



Xinjiang Xinxin Mining Industry Co., Ltd.\*

新疆新鑫礦業股份有限公司

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

Stock Code : 3833

Interim Report

20  
16



\* For identification purpose only

We See The Future



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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Guo Quan  
Lu Xiaoping

## NON-EXECUTIVE DIRECTORS

Guo Haitang (*Chairman*)  
Shi Wenfeng (*Vice Chairman*)  
Zhou Chuanyou  
Hu Chengye

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Chen Jianguo  
Wang Lijin  
Li Wing Sum, Steven

## SUPERVISORS

Wang Haibang (*Chairman*)  
Zhang Xuehe (appointed on 13 April 2016)  
Chen Rong (appointed on 15 June 2016)  
Hu Zhijiang  
Yao Wenying

## AUDIT COMMITTEE

Chen Jianguo (*Chairman*)  
Li Wing Sum, Steven  
Hu Chengye

## REMUNERATION AND REVIEW COMMITTEE

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

## NOMINATION COMMITTEE

Guo Haitang (*Chairman*)  
Chen Jianguo  
Li Wing Sum, Steven

## STRATEGIC DEVELOPMENT COMMITTEE

Guo Haitang (*Chairman*)  
Shi Wenfeng  
Guo Quan  
Zhou Chuanyou  
Wang Lijin

## COMPANY SECRETARIES

Lam Cheuk Fai *FCCA, FCPA*  
Zhang Junjie

## AUTHORISED REPRESENTATIVES

Shi Wenfeng  
Lam Cheuk Fai  
Li Wing Sum, Steven (*Alternate*)

## REGISTERED OFFICE IN HONG KONG

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

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

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No. 4 You Hao North Road  
Urumqi  
Xinjiang

## LEGAL ADVISERS

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

## AUDITORS

International and PRC auditors  
PricewaterhouseCoopers Zhong Tian LLP

## H SHARE REGISTRAR IN HONG KONG

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

## PUBLIC RELATIONS

Wonderful Sky Financial Group Limited

## COMPANY WEBSITE

kunlun.wsfg.hk

## STOCK CODE

3833

## COMPANY RESULTS

The board of directors (the “Board”) of Xinjiang Xinxin Mining Industry Co., Ltd. (the “Company”) hereby announces the unaudited consolidated operating results of the Company and its subsidiaries (the “Company and its Subsidiaries” or the “Group”) prepared in accordance with the China Accounting Standards for Business Enterprises (“CAS”) for the six months ended 30 June 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 the Same Period Last Year. The consolidated net loss attributable to shareholders of the Company was RMB90.3 million during the Period, which was significantly reduced as compared with the Group’s recorded 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.



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

*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	V <sub>2</sub> O <sub>5</sub> Grade	V <sub>2</sub> O <sub>5</sub> Contents
	Tonnes	%	Tonnes
<b>Resources as at 30 June 2016</b>			
Xianghe Street vanadium mine	10,159,400	0.95	96,300
Mujia River vanadium mine	29,295,500	0.88	257,800
<b>Total</b>	<b>39,454,900</b>		<b>354,100</b>

*Note:* The resources for the deposits at two vanadium mines in Xianghe Street and Mujia River were estimated 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\$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 domestic price trend of nickel cathode and copper cathode was basically in line with 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 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 the 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 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 the sales volume of copper cathode was mainly due to the significant decrease in the 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 plan is 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 corporate 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 market price movement of international and domestic 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.

## MINERAL EXPLORATION, MINE DEVELOPMENT AND ORE MINING ACTIVITIES

### Mineral Exploration

During the Period, Xinjiang Kalatongke Mining Industry Company Limited (“Kalatongke Mining”), a wholly-owned subsidiary of the Company, mainly carried out the exploration for the production in the west section ore body of No. 2 mine deposit and No. 3 mineral deposit. Based on the detailed survey of the original mineral deposit, exploitation project and technological renovation project were applied to conduct exploration with the spacing of 50 x 25 to 35 meters for production at 530 meters level. A total of 2,105 meters of drilling in pit was completed. Xinjiang Yakesi Resources Co. Ltd. (“Xinjiang Yakesi”) and Hami Jubao Resources Co. Ltd. (“Hami Jubao”) mainly carried out two exploration projects including Huangshan nickel-copper mine No. 30 Ore body and Huangshandong nickel-copper mine No. 17 Mine area and completed 1,595 meters of drilling in pit.

During the Period, the Group’s mineral exploration expenditure amounted to RMB3.0 million.

### Mine Development

During the Period, Kalatongke Mining mainly completed certain mining development projects, including the excavation of 1,950 meters of various tunnels, excavation of 397 meters of slope supporting, excavation of 265 meters of ore chute as well as excavation of 1,100 meters for track laying and ditches. Xinjiang Yakesi and Hami Jubao mainly completed certain mining development projects, including the excavation of 1,131 meters for the renovation and expansion project and excavation of 564 meters of primary transportation tunnels.

During the Period, the Group’s total expenditure for the mine development and construction amounted to RMB41.1 million.

### Ore Mining

During the Period, Kalatongke Mining produced 426,144 tonnes of ores. Xinjiang Yakesi and Hami Jubao produced 466,337 tonnes of ores.

During the Period, the aggregate expenditure on the ore mining operation of the Group was RMB158.9 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 Volume Tonnes	Amount RMB'000	% to Revenue	Sales Volume Tonnes	Amount RMB'000	% to 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%
Of which: 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 (loss)/profit		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 in 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 of the Same Period Last Year. The sales volume of nickel cathode increased by 150.6% to 3,385 tonnes as compared with that of the Same Period Last Year. The increase in revenue of nickel cathode was mainly due to the 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 in the Same Period Last Year. The average selling price of copper cathode decreased by 17.6% to RMB30,453 per tonne as compared with 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 the Same Period Last Year. The significant decrease in revenue of copper cathode was mainly due to the decrease in sales volume as a result of significant decrease in the output of copper cathode products resulting from technical transformation of Wuxin Copper and the decrease in market price of nickel cathode and copper cathode during the Period.



# MANAGEMENT DISCUSSION AND ANALYSIS

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 of 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 Period as compared with that of 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 of the Same Period Last Year. The increase in revenue was due to the increase in the 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 of the Same Period Last Year, mainly attributable to the price decrease in 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 30.1% as compared with that of the Same Period Last Year to RMB27,915 per tonne. Among which, the unit cost of Fukang Refinery decreased by 13.1% to RMB24,408 per tonne; unit cost of Wuxin Copper decreased by 23.8% to RMB32,137 per tonne as compared with that of 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 of the Same Period Last Year, mainly due to a decrease in the sales volume of copper cathode as compared with that of 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 of the Same Period Last Year, mainly due to the decrease in staff remuneration and other related expenses as compared with those of 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 of 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 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 as of 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 as of 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 was RMB444.7 million (including gold lease financing of RMB147.7 million), the working capital borrowings by 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## COMMODITY PRICE RISK

The prices of the Group's products are impacted by prices of the international and domestic markets and changes in global supply and demand for such products. Price volatility of non-ferrous metals is also affected by the global and the PRC economic cycle 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.

## 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.

## 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.

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

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

## CHARGE ON ASSETS

As at 30 June 2016, a restricted bank deposit 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 above, there were no charges or pledges of assets in the Group.

## MATERIAL LITIGATION

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

## CONTINGENT LIABILITIES

Save as disclosed in Notes 8 and 9(5)(f) to the unaudited consolidated interim financial statements of the Group, the Group had no other significant contingent liabilities as at 30 June 2016.

## MAJOR ACQUISITIONS AND DISPOSAL

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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.

## 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	
	RMB'000	Percentage %
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.	42,156	32.7%
Mining and ore processing operations in Xinjiang Yakesi	34,386	26.7%
Mining operation in Hami Jubao	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%
	<b>128,986</b>	<b>100%</b>

## 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.

## COMMITMENTS

Commitments of the Group as at 30 June 2016 are disclosed in Note 9 to the unaudited consolidated interim financial statements.



# DIRECTORS' INTEREST

## DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACT

As at 30 June 2016, 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 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 (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 YilianKuangneng 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 2016, 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 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.

### 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 2016 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 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 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 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.

## DIVIDENDS

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

## 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:

<b>Division</b>	<b>Employees</b>	<b>Total</b> <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%
	<b>3,515</b>	<b>100.0%</b>

The remuneration package of the Group's employees includes salary, bonuses and allowances. The Group has participated in the social insurance contribution plans organised by local governments in the PRC. In accordance with the relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing provident funds. According to the currently applicable local regulations, the respective percentages of the pension insurance, medical insurance, unemployment insurance and housing provident funds which the Group must contribute are 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.



# 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.

## 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).

## 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).

## 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. 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 report.

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

Xinjiang, the PRC, 26 August 2016

\* For identification purpose only

# CONSOLIDATED AND COMPANY BALANCE SHEETS (UNAUDITED)

AS AT 30 JUNE 2016

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Notes	30 June 2016 Consolidated	31 December 2015 Consolidated	30 June 2016 Company	31 December 2015 Company
<b>Current assets</b>					
Cash at bank and on hand	4(1)/15(1)	465,230,096.60	762,293,074.50	140,533,170.72	160,061,754.45
Notes receivable	4(2)/15(2)	86,988,480.24	47,573,711.28	69,538,480.24	41,880,068.20
Accounts receivable	4(3)/15(3)	136,279,843.51	115,327,736.69	102,320,711.11	77,252,546.59
Other receivables	4(4)/15(4)	136,726,744.14	106,659,699.38	502,294,251.88	160,946,464.22
Advances to suppliers	4(5)/15(5)	32,921,209.39	48,641,356.91	695,670,808.15	725,886,280.65
Interest receivable		–	–	11,675,069.43	1,588,888.88
Inventories	4(6)/15(6)	2,086,876,452.86	2,684,877,960.51	1,698,749,824.03	1,514,985,263.23
Other current assets	4(7)/15(7)	289,562,064.95	431,267,452.56	229,461,812.89	162,962,020.71
<b>Total current assets</b>		<b>3,234,584,891.69</b>	<b>4,196,640,991.83</b>	<b>3,450,244,128.45</b>	<b>2,845,563,286.93</b>
<b>Non-current assets</b>					
Long-term equity investments	4(9)/15(8)	138,843,268.29	134,213,324.52	2,482,905,885.17	2,504,221,494.23
Long-term receivable	15(9)	–	–	800,000,000.00	800,000,000.00
Fixed assets	4(10)/15(10)	2,753,872,969.97	4,995,060,869.21	513,390,476.49	522,672,001.12
Construction materials	4(11)	662,873.29	1,251,725.55	16,825.37	569,650.57
Construction in progress	4(12)	1,427,531,057.74	1,345,171,170.71	29,749,443.28	13,069,909.88
Intangible assets	4(13)/15(11)	974,433,872.02	1,033,220,892.60	48,018,796.93	48,223,513.82
Goodwill	4(14)	28,087,550.20	28,087,550.20	–	–
Long-term prepaid expenses		172,903.54	193,339.87	–	–
Deferred tax assets	4(31)/15(12)	125,099,452.11	101,827,805.74	130,304,296.57	131,056,765.30
Other non-current assets	4(15)	67,500,000.00	67,500,000.00	–	–
<b>Total non-current assets</b>		<b>5,516,203,947.16</b>	<b>7,706,526,678.40</b>	<b>4,004,385,723.81</b>	<b>4,019,813,334.92</b>
<b>TOTAL ASSETS</b>		<b>8,750,788,838.85</b>	<b>11,903,167,670.23</b>	<b>7,454,629,852.26</b>	<b>6,865,376,621.85</b>

# CONSOLIDATED AND COMPANY BALANCE SHEETS (UNAUDITED)

AS AT 30 JUNE 2016

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	Notes	30 June 2016 Consolidated	31 December 2015 Consolidated	30 June 2016 Company	31 December 2015 Company
<b>Current liabilities</b>					
Short-term borrowings	4(27)(b)	850,000,000.00	1,500,000,000.00	300,000,000.00	100,000,000.00
Financial liabilities at fair value through profit or loss	4(17)	136,894,544.89	404,215,811.92	–	–
Notes payable	4(18)	285,500,000.00	748,410,000.00	280,000,000.00	543,300,000.00
Accounts payable	4(19)/15(14)	285,974,910.10	582,629,071.73	81,184,238.72	34,003,615.78
Advances from customers	4(20)/15(15)	16,644,183.54	29,474,427.41	13,196,600.33	20,818,319.02
Employee benefits payable	4(21)/15(16)	50,170,543.93	58,388,000.14	19,103,787.72	18,582,409.06
Taxes payable	4(22)/15(17)	13,529,961.74	8,699,624.88	397,743.95	507,058.81
Interest payable	4(23)/15(18)	49,048,589.14	41,946,753.91	46,287,442.91	37,704,109.56
Other payables	4(24)/15(19)	164,158,394.76	638,349,740.33	432,440,388.46	75,002,875.80
Current portion of non-current liabilities	4(26)	510,000,000.00	576,000,000.00	500,000,000.00	–
<b>Total current liabilities</b>		<b>2,361,921,128.10</b>	<b>4,588,113,430.32</b>	<b>1,672,610,202.09</b>	<b>829,918,388.03</b>
<b>Non-current liabilities</b>					
Provisions	4(25)	8,586,497.90	8,383,557.06	–	–
Long-term borrowings	4(27)(a)	237,000,000.00	1,068,760,000.00	–	–
Bond payable	4(28)	800,000,000.00	1,300,000,000.00	800,000,000.00	1,300,000,000.00
Long-term payables	4(29)	78,128,992.97	76,341,874.43	–	–
Deferred income	4(30)	34,631,509.12	54,262,893.03	1,756,448.00	787,114.00
Deferred tax liabilities	4(31)	152,434,980.66	142,985,405.13	–	–
Other non-current liabilities	4(32)	502,709,380.00	–	250,000,000.00	–
<b>Total non-current liabilities</b>		<b>1,813,491,360.65</b>	<b>2,650,733,729.65</b>	<b>1,051,756,448.00</b>	<b>1,300,787,114.00</b>
<b>Total liabilities</b>		<b>4,175,412,488.75</b>	<b>7,238,847,159.97</b>	<b>2,724,366,650.09</b>	<b>2,130,705,502.03</b>

# CONSOLIDATED AND COMPANY BALANCE SHEETS (UNAUDITED)

AS AT 30 JUNE 2016

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	Notes	30 June 2016 Consolidated	31 December 2015 Consolidated	30 June 2016 Company	31 December 2015 Company
<b>Owners' equity</b>					
Share capital	4(33)	552,500,000.00	552,500,000.00	552,500,000.00	552,500,000.00
Capital surplus	4(34)	4,263,591,716.44	4,263,591,716.44	4,254,754,857.49	4,254,754,857.49
Specific reserve	4(35)	7,286,473.51	–	769,581.74	–
Surplus reserve	4(36)	249,625,789.74	249,625,789.74	249,625,789.74	249,625,789.74
Accumulated Losses	4(37)	(574,599,132.87)	(484,316,830.46)	(327,387,026.80)	(322,209,527.41)
<b>Total equity attributable to shareholders of the Company</b>		<b>4,498,404,846.82</b>	<b>4,581,400,675.72</b>	<b>4,730,263,202.17</b>	<b>4,734,671,119.82</b>
<b>Non-controlling interests</b>	6(1)	<b>76,971,503.28</b>	<b>82,919,834.54</b>	<b>–</b>	<b>–</b>
<b>Total owners' equity</b>		<b>4,575,376,350.10</b>	<b>4,664,320,510.26</b>	<b>4,730,263,202.17</b>	<b>4,734,671,119.82</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>8,750,788,838.85</b>	<b>11,903,167,670.23</b>	<b>7,454,629,852.26</b>	<b>6,865,376,621.85</b>

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

Legal representative:  
**Guo Haitang**

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 2016  
(All amounts in RMB Yuan unless otherwise stated)

	Notes	Six months ended 30 June 2016 Consolidated	Six months ended 30 June 2015 Consolidated	Six months ended 30 June 2016 Company	Six months ended 30 June 2015 Company
<b>1. Revenue</b>	4(38)/15(20)	<b>635,612,015.65</b>	1,222,044,251.06	<b>373,776,510.76</b>	275,654,729.79
Less: Cost of sales	4(38)/15(20)	(623,088,671.40)	(1,306,589,464.11)	(369,774,550.79)	(271,696,085.53)
Taxes and surcharges	4(40)	(3,470,937.27)	(4,434,050.96)	(241,678.18)	(109,320.33)
Selling and distribution expenses	4(41)	(20,617,692.97)	(34,783,850.50)	(4,992,207.19)	(1,790,323.59)
General and administrative expenses	4(42)	(73,313,104.38)	(80,187,170.04)	(18,065,039.46)	(19,410,461.13)
Financial expenses – net	4(43)/15(21)	(124,441,216.31)	(119,082,421.54)	(22,476,431.05)	(17,281,594.52)
Assets impairment reversal/(losses)	4(16)/4(44)/15(13)	9,289,361.58	(11,777,607.09)	44,905,022.32	(22,320.06)
Add: Gains on the changes in fair value	4(45)	121,319.67	1,043,050.00	–	–
Investment income/(losses)	4(46)/15(23)	65,997,525.19	(8,304,432.85)	(7,694,219.49)	(10,123,930.57)
Including: Share of profit/(losses) of joint venture		4,629,943.77	(9,383,329.10)	(9,441,545.99)	(10,123,930.57)
<b>2. Operating loss</b>		<b>(133,911,400.24)</b>	(342,071,696.03)	<b>(4,562,593.08)</b>	(44,779,305.94)
Add: Non-operating income	4(47)	2,310,285.61	2,957,162.76	138,882.22	355,866.00
Including: Gains on disposal of non-current assets		8,881.50	–	8,881.50	–
Less: Non-operating expenses	4(48)	(357,077.98)	(611,613.99)	(1,319.80)	(134,964.81)
Including: Losses on disposal of non-current assets		(26,611.55)	(55,208.82)	(1,319.80)	(5,603.40)
<b>3. Total loss</b>		<b>(131,958,192.61)</b>	(339,726,147.26)	<b>(4,425,030.66)</b>	(44,558,404.75)
Less: Income tax credit/(expenses)	4(49)/15(24)	13,535,452.51	786,836.55	(752,468.73)	(2,442,809.70)
<b>4. Net loss</b>		<b>(118,422,740.10)</b>	(338,939,310.71)	<b>(5,177,499.39)</b>	(47,001,214.45)
Attributable to shareholders of the Company		(90,282,302.41)	(251,799,844.23)	(5,177,499.39)	(47,001,214.45)
Non-controlling interests	6(1)	(28,140,437.69)	(87,139,466.48)	–	–

# CONSOLIDATED AND COMPANY INCOME STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

	Notes	Six months ended 30 June 2016 Consolidated	Six months ended 30 June 2015 Consolidated	Six months ended 30 June 2016 Company	Six months ended 30 June 2015 Company
<b>5. Other comprehensive income after tax</b>		-	-	-	-
<b>6. Total comprehensive loss</b>		<b>(118,422,740.10)</b>	<b>(338,939,310.71)</b>	<b>(5,177,499.39)</b>	<b>(47,001,214.45)</b>
Comprehensive loss attributable to shareholders of the Company		<b>(90,282,302.41)</b>	(251,799,844.23)	<b>(5,177,499.39)</b>	(47,001,214.45)
Comprehensive loss attributable to non-controlling Interests		<b>(28,140,437.69)</b>	(87,139,466.48)	-	-
<b>7. Loss per share</b>					
Basic loss per share	4(50)	<b>(0.041)</b>	(0.114)	-	-
Diluted loss per share	4(50)	<b>(0.041)</b>	(0.114)	-	-

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

Legal representative:  
**Guo Haitang**

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

Head of accounting department:  
**Li Jianhua**

Proposed dividend	4(36)	-	-	-	-
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# CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

	Notes	Six months ended 30 June 2016 Consolidated	Six months ended 30 June 2015 Consolidated	Six months ended 30 June 2016 Company	Six months ended 30 June 2015 Company
<b>1. Cash flows from operating activities</b>					
Cash received from sales of goods and rendering services		548,672,841.82	1,625,603,610.18	369,871,759.25	409,018,724.29
Cash received relating to other operating activities	4(51)(a)	49,252,762.88	12,543,207.64	96,371,809.78	16,147,825.12
<b>Sub-total of cash inflows from operating activities</b>		<b>597,925,604.70</b>	1,638,146,817.82	<b>466,243,569.03</b>	425,166,549.41
Cash paid for goods and services		(551,959,591.57)	(1,007,950,759.12)	(701,750,418.48)	(393,464,224.25)
Cash paid to and on behalf of employees		(147,389,050.45)	(168,466,319.94)	(45,594,697.03)	(51,736,643.00)
Payments of taxes and surcharges		(55,641,477.49)	(78,331,523.38)	(5,401,227.84)	(11,383,190.10)
Cash paid relating to other operating activities	4(51)(b)	(47,332,582.05)	(101,078,904.58)	(31,486,671.40)	(55,393,887.67)
<b>Sub-total of cash outflows</b>		<b>(802,322,701.56)</b>	(1,355,827,507.02)	<b>(784,233,014.75)</b>	(511,977,945.02)
<b>Net cash flows (used in)/generated from operating activities</b>	4(52)(a)	<b>(204,397,096.86)</b>	282,319,310.80	<b>(317,989,445.72)</b>	(86,811,395.61)

## CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

Notes	Six months ended 30 June 2016 Consolidated	Six months ended 30 June 2015 Consolidated	Six months ended 30 June 2016 Company	Six months ended 30 June 2015 Company
<b>2. Cash flows from investing activities</b>				
Cash received from withdrawal of deposit from future contracts	34,790,511.52	27,000,000.00	-	-
Cash received from disposal of a subsidiary (Note 4 (52)(b))	12,000,000.00	-	12,000,000.00	-
Cash received from investment income	3,440,883.62	-	29,497,160.67	-
Cash received from disposal of fixed assets	119,885.12	-	10,275.19	-
Cash received from disposal of investments	-	8,000,000.00	-	-
Cash received from other investing activities	11,615,063.59	-	-	-
<b>Sub-total of cash inflows from investing activities</b>	<b>61,966,343.85</b>	<b>35,000,000.00</b>	<b>41,507,435.86</b>	<b>-</b>
Cash paid to acquire fixed assets and other long-term assets	(167,159,332.45)	(132,513,499.27)	(35,952,201.90)	(2,218,140.83)
Cash paid for purchase of available-for-sale financial assets	(100,000,000.00)	-	(50,000,000.00)	-
Cash paid for disposal of a subsidiary (Note 4 (52)(b))	(21,323,576.36)	-	-	-
Payments of deposit for future contracts	-	(20,220,570.08)	-	-
Cash paid relating to other investing activities	(73,000,000.00)	-	(73,000,000.00)	-
<b>Sub-total of cash outflows from investing activities</b>	<b>(361,482,908.81)</b>	<b>(152,734,069.35)</b>	<b>(158,952,201.90)</b>	<b>(2,218,140.83)</b>
<b>Net cash flows used in from investing activities</b>	<b>(299,516,564.96)</b>	<b>(117,734,069.35)</b>	<b>(117,444,766.04)</b>	<b>(2,218,140.83)</b>



# CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

	Notes	Six months ended 30 June 2016 Consolidated	Six months ended 30 June 2015 Consolidated	Six months ended 30 June 2016 Company	Six months ended 30 June 2015 Company
<b>3. Cash flows from financing activities</b>					
Cash received from borrowings		1,409,236,180.00	584,214,280.37	450,000,000.00	-
<b>Sub-total of cash inflows</b>		<b>1,409,236,180.00</b>	<b>584,214,280.37</b>	<b>450,000,000.00</b>	<b>-</b>
Cash repayments of borrowings		(948,040,156.89)	(649,928,340.00)	-	-
Cash payments for interest expenses		(104,374,142.94)	(155,780,379.32)	(41,418,333.33)	(35,600,000.00)
Cash paid relating to other financing activities		(881,144.45)	(1,158,275.39)	-	-
<b>Sub-total of cash outflows</b>		<b>(1,053,295,444.28)</b>	<b>(806,866,994.71)</b>	<b>(41,418,333.33)</b>	<b>(35,600,000.00)</b>
<b>Net cash flows generated from/(used in) financing activities</b>		<b>355,940,735.72</b>	<b>(222,652,714.34)</b>	<b>408,581,666.67</b>	<b>(35,600,000.00)</b>
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>5. Net decrease in cash and cash equivalents</b>	4(52)(a)	<b>(147,972,926.10)</b>	<b>(58,067,472.89)</b>	<b>(26,852,545.09)</b>	<b>(124,629,536.44)</b>
Add: Cash and cash equivalents at beginning of period	4(52)(a)	506,128,056.01	558,623,508.86	72,795,873.48	392,438,367.47
<b>6. Cash and cash equivalents at end of period</b>	4(52)(c)	<b>358,155,129.91</b>	<b>500,556,035.97</b>	<b>45,943,328.39</b>	<b>267,808,831.03</b>

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

Legal representative:  
**Guo Haitang**

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

Head of accounting department:  
**Li Jianhua**

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

FOR THE YEAR ENDED 30 June 2016  
(All amounts in RMB Yuan unless otherwise stated)

	Attributable to shareholders of the Company							
	Share capital (Note 4(33))	Capital surplus (Note 4(34))	Specific reserve (Note 4(35))	Surplus reserve (Note 4(36))	Undistributed profits/ (accumulated losses) (Note 4(37))	Sub-total	Non-controlling interests (Note 6(1))	Total owners' equity
<b>Balance at 1 January 2015</b>	552,500,000.00	4,254,754,857.49	227,157.17	249,625,789.74	256,711,684.04	5,313,819,488.44	285,021,337.57	5,598,840,826.01
<b>Movements for the six months ended 30 June 2015</b>								
Comprehensive income								
– Net loss	–	–	–	–	(251,799,844.23)	(251,799,844.23)	(87,139,466.48)	(338,939,310.71)
– Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	(251,799,844.23)	(251,799,844.23)	(87,139,466.48)	(338,939,310.71)
Profit distribution								
– Appropriation to surplus reserve	–	–	–	–	–	–	–	–
Appropriation to specific reserve	–	–	7,868,346.40	–	–	7,868,346.40	187.05	7,868,533.45
Utilisation of specific reserve	–	–	(6,640,671.70)	–	–	(6,640,671.70)	–	(6,640,671.70)
<b>Balance at 30 June 2015</b>	552,500,000.00	4,254,754,857.49	1,454,831.87	249,625,789.74	4,911,839.81	5,063,247,318.91	197,882,058.14	5,261,129,377.05
<b>Balance at 1 January 2016</b>	552,500,000.00	4,263,591,716.44	–	249,625,789.74	(484,316,830.46)	4,581,400,675.72	82,919,834.54	4,664,320,510.26
<b>Movements for the six months ended 30 June 2016</b>								
Comprehensive loss								
– Net loss	–	–	–	–	(90,282,302.41)	(90,282,302.41)	(28,140,437.69)	(118,422,740.10)
– Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	(90,282,302.41)	(90,282,302.41)	(28,140,437.69)	(118,422,740.10)
Shareholder's investment and capital reduction								
– Other	–	–	–	–	–	–	22,191,755.44	22,191,755.44
Appropriation to specific reserve	–	–	13,116,936.22	–	–	13,116,936.22	350.99	13,117,287.21
Utilisation of specific reserve	–	–	(5,830,462.71)	–	–	(5,830,462.71)	–	(5,830,462.71)
<b>Balance at 30 June 2016</b>	552,500,000.00	4,263,591,716.44	7,286,473.51	249,625,789.74	(574,599,132.87)	4,498,404,846.82	76,971,503.28	4,575,376,350.10

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

Legal representative:  
**Guo Haitang**

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 31 DECEMBER 2016  
(All amounts in RMB Yuan unless otherwise stated)

	Share capital (Note 4(33))	Capital surplus	Specific reserve	Surplus reserve (Note 4(36))	Undistributed profits/ (accumulated losses)	Total owners' equity
<b>Balance at 1 January 2015</b>	552,500,000.00	4,254,754,857.49	-	249,625,789.74	430,932,250.05	5,487,812,897.28
<b>Movements for the six months ended 30 June 2016</b>						
Comprehensive income						
– Net profit	-	-	-	-	(47,001,214.45)	(47,001,214.45)
– Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(47,001,214.45)	(47,001,214.45)
Profit distribution						
– Appropriation to surplus reserve	-	-	-	-	-	-
Appropriation to specific reserve	-	-	58,278.92	-	-	58,278.92
Utilisation of specific reserve	-	-	(58,278.92)	-	-	(58,278.92)
<b>Balance at 30 June 2015</b>	552,500,000.00	4,254,754,857.49	-	249,625,789.74	383,931,035.60	5,440,811,682.83
<b>Balance at 1 January 2016</b>	552,500,000.00	4,254,754,857.49	-	249,625,789.74	(322,209,527.41)	4,734,671,119.82
<b>Movements for the year ended 30 June 2016</b>						
Comprehensive loss						
– Net loss	-	-	-	-	(5,177,499.39)	(5,177,499.39)
– Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(5,177,499.39)	(5,177,499.39)
Appropriation to specific reserve	-	-	1,926,891.30	-	-	1,926,891.30
Utilisation of specific reserve	-	-	(1,157,309.56)	-	-	(1,157,309.56)
<b>Balance at 30 June 2016</b>	552,500,000.00	4,254,754,857.49	769,581.74	249,625,789.74	(327,387,026.80)	4,730,263,202.17

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

Legal representative:  
**Guo Haitang**

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 2016  
(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.

Subsidiaries included in the consolidation scope of the consolidated financial statements for six months ended 30 June 2016 are listed in Note 6. Xinjiang Wuxin Copper Mining Co., Ltd (hereafter “Wuxin Copper”) has been excluded from the scope of consolidation from this period (Note 5(1)).

These financial statements were authorised for issue by the Company’s Board of Directors on 26 August 2016.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

(All amounts in RMB Yuan unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group applies specific accounting policies and accounting estimates in regards of provisions for doubtful debts of receivables (Note 2(10)), measurement of inventories (Note 2(11)), depreciation of fixed assets and amortisation of intangible assets (Note 2(13), (16)) and revenue recognition (Note 2(24)).

The criterion of adoption of important accounting policies and accounting estimates by the Group is listed in Note 2(30).

### (1) Basis of preparation

The financial statements have been prepared according to the Basic Standard of the Accounting Standards for Business Enterprises, the specific standards and other relevant regulations issued by the Ministry of Finance on and after 15 February 2006, thereafter (hereafter collectively referred to as “the Accounting Standard for Business Enterprises” or “CAS”), the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – the General Provisions of Financial Reports issued by the China Securities and Regulatory Commission.

This financial statement is prepared based on the going concern basis.

The new Hong Kong Companies Ordinance went into effect in 2015, some of the disclosures have been adjusted to the requirement of Hong Kong Companies Ordinance.

### (2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 30 June 2016 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 2016 and of their financial performance, cash flows and other information for the six months then ended.

### (3) Accounting year

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

### (4) Recording currency

The recording currency is Renminbi (RMB).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Business combinations

#### (a) Business combinations involving entities 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 entities 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.

### (6) 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.



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (6) Preparation of consolidated financial statements *(continued)*

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 the Company are recognised as non-controlling interests and presented separately in the consolidated financial statements under equity and net profits respectively. The unrealised intra-group profits from sales of assets by the Company to its subsidiaries are eliminated from the net profits of the Company. In contrast, the unrealised intra-group profits from sales of the assets by subsidiaries to the Company are eliminated in the net profits of the Company and its non-controlling interests based on the percentages of equity investments. The unrealised intra-group profits among subsidiaries are eliminated based on the proportions of equity investments by the Company and non-controlling interests on the subsidiaries selling the assets and allocated between the net profit of the Company and non-controlling interests.

A transaction will be adjusted from perspective of the Group in condition that assertions are different when accounting entities are the Group and the Company or its subsidiaries.

### (7) 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.

### (8) Foreign currency transactions

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 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (9) 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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term, they are presented as financial assets held for trading on the balance sheet.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months after the balance sheet date.

##### (ii) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Financial instruments *(continued)*

#### (a) Financial assets *(continued)*

##### (ii) *Recognition and measurement (continued)*

Gains or losses arising from change in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

Gains or losses arising from change in fair value of available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognised, the cumulative gains or losses previously recognised directly into equity is recycled into profit or loss for the current period. Interests on available-for-sale investments in debt instruments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognised as investment income, which is recognised in profit or loss for the period.

##### (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.

Objective evidence of impairment of financial assets are events that occurred after the initial recognition of the financial assets and have impacts on the estimated future cash flows of the financial assets that can be reliably estimated.

The objective evidence which indicates impairment in fair value of available-for-sale equity instruments includes the significant and prolonged decline in fair value. The Group has separately tested various available-for-sale equity instruments at the balance sheet date. It will be defined as impairment if the fair value is lower than the original cost at initial recognition by more than 50% (including 50%) or the period in which the fair value of the investment has been below that original cost has lasted for no less than 1 year. While if the fair value is between 20% to 50% lower than the original cost, the Group will take other factors such as price fluctuation into consideration to estimate whether the equity instrument has impaired or not. The original cost of available-for-sale equity instruments is determined by using weighted average method.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Financial instruments (continued)

#### (a) Financial assets (continued)

##### (iii) Impairment of financial assets (continued)

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

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.

For available-for-sale financial assets measured at cost, if there is objective evidence that an impairment loss occurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate and recognised in the consolidated income statements. Impairment losses recognised in the consolidated income statement are not reversed when the value is recovered in a subsequent period.

##### (iv) Derecognition of financial assets

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

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Financial instruments (continued)

#### (b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities of the Group mainly comprise derivative financial instruments which are not specified and do not conform to hedging and other financial liabilities, including payables, borrowings and bond payable.

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

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

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

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

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

#### (c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. For the financial instrument which is not traded in active market, the fair value 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 cannot be obtained, we shall use unobservable market inputs.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (10) 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 separate assessment for impairment. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of its estimated future cash flows.

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

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

Basis for grouping is as follows:

Related party group	Receivables from related parties
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
Ageing group	Ageing analysis method



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (10) Receivables (continued)

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

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

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

  

	Ratios used for other receivables
1 to 4 years	0%
Over 4 years	5%–10%

#### (c) Receivables with amounts those are not individually significant but subject to separate assessment for provision for bad debts

The reason for making separate assessment for provision for bad debts is that there exists objective evidence that the Group will not be able to collect the amount under the original terms of the receivable.

The provision for bad debts is determined based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

#### (d) When the Group transfers the accounts receivable and notes receivable to the financial institutions without recourse, the difference between the proceeds received from the transaction and their carrying amounts and the related taxes is recognised in profit or loss for the current period.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (11) 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.

### (12) 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.

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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (12) Long-term equity investments *(continued)*

#### (a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving entities 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 entities not under common control, the investment cost shall be the combination cost.

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

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

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

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

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, its other comprehensive income, and its distributable profits, 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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (12) Long-term equity investments *(continued)*

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

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

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

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

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

The carrying amount of long term equity investments in subsidiaries, joint ventures and associates shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(20)).

### (13) Fixed assets

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

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (13) 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%
Motor vehicles	4 to 12 years	3% or 5%	7.92% to 24.25%
Electronic and office equipment	3 to 12 years	3% or 5%	7.92% to 32.33%

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 2(20)).

#### (d) Disposal of fixed assets

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (14) 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 2(20)).

### (15) 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.

### (16) 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 amortisation and impairment losses. Mining rights are amortised upon the commencement of mining production using the straight-line method over 19 to 33 years.



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (16) Intangible assets *(continued)*

#### (b) Exploration rights

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

#### (c) Land use rights

Land use rights invested by the shareholders 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 amortisation 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 2(20)).

### (17) 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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (18) 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.

### (19) 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.

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

Fixed assets, construction in progress, intangible assets with finite useful lives, 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. For intangible assets which have not been ready to use, regardless of the existence of the indicators of impairment losses, the impairment tests should be carried out annually. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

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

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (21) Employee benefits

Employee benefits mainly include short-term employment benefit, post-employment benefits and termination benefits incurred in exchange for service rendered by employees or labour relation terminated.

#### (a) Short-term employment benefits

Short-term employment benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, medical insurance, work injury insurance, maternity insurance, housing funds, labour union funds, employee education funds, short-term payable leaves, etc. The short-term employment compensation is 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. Non-monetary benefits are measured at fair value.

#### (b) Post-employment benefits

Post-employment benefits are classified as defined contribution plan and defined benefit plan. Defined contribution is post-employment benefits plan in which the Group is not obliged to make further payment after paying a certain amount to individual funds. Defined benefit plans is other post-employment benefits plan except for defined contribution plan. During the period, post-employment benefits mainly include basic social pension security and unemployed insurance, both of which are defined contribution plan.

##### *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.

#### (c) Termination benefits

Termination benefits are payables when employment is terminated by the Group before the employment contract expire, or compensation provided as an offer to encourage employees to accept voluntary redundancy. The Group recognises termination benefits as liabilities and charges to profit or losses at the earlier of the following dates: (i) when the Group can no longer withdraw the offer of termination plan; and (ii) when the Group recognises costs for restructuring which involving the payment of termination benefits.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (21) Employee benefits (continued)

#### (c) Termination benefits (continued)

##### *Early retirement benefits*

The Group provides early retirement benefits to employees who accept early retirement arrangements. Early retirement benefits mean wages and social insurance charges paid for those employees who voluntarily remove themselves from their posts with the approval of the management of the Group before their normal retirement ages. The Group pays early retirement benefits for the period from the early retirement date to their normal retirement date. The Group accounts for early retirement benefits as termination benefits. When the recognition criteria in respect of termination benefits are met, the early retirement benefits proposed to be paid by the Group are recognised as liabilities, with a corresponding charge to profit or loss for the period. The difference resulting from the charge of actuarial assumptions and benefit level is recognised as profit or loss as occurred.

The termination benefits which will be paid off in the next financial year are listed as current liabilities in the balance sheet.

### (22) Dividend distribution

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

### (23) Provisions

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

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

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (24) 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.

### (25) Safety production fund

Pursuant to regulation No. [2012]16, "Management measures of accrual and use of safety production fund of business enterprises", issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to accrue safety production fund. The fund is earmarked for improving the safety of production.

Pursuant to regulation No. [2010]8, "No. 3 Interpretation of CAS", issued by the Ministry of Finance on 21 June 2010, enterprises in high-risk industry should accrue safety production fund under China's law and regulation, and the fund should be accrued to production costs or current profit or loss, and credited to specific reserve. The safety expenditures of the Group that are expenses in nature are directly debited to specific reserve. The safety expenditures of the Group that are formed into fixed assets through collection of construction in progress are recognised as fixed assets when the safety projects are completed and to the expected conditions for use; at the same time, specific reserve is written down through the costs of formed fixed assets, and the same amount is confirmed to accumulated depreciation. For these fixed assets, there will be no further depreciation in the following accounting periods.

### (26) 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.



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (26) Government grants (continued)

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

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

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

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



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (28) Leases

A lease that in substance transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. Others are classified as operating lease.

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.

Income from an operating lease is recognised on a straight-line basis over the period of the lease.

### (29) 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; (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.

### (30) Critical accounting estimates and assumptions

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

#### **Critical accounting estimates and key assumptions**

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

#### (a) *Carrying value of evaluate non-current assets*

The Group annually evaluates whether fixed assets, construction in progress, land use rights, mining rights and exploration rights have suffered from any impairment due to events or changes in circumstances indicating that the carrying amount of the asset exceeds its recoverable amount, in accordance with accounting policy stated in Note 2(20) to the financial statements.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

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

As at 30 June 2016, there was no impairment provided for fixed assets, construction in progress, 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 recoverable value calculation of assets include forecast of selling price of nickel and copper, discount rates and inflation rate.

(b) *Accounting estimates on impairment of goodwill*

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 (Note 2(20)).

As at 30 June 2016, 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 and intangible assets*

The Group's management determines the estimated useful lives and related depreciation/amortisation charges for its fixed assets and intangible assets. This estimate is based on the historical experience of the actual useful lives of fixed assets and intangible 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 or amortisation charges where useful lives are less than previously estimated lives.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (30) 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 2(27), the Group compiles profit forecast annually. For those deductible temporary losses and 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.

For details of the deductible temporary losses or deductible temporary differences that were not recognised as deferred tax assets as at 30 June 2016, please refer to Note 4(31).

(f) *Estimate of inventory net realizable value*

The net realisable value of inventories is under management's regular review, and as a result, write-down of inventories is recognised for the excess of inventories' carrying amounts over their net realisable value. Write-down evaluation needs judgment and estimate of the management. Once difference occurs between the expectation and the original estimate will influence the book value of the current inventory and inventory shrinkage.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
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## 3 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%/20%/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 RMB12 per ton (Note (3))
Urban construction tax	VAT and business tax	7%/5%
Education surcharge	VAT and business tax	3%
Mineral compensation	Actual sales income of copper and nickel, after adjusting rate of recovery	Tax standards of mineral products of located place (Note (4))

### (1) Corporate income tax

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

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

- (a) On 6 April 2012, the State Administration of Taxation announced about carrying out the Western Development Strategy on the issue of corporate income tax, and the Company has obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region in 2012, the Company calculated and paid corporate income tax using the preferential rate of 15% for the year ended 30 June 2016 after communication with local tax authorities (2015: 15%).
- (b) The applicable income tax rate of Shanghai Sales Branch of the Company is 25% for the six months ended June 2016 (2015: 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. Xinjiang Yakesi has obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region. Xinjiang Yakesi calculated and paid corporate income tax using the preferential rate of 15% for the year ended 30 June 2016 after communication with local tax authorities (2015: 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 has obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region. Hami Jubao calculated and paid corporate income tax using the preferential rate of 15% for the year ended 30 June 2016 after communication with local tax authorities (2015: 15%).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

## 3 TAXATION (CONTINUED)

### (1) Corporate income tax (continued)

- (e) The subsidiary, Xinjiang Kalatongke Mining Industry Co., Ltd. (hereafter “Kalatongke Mining”) qualifies as a foreign investment manufacturing enterprise established in Fuyun, Xinjiang Uygur Autonomous Region. Kalatongke Mining has obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region. Kalatongke Mining calculated and paid corporate income tax using the preferential rate of 15% for the year ended 30 June 2016 after communication with local tax authorities (2015: 15%).
- (f) The subsidiary, Xinjiang Mengxi Mining Co., Ltd. (hereafter “Mengxi Mining”), applied the Small-Scaled Minimal Profit Enterprise income tax preferential policy announced by the State Administration of Taxation. From 1 January 2015 to 31 December 2017, its taxable income is reduced to 50% of its total income, and the applicable enterprise income tax rate is 20% (2015: 15%).
- (g) Other subsidiaries, including Xinjiang Zhongxin Mining Industry Co., Ltd. (hereafter “Zhongxin Mining”), Wuxin Copper, Beijing Xinding Shunze High Technology Co., Ltd. (hereafter “Beijing Xinding”), and Shaanxi Xinxin Mining Co., Ltd. (hereafter “Shaanxi Xinxin”) are subject to corporate income tax rate of 25% for the six months ended June 2016 (2015: 15%).

### (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 RMB12 per ton based on ore production in current month, and Xinjiang Yakesi and Hami Jubao pay RMB6 per ton based on ore production in current month.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

## 3 TAXATION (CONTINUED)

### (4) Mineral compensation

Kalatongke Mining pays mineral resources compensation fee based on the following formula:

Mineral resources compensation fee = self-produced nickel in super high grade ore and mixed concentrate volume × 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 40% to 60%, 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

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (1) Cash at bank and on hand

	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)	107,074,966.69	256,165,018.49
	<b>465,230,096.60</b>	762,293,074.50



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (1) Cash at bank and on hand (continued)

#### (a) Restricted cash at bank 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
	<b>107,074,966.69</b>	256,165,018.49

### (2) Notes receivable

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

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).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (3) 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)
	<b>136,279,843.51</b>	115,327,736.69

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 (Note)	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
	<b>140,206,557.51</b>	119,254,450.69

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 Group.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (3) Accounts receivable (continued)

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

As at 30 June 2016, accounts receivable of RMB33,680,954.96 (31 December 2015: RMB32,623,151.67) were past due but not impaired. Based on the analysis of the customer's financial situation and credit record, the Group believes that this part of accounts receivable can be recovered. The ageing of such accounts receivable is analysed as follows:

	30 June 2015	31 December 2015
Within 1 year	19,222,355.79	29,508,229.26
1 to 2 years	7,547,338.35	2,909,032.31
2 to 3 years (Note)	6,737,764.82	32,394.10
3 to 4 years	–	74,800.00
4 to 5 years	74,800.00	98,696.00
Over 5 years	98,696.00	–
	<b>33,680,954.96</b>	<b>32,623,151.67</b>

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 Group.

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

	30 June 2016				31 December 2015			
	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 (Note 9(6)(a))	50,314,549.60	35.89%	(1,456,617.80)	2.90%	1,489,011.90	1.25%	(1,456,617.80)	97.82%
– Ageing group	89,892,007.91	64.11%	(2,470,096.20)	2.75%	117,765,438.79	98.75%	(2,470,096.20)	2.10%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	–	–	–	–	–	–	–	–
	<b>140,206,557.51</b>	<b>100.00%</b>	<b>(3,926,714.00)</b>		<b>119,254,450.69</b>	<b>100.00%</b>	<b>(3,926,714.00)</b>	

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (3) Accounts receivable (continued)

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

	30 June 2016			31 December 2015		
	Ending balance Amount	Provision for bad debts Amount	Ratio	Ending balance Amount	Provision for bad debts Amount	Ratio
Within 1 year	87,238,738.63	-	-	112,183,054.20	-	-
1 to 2 years	-	-	-	2,909,032.31	-	-
2 to 3 years	-	-	-	74,400.20	(44,640.12)	60.00%
3 to 4 years	74,400.20	(44,640.12)	60.00%	74,800.00	-	-
4 to 5 years	74,800.00	-	-	98,696.00	-	-
Over 5 years	2,504,069.08	(2,425,456.08)	96.86%	2,425,456.08	(2,425,456.08)	100.00%
	<b>89,892,007.91</b>	<b>(2,470,096.20)</b>		<b>117,765,438.79</b>	<b>(2,470,096.20)</b>	

- (d) As at 30 June 2016, the top five accounts receivable are analysed as follows:

	Ending balance	Provision for bad debts	% of total balance
Total amount of the top five accounts receivable	132,605,313.41	-	94.58%

- (e) There was no provision for bad debts provided in current period. There was no provision for bad debts of accounts receivable collected or reversed in current period.
- (f) There were no accounts receivable written off in current period.
- (g) There were no accounts receivable derecognised due to the transfer of financial assets.
- (h) As at 30 June 2016 and 31 December 2015, there were no accounts receivable pledged as collateral to obtain short-term borrowings.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (4) Other receivables

	30 June 2016	31 December 2015
Amount due from related parties (Note 9(6)(b))	105,784,315.90	33,315,897.04
Deposits for pricing option	13,500,000.00	13,500,000.00
Amount due from equity and debt transfer (i)	5,812,100.00	5,812,100.00
Cash advance	2,681,231.66	2,245,084.65
Reposits for a future contract	–	45,320,568.29
Other	9,045,442.99	6,562,395.81
	<b>136,823,090.55</b>	106,756,045.79
Less: provision for bad debts	<b>(96,346.41)</b>	(96,346.41)
	<b>136,726,744.14</b>	106,659,699.38

(i) The amount due from equity and debt transfer is from the Group's subsidiaries, Xinjiang Yakesi's joint operated Tibet Puxiong Mining Co., Ltd. The account receivable amount is from the its transfer of the equity and debt of Tibet Puxiong Mining Co., Ltd. in 2013.

(a) The ageing of other receivables is analysed below:

	30 June 2016	31 December 2015
Within 1 year	125,607,017.49	94,286,389.55
1 to 2 years	206,719.93	3,560,504.11
2 to 3 years	7,912,301.00	5,812,100.00
3 to 4 years	39,082.15	84,082.15
4 to 5 years	80,500.00	35,691.27
Over 5 years	2,977,469.98	2,977,278.71
	<b>136,823,090.55</b>	106,756,045.79

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (4) Other receivables (continued)

(a) The ageing of other receivables is analysed below: (continued)

As at 30 June 2016, other receivables of RMB11,119,726.65 (31 December 2015: RMB12,373,309.83) were past due but not impaired. Based on the analysis of the customer's financial situation and credit record, the Group believes that this part of other receivables can be recovered. The ageing of such other receivables is analysed as follows:

	30 June 2016	31 December 2015
Within 1 year	–	–
1 to 2 years	206,719.93	3,560,504.11
2 to 3 years	7,912,301.00	5,812,100.00
3 to 4 years	39,082.15	84,082.15
4 to 5 years	80,500.00	35,691.27
Over 5 years	2,881,123.57	2,880,932.30
	<b>11,119,726.65</b>	<b>12,373,309.83</b>

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

	30 June 2016				31 December 2015			
	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 (Note 9(6)(b))	105,784,315.90	77.31%	–	–	33,315,897.04	31.21%	–	–
– Ageing group	31,038,774.65	22.69%	(96,346.41)	0.31%	73,440,148.75	68.79%	(96,346.41)	0.13%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	–	–	–	–	–	–	–	–
	<b>136,823,090.55</b>	<b>100.00%</b>	<b>(96,346.41)</b>		<b>106,756,045.79</b>	<b>100.00%</b>	<b>(96,346.41)</b>	



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (4) Other receivables (continued)

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

	30 June 2016			31 December 2015		
	Ending balance Amount	Provision for bad debts Amount	Ratio	Ending balance Amount	Provision for bad debts Amount	Ratio
Within 1 year	22,479,021.59	–	–	63,627,112.51	–	–
1 to 2 years	206,719.93	–	–	3,560,204.11	–	–
2 to 3 years	7,912,301.00	–	–	5,812,100.00	–	–
3 to 4 years	39,082.15	–	–	84,082.15	–	–
4 to 5 years	80,500.00	–	–	35,691.27	–	–
Over 5 years	321,149.98	(96,346.41)	30.00%	320,958.71	(96,346.41)	30.02%
	<b>31,038,774.65</b>	<b>(96,346.41)</b>		<b>73,440,148.75</b>	<b>(96,346.41)</b>	

- (d) There was no provision for bad debts of other receivables provided, collected or reversed in current period.
- (e) There were no other receivables written off in current period.
- (f) As at 30 June 2016, the top five other receivables are analysed as follows:

	Nature	Amount	Ageing	% of total balance	Provision of bad debts
Hami Hexin Mining Co., Ltd. (hereafter "Hexin Mining")	Loan	105,661,075.90	Within 2 years, over 5 years	77.22%	–
Trafigura Investment (China) Co., Ltd.	Deposit for pricing options	13,500,000.00	Within 1 year	9.87%	–
Gansu Ximai New Material Technology Co., Ltd.	Transfer of equity and debt	5,812,100.00	2 to 3 years	4.25%	–
Xinjiang Bei'a Railway Co., Ltd	Deposit for equity investment	2,000,000.00	2 to 3 years	1.46%	–
Xinjiang Zhanxin Fire Isulation Material Co., Ltd.	Rent expense	121,890.00	Within 1 year	0.09%	–
		<b>127,095,065.90</b>		<b>92.89%</b>	

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Advances to suppliers

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

	30 June 2016		31 December 2015	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	27,674,188.56	84.06%	42,921,164.74	88.24%
1 to 2 years	2,318,873.82	7.05%	1,172,355.50	2.41%
2 to 3 years	616,070.00	1.87%	2,041,700.36	4.20%
Over 3 years	2,312,077.01	7.02%	2,506,136.31	5.15%
	<b>32,921,209.39</b>	<b>100.00%</b>	48,641,356.91	100.00%

As at 30 June 2016, advances to suppliers over 1 year with carrying amount of RMB5,247,020.83(31 December 2015: RMB5,720,192.17) are mainly advances paid for purchasing raw materials.

(b) As at 30 June 2016, the top five advances to suppliers are analysed as follows:

	Amount	% of total balance
Total amount of the top five advances to suppliers	9,280,777.42	28.19%

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (6) Inventories

(a) Classification of inventories is as follows:

	30 June 2016			31 December 2015		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	211,161,592.84	(1,225,787.98)	209,935,804.86	437,877,046.70	(1,225,787.98)	436,651,258.72
Work in progress	169,546,069.25	-	169,546,069.25	737,300,818.26	(52,633,868.28)	684,666,949.98
Semi-finished goods	516,984,380.97	-	516,984,380.97	519,059,502.34	(54,651,886.22)	464,407,616.12
Finished goods	1,314,860,807.05	(124,450,609.27)	1,190,410,197.78	1,276,967,608.96	(177,815,473.27)	1,099,152,135.69
	<b>2,212,552,850.11</b>	<b>(125,676,397.25)</b>	<b>2,086,876,452.86</b>	<b>2,971,204,976.26</b>	<b>(286,327,015.75)</b>	<b>2,684,877,960.51</b>

(b) Inventories balance fluctuation is analysed as follows:

	31 December 2015	Increase in current period	Decrease in current period		30 June 2016
			Other	Disposal of a subsidiary	
Raw materials	437,877,046.70	527,666,181.29	(520,299,335.18)	(234,082,299.97)	211,161,592.84
Work in progress	737,300,818.26	281,282,027.91	(410,509,710.56)	(438,527,066.36)	169,546,069.25
Semi-finished goods	519,059,502.34	490,443,197.77	(484,080,603.16)	(8,437,715.98)	516,984,380.97
Finished goods	1,276,967,608.96	670,084,482.00	(628,327,393.02)	(3,863,890.89)	1,314,860,807.05
	<b>2,971,204,976.26</b>	<b>1,969,475,888.97</b>	<b>(2,043,217,041.92)</b>	<b>(684,910,973.20)</b>	<b>2,212,552,850.11</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (6) Inventories (continued)

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

	31 December 2015	Increase in current period		Decrease in current period		30 June 2016
		Accrual	Reversal or sold	Disposal of a subsidiary	Others	
Raw materials	(1,225,787.98)	-	-	-	-	(1,225,787.98)
Work in progress	(52,633,868.28)	(1,756,649.52)	31,510,097.40	22,880,420.40	-	-
Semi-finished goods	(54,651,886.22)	(201,832.83)	1,211,418.08	201,832.83	53,440,468.14	-
Finished goods	(177,815,473.27)	(1,675,861.22)	53,725,743.44	1,314,981.78	-	(124,450,609.27)
	(286,327,015.75)	(3,634,343.57)	86,447,258.92	24,397,235.01	53,440,468.14	(125,676,397.25)

(d) Provision for decline in value of inventories is as follows:

Inventories are stated at the lower of cost and net realisable value. Net realisable value is 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. The reasons for decrease of provision for finished goods is sales of the inventories.

### (7) Other current assets

	30 June 2016	31 December 2015
Deductible VAT	177,957,652.78	410,522,602.11
Available-for-sale financial assets (Note 4(8))	100,000,000.00	-
Prepaid income tax	11,604,412.17	20,744,850.45
	289,562,064.95	431,267,452.56

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (8) Available-for-sale financial assets

	30 June 2016	31 December 2015
Measured at fair value – a financial product	100,000,000.00	–
Less: impairment costs	–	–
Less: available-for-sale financial assets included in other current assets	(100,000,000.00)	–
	–	–

The Group purchased two short-term financial products on 11 May 2016 and 29 June 2016, with a total cost of RMB20,000,000.00 and RMB50,000,000.00 respectively. These two short-term financial product are guaranteed floating earning products with a 2.95% and 3.2% annual rate of return respectively. The Group has no intention and obligation to provide any financial support to this product.

The Group purchased a short-term financial product on 21 June 2016, which cost RMB30,000,000.00. This product is an non-guaranteed floating earning product with a 3.3% annual rate of return. The highest risk the Group has toward this financial product is the book value of RMB30,000,000.00 as at the balance sheet date. The Group has no intention and obligation to provide any financial support to this product.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (9) 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	—	—
	<b>138,843,268.29</b>	<b>134,213,324.52</b>

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 (Note 4(46))	Offsetting the unrealised loss of internal transaction (Note 4(46))	Other comprehensive income adjustment	Other changes in equity	Cash dividend declared	Impairment provided in the current period		
Hexin Mining	134,213,324.52	-	(9,441,545.99)	14,071,489.76	-	-	-	-	<b>138,843,268.29</b>	-

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.

Refer to Note 6(2) for relevant equity information on joint venture.



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (10) Fixed assets

	Buildings	Mining structure	Machinery and equipment	Motor vehicles	Electronic and office equipment	Total
<b>Cost</b>						
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 (Note 4(12)(a))	13,303,945.48	1,006,959.60	–	–	24,883.78	14,335,788.86
Reductions						
Transfer-out to construction in progress (i) (Note 4(12)(a))	–	(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	–	–
<b>30 June 2016</b>	<b>1,436,459,624.07</b>	<b>764,606,313.15</b>	<b>1,524,609,400.06</b>	<b>54,861,199.20</b>	<b>80,281,703.53</b>	<b>3,860,818,240.01</b>
<b>Accumulated depreciation</b>						
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 (i) (Note 4(12)(a))	–	(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 disposal and retirement	–	–	–	(1,186,250.84)	(83,090.20)	(1,269,341.04)
<b>30 June 2016</b>	<b>330,113,422.90</b>	<b>116,009,334.42</b>	<b>588,827,952.19</b>	<b>36,283,948.36</b>	<b>35,710,612.17</b>	<b>1,106,945,270.04</b>
<b>Net Book Value</b>						
<b>30 June 2016</b>	<b>1,106,346,201.17</b>	<b>648,596,978.73</b>	<b>935,781,447.87</b>	<b>18,577,250.84</b>	<b>44,571,091.36</b>	<b>2,753,872,969.97</b>
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).

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

### (10) Fixed assets (continued)

The costs of fixed assets transferred-in from construction in progress amounted to RMB14,335,788.86 for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB124,303,926.81).

- (i) In February 2016, the fixed asset cost RMB109,427,941.65 with accumulated depreciation of RMB10,160,697.60 was transferred-out to construction in process by Wuxin Copper to reconstruct and renovate its smelter workshop (Note 4(12)(a)).

In June 2016, Hami Jubao Huangshandong No. 12 mine project started renovation of the mining structures (the cost is RMB112,535,084.97, and the accumulated depreciation is RMB36,505,804.88) and the machinery and equipment (The cost is RMB10,006,595.96, and the accumulated depreciation is RMB5,785,977.73). This project transferred from fixed asset to construction in progress.

### (a) Temporarily idle fixed assets

As at 30 June 2016, fixed assets with carrying amount of RMB16,896,291.87 (cost of RMB89,691,215.42) were temporarily idle for the purpose of production facility improvement (31 December 2015: RMB19,413,068.41 (cost of RMB89,691,215.42), and analysed as follows:

	Cost	Accumulated depreciation	Carrying amount
Machinery and equipment	62,666,070.92	(56,557,250.60)	6,108,820.32
Buildings	26,115,387.80	(15,523,094.20)	10,592,293.60
Electronic and office equipment	909,756.70	(714,578.75)	195,177.95
	89,691,215.42	(72,794,923.55)	16,896,291.87

### (b) Fixed assets with pending certificates of ownership

As at 30 June 2016, the net book value of RMB556,490,652.39 of buildings were in the process of applying the property ownership certificates. The Group's management believes that there is no substantial difficulty in obtaining the property ownership certificate and there is no significant adverse effect on the Group's operation.

### (11) Construction materials

	30 June 2016	31 December 2015
Construction materials	662,873.29	1,251,725.55

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

### (12) Construction in progress

	30 June 2016			31 December 2015		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
<b>The Company:</b>						
<b>Fukang Refinery</b>						
Nickel refining project	5,581,891.56	–	5,581,891.56	3,396,048.11	–	3,396,048.11
Other projects	24,167,551.72	–	24,167,551.72	9,673,861.77	–	9,673,861.77
<b>Sub-total of the Company</b>	<b>29,749,443.28</b>	<b>–</b>	<b>29,749,443.28</b>	<b>13,069,909.88</b>	<b>–</b>	<b>13,069,909.88</b>
<b>Subsidiaries:</b>						
<b>Kalatongke Mining</b>						
Nickel smelting, mining and ore processing project	51,197,646.55	–	51,197,646.55	51,197,646.55	–	51,197,646.55
Final stages of mining extension	25,826,589.71	–	25,826,589.71	17,027,894.84	–	17,027,894.84
Resource exploration project	18,631,393.02	–	18,631,393.02	15,820,811.88	–	15,820,811.88
Other constructions in progress for production	93,825,630.97	–	93,825,630.97	85,316,154.22	–	85,316,154.22
<b>Xinjiang Yakesi</b>						
Huangshanxi mining and ore processing project	922,438,117.16	–	922,438,117.16	892,334,107.97	–	892,334,107.97
Huangshandong #17 mine construction project	34,539,043.92	–	34,539,043.92	34,539,043.92	–	34,539,043.92
Xiangshan mine construction project	–	–	–	–	–	–
<b>Hami Jubao</b>						
Huangshandong #12 mine project	106,943,241.89	–	106,943,241.89	26,411,951.40	–	26,411,951.40
<b>Zhongxin Mining</b>						
Auxiliary project for smelting operations	5,133,516.31	–	5,133,516.31	3,121,800.60	–	3,121,800.60
<b>Wuxin Copper</b>						
Ten thousand copper smelting project	–	–	–	29,642,984.94	–	29,642,984.94
DPA project	–	–	–	61,754,065.98	–	61,754,065.98
<b>Shaanxi Xinxin</b>						
Other projects	1,959,073.00	–	1,959,073.00	1,959,073.00	–	1,959,073.00
<b>Beijing Xinding</b>						
Construction projects of the base for research and ware housing	137,287,361.93	–	137,287,361.93	112,975,725.53	–	112,975,725.53
<b>Sub-total of subsidiaries</b>	<b>1,397,781,614.46</b>	<b>–</b>	<b>1,397,781,614.46</b>	<b>1,332,101,260.83</b>	<b>–</b>	<b>1,332,101,260.83</b>
<b>Total</b>	<b>1,427,531,057.74</b>	<b>–</b>	<b>1,427,531,057.74</b>	<b>1,345,171,170.71</b>	<b>–</b>	<b>1,345,171,170.71</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (12) Construction in progress (CONTINUED)

#### (a) Significant changes to construction in progress

Project name	Budget	31 December 2015	Current period additions	Transferred from fixed assets (Note 4(10) (i))	Transfer to fixed assets (Note 4(10))	Disposal of a subsidiary	30 June 2016	% of expenditures incurred to budgeted amount	Cumulative capitalised borrowing costs	Including: borrowing costs capitalised in current period (Note 4(43))	Capitalisation rate	Source of funds
<b>The Company:</b>												
<b>Fukang Refinery</b>												
Nickel refining project	163,360,000.00	3,396,048.11	2,185,843.45	-	-	-	5,581,891.56	16.28%	-	-	-	Self-funding
Other projects	57,000,000.00	9,673,861.77	26,554,438.89	-	(12,060,748.94)	-	24,167,551.72	99.95%	-	-	-	Self-funding
<b>Sub-total of the Company</b>	<b>220,360,000.00</b>	<b>13,069,909.88</b>	<b>28,740,282.34</b>	<b>-</b>	<b>(12,060,748.94)</b>	<b>-</b>	<b>29,749,443.28</b>		<b>-</b>	<b>-</b>	<b>-</b>	
<b>Subsidiaries:</b>												
<b>Kalatongke Mining</b>												
Nickel smelting, mining and ore processing project	1,737,551,493.00	51,197,646.55	-	-	-	-	51,197,646.55	99.70%	37,327,073.00	-	-	Self-funding/ loans/ government grants
Final stages of mining extension	26,000,000.00	17,027,894.84	8,798,694.87	-	-	-	25,826,589.71	99.33%	-	-	-	Self-funding/ government grants
Resource exploration project	62,610,806.00	15,820,811.88	2,810,581.14	-	-	-	18,631,393.02	97.19%	-	-	-	Self-funding/ government grants
Other constructions in progress for production	117,046,239.00	85,316,154.22	8,509,476.75	-	-	-	93,825,630.97	99.22%	-	-	-	Self-funding
<b>Xinjiang Yakesi</b>												
Huangshanxi mining and ore processing project	1,343,259,700.00	892,334,107.97	31,243,049.33	-	(1,139,040.14)	-	922,438,117.16	99.94%	219,735,670.72	14,548,497.79	6.12%	Self-funding/ loans/ government grants
Huangshandong #17 mine construction project	141,000,000.00	34,539,043.92	61,640.20	-	(61,640.20)	-	34,539,043.92	98.99%	-	-	-	Self-funding
Xiangshan mine construction project	40,717,536.00	-	1,006,959.60	-	(1,006,959.60)	-	-	98.07%	-	-	-	Self-funding
<b>Hami Jubao</b>												
Huangshandong #12 mine project	91,800,000.00	26,411,951.40	348,792.15	80,249,898.32	(67,399.98)	-	106,943,241.89	99.00%	-	-	-	Self-funding
<b>Zhongxin Mining</b>												
Auxiliary project for smelting operations	6,000,000.00	3,121,800.60	2,011,715.71	-	-	-	5,133,516.31	86.27%	-	-	-	Self-funding/ government grants
<b>Wuxin Copper</b>												
Ten thousand copper smelting project	2,795,940,100.00	29,642,984.94	111,402,494.96	99,267,244.05	-	(240,312,723.95)	-	99.66%	176,302,845.44	-	-	Self-funding/ loans/ government grants
DPA project	100,000,000.00	61,754,065.98	968,647.28	-	-	(62,722,713.26)	-	87.92%	-	-	-	Self-funding
<b>Shaanxi Xinxin</b>												
Other projects	10,000,000.00	1,959,073.00	-	-	-	-	1,959,073.00	19.59%	-	-	-	Self-funding
<b>Beijing Xinding</b>												
Construction projects of the base for research and ware housing	138,000,000.00	112,975,725.53	24,311,636.40	-	-	-	137,287,361.93	99.48%	-	-	-	Self-funding
<b>Sub-total of subsidiaries</b>	<b>6,609,925,874.00</b>	<b>1,332,101,260.83</b>	<b>191,473,688.39</b>	<b>179,517,142.37</b>	<b>(2,275,039.92)</b>	<b>303,035,437.21</b>	<b>1,397,781,614.46</b>		<b>433,365,589.16</b>	<b>14,548,497.79</b>		
<b>Total</b>	<b>6,830,285,874.00</b>	<b>1,345,171,170.71</b>	<b>220,213,970.73</b>	<b>179,517,142.37</b>	<b>(14,335,788.86)</b>	<b>303,035,437.21</b>	<b>1,427,531,057.74</b>		<b>433,365,589.16</b>	<b>14,548,497.79</b>		

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

### (13) Intangible assets

	Mining rights	Exploration rights	Land use rights	Others	Totals
<b>Cost</b>					
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)
<b>30 June 2016</b>	<b>699,654,158.24</b>	<b>208,153,000.00</b>	<b>221,641,470.12</b>	<b>1,977,998.10</b>	<b>1,131,426,626.46</b>
<b>Accumulated amortisation</b>					
31 December 2015	115,510,707.41	–	32,897,410.97	1,278,775.64	149,686,894.02
Additions – Accrument	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)
<b>30 June 2016</b>	<b>122,883,500.59</b>	<b>–</b>	<b>32,831,205.86</b>	<b>1,278,047.99</b>	<b>156,992,754.44</b>
<b>Book value</b>					
<b>30 June 2016</b>	<b>576,770,657.65</b>	<b>208,153,000.00</b>	<b>188,810,264.26</b>	<b>699,950.11</b>	<b>974,433,872.02</b>
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.

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FOR THE SIX MONTHS ENDED 30 JUNE 2016  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (14) Goodwill

	30 June 2016	31 December 2015
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
	<b>28,087,550.20</b>	28,087,550.20

As at 30 June 2016 and 31 December 2015, the Group assessed impairment of goodwill (Note 2(30)(b)) according to the accounting policy of Note 2(20). Based on the result of assessment, the Group did not make impairment provision on goodwill. There is no movement of goodwill during the year ended 30 June 2016.

The recoverable amount of assets group is calculated using discounted cash flow models in accordance with the approved five year budget by management. The cash flow beyond five years is extrapolated using the estimated growth rate below.

The key assumptions of discounted cash flow models are as follows:

	Zhongxin Mining	Xinjiang Yakesi and Hami Jubao
Growth rate	3%	3%
Gross margin	8%	27%
Discount rate	15%	16%

The weighted average growth rates applied by management are consistent with those estimated in the industry reports, and do not exceed the long-term average growth rates of each product. Management determines budgeted gross margin based on past experience and forecast on future market development. The discount rates used by management are the pre-tax interests rates that are able to reflect the risks specific to the related asset groups and groups of asset groups. The above assumptions are used to assess the recoverable amount of each asset group and group of asset within the corresponding operating segment.



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

### (15) Other non-current assets

	30 June 2016	31 December 2015
Prepayments for purchase of land (a)	40,000,000.00	40,000,000.00
Prepaid utilities (b)	27,500,000.00	27,500,000.00
<b>Total</b>	<b>67,500,000.00</b>	67,500,000.00

- (a) As at 30 June 2016 and 31 December 2015, included in the balance was RMB40,000,000.00 prepaid for purchase of a land use right for office building construction by Xinjiang Yakesi.
- (b) The balance represented the prepayment for utilities of Xinjiang Yakesi, which will be offset the utilities to be incurred after 1 January 2017.

### (16) Provision for asset impairment

	31 December 2015	Current period additions Note 4(44)	Current period reduction			30 June 2016
			Reversal or sold	Disposal of a subsidiary	Others	
Provision for Bad Debts	4,023,060.41	-	-	-	-	4,023,060.41
Including: Account						
Receivable	3,926,714.00	-	-	-	-	3,926,714.00
Other Receivables	96,346.41	-	-	-	-	96,346.41
Provision for decline value of inventories	286,327,015.75	3,634,343.57	(86,447,258.92)	(24,397,235.01)	(53,440,468.14)	125,676,397.25
	290,350,076.16	3,634,343.57	(86,447,258.92)	(24,397,235.01)	(53,440,468.14)	129,699,457.66

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (17) 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
	<b>136,894,544.89</b>	<b>404,215,811.92</b>

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).

### (18) Notes payable

	30 June 2016	31 December 2015
Bank acceptance notes	285,500,000.00	698,410,000.00
Letter of credit payables	–	50,000,000.00
	<b>285,500,000.00</b>	<b>748,410,000.00</b>

As at 30 June 2016 and 31 December 2015, all notes payable were due within 180 days.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

### (19) 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
	<b>285,974,910.10</b>	582,629,071.73

(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
	<b>285,974,910.10</b>	582,629,071.73

### (20) Advances from customers

	30 June 2016	31 December 2015
Advances for sales of goods	16,644,183.54	29,474,427.41

(a) As at 30 June 2016, advances from customers over one year with carrying amount of RMB895,114.25 (31 December 2015: RMB839,722.96) were mainly advances for sales of goods.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

### (21) Employee benefits payable

	30 June 2016	31 December 2015
Short-term employee benefits payable	48,578,935.22	57,079,720.27
Defined contribution plans payable	1,591,608.71	1,308,279.87
	<b>50,170,543.93</b>	58,388,000.14

#### (a) Short-term employee benefit payable

	31 December 2015	Current period additions	Current period reductions		30 June 2016
			Current period Payments	Disposal of a subsidiary	
Salaries, bonuses, allowances and subsidies	37,760,582.13	97,531,981.35	(98,985,673.81)	(4,595,698.59)	31,711,191.08
Staff welfare	-	1,225,346.54	(1,225,346.54)	-	-
Social insurances	1,550,090.75	9,460,464.03	(9,194,445.49)	(26,800.17)	1,789,309.12
Including: Medical insurance	1,058,047.98	7,490,370.31	(7,295,242.03)	(22,294.33)	1,230,881.93
Work injury insurance	424,841.22	1,495,867.12	(1,440,380.45)	(3,246.52)	477,081.37
Maternity insurance	67,201.55	474,226.60	(458,823.01)	(1,259.32)	81,345.82
Housing funds	2,423,641.75	11,048,431.96	(10,645,870.96)	(382,592.00)	2,443,610.75
Labour union fund and employee education fund	14,073,596.05	3,659,236.04	(2,771,662.55)	(2,614,247.27)	12,346,922.27
Others	1,271,809.59	4,294,435.90	(5,278,343.49)	-	287,902.00
	57,079,720.27	127,219,895.82	(128,101,342.84)	(7,619,338.03)	48,578,935.22

#### (b) Defined contribution plans payable

	31 December 2015	Current period additions	Current period reductions		30 June 2016
			Current period Payments	Disposal of Subsidiaries	
Pension insurance	1,255,039.02	18,238,438.38	(17,887,411.98)	(89,507.40)	1,516,558.02
Unemployment insurance	53,240.85	1,245,991.00	(1,221,650.49)	(2,530.67)	75,050.69
	1,308,279.87	19,484,429.38	(19,109,062.47)	(92,038.07)	1,591,608.71

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (22) Taxes payable

	30 June 2016	31 December 2015
Value added tax payable	8,042,851.16	3,017,065.50
Resource compensation fee	3,139,304.86	3,497,718.07
Resource tax	1,413,859.94	893,960.78
Educational surcharge payable	375,289.54	151,358.14
City maintenance and construction tax payable	350,227.15	157,536.36
Individual income tax	116,682.70	400,882.59
Stamp duty	76,340.40	512,985.79
Income tax payable	–	280.00
Others	15,405.99	27,897.65
	<b>13,529,961.74</b>	<b>8,699,624.88</b>

### (23) Interest payable

	30 June 2016	31 December 2015
Interest of bond payable	46,287,442.91	37,704,109.56
Interest of long term borrowings	1,610,154.26	2,118,348.22
Interest of short term borrowings	1,150,991.97	2,124,296.13
	<b>49,048,589.14</b>	<b>41,946,753.91</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (24) Other payables

	30 June 2016	31 December 2015
Payables due to related parties (Note 9(6)(e))	52,420,597.99	362,975,214.01
Payables for construction projects	74,035,342.78	158,796,622.02
Payables for purchase of equipments	24,324,113.55	81,393,558.98
Deposit for quality guarantee	916,499.59	12,241,137.45
Payable for professional service	88,068.32	2,127,023.88
Payable for sewage charges	2,194,688.00	1,000,668.00
Others	10,179,084.53	19,815,515.99
	<b>164,158,394.76</b>	<b>638,349,740.33</b>

- (a) As at 30 June 2016, other payables over 1 year with carrying amount of RMB109,542,945.84 (31 December 2015: RMB237,102,823.28) were mainly payable for construction projects, equipment and deposit for quality guarantee. Due to the related projects have not been finished yet, these payable balance were not settled.

### (25) Provisions

	31 December 2015	Current period additions (Note 4(43))	30 June 2016
Provision for close down, restoration and environmental costs	8,383,557.06	202,940.84	<b>8,586,497.90</b>

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



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FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (26) Current portion of non-current liabilities

	30 June 2016	31 December 2015
Current portion of bond payable (Note 4(28))	500,000,000.00	–
Current portion of long-term borrowings (Note 4(27)(a))	10,000,000.00	576,000,000.00
	<b>510,000,000.00</b>	576,000,000.00

### (27) Borrowings

#### (a) Long-term borrowings

	30 June 2016	31 December 2015
Unsecured loans	247,000,000.00	1,554,760,000.00
Pledged loans (i)	–	90,000,000.00
	<b>247,000,000.00</b>	1,644,760,000.00
Less: Current portion of long-term borrowings		
Unsecured loans	(10,000,000.00)	(566,000,000.00)
Pledged loans	–	(10,000,000.00)
Sub total (Note 4(26))	<b>(10,000,000.00)</b>	(576,000,000.00)
	<b>237,000,000.00</b>	1,068,760,000.00

As at 30 June 2016, the long-term borrowings were due for repayment since October 2017. The interests are paid on a quarterly basis, and the interest rates of long-term borrowings were between 4.90% and 6.50% annually (31 December 2015: 4.66%–7.12%).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (27) Borrowings (continued)

#### (b) Short-term borrowings

	30 June 2016	31 December 2015
Unsecured loans	750,000,000.00	905,000,000.00
Factoring loans (i)	100,000,000.00	100,000,000.00
Pledged loans	–	315,000,000.00
Impawn loans	–	180,000,000.00
	<b>850,000,000.00</b>	1,500,000,000.00

As at 30 June 2016, the interest rates of short-term borrowings were between 3.92% and 6.00% annually (31 December 2015: 4.13%–6.00%).

- (i) In 2016, Kalatongke Mining signed a factoring contract with a bank and factored the receivables of RMB126,849,013.01 due from Fukang Refinery to obtain the loans of RMB100,000,000.00 (31 December 2015: RMB100,000,000.00).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (28) Bond payable

	31 December 2015	Par Accrued Interest	Overflow Amortization	Current Repayment period	Current portion of bond payable (Note (26))	30 June 2016
Medium-term notes	1,300,000,000.00	44,183,333.35	-	-	(500,000,000.00)	800,000,000.00

Information related to bond:

	Par value	Issuance date	Maturity	Issuance amount
Medium-term notes	100.00	18 February 2014	3 years	500,000,000.00
Medium-term notes	100.00	12 November 2015	3 years	800,000,000.00

On 18 February 2014, the Company issued the first medium term notes of the year. Interest of the bond is calculated by the simple interest method and repaid annually, and the fixed interest rate is 7.12% annually. On 12 November 2015, the Company issued the first medium term notes of 2015. Interest of this bond is calculated by the simple interest method and repaid annually, and the fixed interest rate is 6.50% annually (Note 4(23)).

### (29) Long-term payables

	31 December 2015	Increase in current period	Accrued in capital surplus in current period (Note 4(34))	Accrued in financial expenses in current period (Note 4(43))	30 June 2016
Payables to a related party (Note 9(6)(g))	85,000,000.00	-	-	-	85,000,000.00
Less: discounted payables to a related party	(8,658,125.57)	-	-	1,787,118.54	(6,871,007.03)
	76,341,874.43				78,128,992.97

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (30) Deferred income

	31 December 2015	Current period Additions	Current period Reductions		30 June 2016	Causes
Government grants	54,262,893.03	3,500,000.00	(23,131,383.91)		34,631,509.12	Encourage enterprises development
Government grants items	31 December 2015	Current period additions	Credited into non-operating income (Note 4(47)(a))	Disposal of a subsidiary	30 June 2016	Related to assets/ related to income
The Company:						
– Project on concentration of reducing sodium	17,779.00	–	(2,666.00)	–	15,113.00	Related to assets
– Water resource utilization project	769,335.00	–	(28,000.00)	–	741,335.00	Related to assets
Related to assets						
– Copper system acid tail gas control project	–	1,000,000.00	–	–	1,000,000.00	Related to assets
Sub-total of the Company	787,114.00	1,000,000.00	(30,666.00)	–	1,756,448.00	
Subsidiaries:						
– Enterprise development fund	22,062,871.45	–	(150,035.70)	(21,912,835.75)	–	Related to assets
– Land use right	8,705,779.96	–	(104,888.94)	–	8,600,891.02	Related to assets
– Project on exploration of No. 2 mine in Kalatongke Mining	7,354,666.78	–	(131,333.28)	–	7,223,333.50	Related to assets
– Project on energy saving	5,387,777.82	–	(369,166.68)	–	5,018,611.14	Related to assets
– Project on use of well water	2,160,000.00	–	(135,000.00)	–	2,025,000.00	Related to assets
– Project on technology improvement of nickel smelting	1,545,833.38	–	(87,499.98)	–	1,458,333.40	Related to assets
– General improvement project	1,280,000.04	–	(79,999.98)	–	1,200,000.06	Related to assets
– Project on technology improvement	1,237,777.84	–	(26,666.64)	–	1,211,111.20	Related to assets
– Department of Finance seedling special funds	800,000.00	–	–	–	800,000.00	Related to assets
– Online monitoring of pollution sources	320,000.04	–	(19,999.98)	–	300,000.06	Related to assets
– Project on recovery of No. 1 mine residual ore	45,071.72	–	(11,290.98)	–	33,780.74	Related to assets
– Final stages of mining extension	1,100,000.00	–	–	–	1,100,000.00	Related to assets
– Subsidies for clean energy	1,476,000.00	–	(72,000.00)	–	1,404,000.00	Related to assets
– New composite amine dsulfurization device	–	2,500,000.00	–	–	2,500,000.00	Related to assets
Sub-total of Subsidiaries	53,475,779.03	2,500,000.00	(1,187,882.16)	(21,912,835.75)	32,875,061.12	
Total	54,262,893.03	3,500,000.00	(1,218,548.16)	(21,912,835.75)	34,631,509.12	

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Deferred tax assets before offsetting

	30 June 2016		31 December 2015	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Deductible losses	579,156,924.77	101,401,007.68	327,685,909.90	61,182,963.95
Unrealised profits	64,113,467.48	9,617,020.12	118,654,616.81	17,798,192.52
Government grants	24,626,618.10	3,693,992.71	22,018,241.62	3,302,736.24
Assets impairment	129,699,457.66	19,494,661.94	223,417,945.96	33,550,980.79
Others	2,039,159.12	509,789.78	2,039,159.12	509,789.78
	<b>799,635,627.13</b>	<b>134,716,472.23</b>	693,815,873.41	116,344,663.28
Including				
Deferred tax asset to be recovered within 1 year (including 1 year)		32,558,929.93		54,796,421.18
Deferred tax asset to be recovered after 1 year		102,157,542.30		61,548,242.10
		<b>134,716,472.23</b>		116,344,663.28

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (31) Deferred tax assets and deferred tax liabilities (continued)

#### (b) Deferred tax liabilities before offsetting

	30 June 2016		31 December 2015	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combination involving entities not under common control (i)	585,781,752.71	139,917,805.86	588,510,903.93	138,720,916.49
Unrealised losses	114,729,984.68	18,316,485.91	87,814,934.74	14,516,857.54
Depreciation	13,999,715.01	2,099,957.25	13,999,715.01	2,099,957.25
Discount of long-term payables	6,871,007.04	1,717,751.76	8,658,125.57	2,164,531.39
	<b>721,382,459.44</b>	<b>162,052,000.78</b>	698,983,679.25	157,502,262.67
Including				
Deferred tax liability to be recovered within 1 year (including 1 year)		20,378,306.42		16,557,456.01
Deferred tax liability to be recovered after 1 year		141,673,694.36		140,944,806.66
		<b>162,052,000.78</b>		157,502,262.67

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

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

	30 June 2016	31 December 2015
Deductible losses (Note)	26,418,596.28	754,310,256.89
Deductible temporary differences (Note)	9,441,546.00	66,932,130.18
	<b>35,860,142.28</b>	821,242,387.07

Note: As the disposal of Wuxin Copper, as at 30 June 2016, Wuxin Copper's deductible losses of RMB754,442,396.65 and deductible temporary differences of RMB91,329,365.19 are no longer included in the consolidated financial statement.



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (31) Deferred tax assets and deferred tax liabilities (continued)

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

	30 June 2016	31 December 2015
2016	–	320,994.72
2017	18,287,894.27	18,287,894.27
2018	2,665,336.33	2,665,336.33
2019	1,718,355.75	204,754,662.78
2020	2,306,594.53	528,281,368.79
2021	1,440,415.40	–
	<b>26,418,596.28</b>	<b>754,310,256.89</b>

(e) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	30 June 2016		31 December 2015	
	Setoff amount	Balances after offsetting	Setoff amount	Balances after offsetting
Deferred tax assets	9,617,020.12	125,099,452.11	14,516,857.54	101,827,805.74
Deferred tax liabilities	9,617,020.12	152,434,980.66	14,516,857.54	142,985,405.13

### (32) Other Non-Current Liabilities

	30 June 2016	31 December 2015
Gold lease and its corresponding future contracts	<b>502,709,380.00</b>	–

As at 30 June 2016 six month period, The Company, Kalatongke Mining and Xinjiang Yakesi signed Gold lease with the bank separately in order to obtain long-term financing opportunity as well as avoiding the risk of the price fluctuations of the Gold. Both companies authorised the bank to purchase Gold futures according to the amount of the gold leased and sold. Until 30 June 2016, the total fair value of the Gold leased and the Gold futures combine is RMB502,709,380.00.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (33) Share capital

Domestic shares	30 June 2016		31 December 2015	
	Number of shares	% of issued capital	Number of shares	% of issued capital
Sponsors:				
Xinjiang Non-ferrous Group	885,204,000	40.06%	885,204,000	40.06%
Shanghai Yilian	282,896,000	12.80%	282,896,000	12.80%
Zhongjin Investment	198,028,000	8.96%	198,028,000	8.96%
Xiamen Zijin	56,580,000	2.56%	56,580,000	2.56%
Xinjiang Xinying	22,020,000	1.00%	22,020,000	1.00%
Shaanxi Honghao	6,272,000	0.28%	6,272,000	0.28%
Sub-total	1,451,000,000	65.66%	1,451,000,000	65.66%
H shareholders	759,000,000	34.34%	759,000,000	34.34%
	2,210,000,000	100.00%	2,210,000,000	100.00%

The par value of each share is RMB0.25, and the total share capital is RMB552,550,000.00 (Note 1).

There was no movement of share capital of the Company for six months ended 30 June 2016.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (34) Capital surplus

	31 December 2015	Current period additions	Current period deductions	30 June 2016
Contribution from Parent Company related to mining right (Note 1)	35,393,957.53	–	–	35,393,957.53
Share Premium (Note 2)	4,219,360,899.96	–	–	4,219,360,899.96
Other capital surplus				
– Others (Note 3) (Note 4(29))	8,836,858.95	–	–	8,836,858.95
	4,263,591,716.44	–	–	4,263,591,716.44
	31 December 2014	Current period additions	Current period deductions	30 June 2015
Contribution from Parent Company related to mining right (Note 1)	35,393,957.53	–	–	35,393,957.53
Share Premium (Note 2)	4,219,360,899.96	–	–	4,219,360,899.96
	4,254,754,857.49	–	–	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 be 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.

*Note 3:* Xinjiang Non-ferrous Group provided long-term interest-free borrowings to the Company. At the date of initial recognition, the difference between loan principal and the fair value of loan was recorded as capital surplus.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (35) Specific reserve

	31 December 2015	Current period additions	Current period reductions	30 June 2016
Safety fund (Note)	–	13,116,936.22	(5,830,462.71)	7,286,473.51
	31 December 2014	Current period additions	Current period reductions	30 June 2015
Safety fund (Note)	227,157.17	7,868,346.40	(6,640,671.70)	1,454,831.87

Note: Pursuant to regulation No. [2012]16 issued by the State Administration of Work Safety, Kalatongke Mining, Xinjiang Yakesi and Hami Jubao are required to set aside an amount to a safety fund at RMB10 (2015: RMB10) per ton of raw ore mined; and at 4% of consumed amount or revenue of vitriol of last year for Zhongxin Mining, Wuxin Copper, Kalatongke Mining and FuKang Refinery; Zhongxin Mining, Wuxin Copper, Fukang Refinery and Kalatongke Mining are required to apply the excess regressive method for the accrual of safety fund based on the refining revenue of last year. 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 RMB5,830,462.71 were used for safety related projects for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB6,640,671.70).

### (36) Surplus reserve

	31 December 2015	Current period additions	Current period reductions	30 June 2016
Statutory reserve	249,625,789.74	–	–	249,625,789.74
	31 December 2014	Current period additions	Current period reductions	30 June 2015
Statutory reserve	249,625,789.74	–	–	249,625,789.74

Pursuant to the PRC Company Law and the Company's Articles of Association, every year the Company is required to appropriate 10% of the profit after taxation to the statutory reserve until the balance reaches 50% of the share capital. Subject to the approval, such reserve can be used to offset against net losses or to increase share capital. The Company did not appropriate surplus reserve for six months ended 30 June 2016 due to the Company made net losses this period (six months ended 30 June 2015: Nil).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (37) (Accumulated losses)/undistributed profits

	Six months ended 30 June 2016	Six months ended 30 June 2015
(Accumulated losses)/undistributed profits at the beginning of the year	(484,316,830.46)	256,711,684.04
Add: Net loss attributable to the shareholders of the Company for the year	(90,282,302.41)	(251,799,844.23)
Less: Appropriation for statutory reserve	-	-
(Accumulated losses)/undistributed profits at the end of the period	<b>(574,599,132.87)</b>	4,911,839.81

Pursuant to the resolution of board meeting on 30 March 2016, the Company proposed no payment of final dividend for six months ended 30 June 2016.

### (38) Revenue and cost of sales

	Six months ended 30 June 2016	Six months ended 30 June 2015
Revenue from main operation	566,561,241.21	1,196,188,778.53
Revenue from other operation	69,050,774.44	25,855,472.53
	<b>635,612,015.65</b>	1,222,044,251.06
	<b>Six months ended 30 June 2016</b>	<b>Six months ended 30 June 2015</b>
Cost of sales from main operation	554,803,839.25	1,293,257,512.48
Cost of sales from other operation	68,284,832.15	13,331,951.63
	<b>623,088,671.40</b>	1,306,589,464.11

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (38) 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.

	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
	566,561,241.21	554,803,839.25	1,196,188,778.53	1,293,257,512.48

#### (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
	69,050,774.44	68,284,832.15	25,855,472.53	13,331,951.63



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (39) Expenses by nature

Cost of sales, Selling and distribution expenses, General and administrative expenses in Income Statements by nature are shown as below:

	Six months ended 30 June 2016	Six months ended 30 June 2015
Raw materials and consumables used	810,037,115.41	1,042,170,298.31
Other overhead	12,715,478.69	18,730,548.95
Employee benefits	132,048,813.79	159,544,752.76
Depreciation (Note 4(10))	108,349,922.64	132,634,946.17
Transportation fee	18,965,293.78	33,004,550.31
Energy Charge	66,593,384.89	91,567,459.44
Resell of the Depreciated Inventory	(73,523,553.77)	-
External services fee	100,709,036.19	86,300,397.86
Taxation	20,142,173.19	17,598,192.47
Safety fund (Note 4(35))	13,116,936.22	7,868,533.40
Amortisation	9,494,404.02	9,168,953.21
Administrative fees	4,074,407.44	3,499,585.19
Mineral resources compensation fee (Note 4(42))	5,267,189.93	6,404,544.99
Sewage charge (Note 4(42))	4,550,513.47	2,015,594.00
Service Charge	1,710,000.00	1,710,000.00
Operating Leases charge	1,033,428.12	-
Changes in inventories of work in progress, semi-finished goods and finished goods (Note 4(6)(b))	(531,936,672.29)	(198,995,124.52)
Others	13,671,597.03	8,337,252.11
	<b>717,019,468.75</b>	<b>1,421,560,484.65</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (40) Taxes and surcharges

	Six months ended 30 June 2016	Six months ended 30 June 2015	Tax base
City maintenance and construction tax	1,632,439.93	2,283,638.60	Note 3
Education surcharge	1,072,781.23	2,125,543.81	Note 3
Others	765,716.11	24,868.55	
	<b>3,470,937.27</b>	4,434,050.96	

### (41) Selling and administration expenses

	Six months ended 30 June 2016	Six months ended 30 June 2015
Transportation fee	18,965,293.78	33,004,550.31
Employee benefits	1,277,987.70	1,422,507.74
Travel and administrative expense	94,002.35	188,969.84
Depreciation	84,682.62	68,328.74
Others	195,726.52	99,493.87
	<b>20,617,692.97</b>	34,783,850.50

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (42) General and administrative expenses

	Six months ended 30 June 2016	Six months ended 30 June 2015
Employee benefits	31,555,924.31	36,152,031.53
Taxation	11,175,117.29	10,289,393.69
Depreciation and amortisation	8,469,161.97	10,859,346.57
Mineral resources compensation fee	5,267,189.93	6,404,544.99
Sewage charge	4,550,513.47	2,015,594.00
Administration expense	3,980,405.09	2,153,831.25
Service charge	1,710,000.00	1,710,000.00
Intermediary agency fee	1,276,466.56	3,025,751.29
Operating leases expenses	1,033,428.12	954,203.27
Others	4,294,897.64	6,622,473.45
	<b>73,313,104.38</b>	<b>80,187,170.04</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (43) 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 (Note 4(12)(a))	(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 (Note 4(25)/(29))	1,990,059.38	1,274,011.43
Foreign exchange (gains)/losses	(95,335.29)	1,158,275.39
	<b>124,441,216.31</b>	119,082,421.54

### (44) Assets impairment reversal/(losses) (Note 4(16))

	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)
	<b>9,289,361.58</b>	(11,777,607.09)

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (45) Gains on the changes in fair value

	Six months ended 30 June 2016	Six months ended 30 June 2015
Gold lease and the corresponding loss in fair value of future contracts (Note 4(17))	(33,680.33)	–
Gains on changes in fair value of futures contract	155,000.00	1,043,050.00
	<b>121,319.67</b>	<b>1,043,050.00</b>

### (46) Investment income/(losses)

	Six months ended 30 June 2016	Six months ended 30 June 2015
Loss from a joint venture under equity method (Note 4(9))	(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 (Note 5(1)(b))	57,955,495.17	–
Income resulted from disposal of available-for-sale financial assets	3,440,883.63	–
	<b>65,997,525.19</b>	<b>(8,304,432.85)</b>

There is no significant restriction on recovery of investment income.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (47) Non-operating income

	Six months ended 30 June 2016	Six months ended 30 June 2015	Amount recognised in non-recurring profit or loss for the six months ended 30 June 2016
Government grants (a)	1,986,428.71	1,654,897.52	1,986,428.71
Gains on disposal of fixed assets	8,881.50	–	8,881.50
Others	314,975.40	1,302,265.24	314,975.40
	<b>2,310,285.61</b>	2,957,162.76	<b>2,310,285.61</b>

#### (a) Details of government grants

	Six months ended 30 June 2016	Six months ended 30 June 2015	Related to assets/income
Energy saving subsidies	878,999.22	806,999.21	Related to assets
Funds for infrastructure construction	150,035.70	180,042.86	Related to assets
Land compensation	104,888.94	104,888.94	Related to assets
Special funds for technological transformation	73,333.32	26,666.65	Related to assets
Mining equipment project	11,290.98	11,290.98	Related to assets
Sub-total (Note 4(30))	<b>1,218,548.16</b>	1,129,888.64	
Tax refunded-platinum	440,272.08	56,311.32	Related to income
Subsidies for social security	76,353.50	43,497.56	Related to income
Funds for cleaning production	–	100,000.00	Related to income
Funds for research and development projects	–	300,000.00	Related to income
Others	251,254.97	25,200.00	Related to income
Sub-total	<b>767,880.55</b>	525,008.88	
Total	<b>1,986,428.71</b>	1,654,897.52	



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (48) Non-operating expenses

	Six months ended 30 June 2016	Six months ended 30 June 2015	Amount recognised in non-recurring profit or loss for the six months ended 30 June 2016
Penalties and fines	206,717.00	38,690.86	206,717.00
Donations	92,000.00	121,335.00	92,000.00
Losses on disposal of fixed assets	26,611.55	55,208.82	26,611.55
Others	31,749.43	396,379.31	31,749.43
	<b>357,077.98</b>	611,613.99	<b>357,077.98</b>

### (49) Income tax expenses

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (49) Income tax credit (continued)

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (50) Loss per share

#### (a) Basic 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	(2,210,000,000.00)	2,210,000,000.00
Basic loss per share	0.041	(0.114)
Including:		
– Continue Operating basic loss per share	(0.041)	(0.114)
– Terminate Operating basic loss per share	–	–

#### (b) Diluted loss per share

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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (51) Notes to consolidated cash flow statements

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

	Six months ended 30 June 2016	Six months ended 30 June 2015
Restricted cash at banks	46,010,887.87	—
Interest income	2,159,019.06	10,715,933.52
Government grants received	767,880.55	525,008.88
Others	316,975.45	1,302,265.24
	<b>49,252,762.88</b>	<b>12,543,207.64</b>

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

	Six months ended 30 June 2016	Six months ended 30 June 2015
Transportation expenses	18,965,293.78	27,119,162.85
Sewage charge	4,550,513.47	544,422.00
Office expenses	3,927,651.54	3,420,289.30
Bank charges	3,106,960.03	3,770,228.52
Comprehensive supporting services	1,710,000.00	1,710,000.00
Professional service fee	1,539,355.58	2,666,919.47
Rent expense	1,033,428.12	—
Donations	92,000.00	121,335.00
Restricted cash at banks	—	52,675,288.14
Others	12,407,379.53	9,051,259.30
	<b>47,332,582.05</b>	<b>101,078,904.58</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (52) Supplementary information of consolidated cash flow statement

#### (a) Reconciliation from consolidated net loss to cash flows from operating activities

	Six months ended 30 June 2016	Six months ended 30 June 2015
Net consolidated loss	(118,422,740.10)	(338,939,310.71)
Adjustment: (Reversal)/Provisions for asset impairment (Note 4(44))	(9,289,361.58)	11,777,607.09
Changes in the fair value of financial liabilities for trading profit (Note 4(45))	(121,319.67)	(1,043,050.00)
Depreciation of fixed assets (Note 4(10))	108,349,922.64	132,634,946.17
Amortisation of intangible assets (Note 4(13))	9,494,404.02	9,168,953.21
Loss on disposal of fixed assets	17,730.05	55,208.82
Increase in deferred tax assets (Note 4(31))	(14,572,180.58)	(10,948,097.45)
Increase in deferred tax liabilities (Note 4(31))	750,109.74	994,513.60
Financial expenses (Note 4(43))	123,588,610.63	126,028,126.54
Amortisation of long-term prepaid expenses	20,436.33	21,870.00
Investment loss (Note 4(46))	(65,997,525.19)	8,304,432.85
Increase in inventories	(53,222,868.96)	1,393,408.33
Amortization of deferred income	(1,218,548.16)	-
Safety production costs accrued unused (Note 4(35))	7,286,824.51	1,227,861.75
(Increase)/decrease in operating receivables	(153,978,922.50)	217,890,726.72
(Decrease)/increase in operating payables	(83,092,555.91)	176,427,402.02
Decrease/(increase) in restricted cash at banks	46,010,887.87	(52,675,288.14)
Net cash flows (used in)/generated from operating activities	(204,397,096.86)	282,319,310.80

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (52) Supplementary information of consolidated cash flow statement (continued)

#### (a) Reconciliation from consolidated net loss to cash flows from operating activities (continued)

*Movement of cash and cash equivalents*

	Six months ended 30 June 2016	Six months ended 30 June 2015
Cash and cash equivalents at end of period (c)	358,155,129.91	500,556,035.97
Less: cash and cash equivalents at beginning of year	(506,128,056.01)	(558,623,508.86)
Net decrease in cash and cash equivalents	<b>(147,972,926.10)</b>	(58,067,472.89)

#### (b) Acquisition or disposal of subsidiaries

(i) *Disposal of a subsidiary*

	Six months ended 30 June 2016	Six months ended 30 June 2015
Cash and cash equivalents received from disposal of Wuxin Copper this year	12,000,000.00	-
Less: Cash and cash equivalents held by Wuxin Copper on the date of losing right of control	(21,323,576.36)	-
Net cash outflows on disposal of Wuxin Copper	<b>(9,323,576.36)</b>	-
The price of disposal of Wuxin Copper in 2016	12,000,000.00	-



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (52) Supplementary information of consolidated cash flow statement (continued)

#### (b) Acquisition or disposal of subsidiaries (continued)

##### (i) Disposal of a subsidiary (continued)

Net assets of the subsidiary disposed

	Six months ended 30 June 2016	Six months ended 30 June 2015
Current assets	1,109,182,007.41	–
Non-current assets	2,301,001,517.40	–
Current liabilities	(2,630,780,558.01)	–
Non-current liabilities	(844,672,835.75)	–
	(65,269,868.95)	–

#### (c) Cash and cash equivalents

	30 June 2016	30 June 2015
Cash	358,155,129.91	500,556,035.97
Including: Cash on hand	77,122.67	77,254.87
Cash at bank	358,078,007.24	500,478,781.10
Cash and cash equivalents	358,155,129.91	500,556,035.97

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

## 5 CHANGES IN THE SCOPE OF CONSOLIDATION

### (1) Changes in the scope of consolidation caused by other reason

- (a) The summarised information related to the disposed subsidiaries in the current year is as follows:

Name of subsidiary	Consideration of disposal	Share of equity interest disposed	Method of disposal	The date of losing right of control	Determination of losing right of control	The difference between the consideration and the share of the net assets of the subsidiary in the consolidated financial statement	The amount transfer from the other comprehensive income of investing in the original subsidiary
Xinjiang Wuxin Copper Mining Co., Ltd	12,000,000.00	66%	sale	15 June 2016	On 15 June 2016, the Extraordinary general meeting was held, the result was of the vote is 99.99% in favour.	57,955,495.17	-

- (i) On 15 June 2016, the group disposed 66% shares of Wuxin Copper, the investment income from disposal is RMB57,955,495.17.

### (b) The information of disposal gain and loss is as follows:

- (i) *Wuxin Copper*

Disposal of the gain and loss calculation:

	Amount
Consideration of disposal	12,000,000.00
Less: The share of the net assets of Wuxin Copper in the consolidated financial statement	43,078,113.50
Unrealised gains and losses of internal transactions from previous periods	2,877,381.67
Investment income generated from disposal	57,955,495.17

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY IN OTHER MAIN BODIES

### (1) Investments in subsidiaries

#### (a) The constitutions of business combinations

Name of subsidiaries	Type of legal representative	The main premises	Place of registration	Nature of business	% equity interest held by the Group		Methods of investments
					Direct	Indirect	
Mengxi Mining	Corporate legal representative	Hami, the PRC	Hami, the PRC	Mining	51%	–	Through establishment or investment
Kalatangke Mining	Corporate legal representative	Fuyun, the PRC	Fuyun, the PRC	Mining and smelting	100%	–	Through establishment or investment
Beijing Xinding	Corporate legal representative	Beijing, the PRC	Beijing, the PRC	Research and Development	100%	–	Through establishment or investment
Xinjiang Yakesi	Corporate legal representative	Hami, the PRC	Hami, the PRC	Mining	99.51%	0.49%	Business combination not under common control
Hami Jubao	Corporate legal representative	Hami, the PRC	Hami, the PRC	Mining	75%	25%	Business combination not under common control
Zhongxin Mining	Corporate legal representative	Hami, the PRC	Hami, the PRC	Smelting	97.58%	–	Business combination not under common control
Shaanxi Xinxin	Corporate legal representative	Shangnan, the PRC	Shangnan, the PRC	Mining	51%	–	Business combination not under common control

There is no significant restriction on using the Group's assets or paying off debt of the Group.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY IN OTHER MAIN BODIES (CONTINUED)

### (1) Investments in subsidiaries (continued)

#### (b) Subsidiaries with non-controlling interests rights

Name of subsidiaries	% equity interest held by non-controlling shareholders	Amount of gains or losses attributed to non-controlling shareholders for the six months ended 30 June 2016	Dividend declared/ allocated to non-controlling shareholders this period	Non-controlling interests 30 June 2016
Zhongxin Mining	2.42%	500,570.32	—	1,644,527.48
Shaanxi Xinxin	49.00%	(331,712.92)	—	73,262,805.36
Mengxi Mining	49.00%	(598.07)	—	2,064,170.44
Wuxin Copper	34.00%	(28,308,697.02)	—	—
		(28,140,437.69)	—	76,971,503.28

Main financial information of the above subsidiaries with significant non-controlling rights in 2015 is as follows:

Name of subsidiaries	30 June 2016					Total Liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	
Zhongxin Mining	534,650,514.43	187,265,547.50	721,916,061.93	751,387,473.80	10,004,891.02	761,392,364.82
Shaanxi Xinxin	342,300.34	1,496,944.93	15,312,245.27	12,161,065.97	—	12,161,065.97
Mengxi Mining	9,696,298.96	—	9,696,298.96	5,483,706.22	—	5,483,706.22

Name of subsidiaries	31 December 2015					Total Liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	
Zhongxin Mining	492,846,308.17	183,960,356.52	676,806,664.69	687,236,202.86	10,181,779.96	697,417,982.82
Shaanxi Xinxin	356,885.33	14,971,950.60	15,328,835.93	11,500,691.49	—	11,500,691.49
Mengxi Mining	9,696,313.36	—	9,696,313.36	5,482,500.06	—	5,482,500.06
Wuxin Copper	1,276,601,712.21	2,224,132,604.21	3,500,734,316.42	2,637,920,440.32	844,822,871.45	3,482,743,311.77

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY IN OTHER MAIN BODIES (CONTINUED)

### (1) Investments in subsidiaries (continued)

#### (b) Subsidiaries with significant non-controlling interests rights (continued)

Name of subsidiaries	Six months ended 30 June 2016			
	Revenue	Net loss	Total comprehensive losses	Operating cash flow
Zhongxin Mining	121,546,705.61	(18,879,488.28)	(18,879,488.28)	(3,426,642.31)
Shaanxi Xinxin	–	(676,965.14)	(676,965.14)	(777,584.99)
Mengxi Mining	–	(1,220.56)	(1,220.56)	(14.40)

Name of subsidiaries	Six months ended 30 June 2015			
	Revenue	Net (loss)/profit	Total comprehensive (losses)/income	Operating cash flow
Zhongxin Mining	152,683,525.18	(11,077,022.09)	(11,077,022.09)	5,545,660.17
Shaanxi Xinxin	–	(664,761.91)	(664,761.91)	43,359.04
Mengxi Mining	–	126,807.21	126,807.21	47,176.06
Wuxin Copper	934,377,027.50	(255,908,092.08)	(255,908,092.08)	334,552,379.95

### (2) Interests in joint venture

#### (a) Basic information for important joint venture

Name of joint venture	The main premise	Place of registration	Nature of business	Strategic effects to group operations	% equity interest held by the Group	
					Direct	Indirect
Hexin Mining	Hami, the PRC	Hami, the PRC	Mining	Yes	50%	–

The Group adopted equity method for the above investment.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
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## 6 EQUITY IN OTHER MAIN BODIES (CONTINUED)

### (2) Interests in joint venture (continued)

#### (b) Key financial information of the joint venture

	30 June 2015	31 December 2015
Current assets	109,693,851.29	102,203,334.20
Including: cash and cash equivalents	8,091,351.31	9,620,086.93
Non-current assets	456,735,984.23	478,264,035.21
<b>Total assets</b>	<b>566,429,835.52</b>	<b>580,467,369.41</b>
Current liabilities	(357,717,679.62)	(344,372,121.53)
Non-current liabilities	(32,500,000.00)	(41,000,000.00)
<b>Total liabilities</b>	<b>(390,217,679.62)</b>	<b>(385,372,121.53)</b>
<b>Shareholders' equity</b>	<b>176,212,155.90</b>	<b>195,095,247.88</b>
Share of net assets (i)	88,106,077.95	97,547,623.94
Adjusting events		
– Goodwill	44,668,386.35	44,668,386.35
– Offset of unrealised gains	6,068,803.99	(8,002,685.77)
<b>Book value of the investment of joint venture</b>	<b>138,843,268.29</b>	<b>134,213,324.52</b>
<b>Fair value of the joint venture in open market</b>	<b>Not applicable</b>	<b>Not applicable</b>
	<b>Six months ended 30 June 2016</b>	Six months ended 30 June 2015
Revenue	35,977,883.87	19,589,471.32
Interest expense	(6,307,378.66)	(15,957,196.86)
Income tax	–	(108,477.49)
Net loss	(18,883,091.98)	(20,247,861.14)
Other comprehensive income	–	–
<b>Total comprehensive losses</b>	<b>(18,883,091.98)</b>	<b>(20,247,861.14)</b>
Dividends received from joint venture	–	–

- (i) The Group, based on the amount assigned to the Company in the consolidated financial statements of joint venture calculates asset share in proportion to the number of shares owned. The amount in the consolidated financial statements of joint venture has taken the fair value of identifiable asset and liability of the investee joint venture into consideration.



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

## 7 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%).

## 8 CONTINGENCIES

### (1) Environmental contingencies

Historically, the Group has not incurred any significant expenditure for environmental remediation. Further, except as disclosed in Note 4(25), the Group is presently not involved in any other environmental remediations and has not accrued any other amounts for environmental remediation relating to its operations. Under existing legislations, management of the Company believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, may move further towards the adoption of more stringent environmental standards.

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

### (2) Insurance

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

### (3) Guarantee provided

Please refer to Note 9(5)(f).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

## 9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (1) Information of the parent company

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

Name of company	Place of registration	Type of business
Xinjiang Non-ferrous Group	Urumqi, China	Mining, smelting and processing of non-ferrous and precious metals

The Company's ultimate controlling party is Xinjiang Non-ferrous Group, whose place of registration is Urumqi China.

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

Name of company	31 December 2015	Current period additions	Current period reductions	30 June 2016
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 of company	30 June 2016 % interests held and % voting rights	31 December 2015 % interests held and % voting rights
Xinjiang Non-ferrous Group	40.06%	40.06%

### (2) Information of subsidiaries

Please refer to Note 6(1).

### (3) Information of joint venture

Please refer to Note 6(2).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (4) Other related party information

Name of related parties	Relationship with the Group
Xinjiang Ashele Copper Industry Co., Ltd.	Associate of Xinjiang Non-ferrous Group
Fukang Juxin Industrial and Trade Co., Ltd.	Associate of Xinjiang Non-ferrous Group
Xinjiang Non-ferrous Industry Group Tianchi Mining Co., Ltd.	Associate of Xinjiang Non-ferrous Group
Hexin Mining	Joint venture
Xinjiang Haoxin Lithia Developing Co., Ltd.	Fellow subsidiary
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	Fellow subsidiary
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	Fellow subsidiary
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd.	Fellow subsidiary
Fukang Non-ferrous Development Co., Ltd.	Fellow subsidiary
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	Fellow subsidiary
Fuyun Hengsheng Beryllium Industry Co., Ltd.	Fellow subsidiary
Beijing Baodi Xindi Kemao Co., Ltd.	Fellow subsidiary
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	Fellow subsidiary
Xinjiang Dongsanhuan Trading Co., Ltd.	Fellow subsidiary
The Western Gold Hami Gold Mine Co., Ltd.	Fellow subsidiary
Xinjiang Zhanxin Fire Isulation Materials Co., Ltd.	Fellow subsidiary
Fukang Non-ferrous Property Management Co., Ltd.	Fellow subsidiary
Urumqi Tianshan Star Precious Metals Smelting Co., Ltd.	Fellow subsidiary
Xinjiang Non-ferrous Metals Company Hospital	Fellow subsidiary
Wuxin Copper	Fellow subsidiary

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

## 9 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 2016	Six months ended 30 June 2015
<b>Purchase of nickel concentrate</b>		
Hexin Mining	28,668,888.11	14,675,051.07
<b>Purchase of raw materials, consumables and equipment</b>		
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd.	11,553,426.56	—
Xinjiang Dongsanhuan Trading Co., Ltd.	6,795,333.99	7,177,289.59
Fukang Non-ferrous Development Co., Ltd.	5,706,507.72	7,699,183.01
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	680,000.00	1,451,839.50
<b>Purchase of equipment parts</b>		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	251,600.00	173,748.72
China Non-ferrous Metal Import and Export Company Xinjiang Co., Ltd.	82,909.90	183,786.38
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd.	—	117,995.00
<b>Purchase of copper concentrate</b>		
Xinjiang Ashele Copper Industry Co., Ltd.	—	153,480,411.91
Hexin Mining	—	4,032,945.21
	<b>53,738,666.28</b>	188,992,250.39

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (c) Receiving of services from related parties

	Six months ended 30 June 2016	Six months ended 30 June 2015
<b>Construction services</b>		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	21,940,055.58	22,724,778.85
<b>Transportation services</b>		
Fukang Non-ferrous Development Co., Ltd.	11,067,822.20	6,621,175.29
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	90,589.60	354,102.71
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd. (Note)	–	2,655,471.28
<b>Other services</b>		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	3,876,560.19	230,812.28
Fukang Non-ferrous Property Management Co., Ltd.	4,614.19	205,920.00
Fukang Non-ferrous Development Co., Ltd.	–	1,499,527.99
Urumqi Tianshan Star Precious Metals Smelting Co., Ltd.	–	24,360.69
<b>Comprehensive supporting services</b>		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	1,710,000.00	1,710,000.00
<b>Storage fee</b>		
Beijing Baodi Xindi Kemao Co., Ltd.	157,817.64	–
<b>Provision of heat</b>		
Fukang Non-ferrous Development Co., Ltd.	13,001.00	13,001.00
	<b>38,860,460.40</b>	<b>36,039,150.09</b>

Note: Due to changes of controlling shareholders, Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd. is not a related party of the Group now.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

	Six months ended 30 June 2016	Six months ended 30 June 2015
Fuyun Hengsheng Beryllium Industry Co., Ltd.	5,669,818.35	4,313,905.70
Xinjiang Dongsanhuan Trading Co., Ltd.	—	1,065,166.36
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	—	880,994.86
	5,669,818.35	6,260,066.92

#### (e) Leases

As lessor:

Name of lessee	Type of rental assets	Lease revenue recognised during six months ended 30 June 2016	Lease revenue recognised during six months ended 30 June 2015 (unaudited)
Xinjiang Zhanxin Fire Isulation Materials Co., Ltd.	Land-use right	43,020.00	—
Hexin Mining	Building	—	8,333.00
		43,020.00	8,333.00

As lessee:

Name of lessor	Type of rental assets	Lease revenue recognised during six months ended 30 June 2016	Lease revenue recognised during six months ended 30 June 2015 (unaudited)
Xinjiang Non-ferrous Group	Building	817,965.00	817,965.00



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (f) Guarantee

As guarantor

Name of Company	Amount of bank loans guaranteed	Starting date	Ending date	Fulfilled or not
Hexin Mining	12,750,000.00	27/08/2014	25/08/2018	No
Hexin Mining	20,000,000.00	22/01/2014	21/01/2019	No
Hexin Mining	15,000,000.00	30/06/2015	29/06/2018	No
Hexin Mining	25,000,000.00	22/05/2015	12/05/2018	No
Hexin Mining	25,000,000.00	10/12/2015	10/12/2018	No
Hexin Mining	20,000,000.00	06/01/2015	06/01/2018	No
Hexin Mining	20,000,000.00	22/10/2015	22/10/2018	No
Hexin Mining	20,000,000.00	16/07/2015	16/07/2018	No
Hexin Mining	10,000,000.00	21/12/2015	17/06/2018	No
Hexin Mining	16,000,000.00	04/01/2016	04/01/2017	No
Total	183,750,000.00			

#### (g) Loans provided to/(received from) a related party

	Six months ended 30 June 2016	Six months ended 30 June 2015
Loans provided to Hexin Mining	73,000,000.00	10,000,000.00
Loans received from Hexin Mining	–	(10,000,000.00)

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (h) Loans received from/(repaid to) a related party

	Six months ended 30 June 2016	Six months ended 30 June 2015
Loans received from Xinjiang Non-ferrous Group	483,236,712.33	45,000,000.00
Loans paid to Xinjiang Non-ferrous Group	(181,000,000.00)	–

#### (i) Interest arising from the loans provided by related party

	Six months ended 30 June 2016	Six months ended 30 June 2015
Xinjiang Non-ferrous Group	7,601,142.47	–

#### (j) Repayment of entrusted loans

	Six months ended 30 June 2016	Six months ended 30 June 2015
Xinjiang Non-ferrous Group	181,000,000.00	–

#### (k) Use of registered trademark

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

#### (l) Remuneration of key management

	Six months ended 30 June 2016	Six months ended 30 June 2015
Remuneration of key management	1,482,564.31	2,230,050.80

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (m) Directors, supervisors and chief executive officer's emoluments

Directors, supervisors and chief executive officer's emoluments for the year ended 30 June 2016 are as follows:

Name	Emoluments for providing services as directors			Emoluments for managing company or providing other services	Total
	Fee	Salary and allowance	Pension		
<b>Directors:</b>					
Lu Xiaoping	–	143,100.00	15,217.20	–	158,317.20
Guo Quan	–	159,150.00	15,217.20	–	174,367.20
Li Wing Sum, Steven	54,722.00	–	–	–	54,722.00
Chen Jianguo	35,000.00	–	–	–	35,000.00
Wang Lijin	35,000.00	–	–	–	35,000.00
<b>Total</b>	<b>124,722.00</b>	<b>302,250.00</b>	<b>30,434.40</b>	<b>–</b>	<b>457,406.40</b>
<b>Supervisors:</b>					
Wang Haibang	–	115,050.00	15,217.20	–	130,267.20
Sun Baohui (i)	–	–	–	38,315.18	38,315.18
Zhang Xuehe (ii)	–	–	–	68,060.60	68,060.60
Hu Zhijiang	20,000.00	–	–	–	20,000.00
Yao Wenying	20,000.00	–	–	–	20,000.00
<b>Senior management:</b>					
Lin Zhuohui	–	300,000.00	7,563.13	–	307,563.13
He Hongfeng	–	127,350.00	15,217.20	–	142,567.20
Zhang Junjie	–	127,650.00	15,217.20	–	142,867.20
Liu Jun	–	127,650.00	15,217.20	–	142,867.20
Sun Baohui (iii)	–	10,000.00	2,650.20	–	12,650.20
<b>Total</b>	<b>40,000.00</b>	<b>807,700.00</b>	<b>71,082.13</b>	<b>106,375.78</b>	<b>1,025,157.91</b>

(i) Resigned as supervisor on 13 April 2016.

(ii) Appointed as supervisor on 13 April 2016.

(iii) Appointed as vice president on 27 May 2016.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (m) Directors, supervisors and chief executive officer's emoluments (continued)

Directors, supervisors and chief executive officer's emoluments for the year ended 30 June 2015 (unaudited) are as follows:

Name	Emoluments for providing services as directors			Emoluments for managing company or providing other services	Total
	Fee	Salary and allowance	Pension		
<b>Directors:</b>					
Shi Wenfeng	–	278,020.00	14,119.00	–	292,139.00
Lu Xiaoping	–	217,586.67	14,119.00	–	231,705.67
Guo Quan (ii)	–	161,696.00	9,539.00	–	171,235.00
Zhang Guohua (i)	–	89,693.30	4,580.00	–	94,273.30
Li Yongsen	51,182.30	–	–	–	51,182.30
Chen Jianguo	35,000.00	–	–	–	35,000.00
Wang Lijin	35,000.00	–	–	–	35,000.00
<b>Total</b>	<b>121,182.30</b>	<b>746,995.97</b>	<b>42,357.00</b>		<b>910,535.27</b>
<b>Supervisors:</b>					
Wang Haibang	–	174,546.60	14,119.00	–	188,665.60
Sun Baohui	–	90,688.21	14,119.00	–	104,807.21
Yao Wenying (iii)	–	36,666.67	–	–	36,666.67
Hu Zhijiang	–	20,000.00	–	–	20,000.00
<b>Total</b>	<b>–</b>	<b>321,901.48</b>	<b>28,238.00</b>	<b>–</b>	<b>350,139.48</b>

(i) Resigned as director on 3 March 2015.

(ii) Appointed as director on 22 May 2015.

(iii) Appointed as supervisor on 22 May 2015.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (m) Directors, supervisors and chief executive officer's emoluments (continued)

*The five highest paid individuals*

The five individuals whose emoluments were the highest in the Group for the six months ended of 2016 included 2 directors (six months ended of 2015: two directors) whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining 3 (six months ended of 2015: three) individuals during the year are as follows:

	Six months ended 30 June 2016	Six months ended 30 June 2015
Basic salaries, bonus, housing allowance, other allowances in kind pension	593,297.53	737,667.72
	<b>Number of individuals</b>	
	Six months ended 30 June 2016	Six months ended 30 June 2015
Emolument bands: HKD0–1,000,000 (approximately RMB0–837,780)	3	3

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (6) Receivables from and payables to related parties

Receivables from related parties:

#### (a) Accounts receivable (Note 4(3)(b))

	30 June 2016		31 December 2015	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Wuxin Copper	46,280,646.98	-	-	-
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd	2,557,201.82	-	-	-
Fuyun Hengsheng Beryllium Industry Co., Ltd.	1,175,499.10	(1,155,416.10)	1,187,810.20	(1,155,416.10)
Xinjiang Haoxin Lithia Developing Co., Ltd.	301,201.70	(301,201.70)	301,201.70	(301,201.70)
	50,314,549.60	(1,456,617.80)	1,489,011.90	(1,456,617.80)

#### (b) Other receivables (Note 4(4)(b))

	30 June 2016		31 December 2015	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Hexin Mining	105,661,075.90	-	32,660,375.90	-
Xinjiang Zhanxin Fire Isulation Materials Co., Ltd.	121,890.00	-	78,870.00	-
Wuxin Copper	1,350.00	-	-	-
Fuyun Hengsheng Beryllium Industry Co., Ltd.	-	-	563,601.14	-
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	-	-	13,050.00	-
	105,784,315.90	-	33,315,897.04	-

#### (c) Advances to suppliers

	30 June 2016		31 December 2015	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	3,620,483.09	-	1,791,402.70	-
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	98,832.06	-	10,239.00	-
Fukang Non-ferrous Development Co., Ltd	13,268.58	-	-	-
Xinjiang Ashele Copper Industry Co., Ltd.	-	-	2,925,868.40	-
	3,732,583.73	-	4,727,510.10	-



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (6) Receivables from and payables to related parties (Continued)

Payables to related parties: (continued)

#### (d) Accounts payable

	30 June 2016	31 December 2015
Hexin Mining	40,909,049.15	32,121,469.87
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	15,131,420.59	2,774,469.74
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	10,493,569.98	6,850,382.02
Fukang Non-ferrous Development Co., Ltd.	5,973,516.31	15,683,851.38
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	4,918,442.92	2,899,409.91
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	2,131,110.01	98,051.33
Xinjiang Dongsanhuan Trading Co., Ltd.	1,077,966.40	7,720,948.05
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	344,255.80	33,123,437.86
Xinjiang Non-ferrous Metal Industry Group Tianchi Mining Co., Ltd.	88,892.40	88,892.40
Fukang Non-ferrous Property Management Co., Ltd.	14,355.49	183,158.56
The Western Gold Hami Gold Mine Co., Ltd.	–	519,172.05
Fukang Juxin Industrial and Trade Co., Ltd.	–	151,771.02
Beijing Baodi Xindi Kemao Co., Ltd.	–	119,518.10
	<b>81,082,579.05</b>	<b>102,334,532.29</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (6) Receivables from and payables to related parties (Continued)

Payables to related parties: (continued)

#### (e) Other payables (Note 4(24))

	30 June 2016	31 December 2015
Xinjiang Non-ferrous Group	30,817,965.00	278,236,712.33
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	17,874,143.07	79,270,956.08
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	2,226,000.00	4,836,530.00
Fukang Non-ferrous Property Management Co., Ltd.	1,091,474.32	–
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	282,168.40	302,168.40
Fukang Non-ferrous Development Co., Ltd.	50,000.00	150,000.00
Xinjiang Dongsanhuan Trading Co., Ltd.	–	100,000.00
Hexin Mining	78,847.20	78,847.20
	<b>52,420,597.99</b>	<b>362,975,214.01</b>

#### (f) Advances from customers

	30 June 2016	31 December 2015
Xinjiang Dongsanhuan Trading Co., Ltd.	13,201.80	68,620.69
Fuyun Hengsheng Beryllium Industry Co., Ltd.	–	10,483.98
	<b>13,201.80</b>	<b>79,104.67</b>

#### (g) Long-term payables (Note 4(29))

	30 June 2016	31 December 2015
Xinjiang Non-ferrous Group	85,000,000.00	85,000,000.00

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (7) Commitments in relation to related parties

The commitments in relation to related parties contracted for but not yet necessary to be recognised on the balance sheet by the Group as at the balance sheet dates are as follows:

	30 June 2016	31 December 2015
– As lessee		
Xinjiang Non-ferrous Group	2,862,877.50	4,907,790.00
– As lessor		
Xinjiang Zhanxin Fire Insulation Materials Co., Ltd.	43,020.00	129,060.00

## 10 COMMITMENTS

### (1) 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.

### (2) 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
	2,862,877.50	4,907,790.00

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

## 11 LEASES

The Group did not own fixed assets under finance leases.

## 12 FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it 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.

### (1) Market risk

#### (a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies. The Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. For year ended 30 June 2016 and 2015, the Group did not enter into any forward exchange contracts or currency swap contracts.

As at 30 June 2016 and 31 December 2015, the Group did not have assets or liabilities denominated in foreign currencies.

#### (b) 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 2016, the Group's interest bearing debts were mainly floating rate borrowings, fixed rate borrowings and interest bearing bond payable denominated in RMB, which totalled RMB3,036,603,924.87 (31 December 2015: RMB4,847,638,579.47), of which floating rate borrowings are RMB397,000,000.00, fixed rate borrowings are RMB1,339,603,824.89 and interest-bearing bond payable are RMB1,300,000,000.00 respectively (31 December 2015: RMB1,640,760,000.00, RMB1,906,878,579.47, RMB1,300,000,000.00) (Note 4(17), (27), (28)).

The Group analyses its interest rate exposure on a dynamic basis. The rise in interest rates would increase the cost of the new interest-bearing debts and unpaid floating interest-bearing debt, and would bring a negative effect to the Group operation results. The Group may manage its interest risk by using floating-to-fixed interest rate swap based on the latest market condition. During six months ended 2016 and 2015, there is no interest swap exists.

As at 30 June 2016, if annual interest rates had been 10% lower/higher with all other variables held constant, net loss would have decreased/increased by RMB10,909,217.25 (31 December 2015: net profit increased/decreased RMB6,566,206.37).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENT AND RISK (CONTINUED)

### (1) Market risk (Continued)

#### (c) Concentration risk

Revenues are principally derived from sales of nickel cathode and copper cathode. Approximately 17% of the total sales for the six months ended 30 June 2016 (the six months ended 30 June 2015: 65%) were contributed by the top three customers for which the Group has not entered into any long-term sales contracts with them. In the event that these major customers terminate the business relationship with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations.

### (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.

### (3) Liquidity risk

Cash flow forecasting was 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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

## 13 FINANCIAL INSTRUMENT AND RISK (CONTINUED)

### (3) Liquidity risk (Continued)

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2016				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities at fair value through profit or loss	138,878,293.39	–	–	–	138,878,293.39
Accounts payable	285,974,910.10	–	–	–	285,974,910.10
Interest payable	49,048,589.14	–	–	–	49,048,589.14
Short-term borrowings	865,540,209.47	–	–	–	865,540,209.47
Long-term borrowings	12,888,400.00	152,954,372.22	96,176,990.42	–	262,019,762.64
Long-term payable	–	75,000,000.00	10,000,000.00	–	85,000,000.00
Bond payable	574,823,013.70	52,000,000.00	819,232,876.71	–	1,446,055,890.41
Notes payable	285,500,000.00	–	–	–	285,500,000.00
Other payables	164,158,394.76	–	–	–	164,158,394.76
Other non-current liabilities	25,587,907.44	25,587,907.44	521,773,628.11	–	572,949,442.99
	2,402,399,718.00	305,542,279.66	1,447,183,495.24	–	4,155,125,492.90

	31 December 2015				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities at fair value through profit or loss	411,967,249.66	–	–	–	411,967,249.66
Accounts payable	582,629,071.73	–	–	–	582,629,071.73
Interest payable	41,946,753.91	–	–	–	41,946,753.91
Short-term borrowings	1,545,366,698.18	–	–	–	1,545,366,698.18
Long-term borrowings	668,332,591.24	423,792,779.18	702,825,023.83	71,112,315.83	1,866,062,710.08
Long-term payable	–	20,000,000.00	65,000,000.00	–	85,000,000.00
Bond payable	87,600,000.00	556,876,712.33	845,019,178.08	–	1,489,495,890.41
Notes payable	748,410,000.00	–	–	–	748,410,000.00
Other payables	638,349,740.33	–	–	–	638,349,740.33
	4,724,602,105.05	1,000,669,491.51	1,612,844,201.91	71,112,315.83	7,409,228,114.30

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

	30 June 2016		31 December 2015	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Within 1 year	860,000,000.00	–	2,076,000,000.00	–
1 to 2 years	145,000,000.00	75,000,000.00	363,400,000.00	20,000,000.00
2 to 5 years	92,000,000.00	10,000,000.00	637,360,000.00	65,000,000.00
Over 5 years	–	–	68,000,000.00	–
	1,097,000,000.00	85,000,000.00	3,144,760,000.00	85,000,000.00

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

## 13 FAIR VALUE ESTIMATION

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

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

### (1) Financial instruments continuingly and subsequently measured at fair value

As at 30 June 2016, assets and liabilities continuingly measured at fair value based on the above three levels are listed as follows:

	Level 1	Level 2	Level 3	Total
Financial assets – Available-for-sale financial assets – Financial products	100,000,000.00	–	–	100,000,000.00
Financial Liabilities – Gold lease and corresponding future contracts	(639,603,924.89)	–	–	(639,603,924.89)
	(539,603,924.89)	–	–	(539,603,924.89)

As at 31 December 2015, assets and liabilities continuingly measured at fair value based on the above three levels are listed as follows:

	Level 1	Level 2	Level 3	Total
Financial assets – Available-for-sale financial assets – Financial products	–	–	–	–
Financial liabilities – Standard future contracts	(155,000.00)	–	–	(155,000.00)
Gold lease and corresponding future contracts	(404,060,811.92)	–	–	(404,060,811.92)
	(404,215,811.92)	–	–	(404,215,811.92)



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

## 13 FAIR VALUE ESTIMATION (CONTINUED)

### (1) Financial instruments continuingly and subsequently measured at fair value (Continued)

The Group confirms its converting point based on the date of occurrence of the leading matters. No conversion exists between first level and second level.

Where there is no active market for a financial instrument, the Company adopts value appraisal techniques to determine its fair value. The appraisal technique is the bank market quotation.

### (2) The Group does not have financial instruments not continuingly measured at fair value subsequently.

### (3) Financial assets and liabilities not subsequently measured at fair value but subject to disclosure of fair value

The financial assets and liabilities measured at amortised cost mainly include: account receivables, short-term borrowings, accounts payable, long-term borrowings, bond payable and long term payables.

## 14 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 short-term, borrowings long-term borrowing, bond payable and long-term payables) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

## 14 CAPITAL MANAGEMENT (CONTINUED)

For the year ended 30 June 2016, the Group's strategy on capital management was to maintain the gearing ratio within 20% to 60%, which was the same as prior year. The gearing ratios at 30 June 2016 and 31 December 2015 were as follows:

	30 June 2016	31 December 2015
Total borrowings		
Short-term borrowings	850,000,000.00	1,500,000,000.00
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
Current portion of non-current liabilities	510,000,000.00	576,000,000.00
Financial liabilities measured at fair value through profit and loss	136,894,544.89	404,060,811.92
Other non-current liabilities	502,709,380.00	–
	<b>3,114,732,917.86</b>	4,925,162,686.35
Less: cash and cash equivalents	<b>(358,155,129.91)</b>	(506,128,056.01)
Net debt (a)	<b>2,756,577,787.95</b>	4,419,034,630.34
Total equity (b)	<b>4,575,376,350.10</b>	4,664,320,510.26
Total capital (c) = (a) + (b)	<b>7,331,954,138.05</b>	9,083,355,140.60
Gearing ratio (a)/(c)	<b>37.59%</b>	48.65%

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

### (1) Cash at bank and on hand

	30 June 2016	31 December 2015
Cash on hand	49,712.15	88,975.14
Cash at bank	45,893,616.24	72,706,898.34
Restricted cash at banks (a)	94,589,842.33	87,265,880.97
	<b>140,533,170.72</b>	160,061,754.45

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

	30 June 2016	31 December 2015
Deposits for issue of bank acceptance notes	94,008,511.40	86,694,550.04
Deposits for environmental recovery and safety of production	571,330.93	571,330.93
Deposits for gold lease contracts	10,000.00	-
	<b>94,589,842.33</b>	87,265,880.97

### (2) Notes receivable

	30 June 2016	31 December 2015
Bank acceptance notes	69,538,480.24	41,880,068.20

### (3) Accounts receivable

	30 June 2016	31 December 2015
Accounts receivable	106,247,425.11	81,179,260.59
Less: provision for bad debts	(3,926,714.00)	(3,926,714.00)
	<b>102,320,711.11</b>	77,252,546.59

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (3) Accounts receivable (Continued)

The Company 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 and provision for bad debts are analysed as follows:

	30 June 2016	31 December 2015
Within 1 year	92,906,778.55	68,469,852.73
1 to 2 years	2,646,407.66	8,752,933.78
2 to 3 years	6,737,764.82	74,400.20
3 to 4 years	74,400.20	–
4 to 5 years	–	768,686.40
Over 5 years	3,882,073.88	3,113,387.48
	<b>106,247,425.11</b>	<b>81,179,260.59</b>

As at 30 June 2016, accounts receivable of RMB10,643,551.48 (31 December 2015: RMB29,544,507.12) were past due but not impaired. Based on the analysis of the customer's financial situation and credit record, the Company believes that this part of accounts receivable can be recovered. The ageing of such accounts receivable is analysed as follows:

	30 June 2016	31 December 2015
Within 1 year	1,259,379.00	27,529,338.16
1 to 2 years	2,646,407.66	2,015,168.96
2 to 3 years (Note)	6,737,764.82	–
	<b>10,643,551.48</b>	<b>29,544,507.12</b>

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 Group.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (3) Accounts receivable (Continued)

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

	30 June 2016				31 December 2015			
	Ending balance		Provision for bad debts % of total		Ending balance		Provision for bad debts % of total	
	Amount	balance	Amount	Ratio	Amount	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	17,398,650.40	16.38%	(1,456,617.80)	8.37%	13,359,457.83	16.46%	(1,456,617.80)	10.90%
- Ageing Group	88,848,774.71	83.62%	(2,470,096.20)	2.78%	67,819,802.76	83.54%	(2,470,096.20)	3.64%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	-	-	-	-	-	-	-	-
	106,247,425.11	100%	(3,926,714.00)		81,179,260.59	100.00%	(3,926,714.00)	

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

	30 June 2016			31 December 2015		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	Ratio	Amount	Amount	Ratio
Within 1 year	86,348,918.43	-	-	63,304,777.52	-	-
1 to 2 years	-	-	-	2,015,168.96	-	-
2 to 3 years	-	-	-	74,400.20	(44,640.12)	60.00%
3 to 4 years	74,400.20	(44,640.12)	60.00%	-	-	-
4 to 5 years	-	-	-	-	-	-
Over 5 years	2,425,456.08	(2,425,456.08)	100.00%	2,425,456.08	(2,425,456.08)	100.00%
	88,848,774.71	(2,470,096.20)		67,819,802.76	(2,470,096.20)	

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
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## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### (3) Accounts receivable (Continued)

(d) As at 30 June 2016, the top five accounts receivable are analysed as follows:

	Amount	Provision for bad debts	% of account receivable
Total amount of the top five accounts receivable	102,266,699.00	–	96.25%

(e) As at 30 June 2016, there were no accounts receivable that relate to the provision for bad debts, no provision was collected or reversed.

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

(g) There were no accounts receivable derecognised due to transfer of financial assets.

(h) As at 30 June 2016 and 31 December 2015, there were no accounts receivable pledged for obtaining the loan.

### (4) Other receivables

	30 June 2016	31 December 2015
Amount due from subsidiaries (Note)	379,679,069.37	113,493,212.36
Amount due from a joint venture	105,657,320.00	32,656,620.00
Deposits for Pricing options	13,500,000.00	13,500,000.00
Cash advance	327,110.80	569,782.36
Others	3,137,026.92	733,124.71
	502,300,527.09	160,952,739.43
Less: provision for bad debts	(6,275.21)	(6,275.21)
	502,294,251.88	160,946,464.22

Note: The amount due from Xinjiang Kalatongke was RMB 250,000,000.00. The amount due from Xinjiang Yakesi was RMB124,825,391.65. The amount due from Shaanxi Xinxin was RMB4,714,744.98. The amount due from Zhongxin Mining was RMB127,871.09. The amount due from Beijing Xinding was RMB11,061.65.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
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## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### (4) Other receivables (Continued)

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

	30 June 2016	31 December 2015
Within 1 year	497,041,627.27	154,535,710.21
1 to 2 years	17,553.93	1,175,683.33
2 to 3 years	765,000.00	765,000.00
3 to 4 years	1,228,500.00	1,228,500.00
4 to 5 years	542,500.00	542,500.00
Over 5 years	2,705,345.89	2,705,345.89
	<b>502,300,527.09</b>	160,952,739.43

As at 30 June 2016, other receivables of RMB2,779,124.61 (31 December 2015: RMB2,869,870.68) were past due but not impaired. Based on the analysis of the customer's financial situation and credit record, the Company believes that this part of accounts receivable can be recovered. The ageing of such accounts receivable is analysed as follows:

	30 June 2016	31 December 2015
Within 1 year	—	—
1 to 2 years	17,553.93	108,300.00
2 to 3 years	—	—
3 to 4 years	30,000.00	30,000.00
4 to 5 years	32,500.00	32,500.00
Over 5 years	2,699,070.68	2,699,070.68
	<b>2,779,124.61</b>	2,869,870.68



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
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## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### (4) Other receivables (Continued)

(b) Other accounts receivable by categories are analysed as follows:

	30 June 2016				31 December 2015			
	Ending balance		Provision for bad debts % of total		Ending balance		Provision for bad debts % of total	
	Amount	balance	Amount	Ratio	Amount	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	485,459,629.37	96.65%	-	-	146,228,702.36	90.85%	-	-
- Ageing group	16,840,897.72	3.35%	(6,275.21)	0.04%	14,724,037.07	9.15%	(6,275.21)	0.04%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	-	-	-	-	-	-	-	-
	502,300,527.09	100.00%	(6,275.21)		160,952,739.43	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 2016			31 December 2015		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	Ratio	Amount	Amount	Ratio
Within 1 year	15,436,134.57	-	-	14,504,511.18	-	-
1 to 2 years	1,185,237.26	-	-	108,000.00	-	-
2 to 3 years	108,000.00	-	-	-	-	-
3 to 4 years	-	-	-	30,000.00	-	-
4 to 5 years	62,500.00	-	-	32,500.00	-	-
Over 5 years	49,025.89	(6,275.21)	12.80%	49,025.89	(6,275.21)	12.80%
	16,840,897.72	(6,275.21)		14,724,037.07	(6,275.21)	

(d) There were no provision for bad debts of other receivables provided, collected or reversed.

(e) There were no other receivables written off in current period.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
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## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### (4) Other receivables (Continued)

(f) As at 30 June 2016, the top five other receivables are analysed as follows:

	Nature	Amount	Ageing	% of total balance	Provision for bad debts
Xinjiang Kalatongke	Loan by mandate	250,000,000.00	Within 1 year	49.77%	–
Xinjiang Yakesi	Loan	124,825,391.65	Within 2 year	24.85%	–
Hexin Mining	Loan	105,657,320.00	Within 2 years, over 5 years	21.03%	–
Trafigura Investment (China) Co., Ltd.	Deposit for pricing options	13,500,000.00	Within 1 year	2.69%	–
Shaanxi Xinxin	Amount due from subsidiaries	4,714,744.98	Within 5 years	0.94%	–
		498,697,456.63		99.28%	–

### (5) Advances to suppliers

The ageing of advances to suppliers is analysed as follows:

	30 June 2016		31 December 2015	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	691,705,147.03	99.43%	723,541,309.73	99.68%
1 to 2 years	1,952,928.32	0.28%	309,571.95	0.04%
2 to 3 years	322,343.00	0.05%	367,599.87	0.05%
Over 3 years	1,690,389.80	0.24%	1,667,799.10	0.23%
	695,670,808.15	100.00%	725,886,280.65	100.00%

### (6) Inventories

	30 June 2016			31 December 2015		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	52,657,345.24	(1,225,787.98)	51,431,557.26	53,984,473.74	(1,225,787.98)	52,758,685.76
Work in progress	164,571,218.82	–	164,571,218.82	159,298,356.06	–	159,298,356.06
Semi-finished goods	275,882,370.51	–	275,882,370.51	310,020,421.43	(34,549,731.16)	275,470,690.27
Finished goods	1,330,917,853.75	(124,053,176.31)	1,206,864,677.44	1,257,168,423.64	(229,710,892.50)	1,027,457,531.14
	1,824,028,788.32	(125,278,964.29)	1,698,749,824.03	1,780,471,674.87	(265,486,411.64)	1,514,985,263.23

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (7) Other current assets

	30 June 2016	31 December 2015
Deductible VAT	168,390,298.55	148,460,902.97
Financial Assets available for sale	50,000,000.00	–
Prepaid of income tax	11,071,514.34	14,501,117.74
	<b>229,461,812.89</b>	162,962,020.71

### (8) Long-term equity investments

	30 June 2016	31 December 2015
Subsidiaries (a)	2,350,131,420.87	2,897,931,420.87
Joint venture	132,774,464.30	142,216,010.29
	<b>2,482,905,885.17</b>	3,040,147,431.16
Less: provision of long-term equity investments	–	(535,925,936.93)
	<b>2,482,905,885.17</b>	2,504,221,494.23

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

As at 31 December 2015, provision of long-term equity investments represented impairment losses of long-term equity investments of RMB535,925,936.93 for Wuxin Copper.

#### (a) Subsidiaries

	Accounting treatment	Initial investment cost	31 December 2015	Current period changes	30 June 2016	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	11,874,063.07	(11,874,063.07)	–	–	–
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%
			2,362,005,483.94	(11,874,063.07)	<b>2,350,131,420.87</b>		

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Long-term receivable

	30 June 2016	31 December 2015
Long-term receivable	800,000,000.00	800,000,000.00

As at 31 December 2015, the Company provided 3-year entrusted loans of RMB300,000,000.00 and RMB500,000,000.00 to Xinjiang Yakesi and Kalatongke Mining respectively, both with an annual rate of 6.50%.

### (10) Fixed assets

	Building	Machinery and equipment	Motor vehicles	Electronic equipment office equipment	Total
<b>Cost</b>					
31 December 2015	282,802,562.76	551,763,381.49	16,981,677.44	13,783,342.79	865,330,964.48
<b>Additions</b>					
Acquisition	82,730.10	1,932,294.40	-	293,346.39	2,308,370.89
Transfer-in from construction in progress	12,035,865.16	-	-	24,883.78	12,060,748.94
Others	512,100.00	-	-	-	512,100.00
<b>Reductions</b>					
Disposal and retirement	-	-	(123,595.00)	(85,660.00)	(209,255.00)
<b>30 June 2016</b>	<b>295,433,258.02</b>	<b>553,695,675.89</b>	<b>16,858,082.44</b>	<b>14,015,912.96</b>	<b>880,002,929.31</b>
<b>Accumulated depreciation</b>					
31 December 2015	97,467,120.76	224,437,710.54	10,160,859.51	10,593,272.55	342,658,963.36
Accrument	5,195,756.25	17,454,509.36	773,320.21	488,918.34	23,912,504.16
Others	239,965.11	-	-	-	239,965.11
Disposal and retirement	-	-	(115,889.61)	(83,090.20)	(198,979.81)
<b>30 June 2016</b>	<b>102,902,842.12</b>	<b>241,892,219.90</b>	<b>10,818,290.11</b>	<b>10,999,100.69</b>	<b>366,612,452.82</b>
<b>Net book value</b>					
<b>30 June 2016</b>	<b>192,530,415.90</b>	<b>311,803,455.99</b>	<b>6,039,792.33</b>	<b>3,016,812.27</b>	<b>513,390,476.49</b>
31 December 2015	185,335,442.00	327,325,670.95	6,820,817.93	3,190,070.24	522,672,001.12

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (10) Fixed assets (Continued)

For the six months ended 30 June 2016, depreciation expense of fixed assets amounted to RMB23,912,504.16 (six months ended 30 June 2015: RMB486,017.44) in total, of which RMB22,705,311.28 were charged to cost of sales, RMB80,126.46 to general and administrative expense, and RMB1,127,066.42 to selling expense (six months ended 30 June 2015: RMB23,168,364.18, RMB1,573,872.55 and RMB44,361.02 respectively).

### (11) Intangible assets

	Mining rights	Land use rights	Others	Total
<b>Cost</b>				
31 December 2015	–	55,768,857.90	302,589.85	56,071,447.75
Additions – Purchase	–	–	391,794.87	391,794.87
<b>30 June 2016</b>	<b>–</b>	<b>55,768,857.90</b>	<b>694,384.75</b>	<b>56,463,242.62</b>
<b>Accumulated amortisation</b>				
31 December 2015	–	7,742,457.61	105,476.32	7,847,933.93
Reductions – Accrue ment	–	566,674.08	29,837.68	596,511.76
<b>30 June 2016</b>	<b>–</b>	<b>8,309,131.69</b>	<b>135,314.00</b>	<b>8,444,445.69</b>
<b>Net book value</b>				
<b>30 June 2016</b>	<b>–</b>	<b>47,459,726.21</b>	<b>559,070.72</b>	<b>48,018,796.93</b>
31 December 2015	–	48,026,400.29	197,113.53	48,223,513.82

During the six months ended 30 June 2016, the amortisation expense of intangible assets was RMB596,511.76 (six months ended 30 June 2015: RMB486,017.44).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (12) Deferred tax assets

	30 June 2016		31 December 2015	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Assets impairment	129,211,953.50	19,381,793.02	805,345,337.76	120,801,800.66
Deductible losses	737,726,909.00	110,659,036.35	67,579,316.94	10,136,897.54
Government grants	1,756,448.00	263,467.20	787,114.00	118,067.10
	<b>868,695,310.50</b>	<b>130,304,296.57</b>	873,711,768.70	131,056,765.30
Including				
Deferred tax asset to be recovered within 1 year (including 1 year)		19,390,992.82		120,811,000.46
Deferred tax asset to be recovered after 1 year		110,913,303.75		10,245,764.84
		<b>130,304,296.57</b>		131,056,765.30

### (13) Provision for asset impairment

	31 December 2015	Current period additions	Current period reductions		30 June 2016
			Reversal or sold	Others	
Provision for bad debts	3,932,989.21	-	-	-	3,932,989.21
Including: Accounts receivable	3,926,714.00	-	-	-	3,926,714.00
Other receivables	6,275.21	-	-	-	6,275.21
Provision for decline in value of inventories	265,486,411.64	-	(105,657,716.19)	(137,691,675.59)	125,278,964.29
Provision of long-term equity investments	535,925,936.93	-	-	(535,925,936.93)	-
	805,345,337.78	-	(105,657,716.19)	(570,475,668.09)	129,211,953.50

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (14) Accounts payable

	30 June 2016	31 December 2015
Payable for purchase of materials	63,268,837.71	26,514,595.55
Transportation fee payable	3,289,730.11	6,742,184.58
Others	14,625,670.90	746,835.65
	<b>81,184,238.72</b>	<b>34,003,615.78</b>

### (15) Advances from customers

	30 June 2016	31 December 2015
Advances for sales of goods	13,196,600.33	20,818,319.02

### (16) Employee benefits payable

	30 June 2016	31 December 2015
Short-term employee benefits payable	19,097,742.59	18,566,287.20
Defined contribution plans payable	6,045.13	16,121.86
	<b>19,103,787.72</b>	<b>18,582,409.06</b>



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (16) Employee benefits payable (Continued)

#### (a) Short-term employee benefits payable

	31 December 2015	Current period additions	Current period reductions	30 June 2016
Salaries, bonuses, allowances and subsidies	14,095,300.15	28,873,460.95	(28,472,523.98)	14,496,237.12
Staff welfare	–	774,694.50	(774,694.50)	–
Social insurances	2,176.91	3,229,708.48	(3,229,708.48)	2,176.91
Including: Medical insurance	2,176.91	2,711,683.68	(2,711,683.68)	2,176.91
Work injury insurance	–	366,823.67	(366,823.67)	–
Maternity insurance	–	151,201.13	(151,201.13)	–
Housing funds	555,345.00	3,541,817.00	(3,541,817.00)	555,345.00
Labour union fund and employee education fund	3,912,445.14	1,045,761.40	(915,242.98)	4,042,963.56
Others	1,020.00	2,571,799.56	(2,571,799.56)	1,020.00
	18,566,287.20	40,037,241.89	(39,505,786.50)	19,097,742.59

#### (b) Defined contribution plans payable

	31 December 2015	Current period additions	Current period reductions	30 June 2016
Pension insurance	–	5,703,870.97	(5,703,870.97)	–
Unemployment insurance	16,121.86	374,962.83	(385,039.56)	6,045.13
	16,121.86	6,078,833.80	(6,088,910.53)	6,045.13

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (17) Taxes payable

	30 June 2016	31 December 2015
Value added tax payable	266,279.29	302,413.94
Stamp duty	49,180.90	42,227.99
Individual income tax	47,769.11	122,277.24
City maintenance and construction tax payable	19,805.94	21,223.96
Educational surcharge payable	14,117.86	15,175.68
Others	590.85	3,740.00
<b>Total</b>	<b>397,743.95</b>	<b>507,058.81</b>

### (18) Interest payable

	30 June 2016	31 December 2015
Interests for bond payable	46,287,442.91	37,704,109.56

### (19) Other payables

	30 June 2016	31 December 2015
Payable to subsidiaries	425,861,767.04	64,315,900.77
Withholding of social security fees	1,118,096.36	1,892,079.91
Payable for professional service	77,384.99	1,896,240.54
Deposit for quality guarantee	1,671.00	101,735.00
Payables for purchases of equipments	-	2,732,434.99
Payables for construction projects	-	1,820,044.00
Others	5,381,469.07	2,244,440.59
<b>Total</b>	<b>432,440,388.46</b>	<b>75,002,875.80</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (20) Revenue and cost of sales

	Six months ended 30 June 2016	Six months ended 30 June 2015
Revenue from main operation	369,970,303.22	272,784,717.01
Revenue from other operation	3,806,207.54	2,870,012.78
	<b>373,776,510.76</b>	275,654,729.79
	Six months ended 30 June 2016	Six months ended 30 June 2015
Cost of sales from main operation	366,326,548.22	269,324,983.96
Cost of sales from other operation	3,448,002.57	2,371,101.57
	<b>369,774,550.79</b>	271,696,085.53

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

	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
Nickel cathode	196,160,127.15	236,541,308.39	118,723,018.07	133,046,677.06
Copper cathode	149,748,786.72	123,264,787.47	146,934,587.14	129,256,354.88
Others	24,061,389.35	6,520,452.36	7,127,111.80	7,021,952.02
	<b>369,970,303.22</b>	<b>366,326,548.22</b>	272,784,717.01	269,324,983.96

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (20) Revenue and cost of sales (Continued)

#### (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
Supply of heating	3,574,506.70	3,414,451.33	2,341,953.68	2,341,953.68
Scrap sales	90,861.54	–	445,295.48	–
Sales of electricity	43,046.94	18,185.84	44,200.00	27,317.29
Others	97,792.36	15,365.40	38,863.62	1,830.60
	<b>3,806,207.54</b>	<b>3,448,002.57</b>	2,870,012.78	2,371,101.57

### (21) Financial expenses – net

	Six months ended 30 June 2016	Six months ended 30 June 2015
Interest expense	50,001,666.68	17,653,698.62
Including: Bond payables	44,183,333.35	17,653,698.62
Bank borrowings	5,818,333.33	–
Less: Interest income on bank deposits	(29,497,160.67)	(2,083,618.88)
Foreign exchange losses/(gains)	4,930.61	2,697.67
Bank Charges	1,966,994.43	1,708,817.11
	<b>22,476,431.05</b>	17,281,594.52

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (22) Expenses by nature

Cost of sales, Selling and distribution expense, General and administrative expenses in Income Statements by nature are shown as follows:

	Six months ended 30 June 2016	Six months ended 30 June 2015
Raw materials and consumables used	390,731,476.79	505,874,173.56
Changes in inventories of work in progress, semi-finished goods and finished goods (Note 15(6))	(44,884,241.95)	(322,961,558.41)
Resell of the Depreciated Inventory	(60,752,693.86)	-
Employee benefits	46,116,075.69	49,702,074.78
Depreciation	23,912,504.16	24,786,597.75
Electricity costs	19,759,852.63	22,319,930.81
Other overhead	3,663,390.22	5,671,241.78
Office expenses	1,085,370.49	739,498.27
Taxation	2,218,476.23	1,428,836.62
Sewage charges	3,949,226.49	639,466.39
Amortisation	596,511.76	486,017.44
Safety fund	1,926,891.30	58,278.92
Others	4,508,957.49	4,152,312.34
	<b>392,831,797.44</b>	<b>292,896,870.25</b>

### (23) Investment losses

	Six months ended 30 June 2016	Six months ended 30 June 2015
Income from sales of available financial assets	1,621,389.57	-
Income from long-term investment in long-term equity investment	125,936.93	-
Net loss from a joint venture under equity method (Note 4(9)(a))	(9,441,545.99)	(10,123,930.57)
	<b>(7,694,219.49)</b>	<b>(10,123,930.57)</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

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

### (24) Income tax expenses

	Six months ended 30 June 2016	Six months ended 30 June 2015 (unaudited)
Current income tax	–	7,614,977.28
Deferred income tax	752,468.73	(5,172,167.58)
	<b>752,468.73</b>	<b>2,442,809.70</b>

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

	Six months ended 30 June 2016	Six months ended 30 June 2015 (unaudited)
Total loss	<b>(4,425,030.66)</b>	(44,558,404.75)
Income tax expenses calculated at applicable tax rate of 25%	<b>(1,106,257.67)</b>	(11,139,601.19)
Effect of tax deductions	442,485.07	4,455,840.48
Expenses not deductible for tax purposes	9.43	5,372,696.20
Deductible temporary differences for which no deferred tax assets were recognised	1,416,231.90	–
Clearance differences in respect of prior years	–	3,753,874.21
	<b>752,468.73</b>	<b>2,442,809.70</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016  
(All amounts in RMB Yuan unless otherwise stated)

## 16 NET CURRENT (LIABILITIES)/ASSETS

	<b>The Group</b>	
	<b>30 June 2016</b>	31 December 2015
Current assets	<b>3,234,584,891.69</b>	4,196,640,991.83
Less: current liabilities	<b>(2,361,921,128.10)</b>	(4,588,113,430.32)
Net current assets/(liabilities)	<b>872,663,763.59</b>	(391,472,438.49)

	<b>The Company</b>	
	<b>30 June 2016</b>	31 December 2015
Current assets	<b>3,450,244,128.45</b>	2,845,563,286.93
Less: current liabilities	<b>(1,672,610,202.09)</b>	(829,918,388.03)
Net current assets	<b>1,777,633,926.36</b>	2,015,644,898.90

## 17 TOTAL ASSETS LESS CURRENT LIABILITIES

	<b>The Group</b>	
	<b>30 June 2016</b>	31 December 2015
Total assets	<b>8,750,788,838.85</b>	11,903,167,670.23
Less: current liabilities	<b>(2,361,921,128.10)</b>	(4,588,113,430.32)
Total assets less current liabilities	<b>6,388,867,710.75</b>	7,315,054,239.91

	<b>The Company</b>	
	<b>30 June 2016</b>	31 December 2015
Total assets	<b>7,454,629,852.26</b>	6,865,376,621.85
Less: current liabilities	<b>(1,672,610,202.09)</b>	(829,918,388.03)
Total assets less current liabilities	<b>5,782,019,650.17</b>	6,035,458,233.82



# SUPPLEMENTAL INFORMATION FOR FINANCIAL STATEMENTS

(All amounts in RMB Yuan unless otherwise stated)

## 1 EXTRAORDINARY GAINS OR LOSSES

	Six months ended 30 June 2016	Six months ended 30 June 2015 (unaudited)
Investment income on disposal of long-term equity investment	57,955,495.17	–
Changes in fair value gains/(losses) on disposal of financial liabilities at fair value through profit or loss – net	3,562,203.29	2,121,946.25
Government grants through profit or loss	1,986,428.71	1,654,897.52
Losses on disposal of non-current assets	(17,730.05)	(55,208.82)
Other operating revenues and expenses	(15,491.03)	745,860.07
	<b>63,470,906.09</b>	4,467,495.02
Income tax	–	–
Non-controlling interest impact (after tax)	(15,363.40)	1,146,496.25
	<b>63,455,542.69</b>	5,613,991.27

### Basis of preparation of extraordinary gains or losses

According to the “Explanatory Notice for Information Disclosure by Companies Offering Securities to the Public No. 1 – Extraordinary Gains or Losses [2008]” set by China Securities Regulatory Commission, extraordinary gains or losses refer to gains or losses that are not directly related to the company’s normal business, and that are related to normal business but impact financial statements users to make correct judgment of the transactions and events on the Company’s operating performance and profitability because of their extraordinary and sporadic nature.

## 2 LOSS ON NET ASSETS AND LOSS PER SHARE

	Weighted average Loss per share on net assets (%)		Loss per share			
	Six months ended 30 June 2016	Six months ended 30 June 2015	Six months ended 30 June 2016	Six months ended 30 June 2015	Diluted Loss per share	
	Six months ended 30 June 2016	Six months ended 30 June 2015	Six months ended 30 June 2016	Six months ended 30 June 2015	Six months ended 30 June 2016	Six months ended 30 June 2015
Net loss attributable to ordinary shareholders of the Company	(1.95%)	(6.24%)	(0.041)	(0.15)	(0.041)	(0.15)
Net loss attributable to ordinary shareholders excluding extraordinary items	(3.33%)	(6.32%)	(0.070)	(0.16)	(0.070)	(0.16)



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