732,620.59	6,930,482.36
	139,619,711.84	599,818,206.98	139,980,434.51	603,128,445.47
Deferred tax liabilities:				
Deferred tax liability to be recovered within 12 months	2,471,420.09		2,428,861.40	
Deferred tax liability to be recovered after more than 12 months	137,148,291.75		137,551,573.11	
	139,619,711.84		139,980,434.51	

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 raised from the business combination involving entities not under common control.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

	30 June 2014	31 December 2013
Deductible temporary differences	58,812,360.14	49,580,885.45

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

	30 June 2014	31 December 2013
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	21,685,031.43
2019	9,231,474.69	—
	58,812,360.14	49,580,885.45

(30) Share capital

	30 June 2014		31 December 2013	
	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)

(31) Capital surplus

	Contribution from Parent Company related to mining right (Note 1)	Share premium (Note 2)	Total
As at 1 January 2014 and 30 June 2014	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.

(32) Specific reserve

	31 December 2013	Current period additions	Current period reductions	30 June 2014
Safety fund (Note)	1,739,144.73	6,393,708.20	(5,307,203.32)	2,825,649.61
	31 December 2011	Current period additions	Current period reductions	30 June 2013
Safety fund (Note)	—	5,811,980.22	(3,650,543.37)	2,161,436.85

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 (2013: 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 5,307,203.32 were used for safety related projects for the six months ended 30 June 2014 (For the six months ended 30 June 2013: RMB 3,650,543.37).

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FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in RMB Yuan unless otherwise stated)

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(33) Surplus reserve

	31 December 2013	Current period additions	Current period reductions	30 June 2014
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. According to a resolution of the Board of Directors, the Company has not appropriated the statutory reserve for the six months ended 30 June 2014 (Six months ended 30 June 2013: Nil).

(34) Undistributed profits

	Six months ended 30 June 2014		Six months ended 30 June 2013	
	Amount	Ratio for appropriation or distribution	Amount	Ratio for appropriation or distribution
Undistributed profits at the beginning of the period	203,196,020.03	—	261,710,170.19	—
Add: Net profit attributable to the equity holders of the Company for the period	66,287,044.76	—	5,926,718.60	—
Less: Appropriation for statutory reserve	—	—	—	—
Ordinary share dividend	—	—	—	—
Undistributed profits at the end of the period	269,483,064.79		267,636,888.79	

As at 30 June 2014, included in the undistributed profits, RMB 48,900,772.21 was subsidiaries' surplus reserve attributable to the Company (31 December 2013: RMB 48,900,772.21), of which RMB 0 was appropriated for the six months ended 30 June 2014 (For the six months ended 30 June 2013: Nil).

	Six months ended 30 June 2014	Six months ended 30 June 2013
Dividends proposed but not paid as at period end	—	—
Total dividends paid in the period	—	—

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(35) Minority interests

Minority interests attributable to the minority shareholders of subsidiaries

	30 June 2014	31 December 2013
Wuxin Copper	259,603,380.03	271,891,406.85
Shaanxi Xinxin	74,550,267.92	74,932,646.06
Mengxi Mining	1,900,922.81	1,902,578.92
Zhongxin Mining	1,265,668.72	1,308,666.16
	337,320,239.48	350,035,297.99

(36) Revenue and cost of sales

	Six months ended 30 June 2014	Six months ended 30 June 2013
Revenue from main operation	1,115,625,366.75	395,062,192.65
Revenue from other operation	23,768,831.24	30,930,982.88
	1,139,394,197.99	425,993,175.53

	Six months ended 30 June 2014	Six months ended 30 June 2013
Cost of sales from main operation	934,925,793.16	333,905,575.16
Cost of sales from other operation	9,672,783.35	9,455,136.45
	944,598,576.51	343,360,711.61

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in RMB Yuan unless otherwise stated)

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(36) Revenue and cost of sales (continued)

(a) Revenue and cost of sales from main operation

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

	Six months ended 30 June 2014		Six months ended 30 June 2013	
	Revenue from main operation	Cost of sales from main operation	Revenue from main operation	Cost of main operation
Nickel cathode	960,548,896.10	804,447,470.12	243,780,419.45	225,901,657.58
Copper cathode	137,129,077.32	116,897,552.21	144,624,185.37	104,515,628.19
Copper concentrate	4,255,486.86	1,423,640.65	5,119,389.42	1,441,515.61
Others	13,691,906.47	12,157,130.18	1,538,198.41	2,046,773.78
	1,115,625,366.75	934,925,793.16	395,062,192.65	333,905,575.16

(b) Revenue and cost of sales from other operation

	Six months ended 30 June 2014		Six months ended 30 June 2013	
	Revenue from main operation	Cost of sales from main operation	Revenue from main operation	Cost of main operation
Scrap sales	10,942,591.33	22,557.70	20,274,039.38	171,199.37
Sales of electricity	7,785,213.73	7,773,333.14	5,954,446.57	6,683,246.95
Supply of heating	2,255,036.54	—	168,073.64	2,750.00
Sales of materials	1,956,920.81	1,765,212.96	2,772,133.96	2,462,719.38
Others	829,068.83	111,679.55	1,762,289.33	135,220.75
	23,768,831.24	9,672,783.35	30,930,982.88	9,455,136.45

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(36) 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 736,909,306.42, which accounted for 64.68 % (For the six months ended 30 June 2013: RMB 231,100,185.64, accounted for 66.56%) of the total revenue of the Group. Details are as follows:

	Revenue of sales	Percentage of the total revenue of the Group (%)
Gansu Jisco Group Hongxing Steel Co., Ltd.	194,864,213.98	17.10
Shanghai Xiechuan Materials Co., Ltd.	181,029,244.67	15.89
Shaanxi Shenghua Non-ferrous Metal Co., Ltd.	137,237,462.91	12.04
Shenyang Chengtong Metal Co., Ltd.	135,294,045.90	11.87
Yunnan Kelun Ferroalloy Smelting Co., Ltd.	88,484,338.96	7.78
	736,909,306.42	64.68

(37) Expenses by nature

	Six months ended 30 June 2014	Six months ended 30 June 2013
Raw materials and consumables used	240,279,427.63	278,862,140.19
Employee benefit expense	161,099,630.63	131,557,727.90
External services fee	81,860,820.84	57,278,425.52
Energy Charge	65,344,480.95	64,391,221.24
Depreciation	84,840,901.11	61,525,049.53
Inventory write-down	(10,861,091.83)	6,469,288.13
Other overhead	8,849,661.82	4,378,379.94
Taxation	13,486,798.28	4,908,239.58
Amortisation	9,053,396.27	8,738,073.42
Mineral resources compensation fees	6,657,800.43	6,470,789.17
Safety fund (Note 7(32))	6,393,708.20	5,811,980.22
Administrative fees	1,977,029.79	2,213,544.14
Sewage charges	1,144,099.00	5,394,048.00
Service charge	1,700,450.04	1,700,450.04
Provision for bad debt	387,305.10	(23,150.00)
Changes in inventories of finished goods and work in progress	328,329,047.69	(239,375,637.98)
Others	16,698,882.18	17,778,526.93
	1,017,242,348.13	418,079,095.97

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(38) Tax and surcharges

	Six months ended 30 June 2014	Six months ended 30 June 2013
City maintenance and construction tax	3,494,364.64	599,304.01
Education surcharge	3,244,250.05	493,645.80
Others	455,012.52	61,606.06
	7,193,627.21	1,154,555.87

(39) Selling expenses

	Six months ended 30 June 2014	Six months ended 30 June 2013
Shipping, handling and storage fee	9,250,640.98	3,089,798.89
Employee benefits	752,675.08	615,684.45
Administration and travel expense	186,004.11	149,560.74
Depreciation	75,247.71	72,055.10
Others	77,482.63	50,203.03
	10,342,050.51	3,977,302.21

(40) General and administrative expenses

	Six months ended 30 June 2014	Six months ended 30 June 2013
Employee benefits	34,687,863.70	29,863,826.88
Mineral resources compensation fees	6,657,800.43	6,470,789.17
Depreciation and amortization	6,370,772.60	5,847,276.02
Taxation	6,293,171.07	3,753,683.71
Administration expense	1,791,025.68	2,063,983.40
Service charge	1,700,450.04	1,700,450.04
Intermediary agency fee	1,404,095.47	1,289,063.19
Sewage charges	1,144,099.00	5,394,048.00
Operating leases expenses	833,656.11	944,962.00
Others	4,698,946.53	5,812,305.74
	65,581,880.63	63,140,388.15

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(41) Financial expenses net

	Six months ended 30 June 2014	Six months ended 30 June 2013
Interest expense	147,446,516.96	127,731,787.73
Include: Bank borrowings	143,384,516.96	115,988,642.24
Other borrowings	4,062,000.00	11,743,145.49
Less: Capitalised interest	(96,588,699.11)	(124,695,402.39)
Less: Interest income on bank deposits	(3,852,382.36)	(2,765,819.27)
Foreign exchange (gains)/losses	(2,683,811.40)	(3,165.82)
Bank charges	2,382,878.75	218,125.69
Discount interest expenses (Note 7(23)/(27))	1,479,903.24	(165,506.49)
Discount bills	1,469,722.23	—
	49,654,128.31	651,032.43

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

	30 June 2014		31 December 2013	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within five years	110,507,971.08	4,062,000.00	121,495,538.06	23,486,290.98
Not wholly repayable within five years	32,876,545.88	—	27,727,838.41	—
	143,384,516.96	4,062,000.00	149,223,376.47	23,486,290.98

(42) Asset impairment (write-back)/losses (Note 7(15))

	Six months ended 30 June 2014	Six months ended 30 June 2013
(Reversal)/provision for decline in value of inventories	(10,861,091.83)	6,469,288.13
Provision/(reversal) for bad debts - net	387,305.10	(23,150.00)
	(10,473,786.73)	6,446,138.13

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FOR THE SIX MONTHS ENDED 30 JUNE 2014
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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(43) Loss on changes in fair value

	Six months ended 30 June 2014	Six months ended 30 June 2013
Loss on changes in fair value of futures contract	961,500.00	—

(44) Investment losses (Note 7(8))

	Six months ended 30 June 2014	Six months ended 30 June 2013
Income from a joint-venture under equity method	2,488,070.43	(4,767,164.23)
Offset of unrealized internal trade	(4,060,024.32)	—
Losses arising from settlement of futures contracts (Note 7(16))	(16,194,728.64)	—
	(17,766,682.53)	(4,767,164.23)

There is no restriction on recovery of investment income.

Investment losses are all from non-listed investments for the six months ended 30 June 2014. (For the six months ended 30 June 2013: Investment losses from non-listed investments RMB 4,767,164.23).

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

	Six months ended 30 June 2014	Six months ended 30 June 2013	Reason for current period fluctuation
Hexin Mining	2,488,070.43	(4,767,164.23)	Change of business conditions

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(45) Non-operating income

	Six months ended 30 June 2014	Six months ended 30 June 2013	Amount recognised in non- recurring profit or loss for the six months ended 30 June 2014
Government grants (a)	1,750,224.96	1,487,062.74	1,750,224.96
Gains on disposal of fixed assets	97,424.26	—	97,424.26
Others	357,420.86	286,120.35	357,420.86
	2,205,070.08	1,773,183.09	2,205,070.08

(a) Details of government grants

	Six months ended 30 June 2014	Six months ended 30 June 2013	Explanation
Imported discount special funds	908,328.00	—	Related to income
Energy saving subsidies	312,499.96	312,500.00	Related to assets
SME Development Fund	200,000.00	—	Related to income
Enterprise development funds	103,139.00	—	Related to income
Foreign trade and economic	100,000.00	—	Related to income
Talent recruitment project special funds	79,301.00	—	Related to income
Washing soda project special funds	30,666.00	—	Related to income
Funds for the development of new type industry	—	845,271.76	Related to income
Incentive for termination of obsolete	—	200,000.00	Related to assets
Social security benefits for enterprise In difficulties	—	33,000.00	Related to income
Others	16,291.00	96,290.98	Related to assets
Total	1,750,224.96	1,487,062.74	

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FOR THE SIX MONTHS ENDED 30 JUNE 2014
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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(46) Non-operating expenses

	Six months ended 30 June 2014	Six months ended 30 June 2013	Amount recognised in non- recurring profit or loss for the six months ended 30 June 2014
Penalties and fines	246,240.00	—	246,240.00
Donations	155,377.60	155,000.00	155,377.60
Losses on disposal of fixed assets	—	1,357.25	—
Others	58,318.35	41,658.68	58,318.35
	459,935.95	198,015.93	459,935.95

(47) Income tax expenses

	Six months ended 30 June 2014	Six months ended 30 June 2013
Current income tax	6,229,669.53	4,961,389.13
Deferred income tax	(4,286,614.35)	(4,092,798.21)
	1,943,055.18	868,590.92

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(47) Income tax expenses (continued)

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

	Six months ended 30 June 2014	Six months ended 30 June 2013
Consolidated total profit	55,514,673.15	4,071,050.06
Income tax expenses calculated at applicable tax rate of 25%	13,878,668.29	1,017,762.52
Effect of tax reductions	(11,514,262.09)	(3,119,407.87)
Effect of change in the tax rates	—	1,878,809.91
Income not subject to tax identification	(1,244,035.22)	—
Expenses not deductible for tax purposes	1,093,417.07	1,097,168.09
Deductible temporary differences for which no deferred tax assets were recognised	9,231,474.69	1,453,020.10
Differences resulted from tax examination for previous year's income tax	(9,502,207.56)	(1,458,761.83)
	1,943,055.18	868,590.92

(48) Earnings per share

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

	Six months ended 30 June 2014	Six months ended 30 June 2013
Consolidated net profit attributable to equity holders of the Company	66,287,044.76	5,926,718.60
Weighted average number of ordinary shares in issue of the Company	2,210,000,000.00	2,210,000,000.00
Basic/diluted earnings per share	0.03	0.003

Diluted earnings per share is calculated by dividing net profit attributable to equity holders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares in issue of the Company. As there were no dilutive potential ordinary shares for the six months ended 30 June 2014 (For the six months ended 30 June 2013: Nil), diluted earnings per share equal to basic earnings per share.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(49) Notes to consolidated cash flow statements

(a) Cash received relating to other operating activities

	Six months ended 30 June 2014	Six months ended 30 June 2013
The receipt of restricted cash at banks	29,008,955.43	—
Interest income	3,852,382.36	2,462,880.40
Government grants received	1,426,434.00	1,487,062.74
Others	1,021,865.92	33,398.43
	35,309,637.71	3,983,341.57

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2014	Six months ended 30 June 2013
Transportation expenses	9,250,640.98	3,089,798.89
Administrative expenses	3,005,179.01	5,110,141.58
Comprehensive supporting service fee	1,600,500.00	1,700,450.04
Agency fee	1,404,095.47	1,289,063.19
Sewage charge	1,144,099.00	5,394,048.00
Public welfare donations	136,605.00	—
Restricted cash at banks	—	8,741,347.62
Others	6,023,560.60	938,914.75
	22,564,680.06	26,263,764.07

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(49) Notes to consolidated cash flow statements (continued)

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

	Six months ended 30 June 2014	Six months ended 30 June 2013
Net profit	53,571,617.97	3,202,459.14
Adjustment:		
(Reversal)/provisions for asset impairment	(10,473,786.73)	6,446,138.13
Changes in the fair value of financial liabilities for trading losses	961,500.00	—
Depreciation of fixed assets	84,840,901.11	8,738,073.42
Amortisation of intangible assets	9,053,396.27	4,767,164.23
Investment loss	17,766,682.53	3,201,891.83
Financial expenses	52,337,721.09	24,361.44
Amortisation of long-term prepaid expenses	—	1,357.25
(Gain)/loss on disposal of fixed assets	(97,424.26)	(294,761,545.66)
Increase in inventories	(286,791,418.91)	(3,764,687.61)
Increase in deferred tax assets	(3,925,891.68)	(328,110.60)
(Decrease)/increase in deferred tax liabilities	(360,722.67)	192,276,852.31
Increase in operating receivables	(404,448,637.03)	(8,741,347.62)
Increase in operating payables	365,983,134.66	6,446,138.13
Decrease in restricted cash at banks	29,008,955.43	61,525,049.53
Safety production costs accrued unused	1,086,873.16	—
Net cash flows from operating activities	(93,487,099.06)	(19,118,757.09)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(49) Notes to consolidated cash flow statements (continued)

(d) Movement of cash and cash equivalents

	Six months ended 30 June 2014	Six months ended 30 June 2013
Cash and cash equivalents at the end of the period (Note (e))	499,018,338.66	652,659,903.48
Less: cash and cash equivalents at the beginning of the period	(577,907,940.25)	(470,196,746.21)
Net (decrease)/increase in cash and cash equivalents	(78,889,601.59)	182,463,157.27

(e) Cash and cash equivalents

	30 June 2014	30 June 2013
Cash	499,018,338.66	652,659,903.48
Including: Cash on hand	104,096.85	101,024.59
Cash at bank that can be readily drawn on demand	498,914,241.81	652,558,878.89
Cash and cash equivalents	499,018,338.66	652,659,903.48

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

8 SEGMENT INFORMATION

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

For each of the periods ended 30 June 2014 and 30 June 2013, the Group's sales were conducted in China and the Group's assets and liabilities were in China.

For the six months ended 30 June 2014, revenue of top three customers of the Group accounted for 17.10%, 15.89% and 12.04% of the total revenue of the Group respectively (For the six months ended 30 June 2013: 13.38%, 12.86% and 11.64%).

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 clean-up efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislations cannot reasonably be estimated at present, and could be material.

(2) Insurance

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

(3) Guarantee provided

Please refer to Note 10(7).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Information of the parent company

(a) Information of the parent company

Name of company	Place of registration	Nature of business	Type	Legal representative	Code of organisation
Xinjiang Non-ferrous Group Urumqi Xinjiang	Youse Building No.4 You Hao North Road	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 2013	Current period additions	Current period reductions	30 June 2014
Xinjiang Non-ferrous Group	1,441,525,444.00	—	—	1,441,525,444.00

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

Name	30 June 2014 % interests held and % voting rights	31 December 2013 % interests held and % voting rights
Xinjiang Non-ferrous Group	40.06%	40.06%

(2) Information of subsidiaries

Please refer to Note 6.

(3) Information of joint-venture and associate

Please refer to Note 7(8).

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FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Other related party information

Name of related parties	Relationship with the Group	Code of organisation
Xinjiang Ashele Copper Industry Co., Ltd.	Associate of holding company	71296908-X
Xinjiang Haoxin Lithia Developing Co., Ltd.	Fellow subsidiary	792293875
Xinjiang A'xi Gold Mine	Fellow subsidiary	230581082
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	Fellow subsidiary	742210752
Xinjiang Non-ferrous Metal Dibian Trade 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
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 Isolation Materials Co., Ltd.	Fellow subsidiary	59593415-1
Fukang Non-ferrous Property Management Co., Ltd.	Fellow subsidiary	71553653-8
Urumqi Tianshanxing Precious Metal Smelting Co., Ltd.	Fellow subsidiary	58477600-4
Xinjiang Institute of Non-ferrous Metals	Fellow subsidiary	59593415-1

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions

(a) Pricing policy of transactions with related party

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

(b) Purchases of materials from related parties

	Six months ended 30 June 2014	Six months ended 30 June 2013
Purchase of equipment parts		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	81,322.00	451,192.00
Purchase of copper concentrate		
Xinjiang Ashele Copper Industry Co., Ltd.	82,978,456.17	—
Purchase of nickel concentrate		
Hexin Mining	47,727,587.51	40,364,115.33
Purchase of raw materials, consumables and equipment		
Fukang Non-ferrous Development Co., Ltd.	5,839,648.86	4,065,505.94
Xinjiang Dongsanhuan Trading Co., Ltd.	1,334,600.00	—
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	687,814.50	5,570.00
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	—	3,963,449.61
	138,649,429.04	48,849,832.88

Purchase of raw materials from related parties for the six months ended 30 June 2014 represented 8.75% of total purchase of raw materials (For the six months ended 30 June 2013: 12%).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(c) Provision of services by related parties

	Six months ended 30 June 2014	Six months ended 30 June 2013
Construction services		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	63,796,299.52	29,673,378.38
Provision of heat		
Fukang Non-ferrous Development Co., Ltd.	22,287.00	14,534.10
Transportation services		
Fukang Non-ferrous Development Co., Ltd.	8,659,894.71	4,094,846.92
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	2,830,058.80	1,826,042.66
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	92,381.47	93,377.70
Comprehensive supporting services		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	1,700,450.04	1,700,450.04
Storage fee		
Beijing Baodi Xindi Kemao Co., Ltd.	833,985.02	353,708.66
Other services		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	390,165.32	228,460.44
Xinjiang Institute of Non-ferrous Metals	47,169.81	—
Fukang Non-ferrous Property Management Co., Ltd.	2,208.14	—
	78,374,899.83	37,984,798.90

Payment for construction services to related party for the six months ended 30 June 2014 represents 41.91% of total payment of construction services. (For the six months ended 30 June 2013: 11%).

Payment for transportation services to related party for the six months ended 30 June 2014 represents 44.45% of total payment of transportation services. (For the six months ended 30 June 2013: 39%).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(d) Sale of products to related parties

	Six months ended 30 June 2014	Six months ended 30 June 2013
Urumqi Tianshanxing Precious Metal Smelting Co., Ltd.	9,649,679.35	—
Fuyun Hengsheng Beryllium Industry Co., Ltd.	8,140,121.22	10,202,708.08
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	1,043,361.45	1,222,863.93
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	7,342.58	10,310.85
	18,840,504.60	11,435,882.86

Sales of products to related parties for the six months ended 30 June 2014 represented 1.65% of total sales (For the six months ended 30 June 2013: 3%).

(e) Lease fee receivable from a related party

	Six months ended 30 June 2014	Six months ended 30 June 2013
Xinjiang Zhanxin Fire Isolation Materials Co., Ltd.	71,700.00	—

(f) Lease fee payable to a related party

	Six months ended 30 June 2014	Six months ended 30 June 2013
Xinjiang Non-ferrous Group	817,965.00	817,965.00

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

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(g) Remuneration of key management

	Six months ended 30 June 2014	Six months ended 30 June 2013
Remuneration of key management	2,041,197.35	2,544,877.21

Directors' emoluments for the six months ended 30 June 2014 are as follows:

Name	Fee	Salary and allowance	Pension	Total
Yuan Ze	—	266,800.00	—	266,800.00
Shi Wenfeng	—	215,214.00	12,908.40	228,122.40
Zhang Guohua	—	215,214.00	12,908.40	228,122.40
Lu Xiaoping (took office on 26 May 2014)	—	28,704.00	2,220.80	30,924.80
Li Wing Sum, Steven	21,956.46	—	—	21,956.46
Chen Jianguo	35,000.00	—	—	35,000.00
Wang Lijin	35,000.00	—	—	35,000.00
Total	91,956.46	725,932.00	28,037.60	845,926.06

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

Name	Fee	Salary and allowance	Pension	Total
Yuan Ze	—	266,800.00	—	266,800.00
Shi Wenfeng	—	272,116.84	9,846.00	281,962.84
Zhang Guohua	—	272,116.84	9,846.00	281,962.84
Liu Jun (Resigned on 23 January 2014)	—	218,716.84	9,846.00	228,562.84
Li Wing Sum, Steven	21,956.46	—	—	21,956.46
Chen Jianguo	35,000.00	—	—	35,000.00
Wang Lijin	35,000.00	—	—	35,000.00
Total	91,956.46	1,029,750.52	29,538.00	1,151,244.98

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(g) Remuneration of key management (continued)

Supervisors' emoluments for the six months ended 30 June 2014 are as follows:

Name	Fee	Salary and allowance	Pension	Total
Sun Baohui	—	120,303.98	13,116.60	133,420.58
Wang Haibang (Appointed on 26 June 2013)	—	155,412.00	12,908.40	168,320.40
Hu Zhijiang	20,000.00	—	—	20,000.00
Chen Yuping	20,000.00	—	—	20,000.00
Total	40,000.00	275,715.98	26,025.00	341,740.98

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

Name	Fee	Salary and allowance	Pension	Total
Jiang Mingshun (Resigned on 20 June 2013)	—	193,816.00	11,373.60	205,189.60
Sun Baohui	—	127,478.00	11,653.20	139,131.20
Hu Zhijiang	20,000.00	—	—	20,000.00
Chen Yuping	20,000.00	—	—	20,000.00
Total	40,000.00	321,294.00	23,026.80	384,320.80

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

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 period included four (For the six months ended 30 June 2013: Four) directors whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining one (For the six months ended 30 June 2013: one) individuals during the period are as follows:

	Six months ended 30 June 2014	Six months ended 30 June 2013
Basic salaries, bonus, housing allowance, other allowances in kind	304,947.31	305,987.70
	304,947.31	305,987.70

	Number of individuals	
	Six months ended 30 June 2014	Six months ended 30 June 2013
Emolument bands: HK\$0 1,000,000 (approximately RMB0 793,750)	1	1

Other key management

	Number of individuals	
	Six months ended 30 June 2014	Six months ended 30 June 2013
Emolument bands: HK\$0 1,000,000 (approximately RMB0 793,750)	3	3

(h) Loans from a related party

	Six months ended 30 June 2014	Six months ended 30 June 2013
Xinjiang Non-ferrous Group	100,000,000.00	—

(i) Use of registered trademark

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

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(6) Balances due from or due to related parties

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

	30 June 2014	31 December 2013
Fuyun Hengsheng Beryllium Industry Co., Ltd. Xinjiang Non-ferrous Metal Industry (Group)	1,187,810.20	1,187,810.20
Quanxin Construction Co., Ltd.	1,151,749.59	1,144,249.59
Xinjiang Haoxin Lithia Developing Co., Ltd.	301,201.70	301,201.70
	2,640,761.49	2,633,261.49

As at 30 June 2014, the receivables from related parties accounted for 1.46% of total receivables (31 December 2013: 9.95%). Bad debt provision for the receivables due from related parties amounted to RMB 1,516,216.82 (31 December 2013: RMB 1,149,143.24).

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

	30 June 2014	31 December 2013
Hexin Mining Xinjiang Non-ferrous Metal Industry (Group)	2,660,375.90	2,710,075.90
Quanxin Construction Co., Ltd.	311,336.00	—
	2,971,711.90	2,710,075.90

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

	30 June 2014	31 December 2013
Xinjiang Ashele Copper Industry Co., Ltd. Xinjiang Non-ferrous Metal Industry (Group)	2,608,560.31	—
Quanxin Construction Co., Ltd.	899,605.76	138,773.85
Fukang Non-ferrous Development Co., Ltd. Xinjiang Non-ferrous Metallurgy	58,815.85	—
Transportation Co., Ltd.	48,460.59	—
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	18,990.00	38,845.00
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	—	656,200.00
	3,634,432.51	833,818.85

As at 30 June 2014, the advances to related parties accounted for 2.19% of total advances (31 December 2013: 0.30%).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	30 June 2014	31 December 2013
Hexin Mining	8,363,751.77	42,685,141.27
Fukang Non-ferrous Development Co., Ltd.	5,303,650.39	7,685,744.51
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	3,010,868.91	3,644,277.39
Xinjiang Dongsanhuan Trading Co., Ltd.	1,539,055.60	3,755,990.20
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	384,881.92	849,797.42
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	75,001.00	579,788.00
Xinjiang Institute of Non-ferrous Metals	50,000.00	—
Xinjiang Non-ferrous Metal Industrial Materials (Group)Co., Ltd.	37,787.17	19,732.67
Fukang Non-ferrous Property Management Co., Ltd.	2,208.14	—
Beijing Baodi Xindi Kemao Co., Ltd.	—	319,660.50
Xinjiang Non-ferrous Metal Industry Group Tianchi Mining Co., Ltd.	—	88,892.40
	18,767,204.90	60,038,935.51

As at 30 June 2014, the payables to related parties accounted for 4.55% of total payables (31 December 2013: 22%).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	30 June 2014	31 December 2013
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	134,345,850.24	127,531,348.67
Xinjiang Non-ferrous Group	99,673,333.33	—
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	282,678.40	282,678.40
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	199,500.00	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	80,000.00
Xinjiang Dongsanhuan Trading Co., Ltd.	50,000.00	50,000.00
Xinjiang Non-ferrous Geological Engineering Co., Ltd.	15,000.00	222,876.40
Fukang Non-ferrous Property Management Co., Ltd.	840.70	38,064.70
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	—	2,226,000.00
	234,797,202.67	130,730,968.17

As at 30 June 2014, the other payables to related parties accounted for 44.25% of total other payables (31 December 2013: 28%).

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

	30 June 2014	31 December 2013
Xinjiang Dongsanhuan Trading Co., Ltd.	967,231.40	—
Fuyun Hengsheng Beryllium Industry Co., Ltd.	35,487.17	62,249.47
	1,002,718.57	62,249.47

As at 30 June 2014, advances from related parties accounted for 2.06% of total advances from customers (31 December 2013: 0.08%).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

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

(g) Long-term payables (Note 7(27))

	30 June 2014	31 December 2013
Xinjiang Non-ferrous Group		
Current portion of long-term payables	120,000,000.00	120,000,000.00
Long-term payables	50,000,000.00	50,000,000.00
	170,000,000.00	170,000,000.00

(7) Guarantee for a related party

The Company and the joint venture partner provided guarantees for the bank borrowing by Hexin Mining of RMB 377,000,000.00 in which the Company issued corporate guarantees to the related lender of Hexin Mining in the amount of RMB188,500,000.00 (31 December 2013: RMB184,750,000.00). Such corporate guarantees remained in force as at 30 June 2014.

11 COMMITMENTS

(1) Capital commitments

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

	30 June 2014	31 December 2013
Buildings, machinery, and equipment	287,782,526.56	250,902,790.16

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

	30 June 2014	31 December 2013
Buildings, machinery, and equipment	9,110,000.00	6,410,000.00

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

11 COMMITMENTS (CONTINUED)

(2) Operating lease commitments

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

	30 June 2014	31 December 2013
Within one year	1,635,930.00	1,635,930.00
Between one and two years	817,965.00	1,635,930.00
Between two and three years	—	—
	2,453,895.00	3,271,860.00

12 EVENTS AFTER THE BALANCE SHEET DATE

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

13 LEASES

Lease payments under operating leases recognised in profit or loss for the current period amount to RMB817,965.00 for the six months ended 30 June 2014 (For the six months ended 30 June 2013: RMB 817,965.00).

As at 30 June 2014, the Group didn't own fixed assets held under finance leases.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in RMB Yuan unless otherwise stated)

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 30 June 2014, the Group's interest bearing borrowings were mainly at floating rates and denominated in RMB, which totalled RMB2,459,730,000.00 (31 December 2013: RMB2,769,350,835.66).

As at 30 June 2014, if annual interest rates had been 10% lower/higher with all other variables held constant, net profit would have increased/decreased by approximately RMB 342,108.01 (31 December 2013: net loss decrease/increase RMB341,457.04).

(c) Concentration risk

Revenues are principally derived from sales of nickel cathode and copper cathode. Approximately 60.99% of the total sales for six months ended 30 June 2014 (Six months ended 30 June 2013: 59.50%) 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 (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

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.

	30 June 2014				total
	Within 1 year	1 to 2 years	2 to 5 years	above 5 years	
Financial liabilities at fair value through profit or loss	451,817,761.36	—	—	—	451,817,761.36
Trade payables	412,177,407.91	—	—	—	412,177,407.91
Borrowings and long-term payable	1,815,954,172.76	670,789,882.98	1,393,928,855.90	369,204,640.55	4,249,877,552.19
Bonds Payable	35,600,000.00	35,679,534.25	522,823,013.70	—	594,120,547.95
Notes payable	23,907,534.42	—	—	—	23,907,534.42
Other payables and accruals	530,635,817.82	—	—	—	530,635,817.82
	3,270,092,694.27	706,487,417.23	1,916,751,869.60	369,204,640.55	6,262,536,621.65

	31 December 2013				total
	Within 1 year	1 to 2 years	2 to 5 years	above 5 years	
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

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

	30 June 2014		31 December 2013	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within five years	3,537,127,424.06	170,000,000.00	3,129,165,982.36	170,000,000.00
Not wholly repayable within five years	34,920,000.00	—	1,036,000,000.00	—
	3,572,047,424.06	170,000,000.00	4,165,165,982.36	170,000,000.00

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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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 is 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 2013	Gains or losses arising from changes in fair value in current period	Cumulative amount of changes in fair value recognised directly in equity	Impairment loss in current period	30 June 2014
Financial liabilities					
Financial liabilities at fair value through profit or loss	(7,521,800.00)	(961,500.00)	—	—	(8,483,300.00)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Cash and bank balances

	30 June 2014	31 December 2013
Cash on hand	20,402.14	31,322.68
Cash at bank	357,666,888.74	293,718,648.65
Restricted cash at banks	6,681,241.63	6,681,241.63
	364,368,532.51	300,431,212.96

All the restricted cash at banks RMB 6,681,241.63 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 2013: RMB6,681,241.63).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(2) Notes receivable

	30 June 2014	31 December 2013
Bank acceptance notes	479,222,410.48	128,346,691.82

(3) Accounts receivable

	30 June 2014	31 December 2013
Accounts receivable	160,294,467.34	23,981,494.97
Less: provision for bad debts	(3,961,904.42)	(3,574,599.32)
	156,332,562.92	20,406,895.65

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

	30 June 2014			31 December 2013		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
	Amount		Amount	Amount		
Within 1 year	156,146,291.67	97.41%	—	20,099,421.09	83.81%	—
1 to 2 years	266,101.79	0.17%	(79,830.54)	—	—	—
2 to 3 years	768,686.40	0.48%	(768,686.40)	768,686.40	3.21%	(461,211.84)
3 to 4 years	192,954.70	0.12%	(192,954.70)	192,954.70	0.80%	(192,954.70)
Over 4 years	2,920,432.78	1.82%	(2,920,432.78)	2,920,432.78	12.18%	(2,920,432.78)
	160,294,467.34	100.00%	(3,961,904.42)	23,981,494.97	100.00%	(3,574,599.32)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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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:

	30 June 2014				31 December 2013			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	—	—	—	—	—	—	—	—
That the related provision for bad debts is provided on the grouping basis								
- Related Party Group	4,603,024.35	2.87%	(1,516,216.82)	32.94%	2,818,049.74	11.75%	(1,149,143.24)	40.78%
- Ageing Group	155,691,442.99	97.13%	(2,445,687.60)	1.57%	21,163,445.23	88.25%	(2,425,456.08)	11.46%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	—	—	—	—	—	—	—	—
	160,294,467.34	100.00%	(3,961,904.42)		23,981,494.97	100.00%	(3,574,599.32)	

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

	30 June 2014				31 December 2013			
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	153,198,548.51	98.40%	—	—	18,737,989.15	88.54%	—	—
1 to 2 years	67,438.40	0.04%	(20,231.52)	30.00%	—	—	—	—
2 to 3 years	—	—	—	—	—	—	—	—
3 to 4 years	192,954.70	0.12%	(192,954.70)	100.00%	192,954.70	0.91%	(192,954.70)	100.00%
Over 5 years	2,232,501.38	1.44%	(2,232,501.38)	100.00%	2,232,501.38	10.55%	(2,232,501.38)	100.00%
	155,691,442.99	100.00%	(2,445,687.60)		21,163,445.23	100.00%	(2,425,456.08)	

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

	30 June 2014	31 December 2013
Production Customer	127,534,309.89	15,096,650.08
Trading Customer	32,760,157.45	8,884,844.89
	160,294,467.34	23,981,494.97

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(3) Accounts receivable (continued)

(e) As at 30 June 2014, 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	122,663,930.64	within 1 year	76.52%
Shanghai Xiechuan Materials Co., Ltd.	Third party	24,829,730.16	within 1 year	15.49%
Shenyang Chengtong Metal Co., Ltd.	Third party	3,921,192.10	within 1 year	2.45%
Wuxin Copper	Subsidiary	2,744,531.96	1 to 2 years	1.71%
Jiangsu Yuanhang Precision Alloy Technology Co., Ltd.	Third party	1,774,737.80	within 1 year	1.11%
		155,934,122.66		97.28%

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

	Relationship with the Company	30 June 2014			31 December 2013		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Fuyun Hengsheng Beryllium Industry Co., Ltd.	Fellow subsidiary	1,155,416.10	0.72%	(1,155,416.10)	1,155,416.10	4.82%	(847,941.54)
Wuxin Copper	Subsidiary	2,744,531.96	1.71%	—	959,557.35	4.00%	—
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	Fellow subsidiary	401,874.59	0.25%	(59,599.02)	401,874.59	1.68%	—
Xinjiang Haoxin Lithia Developing Co., Ltd.	Fellow subsidiary	301,201.70	0.19%	(301,201.70)	301,201.70	1.26%	(301,201.70)
		4,603,024.35	2.87%	(1,516,216.82)	2,818,049.74	11.76%	(1,149,143.24)

(g) As at 30 June 2014, there was no accounts receivable that the related provision for bad debts had been provided in full amount or in large proportion in previous period but are collected or reversed in full amount or in large proportion in current period.

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

(i) As at 30 June 2014, there were no accounts receivable from shareholders who held more than 5% (including 5%) of the voting rights of the Company (31 December 2013: Nil).

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

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

(4) Other receivables

	30 June 2014	31 December 2013
Amount due from subsidiaries (Note)	38,358,008.66	158,628,791.09
Amount due from a joint-venture (Note 7(4)(iii))	2,656,620.00	2,656,320.00
Revolving fund	913,723.18	485,467.59
Others	1,662,192.02	444,800.36
	43,590,543.86	162,215,379.04
Less: provision for bad debts	(6,275.21)	(6,275.21)
	43,584,268.65	162,209,103.83

Note: The amount due from Kalatongke Mining, Xinjiang Yakesi, Shaanxi Xinxin, Beijing Xinding and Mengxi Mining was RMB 25,689,448.62, RMB9, 403,838.27, RMB 3,117,583.33, RMB 145,670.11 and RMB1, 468.33 respectively.

(a) Other receivables ageing and provision for bad debts are analysed as follows:

	30 June 2014			31 December 2013		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	39,100,465.95	89.70%	—	157,725,283.13	97.24%	—
1 to 2 years	1,240,566.02	2.85%	—	1,240,566.02	0.76%	—
2 to 3 years	542,500.00	1.24%	—	542,500.00	0.33%	—
3 to 4 years	—	—	—	—	—	—
Over 4 years	2,707,011.89	6.21%	(6,275.21)	2,707,029.89	1.67%	(6,275.21)
	43,590,543.86	100.00%	(6,275.21)	162,215,379.04	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:

	30 June 2014				31 December 2013			
	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	41,014,628.66	94.09%	—	—	161,285,111.09	99.43%	—	—
- Ageing group	2,575,915.20	5.91%	(6,275.21)	0.24%	930,267.95	0.57%	(6,275.21)	0.67%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	—	—	—	—	—	—	—	—
	43,590,543.86	100.00%	(6,275.21)		162,215,379.04	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 follows:

	30 June 2014				31 December 2013			
	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	2,521,247.29	97.88%	—	—	804,992.04	86.54%	—	—
1 to 2 years	3,976.02	0.15%	—	—	42,066.02	4.52%	—	—
2 to 3 years	—	—	—	—	32,500.00	3.49%	—	—
3 to 4 years	—	—	—	—	—	—	—	—
4 to 5 years	11,560.00	0.45%	—	—	20,680.50	2.22%	—	—
Over 5 years	39,131.89	1.52%	(6,275.21)	16.04%	30,029.39	3.23%	(6,275.21)	20.90%
	2,575,915.20	100.00%	(6,275.21)		930,267.95	100.00%	(6,275.21)	

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in RMB Yuan unless otherwise stated)

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

(4) Other receivables (continued)

(d) As at 30 June 2014, there were no other receivables from shareholders who held more than 5% (including 5%) of the voting rights of the Company (31 December 2013: Nil).

(e) As at 30 June 2014, the top five other receivables are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Kalatongke Mining	Subsidiary	25,689,448.62	within 1 year	58.93%
Xinjiang Yakesi	Subsidiary	9,403,838.27	within 1 year	21.57%
Shaanxi Xinxin	Subsidiary	3,117,583.33	within 3 years	7.15%
Hexin Mining	Joint venture	2,656,620.00	4 to 5 years	6.09%
Revolving fund	Third party	913,723.18	within 1 year	2.10%
		41,781,213.40		95.84%

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

	Relationship with the Company	30 June 2014			31 December 2013		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Kalatongke Mining	Subsidiary	25,689,448.62	58.93%	—	156,037,356.15	96.19%	—
Xinjiang Yakesi	Subsidiary	9,403,838.27	21.57%	—	—	—	—
Shaanxi Xinxin	Subsidiary	3,117,583.33	7.15%	—	2,473,500.00	1.52%	—
Hexin Mining	Joint venture	2,656,620.00	6.09%	—	2,656,320.00	1.64%	—
Beijing Xinding	Subsidiary	145,670.11	0.34%	—	117,934.94	0.08%	—
Mengxi Mining	Subsidiary	1,468.33	0.01%	—	—	—	—
		41,014,628.66	94.09%	—	161,285,111.09	99.43%	—

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FOR THE SIX MONTHS ENDED 30 JUNE 2014
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(5) Advances to suppliers

The ageing of advances to suppliers is analysed below:

	30 June 2014		31 December 2013	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	479,920,303.63	85.92%	174,291,678.54	98.46%
1 to 2 years	76,512,140.47	13.70%	369,051.63	0.21%
2 to 3 years	788,131.16	0.14%	1,227,776.10	0.69%
Over 3 years	1,314,363.00	0.24%	1,130,704.28	0.64%
	558,534,938.26	100.00%	177,019,210.55	100.00%

(6) Inventories

	30 June 2014			31 December 2013		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	61,471,555.80	(543,427.80)	60,928,128.00	60,312,043.06	(543,427.80)	59,768,615.26
Work in progress	45,663,277.85	—	45,663,277.85	54,112,962.87	—	54,112,962.87
Semi-finished goods	482,772,622.83	—	482,772,622.83	386,810,510.56	—	386,810,510.56
Finished goods	351,052,793.47	—	351,052,793.47	747,792,431.97	(86,337,770.94)	661,454,661.03
	940,960,249.95	(543,427.80)	940,416,822.15	1,249,027,948.46	(86,881,198.74)	1,162,146,749.72

(7) Other current assets

	30 June 2014	31 December 2013
Deductible VAT	46,479,842.40	115,876,086.62
Advance payment of income tax	15,673,425.33	1,073,273.06
	62,153,267.73	116,949,359.68

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

(8) Long-term equity investments

	30 June 2014	31 December 2013
Subsidiaries - unlisted company (a)	2,897,931,420.87	2,897,931,420.87
Joint venture - unlisted company (Note 7(8)(a))	150,907,123.51	148,419,053.08
	3,048,838,544.38	3,046,350,473.95

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

(a) Subsidiaries

	Accounting treatment	Initial investment cost	31 December 2013	Current period changes	30 June 2014	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	Cost method	66,000,000.00	547,800,000.00	—	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%
			2,897,931,420.87	—	2,897,931,420.87		

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

(9) Fixed assets

	Building	Machinery and equipment	Electronic equipment office equipment	Motor vehicles	Total
Cost					
31 December 2013	207,987,317.38	586,563,139.92	12,853,819.09	16,203,223.54	823,607,499.93
Transfer-in from construction in progress					
Additions	—	1,617,591.03	20,464.68	—	1,638,055.71
Disposal					
30 June 2014	207,987,317.38	588,180,730.95	12,874,283.77	16,203,223.54	825,245,555.64
Accumulated depreciation					
31 December 2013	86,729,545.96	143,123,687.93	8,256,620.58	8,139,338.77	246,249,193.24
Accrual	3,987,928.44	19,238,202.57	688,126.14	741,174.60	24,655,431.75
30 June 2014	90,717,474.40	162,361,890.50	8,944,746.72	8,880,513.37	270,904,624.99
Net book value					
30 June 2014	117,269,842.98	425,818,840.45	3,929,537.05	7,322,710.17	554,340,930.65
31 December 2013	121,257,771.42	443,439,451.99	4,597,198.51	8,063,884.77	577,358,306.69

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(10) Intangible assets

	31 December 2013	Additions	Transfer to subsidiary	30 June 2014
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	5,902,847.90	437,552.58	—	6,340,400.48
Mining rights	—	—	—	—
Land use rights	5,865,773.97	420,703.80	—	6,286,477.77
Others	37,073.93	16,848.78	—	53,922.71
Net book value	35,567,817.50	(437,552.58)	—	35,130,264.92
Mining rights	—	—	—	—
Land use rights	35,362,728.93	(420,703.80)	—	34,942,025.13
Others	205,088.57	(16,848.78)	—	188,239.79

As ended 30 June 2014, the amortisation expense of intangible assets was RMB 437,552.58 (30 June 2013: RMB 437,552.58), of which RMB 437,552.58 (30 June 2013: RMB 437,552.58) was recognised in profit or loss for the current period.

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

	30 June 2014	31 December 2013
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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FOR THE SIX MONTHS ENDED 30 JUNE 2014
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(11) Provision for asset impairment

	31 December 2013	Current period additions	Current period reduction		30 June 2014
			Current period reversal	Current period sold-out	
Provision for bad debts	3,580,874.53	387,305.10	—	—	3,968,179.63
Including: Provision for bad debts of accounts receivables	3,574,599.32	387,305.10	—	—	3,961,904.42
Provision for bad debts of other receivables	6,275.21	—	—	—	6,275.21
Provision for decline in value of inventories	86,881,198.74	—	(40,603,735.28)	(45,734,035.66)	543,427.80
	90,462,073.27	387,305.10	(40,603,735.28)	(45,734,035.66)	4,511,607.43

(12) Accounts payable

	30 June 2014	31 December 2013
Payable for purchase of materials	14,651,579.25	22,030,010.68
Transportation fee payable	4,049,359.94	2,765,023.24
Others	4,110,779.51	747,900.80
	22,811,718.70	25,542,934.72

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

	30 June 2014	31 December 2013
Within 3 months	9,776,953.40	15,494,128.03
3 to 6 months	2,393,574.22	5,763,261.12
Over 6 months	10,641,191.08	4,285,545.57
	22,811,718.70	25,542,934.72

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
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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:

	30 June 2014	31 December 2013
	Bank borrowings	Bank borrowings
Wholly repayable within five years	210,000,000.00	420,000,000.00
Not wholly repayable within five years	—	—
	210,000,000.00	420,000,000.00

(14) Advances from customers

	30 June 2014	31 December 2013
Advances for sales of goods	36,970,779.33	10,005,164.88

(15) Employee benefits payable

	31 December 2013	Current period additions	Current period reductions	30 June 2014
Salaries, bonuses, allowances and subsidies	14,349,833.46	32,840,532.13	(33,891,038.65)	13,299,326.94
Staff welfare	—	1,067,918.30	(1,067,918.30)	—
Social insurances	8,222.04	11,166,644.04	(11,166,644.04)	8,222.04
Including: Medical insurance	2,176.91	3,036,628.86	(3,036,628.86)	2,176.91
Pension insurance	—	6,537,495.91	(6,537,495.91)	—
Unemployment insurance	6,045.13	653,733.11	(653,733.11)	6,045.13
Work injury insurance	—	617,410.07	(617,410.07)	—
Maternity insurance	—	321,376.09	(321,376.09)	—
Housing funds	629,621.00	4,005,646.00	(4,005,646.00)	629,621.00
Labour union fund and employee education fund	3,086,429.53	965,664.98	(817,027.91)	3,235,066.60
Others	459,864.30	213,779.88	(649,848.44)	23,795.74
	18,533,970.33	50,260,185.33	(51,598,123.34)	17,196,032.32

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

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

(16) Taxes payable

	30 June 2014	31 December 2013
Value added tax payable	873,369.72	636,605.01
Stamp duty	167,421.66	517,719.24
Individual income tax	61,083.04	137,506.43
City maintenance and construction tax payable	44,883.59	130,641.16
Educational surcharge payable	40,456.86	56,092.70
Others	2,943,532.57	34,286.55
Total	4,130,747.44	1,512,851.09

(17) Other payables

	Six months ended 30 June 2014	Six months ended 30 June 2013
Withholding of social security fees	1,345,951.84	1,918,187.50
Cash deposit	999,491.68	1,023,130.74
Payables for purchases of equipments	174,398.98	1,220,894.81
Agency fee	2,671.00	1,704,886.30
Payables for construction in progress	—	82,112.33
Others	1,851,216.84	2,363,085.39
Total	4,373,730.34	8,312,297.07

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in RMB Yuan unless otherwise stated)

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

(18) Revenue and cost of sales

	Six months ended 30 June 2014	Six months ended 30 June 2013
Revenue from main operation	1,110,704,787.51	389,276,927.49
Revenue from other operation	2,837,577.39	9,290,814.28
	1,113,542,364.90	398,567,741.77
	Six months ended 30 June 2014	Six months ended 30 June 2013
Cost of sales from main operation	994,119,226.20	369,045,279.56
Cost of sales from other operation	35,438.10	8,980,283.76
	994,154,664.30	378,025,563.32

(a) Revenue and cost of sales from main operation

	Six months ended 30 June 2014		Six months ended 30 June 2013	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Nickel cathode	960,548,896.10	857,197,961.79	243,780,419.45	253,126,917.88
Copper cathode	137,129,077.32	124,183,935.63	144,624,185.37	115,195,893.62
Others	13,026,814.09	12,737,328.78	872,322.67	722,468.06
	1,110,704,787.51	994,119,226.20	389,276,927.49	369,045,279.56

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

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

(18) Revenue and cost of sales (continued)

(b) Revenue and cost of sales from other operation

	Six months ended 30 June 2014		Six months ended 30 June 2013	
	Revenue from other operation	Cost of sales from other operation	Revenue from other operation	Cost of other operation
Scrap sales	475,755.31	—	155,272.68	—
Sales of electricity	10,141.05	10,216.20	—	—
Sales cold material	—	—	8,981,941.71	8,970,232.01
Others	2,351,681.03	25,221.90	153,599.89	10,051.75
	2,837,577.39	35,438.10	9,290,814.28	8,980,283.76

(c) Top five customers of the Company

Top five of the revenue of the Company amounted to RMB 736,909,306.43 for six months ended 30 June 2014 (Six months ended 30 June 2013: RMB 231,100,185.64), which accounted for 66.18% (Six months ended 30 June 2013: 58%) of the total revenue of the Company. Details are as follows:

	Revenue of sales	Percentage of the total revenue of the Company (%)
Gansu Jisco Group Hongxing Steel Co., Ltd.	194,864,213.98	17.50
Shanghai Xiechuan Materials Co., Ltd.	181,029,244.68	16.26
Shaanxi Shenghua Non-ferrous Metal Co., Ltd.	137,237,462.91	12.32
Shenyang Chengtong Metal Co., Ltd.	135,294,045.90	12.15
Yunnan Kelun Ferroalloy smelting Co., Ltd.	88,484,338.96	7.95
	736,909,306.42	66.18

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in RMB Yuan unless otherwise stated)

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

(19) Financial expenses net

	Six months ended 30 June 2014	Six months ended 30 June 2013
Interest expense	23,044,986.91	3,644,029.88
Including: bank borrowings	23,044,986.91	3,644,029.88
Less: Capitalised interest	—	(607,644.54)
Less: Interest income on bank deposits	(2,591,526.87)	(2,047,739.12)
Foreign exchange gains	(1,238.59)	(3,165.82)
Others	1,532,520.22	19,825.07
	21,984,741.67	1,005,305.47

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

	30 June 2014 Bank borrowings	31 December 2013 Bank borrowings
Wholly repayable within five years	23,044,986.91	16,160,738.89
Not wholly repayable within five years	—	—
	23,044,986.91	16,160,738.89

(20) Investment income/(losses)

	Six months ended 30 June 2014	Six months ended 30 June 2013
Income from long-term investment in subsidiaries under cost method (Note)	94,827,648.48	—
Net income/(losses) from a joint-venture under equity method (Note 7(8)(a))	2,488,070.43	(4,767,164.23)
	97,315,718.91	(4,767,164.23)

Note: According to the resolutions of shareholder meetings of Xinjiang Yakasi, Hami Jubao and Kalatongke Mining, Xinjiang Yakesi, Hami Jubao and Kalatongke Mining distributed dividends to Xinjiang Xinxin of RMB5,935,646.14 RMB3,467,792.13 and RMB85,424,210.21, respectively. The dividend was paid in June 2014.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

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

(21) Income tax expenses

	Six months ended 30 June 2014	Six months ended 30 June 2013
Current income tax	(11,200,792.33)	1,470,713.28
Deferred income tax	13,939,522.44	(255,512.31)
	2,738,730.11	1,215,200.97

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

	Six months ended 30 June 2014	Six months ended 30 June 2013
Total profit/(loss)	206,462,865.87	(6,470,579.64)
Income tax expenses calculated at applicable tax rate of 25%	51,615,716.47	(1,617,644.91)
Effect of tax deductions	(20,646,286.59)	647,057.96
Income not subject to tax	(14,597,357.84)	—
Expenses not deductible for tax purposes	21,629.78	715,074.64
Difference resulted from tax examination for previous year's income tax	(13,654,971.71)	1,470,713.28
	2,738,730.11	1,215,200.97

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(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

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

	Six months ended 30 June 2014	Six months ended 30 June 2013
Net profit/(loss)	203,724,135.76	(7,685,780.61)
Adjustment:		
Reversal of impairment of assets	(40,216,430.18)	(23,150.00)
Depreciation of fixed assets	24,655,431.75	19,661,742.91
Amortisation of intangible assets	437,552.58	437,552.58
Investment income	(97,315,718.91)	4,767,164.23
Financial expenses	23,044,986.91	3,036,385.34
Decrease/(increase) in deferred tax assets	13,939,522.44	(255,512.31)
Decrease/(increase) in inventories	262,333,662.85	(209,031,387.83)
(Increase)/decrease in operating receivables	(750,079,583.56)	238,674,637.68
Increase/(decrease) in operating payables	56,041,759.98	(25,930,332.80)
Net cash flows (used in)/generated from operating activities	(303,434,680.38)	23,651,319.19

(b) Movement of cash and cash equivalents

	Six months ended 30 June 2014	Six months ended 30 June 2013
Cash and cash equivalents at end of period	357,687,290.88	375,879,167.38
Less: cash and cash equivalents at beginning of period	(293,749,971.33)	(361,418,741.61)
Net increase in cash and cash equivalents	63,937,319.55	14,460,425.77

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB Yuan unless otherwise stated)

18 NET CURRENT ASSETS

	The Group	
	30 June 2014	31 December 2013
Current assets	3,966,895,742.84	3,429,151,416.02
Less: current liabilities	(3,185,948,293.10)	(3,180,579,960.84)
Net current assets	780,947,449.74	248,571,455.18

	The Company	
	30 June 2014	31 December 2013
Current assets	2,604,612,802.70	2,067,509,224.21
Less: current liabilities	(308,259,994.43)	(503,907,218.09)
Net current assets	2,296,352,808.27	1,563,602,006.12

19 TOTAL ASSETS LESS CURRENT LIABILITIES

	The Group	
	30 June 2014	31 December 2013
Total assets	11,614,078,036.21	11,059,191,378.15
Less: current liabilities	(3,185,948,293.10)	(3,180,579,960.84)
Total assets less current liabilities	8,428,129,743.11	7,878,611,417.31

	The Company	
	30 June 2014	31 December 2013
Total assets	6,258,213,401.09	5,750,167,154.99
Less: current liabilities	(308,259,994.43)	(503,907,218.09)
Total assets less current liabilities	5,949,953,406.66	5,246,259,936.90

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in RMB Yuan unless otherwise stated)

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 the six months ended 2014, the Group's strategy, which was unchanged from the six months ended 2013, was to maintain the gearing ratio within 20% to 60%. The gearing ratios at 30 June 2014 and 31 December 2013 were as follows:

	30 June 2014	31 December 2013
Total borrowings		
Short-term borrowings	1,195,817,424.06	1,783,765,982.36
Long-term borrowings	2,043,100,000.00	2,049,700,000.00
Bonds payable	500,000,000.00	—
Long-term payables	44,374,145.94	43,069,517.66
Current portion of non-current liabilities	453,130,000.00	451,700,000.00
Financial liabilities at fair value through profit or loss (Note 7(16))	419,248,340.00	—
	4,655,669,910.00	4,328,235,500.02
Less: cash and cash equivalents	499,018,338.66	577,907,940.25
Net debt (a)	4,156,651,571.34	3,750,327,559.77
Total equity (b)	5,642,263,327.27	5,587,604,836.14
Total capital (c)=(a)+(b)	9,798,914,898.61	9,337,932,395.91
Gearing ratio (a)/(c)	42.42%	40.16%



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