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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)

ANNOUNCEMENT OF 2016 INTERIM RESULTS

OPERATING AND FINANCIAL HIGHLIGHTS

- Due to the decrease in production of copper cathode products by Wuxin Copper during the Period and the Disposal, consolidated revenue of the Group for the Period was RMB635.6 million, representing a decrease of 48.0% as compared with the Same Period Last Year.
- The consolidated net loss attributable to shareholders of the Company was RMB90.3 million, representing of a significant decrease as compared with the consolidated net loss of RMB251.8 million in the Same Period Last Year.
- Basic loss per share attributable to shareholders of the Company amounted to RMB0.041 during the Period while the basic loss per share amounted to RMB0.114 per share in the Same Period Last Year.
- The Board does not recommend any payment of interim dividend for 2016.

* *For identification purposes only*

1. 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 2016 (the “Period”), together with the unaudited consolidated operating results for the six months ended 30 June 2015 (“First Half of 2015” 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”).

In June 2016, the Company completed the disposal of Xinjiang Wuxin Copper Industry Co., Ltd. (“Wuxin Copper”), a subsidiary of the Company (the “Disposal”). Due to the decrease in production of copper cathode products by Wuxin Copper during the Period and the Disposal, consolidated revenue of the Group for the Period was RMB635.6 million, representing a decrease of 48.0% as compared with that for the Same Period Last Year. The consolidated net loss attributable to shareholders of the Company was RMB90.3 million, representing a significant decrease as compared with the consolidated net loss of RMB251.8 million in the Same Period Last Year. As the Group was still affected by the decrease in prices of nickel cathode and copper cathode in the international and domestic markets, the average selling prices of nickel cathode and copper cathode, both the major products of the Group, declined by approximately 34.1% and 17.6%, respectively, during the Period as compared with the Same Period Last Year. Therefore, the Group still recorded losses during the Period.

Basic loss per share attributable to shareholders of the Company amounted to RMB0.041 during the Period while the basic loss per share amounted to RMB0.114 per share in the Same Period Last Year.

The Board does not recommend any payment of interim dividend for 2016.

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

2. RESOURCES AND RESERVES

As at 30 June 2016, the estimated resources and reserves for the four nickel-copper mines in Kalatongke, Huangshandong, Huangshan and Xiangshan respectively, which are wholly-owned by the Company, are set out in the following tables:

	Ore contents	Grade		Metal contents	
	Tonnes	Cu %	Ni %	Cu Tonnes	Ni Tonnes
Resources as at 30 June 2016					
Kalatongke nickel-copper mine	30,796,601	0.97	0.57	299,185	174,342
Three nickel-copper mines in Huangshandong, Huangshan and Xiangshan	<u>81,515,877</u>	<u>0.27</u>	<u>0.45</u>	<u>221,981</u>	<u>365,466</u>
Total	<u><u>112,312,478</u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u>521,166</u></u>	<u><u>539,808</u></u>
Reserves as at 30 June 2016					
Kalatongke nickel-copper mine	20,369,878	1.01	0.62	205,161	126,199
Three nickel-copper mines in Huangshandong, Huangshan and Xiangshan	<u>31,634,232</u>	<u>0.30</u>	<u>0.49</u>	<u>96,847</u>	<u>156,503</u>
Total	<u><u>52,004,110</u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u>302,008</u></u>	<u><u>282,702</u></u>

Note: The resources and reserves for the Kalatongke nickel-copper mine were estimated based on the 2007 estimates 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 estimated 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 2016, 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 <i>Tonnes</i>	V₂O₅Grade <i>%</i>	V₂O₅Contents <i>Tonnes</i>
Resources as at 30 June 2016			
Xianghe Street vanadium mine	10,159,400	0.95	96,300
Mujia River vanadium mine	<u>29,295,500</u>	0.88	<u>257,800</u>
Total	<u><u>39,454,900</u></u>		<u><u>354,100</u></u>

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

3. MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

During the Period, London Metal Exchange (“LME”) average three-month future price of nickel cathode was US\$8,702 per tonne, representing a decrease of 36.8% from US\$13,773 per tonne for the Same Period Last Year. The average three-month future price of copper cathode was US\$4,697 per tonne, representing a decrease of 20.8% from US\$5,930 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 RMB68,375 per tonne, representing a decrease of 33.2% from RMB102,362 per tonne for the Same Period Last Year. The average spot price (including tax) of copper cathode was RMB36,179 per tonne, representing a decrease of 16.2% from RMB43,182 per tonne for the Same Period Last Year.

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

Business Review

During the Period, the consolidated revenue of the Group amounted to RMB635.6 million, representing a decrease of 48.0% from RMB1,222.0 million for the Same Period Last Year. The consolidated net loss amounted to RMB118.4 million, representing a decrease of RMB220.5 million as compared with that of RMB338.9 million for the Same Period Last Year; the consolidated net loss attributable to shareholders of the Company was RMB90.3 million, while the Group recorded consolidated net loss of RMB251.8 million for the Same Period Last Year.

During the Period, the decrease in consolidated revenue of the Group was mainly due to significant decrease in output of copper cathode products as a result of technical transformation of Wuxin Copper and the decrease in market price of nickel cathode and copper cathode. The significant decrease in loss of the Group as compared with that for the Same Period Last Year was mainly due to the Disposal and a decrease in costs and expenses of the Group.

During the Period, the Group produced 6,006 tonnes of nickel cathode, representing an increase of 5.2% as compared with 5,709 tonnes for the Same Period Last Year, and produced 7,521 tonnes of copper cathode (among which, Fukang Refinery of Xinjiang Xinxin Mining Industry Co., Ltd. produced 5,036 tonnes of copper cathode, and Wuxin Copper produced 2,485 tonnes of copper cathode), representing a decrease of 71.9% as compared with to 26,748 tonnes (among which, Fukang Refinery of Xinjiang Xinxin Mining Industry Co., Ltd. produced 4,671 tonnes of copper cathode, and Wuxin Copper produced 22,077 tonnes of copper cathode) for the Same Period Last Year.

During the Period, the Group sold 3,385 tonnes of nickel cathode, representing an increase of 150.6% as compared with 1,351 tonnes for the Same Period Last Year, and sold 8,997 tonnes of copper cathode, representing a decrease of 64.3% from 25,181 tonnes for the Same Period Last Year. The significant decrease in sales volume of copper cathode was mainly due to a significant decrease in output of nickel cathode products of Wuxin Copper during the Period.

During the Period, the average selling price of nickel cathode of the Group (excluding tax) was RMB57,949 per tonne, while the average selling price of copper cathode (excluding tax) was RMB30,453 per tonne.

Prospects and Countermeasures

In the second half of 2016, the Group plans to produce 5,794 tonnes of nickel cathode and 4,964 tonnes of copper cathode. The Board would like to emphasize that due to the uncertainties in metal prices and the domestic raw materials market, the above plans were 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 the situation.

In the second half of 2016, the Group will endeavor to stabilize the production capacity and upgrade the level of the processing technology, to strengthen the management, to improve the recycle rate of metal, and to reduce the production costs, with an aim at improving the operational efficiency and economic benefits of the Group. Meanwhile, it will strengthen the analysis and studies on the movement of the international and domestic market price of nickel cathode and copper cathode and implement more flexible and active marketing strategies based on its actual situation, in order to achieve product sales at a higher price level.

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 2016			For the period ended 30 June 2015		
	Sales		% to	Sales		% to
	Volume Tonnes	Amount RMB'000	Revenue	Volume Tonnes	Amount RMB'000	Revenue
Nickel cathode	3,385	196,160	30.9%	1,351	118,723	9.7%
Copper cathode	8,997	273,999	43.1%	25,181	930,564	76.1%
Copper cathode – Fukang Refinery	4,915	149,749	23.6%	4,027	146,934	12.0%
Copper cathode – Wuxin Copper	4,082	124,250	19.5%	21,154	783,630	64.1%
Copper concentrate	2,849	18,938	3.0%	–	–	0.0%
Anode slime	57	36,419	5.7%	120	131,026	10.7%
Other products		110,096	17.3%		41,731	3.5%
Total revenue		635,612	100.0%		1,222,044	100.0%
Cost of sales		(623,089)	98.0%		(1,306,589)	106.9%
Included: Nickel cathode		(228,052)			(116,188)	
Copper cathode – Fukang Refinery		(119,963)			(113,142)	
Copper cathode – Wuxin Copper		(131,198)			(892,480)	
Copper concentrate		(6,269)			–	
Anode slime		(39,174)			(129,466)	
Other products		(98,433)			(55,313)	
Gross profit/(loss)		12,523	2.0%		(84,545)	(6.9%)

During the Period, the revenue from nickel cathode of the Group increased by 65.2% to RMB196.2 million as compared with that for the Same Period Last Year. The average selling price of nickel cathode was RMB57,949 per tonne, representing a decrease of 34.1% as compared with that for the Same Period Last Year. The sales volume of nickel cathode increased by 150.6% to 3,385 tonnes as compared with that for the Same Period Last Year. The increase in revenue of nickel cathode was mainly due to an increase in sales volume of nickel cathode in the first half of this year.

During the Period, the revenue of copper cathode of the Group decreased by 70.6% to RMB274.0 million as compared with that for the Same Period Last Year. The average selling price of copper cathode decreased by 17.6% to RMB30,453 per tonne as compared with that for the Same Period Last Year. The sales volume of copper cathode of the Group decreased by 64.3% to 8,997 tonnes as compared with that for the Same Period Last Year. The significant decrease in revenue of copper cathode was mainly due to a decrease in sales volume as a result of significant decrease in output of copper cathode products resulting from technical transformation of Wuxin Copper and a decrease in market price of nickel cathode and copper cathode during the Period.

During the Period, the Group's revenue from sales of anode slimes amounted to RMB36.4 million with an average selling price of RMB639,726 per tonne and a sales volume of 57 tonnes, representing a decrease of 52.5% as compared with that for the Same Period Last Year. The decrease in revenue of anode slimes was due to less gold content of anode slimes products produced by Wuxin Copper during the as compared with that for the Same Period Last Year.

During the Period, the revenue of copper concentrates of the Group amounted to RMB18.9 million. The average selling price of copper concentrates was RMB6,647 per tonne and the sales volume was 2,849 tonnes with no external sales of copper concentrates for the Same Period Last Year.

During the Period, the revenue from the sales of other products of the Group increased by 163.8% to RMB110.1 million as compared with that for the Same Period Last Year. The increase in revenue was due to an increase in sales volume of gold and vitriol during the Period.

During the Period, the unit cost of sales of nickel cathode of the Group decreased by 21.7% to RMB67,371 per tonne as compared with that for the Same Period Last Year, mainly attributable to a decrease in price of raw materials externally procured, the transfer of provision for inventories of finished products offsetting the current costs and the lowering of operating costs of various production segments of the Group.

During the Period, the unit cost of sales of copper cathode of the Group decreased by approximately 30.1% as compared with that for the Same Period Last Year to RMB27,915 per tonne. Among which, the unit cost of Fukang Refinery decreased to RMB24,408 per tonne during the Period, representing a decrease of 13.1% as compared with that for the Same Period Last Year; unit cost of Wuxin Copper decreased to RMB32,137 per tonne during the Period, representing a decrease of 23.8% as compared with that for the Same Period Last Year.

During the Period, the Group recorded gross profit of RMB12.5 million while the Group recorded gross loss amounted to RMB84.5 million in the Same Period Last Year. The increase in gross profit of the Group during the Period was mainly due to lower sales costs of nickel cathode and copper cathode.

Sales and marketing costs

During the Period, sales and marketing costs of the Group was RMB20.6 million, representing a decrease of 40.7% as compared with that for the Same Period Last Year, mainly due to a decrease in sales volume of copper cathode as compared with the Same Period Last Year.

Administrative expenses

During the Period, the administrative expense of the Group decreased by 8.6% to RMB73.3 million as compared with that for the Same Period Last Year, mainly due to a decrease in staff remuneration and other related expenses as compared with the Same Period Last Year.

Finance expenses – net

Finance expenses – net of the Group for the Period increased to RMB124.4 million as compared with that for the Same Period Last Year of RMB119.1 million, mainly due to a decrease in interest income of banking deposit for the Period as compared with that for the Same Period Last Year.

Investment income

Investment income of the Group for the Period was RMB66.0 million while investment loss was RMB8.3 million for the Same Period Last Year. The investment income during the Period mainly included investment income of RMB58.0 million from the disposal of equity interests in Wuxin Copper, investment income of RMB4.6 million from Hami Hexin Mining Co., Ltd. (“Hexin Mining”) and investment income of RMB3.4 million from other short-term investment.

Financial position

The consolidated balance sheet of the Group remains strong. As at 30 June 2016, owners' equity decreased by 1.9% to RMB4,575.4 million as compared with that for 31 December 2015, mainly due to the loss during the Period. As at 30 June 2016, total assets decreased by 26.5% to RMB8,750.8 million as compared with that for 31 December 2015, mainly due to the Disposal.

For the six months ended 30 June 2016, the Group's net cash outflow generated from operating activities was RMB204.4 million, representing a decrease in net cash inflow of RMB486.7 million as compared with that for the Same Period Last Year, mainly due to a decrease in operating revenue arising from a decrease in production of copper cathode in Wuxin Copper and a decrease in prices of nickel cathode and copper cathode during the Period. Net cash outflow generated from investing activities of RMB299.5 million, mainly including purchase of equipment of various renovation and expansion projects, construction expenses and short term wealth management and investment of the Group. Net cash inflow from financing activities was RMB355.9 million mainly due to an increase in bank borrowings.

Liquidity and Financial Resources

As at 30 June 2016, the Group had total cash and cash equivalents amounting to RMB358.2 million, and those as at 31 December 2015 were RMB506.1 million.

	As at 30 June 2016	As at 31 December 2015
Current Ratio (<i>Times</i>)	1.4	0.9
Gearing Ratio (Total borrowings/ total assets)	34.7%	40.7%

As at 30 June 2016, the aggregate amount of borrowings of the Group was RMB3,036.6 million, of which, the proceeds from the issuance of medium-term notes of the Company was RMB1,300.0 million and loans for working capital of RMB550.0 million (including gold lease financing of RMB250.0 million), the working capital, technological renovation and expansion projects borrowings by Xinjiang Yakesi Resources Co., Ltd. ("Xinjiang Yakesi") was RMB444.7 million (including gold lease financing of RMB147.7 million), the working capital borrowings by Xinjiang Kalatongke Mining Industry Company Limited ("Kalatongke Mining") was RMB741.9 million (including gold lease financing of RMB241.9 million).

As at 30 June 2016, the Group's total borrowings amounted to RMB3,036.6 million (31 December 2015: RMB4,847.6 million), including floating rate borrowings amounted to RMB397.0 million (31 December 2015: RMB1,640.8 million), fixed rate borrowings amounted to RMB1,339.6 million (31 December 2015: RMB1,906.9 million), bond payable amounted to RMB1,300.0 million (31 December 2015: RMB1,300.0 million). As at 30 June 2016, all borrowings of the Group were unsecured borrowings.

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 2016	
	<i>RMB'000</i>	<i>Percentage</i>
		<i>%</i>
Mining, ore processing and smelting and complementary operations in Kalatongke Mining	21,315	16.5%
Refining and complementary operations in Fukang Refinery of Xinjiang Xinxin Mining Industry Co., Ltd. ("Fukang Refinery")	42,156	32.7%
Mining and ore processing operations in Xinjiang Yakesi	34,386	26.7%
Mining operation in Hami Jubao Resources Co., Ltd.	81	0.1%
Smelting and complementary operations of Xinjiang Zhongxin Mining Company Limited	2,226	1.7%
Smelting operation of Wuxin Copper with capacity of 100,000 tonnes	4,510	3.5%
Research and development of non-ferrous metal industrial products and storage base project of Beijing Xinding Shunze High Technology Co., Ltd.	24,312	18.8%
	128,986	100%

Future Plans of the Group for Material Investments or Acquisition of Capital Assets

Kalatongke Mining will further enhance its technological renovation and expansion project, with daily mining and daily ore processing capabilities of 3,400 tonnes and 3,000 tonnes respectively, as well as annual production of water hardening and nickel matte of 8,000 tonnes, and plans to invest approximately RMB105.3 million. Fukang Refinery will further enhance its technological renovation and expansion projects for the auxiliary facilities of the refining capacity of nickel cathode and copper cathode as well as for the newly increased production capacity of nickel cathode to 15,000 tonnes, and plans to invest approximately RMB8.8 million. The capital expenditure of the Group for the acquisition of fixed assets is planned to be approximately RMB32.8 million. The sources of fund for the plans mentioned above will be contributed by internal working capital. Save for the plans as disclosed above, the Group had no other plans for material investments or acquisition of capital assets as at 30 June 2016.

4. SHARE CAPITAL AND DIVIDENDS

(A) Share Capital

The Company's share capital as at 30 June 2016 is as follows:

	Number of shares issued	% of share capital	Nominal value <i>RMB'000</i>
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
	<u>2,210,000,000</u>	<u>100.00%</u>	<u>552,500</u>

(B) Shareholding of Substantial Shareholders

So far as known to any director or supervisor of the Company, as at 30 June 2016, 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 Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (“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 Mining Co., Ltd. (“Shanghai Yilian”) (Note)	282,896,000(L)	Domestic share	19.50	12.80
Zhongjin Investment (Group) Co., Ltd. (“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 2016, 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.

(C) Dividends

The Board does not recommend any payment of interim dividend for 2016 (Nil for 2015).

5. DIRECTORS' INTEREST

(A) Directors' and Supervisors' Interests in Contracts

As at 30 June 2016, none of the directors or supervisors of the Company had any material interests, 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.

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

As at 30 June 2016, 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 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	Percentage of
	Personal interest	Corporate interests	Total interests		aggregate interests to relevant class of share	
Zhou Chuanyou		480,924,000	480,924,000	Domestic share (Note 1)	33.14	21.76

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

Save as disclosed above, none of the directors or supervisors of the Company or their respective associates had, as at 30 June 2016, any interests or short positions in 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.

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 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. There were no share appreciation rights allocated and outstanding as at 30 June 2016.

(C) 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.

6. 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.

7. 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.

8. FINANCIAL INSTRUMENT AND RISK

The Group's activities are exposed to a variety of financial risks: market risk (primarily interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Please refer to note 12 to the unaudited consolidated interim financial statements of the Group for details.

9. CHARGE ON ASSETS

As at 30 June 2016, a restricted cash of RMB107.1 million out of the cash in bank and on hand of the Group was set aside as the security for issuing bank acceptance notes and other purposes. Save as disclosed, there were no other charges or pledges of assets in the Group.

10. MATERIAL LITIGATION OR ARBITRATION

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

11. CONTINGENT LIABILITIES

(A) Environmental contingencies

Historically, the Group has not incurred any significant expenditure for environmental remediation. Further, except as disclosed in Note 4(25) to the unaudited consolidated interim Financial Statements of the Group, 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, the 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 (1) the exact nature and extent of the contamination at various sites including, but not limited to mines and land development areas, whether under operation, closed or sold; (2) the extent of required cleanup efforts; (3) varying costs of alternative remediation strategies; (4) changes in environmental remediation requirements; and (5) 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.

(B) 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.

(C) Provision of guarantee

The Company and the joint venture partner provided joint guarantees for the bank borrowings by Hexin Mining in which the Company provided corporate guarantees to the related lender of Hexin Mining in the amount of RMB183,750,000.00 (31 December 2015: RMB167,750,000.00). Such corporate guarantees remained in force as at 30 June 2016.

Save as disclosed above, the Group had no other significant contingent liabilities as at 30 June 2016.

12. MAJOR ACQUISITIONS AND DISPOSALS

During the Period, the Company completed the disposal of all of its 66% equity interests held in Wuxin Copper in June 2016. Saved as disclosed above, the Group had no other acquisition or disposal during the Period.

13. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

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

14. EMPLOYEES AND WELFARE

As at 30 June 2016, the Group had a total of 3,515 employees. Breakdowns by functions and divisions are as follows:

Division	Employees	Total <i>(In percentage)</i>
Management and administration	221	6.3%
Engineering technician	396	11.3%
Production staff	2,240	63.7%
Repair and maintenance	456	13.0%
Inspection	176	5.0%
Sales	26	0.7%
	3,515	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 19%, 6% to 9%, 1% and 12%, respectively, of its employees' total monthly basic salary. The Group also contributes 1.3% to 1.9% of its employees' total monthly basic salary for occupational injury insurance and 0.5% to 0.8% of their total monthly basic salary for maternity cover.

15. 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.

16. 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.

17. BOARD OF DIRECTORS

The Board currently consists of nine directors, including two executive directors, four non-executive directors and three independent non-executive directors. During the Period, the Board convened five meetings (with an attendance rate of 41/45).

18. 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 two meetings during the Period (with an attendance rate of 8/9).

19. 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.

20. 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. Hu Chengye 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 announcement.

21. DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE’S WEBSITE

This announcement will be published on the website of the Stock Exchange at <http://www.hkex.com.hk> under “Latest Listed Company Information” and the website of the Company at kunlun.wsfg.hk. The 2016 interim report will be despatched to shareholders and published on the Stock Exchange’s website and the Company’s website.

By Order of the Board
Xinjiang Xinxin Mining Industry Co., Ltd.
Guo Haitang
Chairman

Xinjiang, the PRC, 26 August 2016

As at the date of this announcement, the executive directors of the Company are Mr. Guo Quan and Mr. Lu Xiaoping; the non-executive directors of the Company are Mr. Guo Haitang, Mr. Shi Wenfeng, Mr. Zhou Chuanyou and Mr. Hu Chengye; and the independent non-executive directors of the Company are Mr. Chen Jianguo, Mr. Wang Lijin and Mr. Li Wing Sum Steven.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2016

(All amounts in RMB Yuan unless otherwise stated)

		30 June 2016	31 December 2015
		Consolidated	Consolidated
	Note	(unaudited)	(audited)
Current assets			
Cash at bank and on hand	(2)	465,230,096.60	762,293,074.50
Notes receivable	(3)	86,988,480.24	47,573,711.28
Accounts receivable	(4)	136,279,843.51	115,327,736.69
Other receivables		136,726,744.14	106,659,699.38
Advances to suppliers		32,921,209.39	48,641,356.91
Inventories		2,086,876,452.86	2,684,877,960.51
Other current assets		289,562,064.95	431,267,452.56
Total current assets		3,234,584,891.69	4,196,640,991.83
Non-current assets			
Long-term equity investments	(5)	138,843,268.29	134,213,324.52
Fixed assets	(6)	2,753,872,969.97	4,995,060,869.21
Construction materials		662,873.29	1,251,725.55
Construction in progress		1,427,531,057.74	1,345,171,170.71
Intangible assets	(7)	974,433,872.02	1,033,220,892.60
Goodwill		28,087,550.20	28,087,550.20
Long-term prepaid expenses		172,903.54	193,339.87
Deferred tax assets		125,099,452.11	101,827,805.74
Other non-current assets		67,500,000.00	67,500,000.00
Total non-current assets		5,516,203,947.16	7,706,526,678.40
TOTAL ASSETS		8,750,788,838.85	11,903,167,670.23

		30 June 2016	31 December 2015
		Consolidated	Consolidated
	<i>Note</i>	<i>(unaudited)</i>	<i>(audited)</i>
Current liabilities			
Short-term borrowings		850,000,000.00	1,500,000,000.00
Financial liabilities at fair value through profit or loss	(8)	136,894,544.89	404,215,811.92
Notes payable		285,500,000.00	748,410,000.00
Accounts payable	(9)	285,974,910.10	582,629,071.73
Advances from customers		16,644,183.54	29,474,427.41
Employee benefits payable		50,170,543.93	58,388,000.14
Taxes payable		13,529,961.74	8,699,624.88
Interest payable		49,048,589.14	41,946,753.91
Other payables		164,158,394.76	638,349,740.33
Current portion of non-current liabilities		510,000,000.00	576,000,000.00
		<hr/>	<hr/>
Total current liabilities		2,361,921,128.10	4,588,113,430.32
		<hr/>	<hr/>
Non-current liabilities			
Provisions		8,586,497.90	8,383,557.06
Long-term borrowings		237,000,000.00	1,068,760,000.00
Bond payable		800,000,000.00	1,300,000,000.00
Long-term payables		78,128,992.97	76,341,874.43
Deferred income		34,631,509.12	54,262,893.03
Deferred tax liabilities		152,434,980.66	142,985,405.13
Other non-current liabilities		502,709,380.00	–
		<hr/>	<hr/>
Total non-current liabilities		1,813,491,360.65	2,650,733,729.65
		<hr/>	<hr/>
Total liabilities		4,175,412,488.75	7,238,847,159.97
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	30 June 2016 Consolidated <i>(unaudited)</i>	31 December 2015 Consolidated <i>(audited)</i>
Owners' equity			
Share capital		552,500,000.00	552,500,000.00
Capital surplus		4,263,591,716.44	4,263,591,716.44
Specific reserve		7,286,473.51	–
Surplus reserve		249,625,789.74	249,625,789.74
Accumulated Losses		<u>(574,599,132.87)</u>	<u>(484,316,830.46)</u>
Total equity attributable to shareholders of the Company		4,498,404,846.82	4,581,400,675.72
Non-controlling interests		<u>76,971,503.28</u>	<u>82,919,834.54</u>
Total owners' equity		<u>4,575,376,350.10</u>	<u>4,664,320,510.26</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u>8,750,788,838.85</u>	<u>11,903,167,670.23</u>

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2016

(All amounts in RMB Yuan unless otherwise stated)

		Six months ended 30 June 2016 Consolidated (unaudited)	Six months ended 30 June 2015 Consolidated (unaudited)
1. Revenue	(10)	635,612,015.65	1,222,044,251.06
Less: Cost of sales	(10)	(623,088,671.40)	(1,306,589,464.11)
Taxes and surcharges		(3,470,937.27)	(4,434,050.96)
Selling and distribution expenses		(20,617,692.97)	(34,783,850.50)
General and administrative expenses		(73,313,104.38)	(80,187,170.04)
Financial expenses – net	(11)	(124,441,216.31)	(119,082,421.54)
Assets impairment reversal/(losses)	(12)	9,289,361.58	(11,777,607.09)
Add: Gains on the changes in fair value		121,319.67	1,043,050.00
Investment income/(losses)	(13)	65,997,525.19	(8,304,432.85)
Including: Share of profit/(losses) of joint venture		4,629,943.77	(9,383,329.10)
2. Operating loss		(133,911,400.24)	(342,071,696.03)
Add: Non-operating revenue		2,310,285.61	2,957,162.76
Including: Gains on disposal of non- current assets		8,881.50	–
Less: Non-operating expenses		(357,077.98)	(611,613.99)
Including: Losses on disposal of non-current assets		(26,611.55)	(55,208.82)
3. Total loss		(131,958,192.61)	(339,726,147.26)
Less: Income tax credit	(14)	13,535,452.51	786,836.55
4. Net loss		(118,422,740.10)	(338,939,310.71)
Net loss attributable to shareholders of the Company		(90,282,302.41)	(251,799,844.23)
Non-controlling interests		(28,140,437.69)	(87,139,466.48)

	<i>Note</i>	Six months ended 30 June 2016 Consolidated (unaudited)	Six months ended 30 June 2015 Consolidated (unaudited)
5. Other comprehensive income after tax		<u><u>–</u></u>	<u><u>–</u></u>
6. Total comprehensive loss		<u><u>(118,422,740.10)</u></u>	<u><u>(338,939,310.71)</u></u>
Comprehensive loss attributable to shareholders of the Company		(90,282,302.41)	(251,799,844.23)
Comprehensive loss attributable to non-controlling Interests		<u><u>(28,140,437.69)</u></u>	<u><u>(87,139,466.48)</u></u>
7. Loss per share	(15)		
Basic loss per share		(0.041)	(0.114)
Diluted loss per share		<u><u>(0.041)</u></u>	<u><u>(0.114)</u></u>

NOTES TO FINANCIAL INFORMATION (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

(1) Basis of preparation and principal accounting policies

The financial statements have been prepared according to the Basic Standard and specific standards of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance on and after 15 February 2006 (hereafter collectively referred to as “the Accounting Standard for Business Enterprises” or “CAS”), Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - the General Provisions of Financial Reports. The new Hong Kong Companies Ordinance was effective in 2015 and certain disclosure in the financial statements has been adjusted in accordance with the requirements of the Hong Kong Companies Ordinance.

The accounting policies and methods of computation used in the preparation of the unaudited interim financial statements are consistent with those adopted in the annual financial statements of the Company for the year ended 31 December 2015. These interim results have not been audited by the auditor of the Company, and have been reviewed by the audit committee of the Company.

(2) Cash and bank balances

	30 June 2016	31 December 2015
Cash on hand	77,122.67	140,396.96
Cash at bank	358,078,007.24	505,987,659.05
Restricted cash at banks (a)	<u>107,074,966.69</u>	<u>256,165,018.49</u>
	<u>465,230,096.60</u>	<u>762,293,074.50</u>

(a) Restricted cash at banks are shown as follows:

	30 June 2016	31 December 2015
Deposits for issue of bank acceptance notes	95,933,511.40	232,014,550.04
Deposits for environmental recovery and safety of production	11,121,455.29	11,121,455.29
Deposits for gold lease contracts	20,000.00	5,010,000.00
Deposits for irrecoverable letters of credit	–	5,986,038.52
Deposits for compensation of industrial injury of migrant workers	–	2,032,974.64
	<u>107,074,966.69</u>	<u>256,165,018.49</u>

(3) Notes receivable

	30 June 2016	31 December 2015
Bank acceptance notes	<u>86,988,480.24</u>	<u>47,573,711.28</u>

All the notes receivable will be matured within 180 days.

As at 30 June 2016 and 31 December 2015, there were no notes receivable pledged as collateral.

As at 30 June 2016, there were no immature notes receivable that have been discounted (as at 31 December 2015: RMB50,000,000.00).

(4) Accounts receivable

	30 June 2016	31 December 2015
Accounts receivable	140,206,557.51	119,254,450.69
Less: provision for bad debts	(3,926,714.00)	(3,926,714.00)
	<u>136,279,843.51</u>	<u>115,327,736.69</u>

The Group conducted sales transactions mainly through cash on delivery, cash receipts in advance or bank acceptance notes. For other sales transactions, credit terms were granted not exceeding 180 days.

(a) The ageing of accounts receivable is analysed as follows:

	30 June 2016	31 December 2015
Within 1 year	121,791,484.26	112,183,054.20
1 to 2 years	7,547,338.35	2,909,032.31
2 to 3 years (<i>Note</i>)	6,737,764.82	106,794.30
3 to 4 years	74,400.20	74,800.00
4 to 5 years	74,800.00	867,382.40
Over 5 years	3,980,769.88	3,113,387.48
	<u>140,206,557.51</u>	<u>119,254,450.69</u>

Note: As at 30 June 2016, accounts receivable of RMB6,737,764.82 was due from Wuxin Copper, a related party. Wuxin Copper used to be a subsidiary of the Company before the Company transferred its equity interests to Xinjiang Non-ferrous Metal Industry (Group) Ltd.

(5) Long-term equity investments

	30 June 2016	31 December 2015
Joint venture (a)	138,843,268.29	134,213,324.52
Less: provision of long-term equity investments	<u>—</u>	<u>—</u>
	<u>138,843,268.29</u>	<u>134,213,324.52</u>

The joint venture investment is non-listed and does not have significant limitation of transfer.

(a) Joint venture

	31 December 2015	Current period movement						30 June 2016	Provision for impairment
		Increase/ Decrease in investment	Share of net profit using the equity method	Offsetting the unrealised loss of internal transaction	Other comprehensive income adjustment	Other changes in equity	Cash dividend declared		
Hexin Mining	<u>134,213,324.52</u>	<u>—</u>	<u>(9,441,545.99)</u>	<u>14,071,489.76</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>138,843,268.29</u>	<u>—</u>

The place of registration and main premises of Hexin Mining are both in China, Hexin Mining is one of the major raw material suppliers of the Group and has strategic significance to ensure the raw material supply.

(6) Fixed assets and depreciation expenses

	Buildings	Mining structure	Machinery and equipment	Motor vehicles	Electronic and office equipment	Total
Cost						
31 December 2015	2,712,944,670.17	876,134,438.52	2,437,021,258.50	69,226,339.60	83,697,237.80	6,179,023,944.59
Additions						
Purchase	82,730.10	–	6,967,859.05	24,939.70	455,277.03	7,530,805.88
Transfer-in from construction in progress	13,303,945.48	1,006,959.60	–	–	24,883.78	14,335,788.86
Reductions						
Transfer-out to construction in progress	–	(112,535,084.97)	(119,434,537.61)	–	–	(231,969,622.58)
Disposal of a subsidiary	(1,289,871,721.68)	–	(799,795,574.88)	(13,218,388.89)	(3,810,035.08)	(2,106,695,720.53)
Other disposal and retirement	–	–	–	(1,321,296.21)	(85,660.00)	(1,406,956.21)
Reclassification	–	–	(149,605.00)	149,605.00	–	–
30 June 2016	1,436,459,624.07	764,606,313.15	1,524,609,400.06	54,861,199.20	80,281,703.53	3,860,818,240.01
Accumulated depreciation						
31 December 2015	359,230,262.15	135,195,023.15	616,763,059.03	39,452,593.24	33,322,137.81	1,183,963,075.38
Accrument	37,164,995.36	17,320,116.15	75,890,265.79	2,763,345.12	4,811,381.27	137,950,103.69
Transfer-out to construction in progress	–	(36,505,804.88)	(15,946,675.33)	–	–	(52,452,480.21)
Disposal of a subsidiary	(66,281,834.61)	–	(87,878,697.30)	(4,745,739.16)	(2,339,816.71)	(161,246,087.78)
Other current period disposal and retirement	–	–	–	(1,186,250.84)	(83,090.20)	(1,269,341.04)
30 June 2016	330,113,422.90	116,009,334.42	588,827,952.19	36,283,948.36	35,710,612.17	1,106,945,270.04
Net Book Value						
30 June 2016	1,106,346,201.17	648,596,978.73	935,781,447.87	18,577,250.84	44,571,091.36	2,753,872,969.97
31 December 2015	2,353,714,408.02	740,939,415.37	1,820,258,199.47	29,773,746.36	50,375,099.99	4,995,060,869.21

For the six months ended 30 June 2016, depreciation expense of fixed assets amounted to RMB137,950,103.69 (six months ended 30 June 2015: RMB140,131,884.35), of which RMB101,973,894.30 were charged to cost of sales, RMB6,291,345.72 to general and administrative expenses, RMB84,682.62 to selling expense and RMB29,600,181.05 to construction in progress (six months ended 30 June 2015: RMB123,466,518.05, RMB9,100,099.38, RMB68,328.74 and RMB7,496,938.18 respectively).

(7) Intangible assets and amortisation

	Mining rights	Exploration rights	Land use rights	Others	Totals
Cost					
31 December 2015	699,654,158.24	208,153,000.00	273,436,324.12	1,664,304.26	1,182,907,786.62
Additions – Purchase	-	-	-	391,794.87	391,794.87
Decrease – Disposal of a subsidiary	-	-	(51,794,854.00)	(78,101.03)	(51,872,955.03)
30 June 2016	699,654,158.24	208,153,000.00	221,641,470.12	1,977,998.10	1,131,426,626.46

Accumulated amortisation

31 December 2015	115,510,707.41	-	32,897,410.97	1,278,775.64	149,686,894.02
Additions – Accrue ment	7,372,793.18	-	2,106,249.80	60,706.70	9,539,749.68
Decreases – Disposal of a subsidiary	-	-	(2,172,454.91)	(61,434.35)	(2,233,889.26)
30 June 2016	122,883,500.59	-	32,831,205.86	1,278,047.99	156,992,754.44

Book value

30 June 2016	576,770,657.65	208,153,000.00	188,810,264.26	699,950.11	974,433,872.02
31 December 2015	584,143,450.83	208,153,000.00	240,538,913.15	385,528.62	1,033,220,892.60

For the six months ended 30 June 2016, amortisation expense of intangible assets amounted to RMB9,539,749.68 (six months ended 30 June 2015: RMB9,309,753.95).

The exploration rights were acquired through the acquisition of Shaanxi Xinxin by the Group in 2011. Shaanxi Xinxin has applied to convert the exploration rights of two mines located in Shangnan, Shaanxi into mining rights. As at 30 June 2016, the application was in the process of approving.

As at 30 June 2016 and 31 December 2015, there was no impairment on intangible assets provided.

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

	30 June 2016	31 December 2015
Gold lease and related future contracts	136,894,544.89	404,060,811.92
Standard future contracts	–	155,000.00
	<u>136,894,544.89</u>	<u>404,215,811.92</u>

For the six months ended 30 June 2016, Kalatongke Mining and Xinjiang Yakesi signed gold lease contracts with banks to obtain short-term financing. For the purpose of managing the risk of the fluctuation of the price of gold, Kalatongke Mining and Xinjiang Yakesi authorised the banks to purchase the gold future contracts in line with the quantity of gold leased and sold. As at 30 June 2016, the total fair value of the gold lease contracts and the related future contracts amounted to RMB136,894,544.89 (31 December 2015: RMB404,060,811.92).

(9) Accounts payable

	30 June 2016	31 December 2015
Payable for purchase of materials	207,689,055.02	506,568,667.98
Payable for purchase of services	70,682,531.98	48,729,928.16
Payable for transportation fees	6,744,121.61	25,044,892.59
Others	859,201.49	2,285,583.00
	<u>285,974,910.10</u>	<u>582,629,071.73</u>

(a) As at 30 June 2016, accounts payable over one year with carrying amount of RMB49,946,636.26 (31 December 2015: RMB21,831,162.51) were mainly payables for purchase of materials.

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

	30 June 2016	31 December 2015
Within 3 months	166,570,923.57	479,815,799.80
3 to 6 months	48,693,760.45	56,584,185.58
Over 6 months	70,710,226.08	46,229,086.35
	<u>285,974,910.10</u>	<u>582,629,071.73</u>

(10) Revenue and cost of sales

(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.

	Six months ended 30 June 2016		Six months ended 30 June 2015	
	Revenue from main operation	Cost of sales from main operation	Revenue from main operation	Cost of sales from main operation
Copper cathode	273,998,938.45	251,161,526.56	930,564,247.86	1,005,621,909.04
Nickel cathode	196,160,127.15	228,052,179.39	118,723,018.07	116,188,083.79
Others	96,402,175.61	75,590,133.30	146,901,512.60	171,447,519.65
	<u>566,561,241.21</u>	<u>554,803,839.25</u>	<u>1,196,188,778.53</u>	<u>1,293,257,512.48</u>

(b) Revenue and cost of sales from other operation

	Six months ended 30 June 2016		Six months ended 30 June 2015	
	Revenue from other operation	Cost of sales from other operation	Revenue from other operation	Cost of sales from other operation
Material Sales	54,866,291.18	63,587,159.93	–	–
Scrap sales	8,778,772.73	–	11,330,445.19	–
Sales of electricity	3,515,168.00	3,728,284.24	10,172,460.65	10,230,175.43
Others	1,890,542.53	969,387.98	4,352,566.69	3,101,776.20
	<u>69,050,774.44</u>	<u>68,284,832.15</u>	<u>25,855,472.53</u>	<u>13,331,951.63</u>
	Revenue	Cost of sales	Revenue	Cost of sales
Total (a)+(b)	<u>635,612,015.65</u>	<u>623,088,671.40</u>	<u>1,222,044,251.06</u>	<u>1,306,589,464.11</u>

(11) Financial expenses – net

	Six months ended 30 June 2016	Six months ended 30 June 2015
Interest expense	135,433,440.63	137,756,527.22
Include: Bank loans	91,250,107.28	120,102,828.60
Bond payable	44,183,333.35	17,653,698.62
Less: Capitalised interest expenses	(14,548,497.79)	(14,160,687.50)
Less: Interest income on bank deposits	(2,326,555.10)	(10,715,933.52)
Interest on bills discounted	881,144.45	–
Bank charges	3,106,960.03	3,770,228.52
Unwinding of discount – net	1,990,059.38	1,274,011.43
Foreign exchange (gains)/losses	(95,335.29)	1,158,275.39
	<u>124,441,216.31</u>	<u>119,082,421.54</u>

(12) Asset impairment reversal/(losses)

	Six months ended 30 June 2016	Six months ended 30 June 2015
Provision for decline in value of inventories	(3,634,343.57)	(11,755,287.03)
Reversal of provision in value of inventories	12,923,705.15	–
Provision for bad debts for accounts receivable and other receivables	–	(22,320.06)
	<u>9,289,361.58</u>	<u>(11,777,607.09)</u>

(13) Investment income/(losses)

	Six months ended 30 June 2016	Six months ended 30 June 2015
Loss from a joint venture under equity method	(9,441,545.99)	(10,123,930.57)
Offset unrealised net loss between the joint venture and the Group	14,071,489.76	740,601.47
Net (losses)/income resulted from settlement of future contracts	(28,797.38)	1,078,896.25
Income resulted from disposal of long-term equity investment	57,955,495.17	–
Income resulted from disposal of available-for-sale financial assets	3,440,883.63	–
	<u>65,997,525.19</u>	<u>(8,304,432.85)</u>

There is no significant restriction on recovery of investment income.

(14) Income tax credit

	Six months ended 30 June 2016	Six months ended 30 June 2015
Current income tax	286,618.33	9,166,747.30
Deferred income tax	(13,822,070.84)	(9,953,583.85)
	<u>(13,535,452.51)</u>	<u>(786,836.55)</u>

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

	Six months ended 30 June 2016	Six months ended 30 June 2015
Consolidated total loss	<u>(131,958,192.61)</u>	<u>(339,726,147.26)</u>
Income tax expenses calculated at applicable tax rate of 25%	(32,989,548.16)	(84,931,536.82)
Effect of change in the tax rates	1,535,163.34	–
Effect of tax reductions	5,860,298.85	6,871,307.06
Income not subject to tax	(2,110,723.47)	–
Expenses not deductible for tax purposes	253,711.36	4,959,260.64
Deductible temporary differences and deductible losses for which no deferred tax assets were recognised	13,629,382.24	64,241,894.10
Clearance differences in respect of prior years	<u>286,263.33</u>	<u>8,072,238.47</u>
	<u>(13,535,452.51)</u>	<u>(786,836.55)</u>

(15) Loss per share

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

	Six months ended 30 June 2016	Six months ended 30 June 2015
Consolidated net loss attributable to shareholders of the Company	(90,282,302.41)	(251,799,844.23)
Weighted average number of ordinary shares in issue of the Company	<u>(2,210,000,000.00)</u>	<u>2,210,000,000.00</u>
Basic loss per share	<u>(0.041)</u>	<u>(0.114)</u>
Including:		
– Continue Operating basic loss per share	(0.041)	(0.114)
– Terminate Operating basic loss per share	<u>–</u>	<u>–</u>

Diluted loss per share is calculated by dividing net loss attributable to shareholders 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 2016 (six months ended 30 June 2015: Nil), diluted loss per share equal to basic loss per share.

(16) Segment Information

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

For each of the six months ended 30 June 2016 and 2015, 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 2016, revenue of top three customers of the Group accounted for 7%, 5% and 5% of the total revenue of the Group respectively (six months ended 30 June 2015: 21%, 16% and 10%).

(17) Commitments

(a) Capital commitments

As at 30 June 2016 and 31 December 2015, the Group has no capital expenditures contracted for but not yet necessary to be recognised on the balance sheet.

(b) Operating lease commitments

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

	30 June 2016	31 December 2015
Within one year	1,226,947.50	1,635,930.00
Between one and two years	817,965.00	1,635,930.00
Between two and three years	817,965.00	1,635,930.00
	<u>2,862,877.50</u>	<u>4,907,790.00</u>