Xinjiang Xinxin Mining Industry Co., Ltd.*

新疆新鑫礦業股份有限公司

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

Stock Code: 3833

Annual Report 2016

We See The Future

* *For identification purpose only*

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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)*
Sun Baohui (resigned on 13 April 2016)
Zhang Xuehe (selected on 13 April 2016)
Guo Zhonglin (resigned on 14 April 2016)
Chen Rong (appointed on 15 June 2016)
Hu Zhijiang (resigned on 28 February 2017)
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)*

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Beijing Grandway Law Offices (PRC law)

AUDITORS

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PUBLIC RELATIONS

Wonderful Sky Financial Group Limited

COMPANY WEBSITE

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STOCK CODE

3833

SUMMARY

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

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

On 9 March 2016, Shaanxi Honghao Industry Co., Ltd.* (陝西鴻浩實業有限公司) transferred all of 6,272,000 domestic shares held by it in the Company to Shanxi Guangyou trade Co., Ltd.* (陝西廣優貿易有限公司) by means of negotiated assignment, after which, Shanxi Guangyou trade Co., Ltd.* (陝西廣優貿易有限公司) holds 6,272,000 domestic shares of the Company.

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

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

The Company acquired 51% equity interests in Shaanxi Xinxin Mining Co., Ltd ("Shaanxi Xinxin") in 2011. Shaanxi Xinxin held two vanadium mines in Xianghe Street and Mujia River in Shangnan, Shaanxi (陝西商南縣的湘河街和穆家河) in which the Company held 51% equity interests thereof. As at 31 December 2016, two vanadium mines in Xianghe Street and Mujia River were still under the stage of resource exploration and no mining activities had been conducted yet.

RESOURCES AND RESERVES

The resources and reserves estimates for the deposits of four nickel-copper mines in Kalatongke, Huangshandong, Huangshan and Xiangshan as at 31 December 2016 are set out in the following tables:

	Ore contents	Grade		Metal contents	
		Cu	Ni	Cu	Ni
	(t)	*(%)*	*(%)*	*(t)*	*(t)*
Resources as at 31 December 2016					
Kalatongke nickel-copper mine	30,424,140	0.97	0.56	295,090	171,598
Three nickel-copper mines in Huangshandong, Huangshan, Xiangshan	81,176,655	0.27	0.45	220,446	362,845
Total	111,600,795			515,536	534,443
Reserves as at 31 December 2016					
Kalatongke nickel-copper mine	20,008,300	1.01	0.62	201,106	123,489
Three nickel-copper mines in Huangshandong, Huangshan, Xiangshan	31,313,749	0.30	0.49	95,357	153,975
Total	51,322,049			296,463	277,464

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

The resources estimates for the deposits of two vanadium mines in Xianghe Street and Mujia River as at 31 December 2016 are set out in the following table:

	Ore contents	V_2O_5 grade	V_2O_5 contents
	(t)	*(%)*	*(t)*
Resources as at 31 December 2016			
Xianghe Street vanadium mine	10,159,400	0.95	96,300
Mujia River vanadium mine	29,295,500	0.88	257,800
Total	39,454,900		354,100

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

SUMMARY OF FINANCIAL INFORMATION

	2012 *RMB'000*	2013 *RMB'000*	2014 *RMB'000*	2015 *RMB'000*	**2016** ***RMB'000***
RESULTS OF OPERATIONS					
Year ended 31 December					
Revenue	1,529,212	844,914	3,392,424	2,685,877	**2,042,488**
Operating profit/(loss)	10,232	(67,538)	25,590	(1,004,785)	**(259,110)**
Total profit/(loss) before income tax	12,813	(65,531)	31,847	(999,410)	**(257,110)**
Net profit/(loss)	10,208	(66,892)	12,748	(943,130)	**(236,344)**
Total comprehensive income/(loss)	10,208	(66,892)	12,748	(943,130)	**(236,344)**
Net profit/(loss) or total comprehensive income/(loss) attributable to					
– Shareholders of the Company	21,823	(58,514)	77,762	(741,059)	**(207,068)**
– Non-controlling interests	(11,615)	(8,378)	(65,014)	(202,101)	**(29,276)**
Earnings/(loss) per share					
– basic and diluted *(RMB/share)*	0.010	(0.026)	0.035	(0.335)	**(0.094)**
CASH FLOWS					
Net cash flows (used in)/generated from operating activities	(132,685)	(997,410)	672,283	(146,045)	**527,240**
FINANCIAL POSITION					
As at 31 December					
Total assets	8,480,503	11,059,191	11,885,837	11,903,168	**8,088,283**
Total liabilities	2,841,346	5,471,586	6,286,996	7,238,847	**3,636,571**
Equity attributable to shareholders of the Company	5,294,344	5,237,570	5,313,820	4,581,401	**4,375,876**
Non-controlling interests	344,813	350,035	285,021	82,920	**75,836**
Total shareholders' equity	5,639,157	5,587,605	5,598,841	4,664,321	**4,451,712**
TOTAL SHARES (NUMBER OF SHARES)					
Domestic shares	1,451,000,000	1,451,000,000	1,451,000,000	1,451,000,000	**1,451,000,000**
H Shares	759,000,000	759,000,000	759,000,000	759,000,000	**759,000,000**
	2,210,000,000	2,210,000,000	2,210,000,000	2,210,000,000	**2,210,000,000**

CHAIRMAN'S STATEMENT

Dear Shareholders,

I would like to extend my gratitude for your confidence and support to Xinjiang Xinxin Mining Industry Co., Ltd.* (the "Company") and its subsidiaries (collectively the "Group"). I am pleased to report the operating results for the year ended 31 December 2016 ("Year 2016" or the "Year"):

MARKET OVERVIEW

In 2016, the average three-month future price of nickel cathode in London Metal Exchange ("LME") was US$9,637 per tonne, representing a decrease of 18.8% as compared to that in 2015, and the average three-month future price of copper cathode was US$4,871 per tonne, representing a decrease of 11.2% as compared to that in 2015.

In 2016, the average spot price (including tax) of nickel cathode in Shanghai Yangtze River Non-ferrous Metals Spot Market was RMB75,910 per tonne, representing a decrease of 15.1% as compared to that in 2015, and the average spot price (including tax) of copper cathode was RMB38,082 per tonne, representing a decrease of 6.8% as compared to that in 2015.

The domestic price trends of nickel cathode and copper cathode were basically in line with the international market in 2016.

INDUSTRY POSITION

The Group is a mining company principally engaged in the mining, ore processing, smelting and refining of nickel cathode products and other non-ferrous metals (namely, copper, cobalt, gold, silver, platinum and palladium). According to the statistics of China Non-ferrous Metals Industry Association, the total domestic output of nickel for the year of 2016 amounted to 219,900 tonnes, representing a decrease of 8.7% as compared to that in 2015. With an output of 11,813 tonnes of nickel cathode for the year of 2016, the Group remains the second largest domestic manufacturer of nickel cathode produced with nickel sulfide resources.

BUSINESS REVIEW

Production and Operation

For the year of 2016, in order to cope with the adverse impact on enterprises caused by the prices of nickel cathode and copper cathode in domestic market hovering at the bottom with slow upward trend and the relatively lower overall price, the Group took a series of measures to lower product costs and expenditures as well as improve overall operation efficiency of the Company. Such measures included enhancing fundamentals of the corporate management, adjusting the internal operation structure of enterprises, optimizing the technical and economic indicators of production processes, strictly controlling non-productive expenditures, improving infrastructure and technological renovation projects as well as fulfilling planned production volume and attaining stated targets through performing the craftsmanship adjustment and testing and commissioning as soon as possible. In the meantime, the Group intensified analysis and research of products market, and adopted the marketing strategies of pricing sales combining spot and futures, which in turn achieved the goal to realize the sales of major products of the Group with a relatively higher market price and enhance the economic efficiency.

For the year of 2016, the Group recorded a total nickel cathode output of 11,813 tonnes, representing an increase of 1.7% as compared to that in 2015; a total copper cathode output of 12,493 tonnes, representing a decrease of 79.3% as compared to that in 2015, of which, 10,008 tonnes of copper cathode was produced by Fukang Refinery of Xinjiang Xinxin Mining Industry Co., Ltd. ("Fukang Refinery"), which was flat with that in 2015, and the rest 2,485 tonnes of copper cathode was produced by Xinjiang Wuxin Copper Company Limited ("Wuxin Copper"), representing a decrease of 95.1% as compared to that in 2015.

The Company finished transferring all 66% equity interest in Wuxin Copper held by it ("Transfer of Wuxin Copper") in June 2016. Due to Transfer of Wuxin Copper, the consolidated statement of the Group for the year of 2016 recorded the consolidated copper cathode output of Wuxin Copper amounting to 2,485 tonnes.

For the year of 2016, the Group recorded total nickel cathode sales of 19,291 tonnes, representing an increase of 833.3% as compared to that in 2015. Total copper cathode sales was 14,157 tonnes, representing a decrease of 76.6% as compared to that in 2015. Such substantial decrease was mainly due to substantial decrease of output of the Group's copper cathode caused by Transfer of Wuxin Copper.

For the year of 2016, the Group recorded an average selling price of nickel cathode (tax exclusive) of RMB70,194 per tonne, representing a decrease of 9.8% as compared to that in 2015. Average selling price of copper cathode (tax exclusive) amounted to RMB30,917 per tonne, representing a decrease of 10.7% as compared to that in 2015.

For the year of 2016, the Group recorded an average cost of sales of nickel cathode of RMB68,089 per tonne, representing a decrease of 21.0% as compared to that in 2015. Average cost of sales of copper cathode amounted to RMB30,755 per tonne, representing a decrease of 18.2% as compared to that in 2015.

CHAIRMAN'S STATEMENT

For the year of 2016, the Group achieved a revenue of RMB2,042.5 million, representing a decrease of 24.0% as compared to that in 2015, and a net loss of RMB236.3 million, as compared to a net profit of RMB943.1 million in 2015, representing a decrease of RMB706.8 million; a comprehensive loss attributable to shareholders of the Company amounted to RMB207.1 million, as compared to a comprehensive loss attributable to shareholders of the Company of RMB741.0 million in 2015, and a loss per share (basic and diluted) of RMB0.094 as compared to a loss per share (basic and diluted) of RMB0.335 in 2015.

Mineral exploration activities: For the year of 2016, Xinjiang Kalatongke Mining Industry Company Limited ("Kalatongke Mining") mainly completed mineral exploration projects such as 13,174 meters of drilling in pit and 303 meters of surface drilling. Xinjiang Yakesi Resources Co. Ltd. ("Xinjiang Yakesi") and Hami Jubao Resources Co. Ltd. ("Hami Jubao") mainly completed mineral exploration projects such as 15 meters of tunnel exploration, 7,870 meters of drilling in pit and 350 meters of surface drilling. In 2016, the total amount of expenditure that the Group expended on exploration was approximately RMB7.5 million.

Mining development activities: In 2016, Kalatongke Mining mainly completed mining development projects, such as excavation of 2,081 meters at 260 mid-segment, 350 mid-segment, 440 mid-segment, 405 level of No. 2 ore body and various tunnels at 530 mid-segment of No. 3 ore body, excavation of 390 meters of various ore chutes, excavation of 411 meters of slope supporting, etc. Xinjiang Yakesi and Hami Jubao mainly completed mining development projects, such as excavation of 764 meters at various tunnels and wellbores at 150 mid-segment, 350 mid-segment, 450 mid-segment and 530 mid-segment of No. 30 ore body in Huangshandong mining area, construction of various chambers of 1,584 m^3. In 2016, the Group's total expenditure for mining development activities amounted to approximately RMB77.1 million.

Ore mining: In 2016, Kalatongke Mining produced 860,953 tonnes of ore, while Xinjiang Yakesi and Hami Jubao produced 988,068 tonnes of ore. In 2016, the aggregate expenditures of the ore mining operation of the Group was approximately RMB331.8 million.

Ore processing: In 2016, Kalatongke Mining produced 88,076 tonnes of nickel-copper combined concentrate, while Xinjiang Yakesi and Hami Jubao produced 65,437 tonnes of nickel concentrate and 8,440 tonnes of copper concentrate.

Smelting and refining: for the year of 2016, Kalatongke Mining produced 21,054 tonnes of water hardening and nickel matte. Xinjiang Zhongxin Mining Company Limited ("Hami Zhongxin") produced 8,290 tonnes of water hardening and nickel matte. Fukang Refinery manufactured 11,813 tonnes of nickel cathode and 10,008 tonnes of copper cathode.

Sales: For the year of 2016, the Group achieved revenue from principal businesses of RMB1,962.0 million in total, which comprised RMB1,354.1 million of sales revenue from nickel cathode, accounting for 69.0% of the revenue from principal businesses of the Group, and RMB437.7 million of sales revenue from copper cathode, accounting for 22.3% of the revenue from principal businesses of the Group. Other products (including copper concentrate, anode mud, electrolytic cobalt, gold, silver, platinum and palladium) achieved a sales revenue of RMB170.2 million, representing 8.7% of the revenue from principal businesses of the Group.

For the year of 2016, although the cost of sales of the principle products of the Group decreased substantially compared to previous year, the operating results of the Group recorded a loss of RMB236.3 million due to the impacts that the prices of the nickel cathode and copper cathode in international and domestic markets were still hovering at the bottom with slow upward trend and the annual average price was still low. Save as disclosed above, in 2016, the overall production and operation of the Group were stable, with no other material operation difficulties or operational problems.

Progress of Technological Renovation and Capacity Expansion Projects and Infrastructure Projects

In 2016, the technological renovation and capacity expansion projects carried out by the Group mainly included: the technological renovation and capacity expansion project involving the enhancement of the mining, ore processing and smelting capacities of Kalatongke Mining, the technological renovation and capacity expansion project of Fukang Refinery involving the enhancement of the auxiliary facilities to improve the refining capacities of nickel cathode and copper cathode and involving the expansion of the new production capacity of nickel cathode to 15,000 tonnes per year, and the technological renovation and capacity expansion project for the addition of the mining and ore processing capacities of Xinjiang Yakesi. The major technological renovation and capacity expansion projects of the Group proceeded smoothly as a whole in 2016 and the required progress of works was achieved on time during the Reporting Year. The investment on each project is as follows:

In 2016, a total of RMB36.2 million was invested in the further enhancement of the technological renovation and capacity expansion project involving the daily mining capacity of 3,400 tonnes, daily ore processing capacity of 3,000 tonnes as well as annual production capacity of water hardening and nickel matte of 8,000 tonnes of Kalatongke Mining.

In 2016, a total of RMB74.7 million was invested in the further enhancement of the technological renovation and capacity expansion project of Fukang Refinery involving the enhancement of the auxiliary facilities to improve the refining capacities of nickel cathode and copper cathode, as well as the preliminary works of the technological renovation and capacity expansion project of Fukang Refinery involving the expansion of the new production capacity of nickel cathode to 15,000 tonnes per year.

As for the technological renovation and capacity expansion project of Xinjiang Yakesi and Hami Jubao in relation to the addition of the daily mining and ore processing capacities of 4,000 tonnes, a total investment of RMB50.0 million was made in 2016.

Environmental Protection and Safety

The Group adheres to the safety and environmental protection policies of "Safety First, Precaution Foremost" and "Equal Emphasis on Both Resources Development and Environmental Protection" earnestly to ensure its production safety and environmental protection. In 2016, the Group achieved its target of production safety. The environmental protection was stringently observed in compliance with the relevant national laws and regulations.

OUTLOOK

Operating Environment

For the year of 2017, although the global economy remains in a recovery stage, and there are many uncertainties affecting the recovery of global economy, the Chinese economy will still maintain moderate and robust growth. However, more attention has to be paid to the structural adjustments and the changes in the mode of growth, and the pace of growth will slow down (the PRC government forecasts China's GDP growth rate target for the year 2017 to be around 6.5%). In this regard, the Group expects the consumption volume of nickel cathode and copper cathode in the domestic non-ferrous metal market to keep on growing in 2017.

Operational objectives

For the year of 2017, the Group plans to produce 12,000 tonnes of nickel cathode and 10,000 tonnes of copper cathode. Please be cautioned that because of quite a number of uncertainties in metal prices and the domestic raw materials market, the above plan has been made merely on the basis of the current market situation and the existing conditions of the Group. The Board may adjust the relevant production plan according to the changes of situation.

BUSINESS STRATEGIES

Production and operation

For the year of 2017, as there are more uncertainties that may affect the recovery of the global economy, the Group should strengthen its research and analysis of the trend of price in the international and domestic nickel cathode and cathode copper markets combining with its actual situation and capital capability and carry out more flexible and proactive marketing strategies. Moreover, 2017 is the critical year for various technological renovation and capability expansion projects of the Group to gradually substantiate their production capacity. The Group shall complete supplementary enhancement of the technological renovation and capacity expansion projects in order to meet the planned production volume and the stated targets as soon as possible, and based on this foundation, fully explore its internal potential, strive to increase output and income, and further reduce its production cost and expenses through stringent control of non-production expenditures with an aim to continually generating greater economic benefits for the Group and improving its management standards and general operation efficiency.

Project Construction Works

For the year of 2017, the planned investments in the major construction projects of the Group are as follows:

Kalatongke Mining will undergo further enhancement of 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 8,000 tonnes of nickel contents out of the water hardening and nickel matte, and the Company expects to invest RMB25.5 million in the plan above for the year 2017.

Fukang Refinery will undergo further enhancement of its technological renovation and expansion project for refining auxiliary facilities to enhance the refining capacity of nickel cathode and copper cathode as well as its technological renovation and expansion project for increasing new production capacity of nickel cathode to 15,000 tonnes annually. The Company expects to invest RMB81.0 million in the plan above for the year 2017.

We plan to invest RMB35.9 million in the technological renovation and expansion project of Xinjiang Yakesi and Hami Jubao in relation to the addition of 4,000 tonnes of daily mining and ore processing capacity for the year 2017.

Mineral Resources Control and Search for Mines by Geological Means

Mineral resources are the fundamental guarantee for the continuing development of a mining company. After all, the control of mineral resources and the search for mines by geological means are the core components of the business development of the Group. The Group places great emphasis on searching for preliminary mining projects with potentials for acquisition, enhances in-depth exploration, extends exploration in the surrounding areas of its existing major mines, and applies effective mine searching methods to achieve effective growth of the mineral resources and reserves of the Group. For the year of 2017, the Group plans to invest RMB9.9 million in in-depth exploration and extension of exploration in the surrounding area of existing major mines resources and search for mines by geological means. In particular, Kalatongke Mining plans to invest RMB6.4 million in exploration. Xinjiang Yakesi and Hami Jubao plan to invest RMB3.5 million in exploration.

Mergers and Acquisition

The Company has placed great emphasis on mergers and acquisition of enterprises since its listing. Following the successful acquisition of various mining companies including Xinjiang Yakesi, Hami Jubao, Hami Zhongxin, Shaanxi Xinxin and Hami Hexin Mining Company Limited (in which the Company holds 50% equity interest), the Group's nickel and copper resources and reserves as well as its subsequent development and production capacity achieved substantial increase. The acquisitions have further optimized the Group's production chain, strengthened its core competitiveness and uplifted the operational efficiency of assets as a whole. For the year of 2017, the Group will fully utilize its strength to enhance enterprises merger and acquisition, initiate economic cooperation and capture the business opportunities of merger and acquisition in the international and the domestic metal markets. The Group will strive for new breakthrough in terms of mergers and acquisition of enterprises and capital management leading to a new milestone for the Group.

2017 is a year both of opportunities and challenges for the Group. The Group will take more proactive and progressive operating strategies to cope with the difficult environment in this complex situation of ever-changing global economy and its sluggish recovery, so that the Group can manage to achieve sustained and moderate growth under an operating condition featuring high efficiency and low-cost. Also the Group has abundant resources and reserves, a favorable industry position and a sophisticated management team in the industry to enable us to enjoy sufficient benefits when the world economy further improves. The Group believes that with the great efforts of its staff and the tremendous support from various sectors of the society, the Group will achieve sustained and stable development in 2017.

By order of the Board

Guo Haitang
Chairman

Xinjiang, the PRC
24 March 2017

OPERATING RESULTS

In 2016, the revenue of the Group amounted to RMB2,042.5 million, representing a decrease of 24.0% as compared to RMB2,685.9 million in 2015; the comprehensive loss of the Group amounted to RMB236.3 million, as compared to the comprehensive loss of the Group amounted to RMB943.1 million in 2015; the comprehensive loss attributable to shareholders of the Company amounting to RMB207.1 million, as compared to the comprehensive loss attributable to shareholders of the Company amounting to RMB741.0 million in 2015. The significant decrease in the comprehensive loss in 2016 was primarily because the Company transferred 66% shares of Wuxin Copper on 15 June 2016 and took measures to reduce production costs and expenses and adopted the marketing strategies of pricing option combining spot and futures with the purpose of increasing the selling price of products and enhancing the economic efficiency.

REVENUE AND GROSS PROFIT OF THE PRINCIPAL BUSINESSES

The following table illustrates the details of sales by products of the Group for the two years ended 31 December 2016 and 31 December 2015:

	For the year ended 31 December 2016			For the year ended 31 December 2015			Growth
Product Name	**Sales volume**	**Amount**	**% to Revenue**	Sales volume	Amount	% to Revenue	rate in amount
	Tonnes	***RMB'000***		*Tonnes*	*RMB'000*		+/(-)
Nickel cathode	**19,291**	**1,354,090**	**69.0%**	2,067	160,761	6.2%	742.3%
Copper cathode	**14,157**	**437,678**	**22.3%**	60,531	2,096,137	80.5%	(79.1%)
Of which:							
Fukang Refinery	**10,075**	**313,428**	**16.0%**	11,041	379,847	14.6%	(17.5%)
Wuxin Copper	**4,082**	**124,250**	**6.3%**	49,490	1,716,290	65.9%	(92.8%)
Copper concentrate	**8,160**	**58,534**	**3.0%**		–	0.0%	
Other products		**111,670**	**5.7%**		345,537	13.3%	(67.7%)
Of which:							
Anode slime	**57**	**36,419**	**1.9%**	301	303,154	11.6%	(88.0%)
Total revenue from main operation		**1,961,972**	**100.0%**		2,602,435	100.0%	(24.6%)
Cost of sales from main operation		**(1,873,545)**	**95.5%**		(2,849,366)	109.5%	(34.2%)
Gross profit/(loss)		**88,427**	**4.5%**		(246,931)	(9.5%)	

In 2016, the revenue of nickel cathode of the Group amounted to RMB1,354.1 million, representing an increase of 742.3% as compared to that in 2015, mainly attributable to the significant increase in the sales volume of nickel cathode. The average selling price of the Group's nickel cathode in 2016 amounted to RMB70,194 per tonne, representing a decrease of 9.8% as compared to RMB77,782 per tonne in 2015. In 2016, the Group's sales volume of nickel cathode was 19,291 tonnes, representing an increase of 833.3% as compared to 2,067 tonnes in 2015.

In 2016, the revenue of copper cathode of the Group amounted to RMB437.7 million, representing a decrease of 79.1% as compared to that in 2015, mainly due to the significant decrease in the sales volume of copper cathode. The average selling price of copper cathode of the Group in 2016 was RMB30,917 per tonne, representing a decrease of 10.7% as compared to RMB34,629 per tonne in 2015. The sales volume of copper cathode of the Group was 14,157 tonnes, representing a decrease of 76.6% as compared to 60,531 tonnes in 2015. The decrease in the sales volume was mainly attributable to the significant decrease in production of copper cathode of the Group caused by the Transfer of Wuxin Copper.

In 2016, the revenue of copper concentrate of the Group was RMB58.5 million, with the sales volume of 8,160 tonnes. In 2015, the copper concentrate of the Group was not for sale and all of the supply was for internal units.

In 2016, the revenue of other products of the Group amounted to RMB111.7 million, representing a significant decrease as compared to that in 2015, which was mainly attributable to the transfer of Wuxin Copper (a subsidiary of the Group) by the Group and significant decrease in sales volume of anode slime, which was partially offset by the significant increase of sales volume of gold, silver and electrolytic cobalt of the Group.

In 2016, the gross profit from the Group's principal business amounted to RMB88.4 million, representing an increase of RMB335.3 million as compared to the loss of RMB246.9 million in 2015. The gross profit margin was 4.5% in 2016, representing an increase of 14.0 percentage points as compared to the gross loss margin of 9.5% in 2015.

SELLING EXPENSES

In 2016, selling expenses incurred by the Group decreased by 42.7% to RMB37.9 million, as compared to RMB66.3 million in 2015, mainly due to the transfer of Wuxin Copper(a subsidiary of the Group) by the Group and the significant decrease in the Group's sales volume of copper cathode,which led to the significant decrease in the loading and transportation costs of products.

GENERAL AND ADMINISTRATIVE EXPENSES

In 2016, general and administrative expenses incurred by the Group decreased by 27.9% to RMB133.0 million, as compared to RMB184.6 million in 2015. The decrease in expenses was primarily due to the decrease of general and administrative expenses in the scope of consolidation caused by the Transfer of Wuxin Copper (a subsidiary of the Group) by the Group.

FINANCE EXPENSES – NET

In 2016, net finance expense incurred by the Group amounted to RMB202.1 million, representing a decrease of finance expense of RMB38.5 million as compared to RMB240.6 million of net finance expense in 2015, primarily due to the decrease of finance expense in the scope of consolidation caused by the Transfer of Wuxin Copper (a subsidiary of the Group) by the Group in the middle of the Reporting Year.

FINANCIAL POSITION

Shareholders' equity decreased from RMB4,664.3 million to RMB4,451.7 million in 2016, primarily due to the losses in 2016; total assets decreased by 32.0% to RMB8,088.3 million, primarily due to that the Company ceased to consolidate the financial statements of Wuxin Copper since 15 June 2016, as the Group transferred 66% shares of Wuxin Copper (a subsidiary of the Group)

In 2016, the net cash inflow generated by the Group's operating activities amounted to RMB527.2 million. As compared to the net cash inflow of RMB146.0 million in 2015, there was an increase in the inflow of RMB673.2 million, primarily due to the increase in sales of nickel cathode in 2016 and the significant decrease in the expenses of purchasing raw materials after disposal of the subsidiary Wuxin Copper; the net cash outflow used in investment activities was RMB843.4 million, which was mainly used in the purchasing of available-for-sale financial assets by the Group, and the purchasing of equipment for and as the construction costs of the Group's various technology renovation and expansion projects; and the net cash outflow used in financing activities amounted to RMB89.5 million. The cash inflow mainly came from bank loans and other interest-bearing borrowings received by the Group of RMB2,018.9 million. The cash outflow was mainly attributable to the Group's repayment of bank loans and interest of RMB2,108.0 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had total cash and cash equivalents amounting to RMB100.4 million (2015: RMB506.1 million), and the total borrowings of the Group amounted to RMB2,657.4 million (2015: RMB4,925.2 million). As such, the net debts of the Group (total borrowings minus cash and cash equivalents) amounted to RMB2,557.0 million (2015: 4,419.0 million) and the gearing ratio (net debts divided by total capital*) was 36.48% (2015: 48.65%).

	As at 31 December 2016	As at 31 December 2015
Current ratio *(times)*	**1.3**	0.9
Gearing ratio (net debts/total capital*)	**36.48%**	48.65%

* *Total Capital: net debts + total equity*

COMMODITY PRICE RISK

The prices of the Group's products are influenced by international and domestic market prices and changes in global supply and demand for such products. Price volatility of non-ferrous metals is also affected by the global and PRC economic cycles as well as the fluctuations of the global currency markets. Both the international and domestic market prices of non-ferrous metals as well as the volatility of their supply and demand are beyond the control of the Company. Therefore, the volatility of commodity prices may materially affect the turnover and the comprehensive income of the Group. The Group has not entered into any trading contracts nor made any pricing arrangement to hedge against the risk arising from fluctuations in the price of nonferrous products.

FOREIGN EXCHANGE RATE FLUCTUATIONS

The Company's businesses are conducted in RMB. The fluctuations of foreign exchange rate may impact the prices of the international and domestic non-ferrous products, and thus the operating results of the Group. RMB is not a freely convertible currency, and the rates of exchange between RMB and a basket of currencies may fluctuate. Given that the Chinese government may adopt further actions and measures against the free trade conducted in RMB, fluctuations in foreign exchange rate have an adverse effect on the Group's net assets, earnings and any dividend declared, which shall be converted or translated into Hong Kong dollars.

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, while fixed rate interest-bearing financial liabilities of the Group are subject to the risk of the fair value of interest. The Group adjusts the relative proportion of contracts at fixed rate and contracts at floating rate based on market situation. As at 31 December 2016, the Group's interest-bearing debts were mainly floating rate borrowings, fixed rate borrowings and interest-bearing bonds payable denominated in RMB, which totaled RMB2,597.4 million (2015: RMB4,847.6 million). The Group has no interest rate swap arrangement.

CHARGE ON ASSETS

As at 31 December 2016, included in cash at bank and on hand of the Group was restricted cash at bank amounting to RMB52.6 million set aside as the security for issuing bank acceptance notes and other purposes; Kalatongke Mining factored the receivables of RMB126.8 million due by Fukang Refinery to bank to obtain the loans, the balance of which amounted to RMB100.0 million as at 31 December 2016. Save as disclosed above, the Group did not have any other charges or pledges over its assets as at 31 December 2016.

HISTORICAL CAPITAL EXPENDITURE

Capital expenditure was primarily used to expand the production capacities of the Group and to improve the mining, ore processing, smelting and refining production technology of the Group. The following table sets out the conditions of the Group's capital expenditure as well as the ratio of the capital expenditure of each operation over total capital expenditure for the year ended 31 December 2016 based on various categories of operations:

	Year ended 31 December 2016	
		Percentage
	RMB'000	%
Mining, ore processing, smelting and complementary operations in Kalatongke Mining	**52,468**	15.1
Refining and complementary operations in Fukang Refinery	**78,075**	22.4
Mining and ore processing operations in Xinjiang Yakesi	**50,617**	14.6
Mining operation in Hami Jubao	**1,432**	0.4
Smelting and complementary operations of Hami Zhongxin	**4,998**	1.4
100,000 tonnes of copper smelting operation of Wuxin Copper	**115,879**	33.3
Research and development of non-ferrous metal industrial products and storage base project of Beijing Xinding	**44,332**	12.8
Total	**347,801**	100

EMPLOYEES

As at 31 December 2016, the Group had a total of 2,515 full-time employees. Breakdowns by function and division are as follows:

Division	**Employees** *(Headcounts)*	**Total** *(in percentage)*
Management and administration	182	7.2%
Engineering technician	255	10.1%
Production staff	1,602	63.8%
Repair and maintenance	363	14.4%
Inspection	97	3.9%
Sales	16	0.6%
Total	2,515	100.0%
Employee remuneration for the year ended 31 December 2016 *(RMB'000)*	274,727*	

* *Details of breakdowns as disclosed in note 4(21) to the Financial Statements.*

The remuneration package of the Group's employees includes salary, bonuses and allowances. The Group has participated in the social insurance contribution plans organised by the local governments in the PRC. In accordance with the relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of its employees a monthly social insurance premium, covering pension insurance, medical insurance, unemployment insurance and housing provident funds. According to the currently applicable local regulations, the respective percentages of the pension insurance, medical insurance, unemployment insurance and housing provident funds which the Group must contribute are 20%, 6% to 9%, 1.5% 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 1% of their total monthly basic salary for maternity cover.

EXECUTIVE DIRECTORS

Mr. Guo Quan (郭全), aged 48, has served as the general manager of the Company since March 2015 and an executive Director of the Company since May 2015, studied at the Department of Geology of Northeastern University (東北大學) from September 1986 to August 1989 and obtained a college diploma in geology. He also studied at Beijing Technology and Business University (北京工商大學) from September 2002 to July 2004 and obtained a bachelor's degree in business administration. Mr. Guo has accumulated over 27 years of experience of relevant professional techniques and corporate management in non-ferrous metal industry in Xinjiang. From August 1989 to December 1999, Mr. Guo served various positions in Xinjiang Hami Gold Mine* (新疆哈密金礦) including technician, head of technical division, chief of the mining workshop, and the deputy head of a factory. He was also the general manager of Xinjiang Non-ferrous Xinhai Company Limited* (新疆有色鑫海有限責任公司) from March 2000 to September 2002, the general manager of Xinjiang Non-ferrous Quanxin Construction Company Limited* (新疆有色全鑫建設有限責任公司) from September 2002 to March 2009 and the general manager of Xinjiang Yakesi from March 2009 to September 2013. Mr. Guo became the deputy chief engineer of Xinjiang Non-ferrous from September 2013 to February 2015.

Mr. Lu Xiaoping (魯小平), aged 57, has been a deputy general manager of the Company since March 2014 and an executive Director of the Company since May 2014. From September 1979 to July 1982, Mr. Lu studied at Shenyang University majoring in foundry and obtained a college diploma. Mr. Lu has accumulated more than 34 years of experience in professions and technologies, such as nonferrous metal machinery processing as well as mining, milling and processing electromechanical equipment, and in enterprise management. From August 1982 to February 1993, Mr. Lu served as a technician, engineer and deputy head of the Manufacture Factory of Xinjiang Keketuohai Mining Bureau* (新疆可可托海礦務局機械廠). From March 1993 to February 1997, he served as the section leader of the mobile section of Xinjiang Keketuohai Rare Metal Mine* (新疆可可托海稀有金屬礦機動科). From March 1997 to August 2003, he served as the assistant to the head and the deputy head of Kelatongke Mine* (喀拉通克礦). From September 2003 to March 2008, Mr. Lu served as the head of Xinjiang Hami Gold Mine* (新疆哈密金礦). He has been the head of Fukang Refinery Factory from April 2008 to February 2015. Mr. Lu has also been serving as the secretary of the Party Committee of the Company since March 2015.

NON-EXECUTIVE DIRECTORS

Mr. Guo Haitang (郭海棠), aged 60, has been a non-executive Director and the chairman of the Company since October 2014. Mr. Guo studied at Party School of the Central Committee of the C.P.C. from August 1997 to December 1999, majoring in economic management and obtained a bachelor's degree. He completed postgraduate courses of business administration program in Capital University of Economics and Business in July 2002. Mr. Guo has accumulated more than 37 years of experience in geological mine searching in Xinjiang and exercising leadership in nonferrous metal enterprises. From August 1979 to December 1998, Mr. Guo engaged in professional technology of geological mine searching and the unit supervision work in a subordinate unit of Xinjiang Geological Mineral Bureau. From January 1999 to April 2000, he served as the head of project survey and construction management division of Xinjiang Geological Mineral Bureau. From May 2000 to August 2004, he served as the chairman, general manager and the secretary of the General Party Branch of Xinjiang Baodi Engineering Construction Co., Ltd. (新疆寶地工程建設有限公司). From February 2001 to April 2006, he served as deputy director of Xinjiang Geological Mineral Bureau. From May 2006 to July 2014, he served as a director and the general manager of Xinjiang Non-ferrous. From July 2014 to May 2015, he served as the secretary of the communist party committee, the chairman and general manager of Xinjiang Non-ferrous. Since May 2015, he has served as the secretary of the communist party committee and the chairman of Xinjiang Non-Ferrous. Mr. Guo served as the chairman of Western Gold Co., Ltd. (西部黃金股份有限公司) (Stock Code: 601069) since 1 August 2014.

Mr. Shi Wenfeng (史文峰), aged 49, has been a non-executive Director and the vice-chairman of the Company since December 2015. Mr. Shi studied at Chengdu University of Science and Technology (成都科技大學) with a Bachelor's degree, majoring in the metallurgy of non-ferrous metals from September 1985 to July 1989. He completed the EMBA program and obtained a master's degree from University of Science and Technology Beijing in January 2013. Mr. Shi has accumulated more than 27 years of experience in the smelting industry. From September 1993 to January 1994, he served as the deputy head of the refinery workshop of the Fukang Refinery (阜康冶煉廠). From November 1994 to January 1995, he was the head of the production division of Fukang Refinery. From February 1995 to March 1998, he served as an assistant to the head of Fukang Refinery. From April 1998 to January 2002, he served as the deputy head of Fukang Refinery. From February 2002 to August 2005, he served as the head of Fukang Refinery, and from September 2005 to February 2015, he served as an executive Director and the general manager of the Company. From March 2015 to November 2015, he served as the executive Director and vice chairman of the Company. Mr. Shi has also been the vice general manager of Xinjiang Non-ferrous since March 2015. Mr. Shi received the National Model Labour Award awarded by the State Council in 2005, and he received the Scientific and Technological Progress First Prize (科學技術進步一等獎) in 1995 and 2002 awarded by the National Committee of Science and Technology of the PRC (國家科學技術委員會) and the People's Government of Xinjiang, respectively, for his contribution to the development of the wet process in the refining technology of nickel and the development of technology and production application in extracting copper and precious metals from smelting tailing of nickel ore.

Mr. Zhou Chuanyou (周傳有), aged 52, served as a non-executive Director and the vice-chairman of the Company from September 2005 to February 2015, and has been a non-executive Director of the Company since March 2015. Mr. Zhou completed a postgraduate course in law at Fudan University (復旦大學) with a Master's degree in July 1987. From September 1995, Mr. Zhou served as the chairman of the board of Shanghai Jinying Investment Company Ltd. (上海金鷹投資有限公司), which is the predecessor of Zhongjin Investment, and is now the chairman of the board of Zhongjin Investment in which he is the beneficial owner of 100% interest. He has served as a director of Shanghai Zhongjin Real Estate (Group) Co., Ltd. (上海中金房產（集團）有限公司) since February 1998 and a director of Shanghai Yilian since May 2005 and is currently the beneficial owner of 100% shareholding of Shanghai Yilian. Shanghai Yilian holds 12.80% shareholding of the Company and Zhongjin Investment holds 8.96% shareholding of the Company. The interest attributable to Mr. Zhou in the Company represents his indirect deemed interest in the Company's issued share capital via his equity interests held in the Company through Shanghai Yilian and Zhongjin Investment. Mr. Zhou has served as deputy chairman of the Board of Dazhong Insurance Co., Ltd. of China (大眾保險股份有限公司) from September 1998 to December 2009.

Mr. Hu Chengye (胡承業), aged 52, has been a non-executive Director of the Company since October 2014. Mr. Hu studied at China Broadcasting and Television College (中國廣播電視大學) from July 1983 to September 1986, majoring in the science of finance and obtained a college diploma. He completed upgrading courses from junior college student to university student with a major of accounting at Xiamen University and obtained a bachelor's degree in September 2001. From November 1994 to August 1998, Mr. Hu served as a deputy director of Tianshan Sub-bureau of Urumqi Local Taxation Bureau of Xinjiang (新疆烏魯木齊市地稅局天山區分局). From September 1998 to February 2002, he served as the director of Xinshi Sub-bureau of Urumqi Local Taxation Bureau of Xinjiang (新疆烏魯木齊市地稅局新市區分局). From March 2002 to February 2008, he served as deputy director of the Investigation Bureau of Local Taxation Department in the Xinjiang Uygur Autonomous Region. Mr. Hu served as executive deputy general manager, general manager and chairman (currently acting as the chairman) of Xinjiang Huizhong Yifu Investment Co., Ltd. (新疆匯中怡富投資有限公司) since March 2008. Mr. Hu served as the general manager of Shanghai Hengshi Mining Investment Co., Ltd. (上海恒石礦業投資股份有限公司) since February 2013. He acted as an assistant president of Zhongjin Investment since February 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Jianguo (陳建國), aged 53, has been an independent non-executive Director of the Company since June 2006. Mr. Chen studied at Xinjiang University of Finance and Economics (新疆財經大學) with a Bachelor's degree, majoring in economics from September 1981 to July 1985. From September 1985 to July 1988, he studied at Dongbei University of Finance and Economics (東北財經大學) with a Master's degree, majoring in accounting. Since 1988, he has been teaching at the Faculty of Finance of Xinjiang University of Finance and Economics. He has become the Head of Faculty of Finance of Xinjiang Institute of Finance and Economics (now known as Xinjiang University of Finance and Economics) from August 1997 to September 2007. He has become the head of research and development department of Xinjiang University of Finance and Economics from October 2007 to January 2011. He served as the dean and a professor of Institute of Accounting of Xinjiang University of Finance and Economics from February 2011 to January 2015. He has been appointed as a professor of Institute of Accounting of Xinjiang University of Finance and Economics since February 2015. From January 1999 to August 1999, Mr. Chen participated in the Chinese Management Development Program, he studied in Nyenrode Business Universiteit (奈爾洛德 商業大學) in Netherlands. From January 2000 to April 2001, Mr. Chen studied at Haagse Hogeschool with a Master's degree in Business Administration. Since April 2002, Mr. Chen has served as a standing council member of Xinjiang International Taxation Research Institute (新疆國際稅收研究會常務理事). Since November 2002, Mr. Chen has served as a council member of Xinjiang Institute of Investment (新疆投資學會). He has been appointed as the executive council member and deputy secretary of Xinjiang Institute of Accounting (新疆會計學會) since April 2011. Mr. Chen acted as an independent director in several A-Share listed companies in China since 2002, and currently, he is still acting as an independent directors of Markor International Furniture Co. Ltd (Stock Code: 600337), Xinjiang Yilite Group Co., Ltd. (Stock Code: 600197) and Xinjiang Machinery Research Co., Ltd. (Stock Code: 300159).

Mr. Wang Li Jin (汪立今), aged 58, has been an independent non-executive Director of the Company since May 2011. He studied at Xinjiang University with a Bachelor's degree, majoring in Survey and Exploration of Mineral Resources from February 1978 to February 1982. Since February 1982, Mr. Wang has been teaching in the College of Geology and Exploration of Xinjiang University (新疆大學地質與勘查工程學院); he was promoted to a professor in November 2000, and is currently a Master Instructor of Xinjiang University. In 2006, Mr. Wang was awarded the "Distinguished Teacher of Xinjiang University", and in 2007 and 2008 was selected "Outstanding Thesis Instructor of Xinjiang University". During March 2004 to September 2004, Mr. Wang was sent by the National Government to the Department of Geological Sciences, University of Michigan Ann Arbor, USA, for further study, majoring in mineral deposit geology and mineralogy, and conducting scientific research work in mineral deposit geology and mineralogy. In the past three decades, Mr. Wang has been engaged in university geology teaching and research work, is rich in professional expertise, and has been familiar with businesses. Mr. Wang currently serves as a council member of the China Society of Mineralogy, Petrology and Geochemistry (中國礦物岩石地球化學學會), a committee member of the Professional Committee of Technological Mineralogy of China (中國工藝礦物學專業委員會), an executive director of the China Geological Society of Education (中國地質教育學會), a committee member of the China Environmental Mineralogy Professional Committee (中國環境礦物學專業委員會), and is the life member of the China Society of Mineralogy, Petrology and Geochemistry.

Mr. Li Wing Sum Steven (李永森), aged 60, has been an independent non-executive Director of the Company since October 2011. Mr. Li is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong, and a member of the Hong Kong Institute of Directors and Certified Tax Adviser Institute of Hong Kong. Mr Li has accumulated over 30 years' experience in auditing, accounting, company secretarial services, taxation and financial management. Mr Li once served as a financial controller, executive director, independent non-executive director and company secretary in several Hong Kong listed companies, and currently, he is still acting as an independent non-executive director and company secretary in three Hong Kong listed companies, including serving as the company secretary of Shanghai Fudan Microelectronics Group Company Limited (Stock Code: 1385) since July 2000, the Company Secretary of China National Cultural Group Ltd. (Stock Code: 0745) since May 2014, and an independent non-executive director of Wang On Properties Limited (Stock Code: 1243) since April 2016. Mr. Li is also a certified public accountant (practicing) and a partner of a certified public accountants firms in Hong Kong.

EMPLOYEES' REPRESENTATIVE SUPERVISORS

Mr. Wang Haibang (王海邦), aged 57, was appointed as the employees' representative supervisor of the Company effective from June 2013 and the chairman of the Supervisory Committee from July 2013. From 1992 to 1995, Mr. Wang studied in Kunming University of Science and Technology (昆明理工大學), majoring in administrative management. From October 1983 to April 1988, Mr. Wang served as the vice captain of the Gem Mining Team and the Mining Services Team of the Xinjiang Keketuohai Mining Bureau (新疆可可托海礦務局). From May 1988 to October 1998, he served as the Party branch secretary of Kelatongke Mine Smelting Workshop* (喀拉通克礦冶煉車間), the manager of Kelatongke Mining Services Company* (喀拉通克礦服務公司), the department head of the Labour and Personnel Department of Kelatongke Mine, the workshop supervisor of Kelatongke Mine Smelting Workshop and the vice chairman of the Labour Union of Kelatongke Mine, respectively. He served as the chairman of the Labour Union of Kelatongke Mine from November 1998 to May 2000, the Party Committee secretary and the chairman of the Labour Union of Kelatongke Mine from June 2000 to August 2005. He served as the Party Committee vice secretary, the Disciplinary Committee secretary and the chairman of the Labour Union of the Company from September 2005 to May 2013, the vice secretary of the Party Committee and the chairman of the Labour Union of the Company from June 2013 to February 2015, and the vice secretary of the Party Committee, the Secretary of the Disciplinary Committee and the Chairman of the Labour Union of the Company from March 2015 to June 2016. Mr. Wang has served as the secretary of the Disciplinary Committee and the vice secretary of the Party Committee of the Company since July 2016.

Mr. Zhang Xuehe (張學核), aged 44, has served as an employees' representative Supervisor of the Company since April 2016. Mr. Zhang studied at the North China University of Technology from September 1991 to July 1995 and majored in mechanical design and manufacturing. From September 1995 to April 2001, he served as a motive power workshop technician and a copper workshop technician of Fukang Refinery,respectively. From May 2001 to February 2004, he served as the deputy head of the motive power workshop of Fukang Refinery. From May 2004 to October 2009, he served as the deputy head and the head of the copper workshop of Fukang Refinery. From November 2009 to February 2015, he served as the deputy factory head and chairman of the labour union of Fukang Refinery. He has been the factory head and secretary of the party committee of Fukang Refinery since March 2015.

SHAREHOLDERS' REPRESENTATIVE SUPERVISORS

Ms. Chen Rong (陳蓉), aged 46, has been a shareholders' representative supervisor of the Company since June 2016. Ms. Chen graduated from Xinjiang University of Finance and Economics (新疆財經大學) in December 1991, majoring in accounting. From 1988 to February 2011, Ms. Chen held various positions at various institutions, including as an officer of Xinhua South Road Sub-branch, Banking Department of Xinjiang Uygur Autonomous Region Branch, China Construction Bank (中國建設銀行新疆區分行營業部新華南路支行), as an auditor of Xinjiang Xinxin Huatong Accounting Firm (新疆新新華通會計師事務所), and as a tax adviser of Xinjiang Xinrui Tax Agent (新疆鑫瑞稅務師事務所). She is currently working as an officer at the supervision and auditing department of Zijin Mining Group Co., Ltd. (紫金礦業集團股份有限公司) (Stock Code: 2899) where Ms. Chen successively worked as an officer, the deputy head and the head of the supervision and auditing department of Zijin Mining Northwest Company Limited, a subsidiary of Zijin Mining Group Co., Ltd., since she joined Zijin Mining Group Co., Ltd. in March 2011. Ms. Chen is now a domestic qualified accountant with the Accounting Certificate (Intermediate Level). She was awarded the professional designation of Certified Internal Auditor and a Certification in Risk Management Assurance from the Institute of Internal Auditors in the U.S.A. in November 2010 and in July 2012, respectively.

INDEPENDENT SUPERVISORS

Ms. Yao Wenying (姚文英), aged 49, is an independent supervisor of the Company since May 2015. From September 1986 to July 1990, Ms. Yao studied in Northeast Forestry University where she obtained her Bachelor's degree in Finance and Accounting. From December 2005 to December 2007, she studied in Xinjiang University of Finance and Economics and received her Master's degree in Management with a major in Accounting. Ms. Yao held a teaching post in the School of Business Administration of Urumqi Vocational University from October 1990 to August 2004. She served as Head of Accounting Simulation Teaching and Research Centre and Head of Department of Finance and Economics. She was a teaching staff member in the Department of Finance in Xinjiang College of Finance and Economics (the predecessor of Xinjiang University of Finance and Economics) from September 2004 to August 2007. She has been teaching in the School of Accounting of Xinjiang University of Finance and Economics since September 2007. She was promoted as Professor of Accounting in December 2010 and currently she is a tutor for postgraduates in Xinjiang University of Finance and Economics. She has also received the "Teaching Master in Xinjiang Uygur Autonomous Region" in September 2011, the "Outstanding Teacher in Xinjiang Uygur Autonomous Region" in September 2014, the "Teaching Celebrity in Xinjiang Uygur Autonomous Region" and the "Advanced Individual in Teachers' Ethics in Xinjiang Uygur Autonomous Region in September 2015". She has been serving as independent director of Xinjiang China Enterprise Hong Bang Conservation (Group) Co., Ltd.* (新疆中企宏邦節水（集團）股份有限公司) since July 2012, as independent director of Xinjiang Xingwo Mechanical Technology Service Co., Ltd.* (新疆星沃機械技術服 務股份有限公司) since November 2012, and as independent director of Xinjiang Xuefeng Sci-Tech (Group) Co., Ltd (Stock Code: 603227) Since January 2015.

OTHER SENIOR MANAGEMENT

Mr. Sun Baohui (孫寶輝), aged 47, had been the employees' representative Supervisor of the Company from June 2006 to April 2016, and has been a deputy General Manager of the Company since May 2016. He studied at Kunming University of Science and Technology with a Bachelor's degree majoring in the metallurgy of non-ferrous metals from September 1988 to July 1992. Mr. Sun served as a technician, the deputy head and the head of the smelting workshop at Kalatongke Mine from July 1992 to September 2000. From April 2003 to August 2005, he served as the head of the ore processing workshop at Kalatongke Mine. From September 2005 to May 2009, he served as the chairman of the labour union and the deputy head of Kalatongke Mine. He served as the general manager of Wuxin Copper from May 2009 to July 2015.

Mr. Liu Jun (劉俊), aged 51, has been the chief engineer of the Company since March 2015. From September 1983 to July 1987, he studied in Kunming University of Science and Technology (昆明理工大學), majoring in mining engineering, and obtained a Bachelor's degree. Mr. Liu has more than 30 years of experience in mining industry. He was the deputy head of the mining workshop of Kalatongke Mine (喀拉通克礦) from May 1991 to December 1993; the head of production and technical division of Kalatongke Mine from January 1994 to December 1994; the deputy chief engineer of Kalatongke Mine from January 1995 to February 1997; the chief engineer of Kalatongke Mine from March 1997 to April 2000; the deputy Head of Kalatongke Mine from April 2000 to August 2005. From September 2005 to August 2008, Mr. Liu served as the executive Director and deputy general manager of the Company, and the Head of Kalatongke Mine. He served as the executive Director and deputy general manager of the Company from September 2008 to January 2014; and the director and general manager of Xinjiang Asia-europe Rare Metals Co. Ltd.* (新疆亞歐稀有金屬股份有限公司) from February 2014 to March 2015. Due to his contributions in refining, regenerative process and industrial production of nickel matte (高冰鎳) and contribution in the professional mining technique in Kelatongke Mine, Mr. Liu was awarded the Scientific and Technological Progress Second Prize (科學技術進步二等獎) from the People's Government of Xinjiang in 2004 and the China Nonferrous Metals Industry Science and Technology First Prize (中國有色金屬工業科學技術一等獎) from the China Nonferrous Metals Industry Association (中國有色金屬工業協會) in 2014, respectively.

Mr. He Hongfeng (何洪峰), aged 47, has served as the chief financial officer of the Company since September 2005. Mr. He studied at Xinjiang University of Finance tand Economics from September 1988 to July 1992 with a Bachelor's degree, majoring in accounting. He completed a postgraduate course in Business Administration at Xinjiang University of Finance and Economics with a Master's degree in June 2009. Mr. He is a certified accountant, certified valuer and certified tax consultant in the PRC. From July 1992 to August 2005, he worked for Zhongjin Investment. He joined the Company since September 2005.

Mr. Zhang Junjie (張俊杰), aged 54, has served as the secretary to the Board of Directors of the Company since September 2005 as well as the joint company secretaries of the Company since June 2006. Mr. Zhang studied at University of Zhongnan (中南大學) with a Bachelor's degree, majoring in mining engineering from September 1979 to July 1983. From October 1988 to March 1991, Mr. Zhang was the head of the mining workshop of Kalatongke Mine and the chief of the production technology division of Kalatongke Mine. From April 1991 to March 1993, he was the deputy head of the production technology division of Xinjiang Keketuohai Mining Bureau. From March 1993 to August 1997, he was the deputy chief economist of Xinjiang Non-ferrous Industry Co. Copper and Nickel Branch (新疆有色金屬工業公司銅鎳分公司). From August 1997 to March 1998, he was a deputy general manager of Xinjiang Non-ferrous Industry Co. Copper and Nickel Branch (新疆有色金屬工業公司銅鎳分公司). From April 1998 to July 2002, he was the head of the finance department of Xinjiang Non-ferrous Metal Industry Co.. From July 2002 to August 2005, he served as the head of the assets management department of Xinjiang Non-ferrous.

Mr. Lam Cheuk Fai (林灼輝), aged 63, has served as the joint company secretary and the qualified accountant of the Company since June 2006. Mr. Lam studied at Hong Kong Polytechnic (the predecessor of Hong Kong Polytechnic University), majoring in accounting, during 1975 to 1979 and was awarded a Higher Certificate in Accountancy by the institute. He studied at University of East Asia, Macau from 1985 to 1988 and was awarded with a Master's degree in Business Administration. Mr. Lam is a fellow member of both the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. Mr. Lam has over 30 years of working experience in auditing, accounting, internal control, taxation, company secretarial work and financial management in multinational organisations in the U.S.A., Hong Kong and the mainland China, including: from 1979 to 1985, he worked for Touche Ross & Co. (now known as Deloitte Touche Tohmatsu) in Hong Kong and the U.S.A. and Arthur Young & Co. (now known as Ernst & Young) in Hong Kong, during the period from March 1985 to June 1989, he was appointed as the internal audit manager and the group financial controller of Sime Darby Hong Kong Limited, from January 1990 to June 1993 he was appointed as the vice president of finance of Universal Matchbox Group, Limited, USA, (NYSE: UMG), and from May 1999 to January 2001, he was appointed as the chief financial officer and the company secretary by Magician Industries (Holdings) Limited (now known as Lisi Group (Holdings) Limited) (Stock Code: 526).

CORPORATE GOVERNANCE CODE

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

The Board has adopted the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Group has fully complied with all the code provisions under the CG Code in the financial year of 2016.

THE BOARD OF DIRECTORS

Functions and Duties of the Board

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

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

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

(a) to develop and review the Company's policies and practices on corporate governance and report to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

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

Board Composition

On 14 October 2014, the Board has changed into the fourth session, and still comprises nine Directors, two of whom are executive Directors, four of whom are non-executive Directors and three of whom are independent non-executive Directors. There is no financial, business, family or any other relevant relationships among any members of the Board.

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

Members of the Board, who come from a variety of different backgrounds, have a diverse range of business and mining expertise. Brief biographical particulars of the Directors are set out in pages 17 to 24 of this Annual Report.

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

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

Gender:	Male (9); Female (0)
Designation:	ED (2); NED (4); INED (3)
Geographic:	PRC (8); HKSAR (1)
Age:	40–49 (2); 50–59 (5); 60–69 (2)
Background:	Mining (4); Geology (1); Business (2); Accounting Professionals (2)

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

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

Chairman and Chief Executive Officer

Mr. Guo Haitang serves as the Chairman (the Chairman of the Board) of the present session (the fourth session) of the Board and Mr. Guo Quan serves as the general manager (Chief Executive Officer) of the Company. The respective responsibilities of the Chairman and the general manager of the Company are provided in Article 119 and Article 138 of the Articles of Association, respectively, and duly separated. For details of the responsibilities of the Chairman and the general manager of the Company, please refer to the Articles of Association uploaded to the websites of the Company and the Stock Exchange.

The Board and Management

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

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

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

Board Meetings

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

For the year of 2016, seven Board meetings and two general meetings were held, and the details of each of the Directors' attendance record of the meetings are as follows:

Name of Directors	Number of meetings attended/ Number of meetings convened during the term of office Board meeting	General meeting
Executive Directors		
Guo Quan (郭全)	7/7	2/2
Lu Xiaoping (魯小平)	7/7	2/2
Non-executive Directors		
Guo Haitang (郭海棠) *(Chairman)*	7/7	2/2
Shi Wenfeng (史文鋒) *(vice chairman)*	6/7	2/2
Zhou Chuanyou (周傳有)	6/7	1/2
Hu Chengye (胡承業)	7/7	2/2
Independent non-executive Directors		
Chen Jianguo (陳建國)	7/7	2/2
Wang Lijin (汪立今)	7/7	2/2
Li Wing Sum, Steven (李永森)	4/7	0/2

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

Directors', Supervisors', Senior Management's and Key Personnel's Remunerations

The Company's policy on remuneration is to maintain fair and competitive packages based on business needs and industry practice of the Company. Directors' and Supervisors' remunerations including discretionary bonus are subject to the approval of Shareholders at general meetings, while senior management's remunerations including discretionary bonus are subject to approval of the Board.

The level of fees paid to non-executive Directors is determined by reference to factors including non-executive Directors' workload and commitments and fees paid by comparable institutions with similar scale and nature.

Regarding Executive Directors and Supervisors, the following factors (including but not limited to) are considered when determining their remuneration packages: (1) business needs, (2) general economic situation, (3) changes in human resources market, (4) individual contributions to results as confirmed in the performance appraisal process, and (5) retention consideration and individual potential.

No individual Director will be involved in decisions relating to his/her own remuneration.

Information relating to the remuneration of each Director, Supervisor and other senior management for the year ended 31 December 2016 is set out in note (9)(5)(n) to the Company's financial statements.

Directors' Training and Board Committees

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

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

	Audit Committee	Remuneration and Review Committee	Nomination Committee	Strategic Development Committee	Type of Trainings
Number of meetings	2	1	1	0	
Executive Directors					
Guo Quan				0/0✓	A, B, C
Lu Xiaoping					A, B, C
Non-Executive Directors					
Guo Haitang			1/1✓(Chairman)	0/0✓(Chairman)	A, B, C
Shi Wenfeng		1/1✓		0/0✓	A, B, C
Zhou Chuanyou		1/1✓		0/0✓	A, B, C
Hu Chengye	2/2✓				A, B, C
Independent Non-Executive Directors					
Chen Jianguo	2/2✓(Chairman)	1/1✓(Chairman)	1/1✓		A, B
Wang Lijin		1/1✓		0/0✓	A, B
Li Wing Sum, Steven	1/2✓	0/1✓	0/1✓		A, B

✓: Committee members

A: attending seminars, conferences and/or expert briefings relevant to the business or directors' duties

B: reading newspapers, journals and updates relating to the economy, general business or regulatory information

C: paying visits to the Group's local management and facilities

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers ("Model Code") contained in Appendix 10 to the listing Rules as its own code of conduct regarding securities transactions by the Directors and the supervisors of the Company (the "Supervisors"). Having made specific enquiries of all Directors and Supervisors, all Directors and Supervisors have complied with the required standards as set out in the Model Code for the year ended 31 December 2016.

DIRECTOR NOMINATION AND NOMINATION COMMITTEE

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

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

In 2016, the Nomination Committee convened one meeting and attendance rate was 67%. Each of the committee members and their attendance record of the meetings are set out in page 29 of this annual report. The summary of work performed by the Nomination Committee during the Year was: reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and made recommendations on proposed changes to the Board to complement the Company's corporate strategy; assessed the independence of the Independent Non-executive Directors of the Company; and identified or selected any director candidates or make recommendation on the appointment or reappointment of Directors.

REMUNERATION AND REVIEW COMMITTEE

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

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

(a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);

(d) to make recommendations to the Board on the remuneration of non-executive Directors; and

(e) to make performance appraisal including assessing performance of all Directors and senior management and to monitor the execution of the Company's remuneration system.

In 2016, one meeting of the Remuneration and Review Committee was held with an attendance rate of 80%. Each of the committee members and their attendance record of the meetings are set out in page 29 of this annual report. Summary of work during the Year by the Remuneration and Review Committee included:

- made recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives;

- determined, with delegated responsibility, remuneration packages of senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);

- researched the review standards for the Directors' and senior management's remuneration, and made recommendation according to the assessment of the Company's operational situation; and

- researched and reviewed the policies and plans for the Directors' and senior management's remuneration and made performance appraisals including assessing performance of all Directors and senior management.

AUDIT COMMITTEE

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

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

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

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) to monitor integrity of the Company's financial statements and annual report and accounts and interim report, and to review significant financial reporting judgements contained in them and to provide advice and comments thereon to the Board;

(d) to review the Company's financial controls, internal control and risk management systems;

(e) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and to report to the Board when the Committee notices any irregularities, internal control deficiencies or any non-compliances to any applicable rules, regulations, codes or laws when situation warrants the attention of the Board; and

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

In 2016, two meetings of the Audit Committee were held with an average attendance rates of 83%. Each of the committee members and their attendance record of the meetings are set out in page 29 of this annual report. Summary of work during the Year by the Audit Committee included:

- reviewed of the annual report and results announcement of the Company for the year ended 31 December 2015, with a recommendation to the Board for approval;
- reviewed the external auditors' independence and their report, with a recommendation to the Board for the re-appointment of the external auditors by the shareholders of the Company at its 2015 annual general meeting;
- reviewed continuing connected transactions;
- reviewed the interim report and results announcement of the Company for the six months ended 30 June 2016, with a recommendation to the Board for approval;
- considered the audit and non-audit services provided by the external auditors;
- reviewed the effectiveness of the system of internal control of the Company and its subsidiaries;
- reviewed periodic reports prepared by the Internal Audit Department;
- reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programme and the relevant budget; and
- reviewed the audit fees payable to the external auditors for the year ended 31 December 2016, with a recommendation to the Board for approval.

AUDITORS' REMUNERATION

For the year ended 31 December 2016, audit fees charged by the auditors of the Company amounted to approximately RMB2.02 million and non-audit service fees (financial review charges relating to transfer of equity of Wuxin Copper) amounted to RMB250,000.

STRATEGIC DEVELOPMENT COMMITTEE

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

The duties of the Strategic Development Committee are to review and evaluate the strategic development solution, business development plan and investment budget of the Company. The Strategic Development Committee's members perform their duties in accordance with the committee's terms of reference. Each of the committee members and their attendance record of the meetings are set out in page 29 of this annual report.

SUPERVISORY COMMITTEE

The Company' s Supervisory Committee was established in 2005 pursuant to the Company' s Articles of Association and has changed into the fourth session on 14 October 2014, still comprising five Supervisors. Mr. Wang Haibang was appointed as the Chairman of the Supervisory Committee. One of the Supervisors was elected by the shareholders as supervisor representative shareholders, two Employees' Representative Supervisors were elected by the employees and two other independent Supervisors were appointed in the shareholders' meeting. Supervisors serve for a term of three years and are subject to re-election. Mr. Sun Baohui resigned as employees' representative Supervisor, Mr. Guo Zhonglin resigned as shareholders' representative supervisor, and Mr. Zhang Xuehe was appointed as the employees' representative supervisor and Ms. Chen Rong was appointed as independent supervisor during the year. Mr. Hu Zhijiang resigned as independent supervisor after the year end.

The Supervisory Committee is responsible for exercising supervision over the Board, its members and the senior management; and preventing them from abusing their authorities and jeopardizing the interests of the shareholders, the Company and its employees. Three meetings were held by the Supervisory Committee in 2016, and the average attendance rate for all the two meetings was 86%. During the meetings, the Supervisory Committee reviewed the financial conditions and operations of the Company and the due diligence of the senior management. The Supervisory Committee's members perform their duties in accordance with the Company' s Articles of Association.

SHARE INTEREST OF SENIOR MANAGEMENT

As at 31 December 2016, none of the senior management of the Company held any share interests in the Company.

COMPANY SECRETARIES

For the year ended 31 December 2016, the two Company secretaries of the Company had received relevant professional trainings of not less than 15 hours to update their skills and knowledge.

CHANGE IN CONSTITUTIONAL DOCUMENTS

At the general meeting held on 27 May 2016, the resolution in relation to amendments to the Articles of Association of the Company were approved by the shareholders of the Company. (1) Given that Shaanxi Honghao Industry Co., Ltd. and Shaanxi Guangyou Trading Co., Ltd.* (陝西廣優貿易有限公司) have completed the transferal of domestic shares of the Company, Shaanxi Honghao Industry Co., Ltd. named in the list of the shareholders of domestic shares in Article 19 of the Articles of Association shall be replaced by Shaanxi Guangyou Trading Co., Ltd.*. (2) The modification in Article 188 of the Articles of Association reflected the right of the Board of Directors of the Company that it can forfeit the dividends unclaimed after the expiration of the relevant period. The updated version of the Articles of Association can be downloaded from the websites of the Company and the Stock Exchange.

SHAREHOLDERS' MEETING AND INVESTOR RELATIONS

As at 31 December 2016 and up to the date of this Annual Report, the Company issued 1,451,000,000 shares of domestic shares and 759,000,000 H shares, totalling 2,210,000,000 shares.

In 2016, the Company convened two general meetings. All proposed resolutions were approved with a passing rate of over 99%. The general meetings were chaired by the Chairman of the Board, who explained matters concerning the procedures for voting for shareholders' consideration and the shareholders considered and voted on each proposed resolution. Each of the Directors and Supervisors were notified of and attended the general meetings.

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

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

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

In an annual general meeting of the Company, shareholders holding more than 3% of shares carrying voting rights may propose to the Board any resolutions in writing; the Board will if it considers appropriate, include the proposed resolutions into the agenda of the general meeting. If the board resolves not to include the proposed resolutions into the agenda, it shall be explained and clarified in the meeting; contents of the resolutions and the Board's explanation shall be set forth in an announcement after the relevant general meeting. Shareholders can make enquiries with the Board through the Company Secretary via our email at xjyszjj@163.com or tommy789hk@163.com, or by posing questions at our general meeting.

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

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

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

The Secretariat Office and the Corporate Finance and Securities Department of the Board offer comprehensive services to the shareholders and answer their enquiries on a timely basis in order to enhance their understanding of the Company. They also maintain effective communications with the shareholders to ensure that the views of the shareholders will be communicated to the Board. Save as disclosed in paragraphs of the Change in Constitutional Documents above, there were no other changes in the Company's constitutional documents during the year ended 31 December 2016.

As at 31 December 2016, total market capitalisation of the Company was approximately HK$2.21 billion, of which the market capitalisation of public floatation of H shares was approximately HK$0.76 billion.

RISK MANAGEMENT AND INTERNAL CONTROL

The risk management and internal control systems of the Group have been designed to safeguard the interest of the Company and its Shareholders as a whole, by safeguarding the assets of the Group, maintaining proper accounting records, executing with appropriate authority and complying with the relevant laws and regulations. The Board is responsible for maintaining and reviewing the effectiveness of the Group's risk management and internal control systems. Executive Directors and senior management of the Company are conferred with relevant authority to implement the policies relevant to the respective risk management and operational internal control systems and the on-going assessment of the control activities in the relevant business units.

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

The Group has established a risk management system policy. The system involves a self-assessment by senior management of the Company of a series process starting from setting up the business objectives, identifying risk factors, assessing the likelihood of each risk factor, prioritizing risk factors, examining control activities, developing and managing appropriate measures to control the risks within acceptable levels. The Group has established an internal accounting control system. The budget management system and investment management system of the Group contain relevant control procedures formulated for evaluating and reviewing principal operational expenses and capital expenditure. Operational results are reported to the Board with financial analysis on a regular basis.

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

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

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

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

FINANCIAL REPORTING

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

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

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

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

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

In 2016, subject areas, aspects and key performance indicators that are material in the context of corporate strategy of the Group were prioritised, and relevant prominent issues are set out as follows:

WORKPLACE QUALITY

Workplace

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

1. Remuneration of employees is determined by the Group in accordance with the requirements under the Remuneration Policy of Xinjiang Xinxin Mining Industry Co., Ltd. (《新疆新鑫礦業股份有限公司工資制度》);

2. Employees are recruited, promoted and dismissed by the Group pursuant to Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the Employment Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and in compliance with Administrative Measures on Recruitment and Employment Contract of Employees of Xinjiang Xinxin Mining Industry Co., Ltd. (《新疆新鑫礦業股份有限公司員工聘用及勞動合同管理辦法》);

3. Working hours of our employees strictly comply with the requirements in the Employment Contract Law of the People's Republic of China by following a working system that provides 8-hour work day and 40-hour work week with Saturday and Sunday off and public holidays;

4. The Group provides paid leaves for employees in strict compliance with the Regulation on Paid Annual Leave of the Employees (Decree No. 514) (《職工帶薪年休假條例》) issued by the State Council of the People's Republic of China;

5. Under the Staff Recruitment Policy of Xinjiang Xinxin Mining Industry Co., Ltd. (《新疆新鑫礦業股份有限公司員工招聘規定》), identical qualification requirements are offered to college graduates and working professionals while candidates have equal opportunity in the process of staff recruitment;

6. Regarding the diversity of employees and other benefits and welfares, varieties of benefits and welfares are provided to all the staff by the Group pursuant to the requirements as stipulated by local governments of places where our enterprises are located, including endowment insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident funds which are equivalent to 20%, 6% to 9%, 1.5%, 1.3% to 1.9%, 0.5% to 1% and 12% of monthly basic salary respectively.

Laws, regulations and relevant policies of the Company mentioned above were strictly followed by the Group with an aim to provide a favorable working environment for all of our staff. In 2016, there was no material violation of relevant codes, regulations and rules in the Group.

As at 31 December 2016, the total workforce of the Group by employment type, age group and geographical region is set out as follows:

Employment type *(person)*			Age group *(person)*				Geographical region *(person)*		
Staff engaged with labor contract	Staff of other kinds	Total number of staff	Staff below 35 years old	Staff aged 35 to 50	Staff over 50 years old	Total number of staff	Staff in Mainland	Staff in Hong Kong	Total number of staff
2,515	0	2,515	885	1,392	238	2,515	2,514	1	2,515

In 2016, the employee turnover rate of the Group by age group and geographical region is set out as follows:

	Age group			Geographical region	
	Staff below 35 years old	Staff aged 35 to 50	Staff over 50 years old	Staff in Mainland	Staff in Hong Kong
Loss of employees *(person)*	214	20	0	234	0
Employee turnover rate *(%)*	8.5	0.8	0	9.3	0

HEALTH AND SAFETY

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

Requirements of laws, regulations and policies mentioned above were strictly complied with by the Group, striving to provide a safe working environment and protect employees from occupational hazards. In 2016, there was no material violation of relevant codes, regulations and rules in the Group.

In 2016, the Group has one work-related fatality, accounting for 0.04% of the total number of the employees.

The loss of working days due to work injury of our staff was around 907 days in 2016.

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

1. In order to enhance the management of basic works relating to occupational health and safety precautions, our regulatory organisation for occupational health and safety precautions staffed by administrative personnel was established and improved.

2. Companies with the Group had established and improved their management system in relation to occupational health and safety precautions after referring to industry features. Such systems were strictly implemented.

3. An occupational health surveillance file was opened for each staff by the Group while occupational health examination was organised by relevant medical institutions for our employees on a regular basis. An occupational hazard notification policy was enforced as well.

4. Protection facilities and labor protection articles for occupational hazards were properly prepared for employees according to the nature of their work. Occupational diseases controlling and prevention institution, an independent third party of the Group was engaged to monitor the occupational hazardous factors in the Group and conduct evaluation on the protection effectiveness of our protection facilities for occupational hazards.

5. Work-related injury insurance and other commercial insurances were provided to our staff, so as to offer adequate protection for the interests of staff.

DEVELOPMENT AND TRAINING

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

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

In 2016, the percentage of employees trained by employee category (such as the senior management, middle management and others) of the Group was as follows:

	Employee category		
	Senior management	**Middle management**	**Other employees**
The percentage of employees trained	82.60%	76.20%	83.60%

In 2016, the average training hours completed per employee by employee category of the Group was as follows:

	Employee category		
	Senior management	Middle management	Other employees
The average training hours completed per employee	68 hours	38 hours	18.6 hours

LABOUR STANDARDS

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

The Group strictly complied with relevant laws and regulations including Labor Law of the People's Republic of China and the Employment Contract Law of the People's Republic of China. Across all companies under the Group, internal administrative institutions were set up to manage their employees in a professional manner when such employees were recruited and employed, so as to eliminate situations such as child labors and forced labors in the Group. In 2016, there was no material violation of relevant codes, regulations and rules in the Group.

ENVIRONMENTAL PROTECTION

Emissions

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

The Group strictly complied with the stipulations of the aforementioned laws, regulations and policies to improve the recycling and utilisation of the wastes and strive to decrease the wastes disposal. In 2016, there was no material violation of relevant codes, rules and regulations by the Group.

In 2016, the Group disposed waste mining rocks of approximately 150,000 tonnes, mineral processing tailings of approximately 2,260,000 tonnes, smelting sulfur dioxide gas (including sulfur dioxide) of approximately 2,927 tonnes, among which the disposed waste mining rocks were non-hazardous waste, while the disposed mineral processing tailings and emitted smelting sulfur dioxide gas were hazardous waste.

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

The waste mining rock of the Group was used for underground filling of mines and road paving after being crushed. The remaining waste was stockpiled in special waste rock plants. Some of the mineral processing tailings were transported for underground filing of mines after being classified and disposed. The remaining waste was stockpiled in the dedicated mineral tailing facilities. The sulfur dioxide in the smelting gas was recycled for producing byproduct of sulphuric acid, and the other solid smoke and dust was all recycled for use. The solid tailings generated from smelting and production included water-quenched slag, neutralised residue, lead filtered cake, arsenic filtered cake and gypsum, of which, water-quenched slag, neutralised residue and gypsum were provided to surrounding cement plants for producing raw materials of quality cement to utilise comprehensively; lead filtered cake was provided to relevant enterprises for producing raw materials of extracting valuable metals to utilise comprehensively; and arsenic filtered cake was provided to the Hazardous Waste Disposal Centre of the Xinjiang Uygur Autonomous Region to conduct harmless treatment and recycling by qualified enterprises. After purification and treatment, waste water was used for industrial cyclic utilisation and the green irrigation in the enterprise. The Group's safe disposal rate of industrial waste reached 100% through the aforementioned measures.

USE OF RESOURCES

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

In 2016, the Group consumed electricity of approximately 420,030,000 KWh, coke of 49,447 tonnes, coal of 90,625 tonnes, diesel of 1,620.2 tonnes and petrol of 89.7 tonnes in total.

In 2016, the total amount of water consumed by the Group was approximately 6,350,000 tonnes.

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

The Group did not have problems in seeking appropriate water resources. The existing supply of water resources could satisfy the Group's needs in the aspects of volume, quality of water and the guarantee of water supply facilities. In 2016, the Group saved water of approximately 13,500,000 tonnes in total through carrying out measures of reduction in water consumption, recycling and utilisation of industrial waste water, etc. in major water consumption process including mineral processing and smelting.

All of the packing material used by the main products of the Group including nickel cathode, electrolytic cobalt and cathode copper were steel belts used for packing. In 2016, the Group consumed steel belts of 67.8 tonnes in total, approximately 2.2 kg of which was used for products per tonne.

THE ENVIRONMENT AND NATURAL RESOURCES

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

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

OPERATION PRACTICES

Anti-corruption

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

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

The Company established a petition and report system open to all staff and the society for supervision and whistle-blowing on the crimes such as job-related crimes, bribery, extortion, fraud and money laundering. It has designated persons responsible for the petition and report of the Company. In 2016, the Company has not yet received any report on crimes such as bribery, extortion, fraud and money laundering in the Group.

In 2016, there have been no illegal cases on job-related crimes, bribery, extortion, fraud and money laundering.

In 2016, there have been no concluded legal cases regarding corruption brought up by the Company or its employees.

The whistle-blowing procedures on crimes such as job-related crimes, bribery, extortion, fraud and money laundering, etc.: Directly making the whistle-blowing call or sending emails to report.

The whistle-blowing hotline of the Company is: (0991)4852923.

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

COMMUNITY INVOLVEMENT

Community investment

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

In 2016, the Group has made charitable donations amounting to approximately RMB603,790.

The Directors are pleased to present the 2016 annual report and the audited financial statements of Xinjiang Xinxin Mining Industry Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016 (the "Year").

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2016 and the state of financial affairs of the Company and the Group at that date are set out in the Financial Statements in pages 60 to 187.

The Board of Directors of the Company (the "Board of Directors" or the "Board") did not recommend any payment of final dividend for the year ended 31 December 2016.

BUSINESS REVIEW

The business review of the Group for the year has been set out in pages 7 to 10 of the Chairman's Statement, in pages 12 to 16 of the Management Discussion and Analysis and in pages 36 to 42 of the Environmental, Social and Governance Report.

Fair review of business	Chairman's Statement
Principal risks and uncertainties	Management Discussion and Analysis
Events after the balance sheet date	Report of the Directors
Future development of the business of the Company	Chairman's Statement
Key performance indicators	Management Discussion and Analysis
Environmental policies and performance of the Company	Environmental, Social and Governance Report
Compliance of relevant laws and regulations	Environmental, Social and Governance Report
Principal relationships between the Company and employees, customers and suppliers	Report of the Directors

MAJOR INVESTMENTS AND EQUITY TRANSFER

On 15 June 2016, the Company passed a resolution at the extraordinary general meeting to sell the 66% equity held by the Company in Wuxin Copper. This transaction was completed in June 2016, and the gain of RMB58.0 million arising from the disposal of such subsidiary was included in the financial statements of the Company for the year.

Save as disclosed above, the Company had no other acquisitions, sale or merger of assets and other equity investments during the Year.

BOND PAYABLES

The Company issued the first trench of 2014 medium-term notes on 18 February 2014 with the principal amount of RMB500 million, for a term of 3 years and at a fixed rate of 7.12% per annum, and issued the first trench of 2015 medium-term notes on 12 November 2015 with the principal amount of RMB800 million, for a term of 3 years at a fixed rate of 6.50% per annum, and interest payment is made once a year. The proceeds were used for repayment of outstanding bank loans and replenishment of current capital of the Group. The first trench of 2014 medium-term notes mentioned above was expired on 19 February 2017 with an amount of RMB500 million, adjusted as current portion of non-current liabilities on 31 December 2016 and was settled on 19 February 2017.

SUMMARY OF FINANCIAL INFORMATION

A summary of the operating results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 5 of this annual report. This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the Year are set out in note 4(10) and 16(10) to the Financial Statements, respectively. The Group did not hold any investment property.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 4(33) to the Financial Statements.

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

No contracts for the management and administration of the whole or any substantial part of any business of the Company existed or was entered into during the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

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

BANK LOANS AND BORROWINGS

As at 31 December 2016, the Group had bank loans and other interest-bearing borrowings with total amount of RMB2,597.4 million, of which unsecured loans and other interest-bearing borrowings amounted to RMB1,857.0 million, factoring borrowings amounted to RMB100.0 million, and gold lease amounted to RMB640.4 million.

DISTRIBUTABLE RESERVES

According to the Articles of Association of the Company as revised in October 2011, the reserves available for distribution are based on the Company's profit as determined under CAS. In accordance with the Company Law of the PRC, profit after tax can be distributed as dividends after the allocation to the statutory surplus reserve. As at 31 December 2016, the Group's distributable reserve attributable to shareholders of the Company under CAS amounted to RMB(691.4) million.

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling RMB0.6 million.

MAJOR CUSTOMERS AND SUPPLIERS

As at 31 December 2016, the proportion of purchases and sales from major suppliers and major customers of the Company to the total purchases and sales, respectively, are as follows:

Purchases

The total purchases from the largest supplier of the Company represent 7.5% of the total purchase value. The total purchases from the five largest suppliers of the Company represent 24.8% of the total purchase value.

Sales

Name of the customer	Proportion in total sales	Sales relationship with the Company	Payment term	Accounts receivable as at 31 December 2016	Repayment subsequent to the balance sheet date
Trafigura Investment (China) Company Limited	40.6%	2 years	3 days	RMB13.9 million	RMB13.9 million
Shaanxi Sheng Hua Non-ferrous Company Limited	14.5%	12 years	Advances before delivery	–	–
Shenyang Cheng Tong Metals Company Limited	6.8%	12 years	3 days	RMB6.0 million	RMB6.0 million
Shanghai Hao Jin Metal Materials Company Limited	3.6%	3 years	Advances before delivery	–	–
Xinjiang Jinfa Copper and Aluminum Company Limited	2.9%	8 years	Advances before delivery	–	–
Top 5 customers	68.3%				

In 2016, The Company's largest customer was Trafigura Investment (China) Company Limited, accounting for 40.6% of the total sales of the Company. Incorporated in China in December 2005, Trafigura Investment (China) Company is a wholly-owned subsidiary under Trafigura Beheer B.V. (TBBV) with a registered capital of US$70 million. Founded in 1993, TBBV is a private company registered in Holland. Now it is the third largest independent oil trading company and the second largest independent non-ferrous concentrate trading company in the world. The payment term granted to this customer is 3 days after the receipt of goods, from whom, accounts receivable as at 31 December 2016 was RMB13.9 million, which has been collected in full so far.

As nickel cathode and copper cathode products produced by domestic producers are not able to satisfy domestic demands, such under-supply in the PRC has to be fulfilled by substantial import. The Group is in a better position in the market by selecting customers with better payment terms, excellent background, good credibility and well-established marketing network. The Group makes settlement as per the spot prices in the Shanghai Yangtze River Non-ferrous Metals Spot Market, and the Group generally sells its products at prices in line with the market prices. There are no long-term contracts between the Group and customers. If any customer fails to make any payments on time, the Group can change it anytime. Accordingly, there are no risk of reliance on single major customer nor significant customer credit risk in respect of the Group's sales.

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

The Important Relationship between Employees, Customers and Suppliers

Mr. Guo Haitang, a non-executive Director of the Company, is the Chairman and legal representative of Xinjiang Non-ferrous. Mr. Shi Wenfeng, a non-executive Director of the Company, is the deputy general manager of Xinjiang Non-ferrous, which is the parent company of the Company. Mr. Zhou Chuanyou, a non-executive Director of the Company, is one of the beneficial owners of the domestic shares of the Company (for details please refer to the paragraph headed Directors and Supervisors of the Report of the Directors).

Xinjiang Non-ferrous and its subsidiaries (collectively referred to as the "Xinjiang Non-ferrous Group") will provide construction services, certain production supplies, storage, transportation and loading services and other supporting and ancillary services to the Group; and the Group will provide products such as nickel cathode, copper cathode and sulphuric acid to the Xinjiang Non-ferrous Group (for details please refer to the paragraph headed Connected Transactions of the Report of the Directors).

A wholly-owned subsidiary of Xinjiang Non-ferrous provided certain supporting services including educational, nursery, medical and healthcare services to part of the employees of the Group (for details please refer to the paragraph headed Connected Transactions of the Report of the Directors).

Save as explained above, none of other employees, customers or suppliers of the Company has important relationship with the Company, nor has material impact on the Company nor is the key to the prosperity of the Company.

MAJOR LITIGATION OR ARBITRATION

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

CONTINGENT LIABILITIES

Save as disclosed in notes 8 and 9(5)(f) to the Financial Statements, the Group had no other significant contingent liabilities as at 31 December 2016.

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 31 December 2016.

EVENTS AFTER THE BALANCE SHEET DATE

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

DIRECTORS AND SUPERVISORS

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

As at the balance sheet date and the date of this Report, the Supervisors of the Company are Mr. Wang Haibang, Mr. Zhang Xuehe (replaced Mr. Sun Baohui who resigned on 13 April 2016), Ms. Chen Rong (replaced Mr. Guo Zhonglin who resigned on 14 April 2016) and Ms. Yao Wenying. Mr. Hu Zhijiang resigned as independent Supervisor of the Company on 28 February 2017.

Biographical details of the Directors and Supervisors are set out on pages 17 to 24.

Directors of Subsidiaries

As at the balance sheet date and the date of this Report, the Directors of subsidiaries of the Company are as follows:

1. The Directors of Xinjiang Kalatongke Mining Industry Company Limited are Mr. Lu Xiaoping, Mr. Dong Guoqing and Mr. Liu Qingli.

2. The Directors of Xinjiang Yakesi Resources Co., Ltd. are Mr. Liu Jun, Mr. He Hongfeng, Mr. Qi Xinhui, Mr. Hu Xinhai and Mr. Meng Guangzhi.

3. The Executive Director of Hami Jubao Resources Co., Ltd. is Mr. Qi Xinhui.

4. The Executive Director of Beijing Xinding Shunze High Technology Co., Ltd. is Mr. He Xianyi.

5. The Directors of Xinjiang Zhongxin Mining Industry Co., Ltd. are Mr. Qi Xinhui, Mr. Liu Jun and Mr. He Hongfeng.

6. The Directors of Shaanxi Xinxin Mining Co., Ltd. are Mr. Liu Bingqiang, Mr. Guo Quan, Mr. Liu Jun, Mr. Dang Xinsheng and Mr. Gao Xiaozhen.

7. The Directors of Xinjiang Mengxi Mining Co., Ltd. are Mr. Dang Xinsheng, Mr. Hu Jianming and Mr. Sang Shaojie.

Service Contracts of Directors and Supervisors

Each of the Directors and Supervisors has entered into a service contract for a term of three years with the Company from 14 October 2014 or the date of new appointment to the expiration of the term of the fourth session of the Board of Directors and of the Supervisors Committee of the Company.

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

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

Confirmation of Independence

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

Directors’ and Supervisors’ Remunerations

Details of remunerations of Directors and Supervisors of the Company for the year ended 31 December 2016 are set out, on a named basis, in note 9 to the Financial Statements.

Directors’ and Supervisors’ Interests in Contracts

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

Directors’ and Supervisors’ Interests and Short Positions in Shares

Share Appreciation Rights Incentive Scheme

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

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

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

There were no share appreciation rights allocated and outstanding as at 31 December 2016.

As at 31 December 2016, the interests or short positions, if any, of the Directors and Supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Long Positions in Shares and Underlying Shares of the Company by the Directors/Supervisors as at 31 December 2016

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

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

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

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

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

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

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

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

(L): Long positions

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

Save as disclosed above, the Directors were not aware of any other person (other than a Director or Supervisor of the Company) who had interests 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.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 9 to the Financial Statements also constituted connected transactions under the Listing Rules and are required to be disclosed in accordance with Chapter 14A of the Listing Rules.

Connected Transaction Not Exempt under the Listing Rules

On 28 March 2016 (non-trading day), the Company, Xinjiang Non-Ferrous and Wuxin Copper entered into the Equity Transfer Agreement, pursuant to which, the Company agreed to sell 66% equity of Wuxin Copper held by the Company to Xinjiang Non-Ferrous at a consideration of RMB12 million. Such transaction was passed at the extraordinary general meeting of the Company on 15 June 2016 and completed in June 2016.

Continuing Connected Transactions Not Exempt under the Listing Rules

1. Mutual Supply Agreement

On 30 October 2015, Xinjiang Non-ferrous and the Company entered into a renewed mutual supply agreement (the “Existing Mutual Supply Agreement”) whereby both parties agreed that (A) Xinjiang Non-ferrous and its subsidiaries (collectively referred to as the “Xinjiang Non-ferrous Group”) will provide construction services, certain production supplies, storage, transportation and loading services and other supporting and ancillary services to the Group; and (B) the Group will provide products such as nickel cathode, copper cathode and sulphuric acid to the Xinjiang Non-ferrous Group from 1 January 2016 to 31 December 2018.

For each of the three years ending 31 December 2016, 2017 and 2018, the annual caps of the aggregate fees payable by the Group to Xinjiang Non-ferrous Group in respect of the construction services and supporting and ancillary services are approximately RMB948.9 million , RMB1,019.3 million and RMB1,059.3 million, respectively. For the year ended 31 December 2016, the total transaction amount payable by the Group to Xinjiang Non-ferrous Group in respect of the construction services and supporting and ancillary services was approximately RMB173.4 million.

For each of the three years ending 31 December 2016, 2017 and 2018, the annual caps of the aggregate fees payable by Xinjiang Non-ferrous Group to the Group in respect of product fees are approximately RMB124.4 million, RMB137.2 million and RMB150.1 million. For the year ended 31 December 2016, the total transaction amount payable by Xinjiang Non-ferrous Group to the Group in respect of product fees was approximately RMB77.4 million.

2. **Comprehensive Services Agreement**

On 30 October 2015, Kalatongke Mining, a wholly-owned subsidiary of the Company, entered into a renewed comprehensive services agreement (the "Existing Comprehensive Services Agreement") with Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Company Limited* (新疆有色金屬工業（集團）富蘊興銅服務有限公司) ("Fuyun Xingtong"), a wholly-owned subsidiary of Xinjiang Non-ferrous, whereby Fuyun Xingtong agreed to provide certain supporting services including educational, nursery, medical and healthcare services to the employees of the Group from 1 January 2016 to 31 December 2018.

For each of the three years ending 31 December 2016, 2017 and 2018, the annual caps of the services fees payable by the Group to Fuyun Xingtong are approximately RMB3.4 million, RMB3.4 million and RMB3.4 million, respectively. For the year ended 31 December 2016, the total transaction amount of the services fees payable by the Group to Fuyun Xingtong was approximately RMB3.4 million.

3. **Property Lease Agreement**

On 30 October 2015, the Company entered into a renewed property lease agreement (the "Existing Property Lease Agreement") with Xinjiang Non-ferrous, pursuant to which Xinjiang Non-ferrous agreed to lease to the Company office premises on the 7th and 8th floors, Youse Building, No. 4 You Hao North Road, Urumqi, Xinjiang, the PRC with a total gross floor area of approximately 1,992 square metres for office use from 1 January 2016 to 31 December 2018.

On 27 May 2016, the Company entered into a supplemental agreement to the existing property lease agreement with Xinjiang Non-ferrous, pursuant to which Xinjiang Non-ferrous agreed to lease the office property on the 7th floor, Youse Building, No. 4 You Hao North Road, Urumqi, Xinjiang, the PRC with a total gross floor area of approximately 996 square metres to the Company from 1 July 2016 to 31 December 2018 for office use.

For each of the three years ending 31 December 2016, 2017 and 2018, the annual caps of the rental payable to Xinjiang Non-ferrous by the Company are approximate RMB1.2 million, RMB0.8 million and RMB0.8 million respectively. For the year ended 31 December 2016, the rental payable by the Company to Xinjiang Non-ferrous was approximately RMB1.2 million.

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

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

(i) were in the ordinary and usual course of business of the Company;

(ii) have been entered into by the Company on normal commercial terms or on terms no less favorable to the Company than terms to or by independent third parties; and

(iii) have been entered in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole.

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

1. have been approved by the Board;

2. are in accordance with the pricing policies of the Company if the transactions involved provision of goods or services by the Company;

3. have been entered into and conducted in accordance with the relevant agreements governing the transactions; and

4. have not exceeded the annual caps and revised annual caps disclosed in the relevant announcements of the continuing connected transactions.

NON-COMPETITION AGREEMENT

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

RELATED PARTY TRANSACTIONS

The Group is also involved in a number of related party transactions, details of which have been disclosed in note 9 to the Financial Statements.

PUBLIC FLOAT

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

CLOSURE OF REGISTER FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from 26 April 2017 to 26 May 2017 (both days inclusive), during which time no share transfers will be registered. In order to be eligible to attend the 2016 annual general meeting of the Company, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on 25 April 2017.

AUDIT COMMITTEE

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

The audit committee provides an important link between the Board of Directors and the Company's auditors in matters falling within the scope of the audit of the Company and the Group. It will review the effectiveness of the external audit and internal controls and risk evaluation and will provide comments and advice to the Board of Directors. The audit committee comprises one non-executive Director namely, Mr. 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 and management have reviewed the audited results of the Group for the year ended 31 December 2016.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers Zhong Tian LLP, who will retire upon the conclusion of the forthcoming annual general meeting of the Company. A resolution for the re-appointment of PricewaterhouseCoopers Zhong Tian LLP as the international and the PRC auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board

Guo Haitang
Chairman

Xinjiang, the PRC
24 March 2017

To all Shareholders:

In 2016, in accordance with the principle of being accountable to all shareholders, together with support and coordination from the Board and leaders at all levels of the Group, the Supervisory Committee of the Company (the "Supervisory Committee") has been committed to fulfilling and fully complied with the work duties pursuant to the Articles of Association of the Company, in order to facilitate a disciplined operation, management and development of the enterprise in respect of the effect, scope and methods of supervision and others. The independent opinion report in relation to status of the works and duties fulfilled by the Supervisory Committee is set out below.

I. WORKING BY RULES, OPERATING BY LAWS AND PERFORMING MONITORING FUNCTIONS

(I) Status of meetings of the Supervisory Committee

The Supervisory Committee held three meetings in 2016. The supervisors attended all the meetings of the Board and the Chairman of the Supervisory Committee attended general manager's meetings in 2016, where he received all significant proposals and resolutions of the Company, recognised all important decision-making process of the Company, knew the operating performance results of the Company and performed the informed and supervisory functions of the Supervisory Committee.

On the fourth meeting of the fourth session of the Supervisory Committee of the Company held on 30 March 2016, five relevant resolutions were considered and approved, including the Report of the Supervisory Committee of the Company for 2015, the audited Consolidated Financial Statement of the Company for the year ended 31 December 2015, the Resolution regarding that no final dividend shall be paid for the year ended 31 December 2015, the Annual Report of the Company for 2015, and the internal audit report for 2015 and the internal audit plan for 2016.

On the fifth meeting of the fourth session of the Supervisory Committee of the Company held on 14 April 2016, four resolutions were considered and approved, including the resolution in relation to the recommendation of Ms. Chen Rong as a candidate of a Shareholders' representative supervisor of the fourth session of the Supervisory Committee of the Company, the resolution regarding the proposed remuneration of Ms. Chen Rong as a Shareholders' representative supervisor of the fourth session of the Supervisory Committee of the Company and the resolution concerning the proposed remuneration of Mr. Zhang Xuehe as a employees' representative supervisor of the fourth session of the Supervisory Committee of the Company.

On the sixth meeting of the fourth session of the Supervisory Committee of the Company held on 26 August 2016, two relevant resolutions were considered and approved, including the Consolidated Financial Statement of the Company for the six months ended 30 June 2016 (unaudited) and the interim report of the Company for 2016.

(II) Through attending general meetings and Board meetings, the Supervisors know and participate in the consideration of major decisions of the Company, which plays a statutory role in supervision as necessary.

(III) Through various activities including the attendance at the general manager's meetings, the Supervisory Committee has effectively monitored significant economic activities of the Company such as project construction, connected transactions, operation performance evaluation of subsidiaries and branch. The Supervisory Committee members have conducted site visits, investigation and research studies to provide relevant opinions and recommendations regarding the issues concerned.

(IV) The Supervisory Committee has monitored the lawfulness and truth of the financial operations of the Company by examining its financial plans and reviewing various financial statements of the Company.

(V) The Supervisory Committee has monitored the performance of the senior management of the Company and the management of the Company's subsidiaries, maintained frequent communications with them and offered their opinions and suggestions on job performance.

In 2016, all Supervisors of the Company have uplifted their ability of job performance and carried out their obligations and duties diligently in accordance with the annual work plan of the Supervisory Committee. The two independent Supervisors, who are experienced financial specialists, have made significant progress in enhancing the Supervisory Committee's ability to monitor the lawfulness of the financial operation of the Company through improving the independence of the Supervisory Committee.

II. ENHANCING THE SUPERVISION ON THE OPERATION OF THE COMPANY TO PREVENT VIOLATIONS

In accordance with the requirements of relevant laws and the Articles of Associations of the Company based on the principle of "Just, fair and open", the Supervisory Committee conducted tracking and supervision on daily operation of the Company. The Board and the management have given due attention, support and convenience to the works of the Supervisory Committee. Through supervision and examination on the operating, financial and management conditions, the Supervisory Committee is of the view that the Company has conducted its business in respect of corporate governance, business development of the headquarters and all branches and subsidiaries, financial accounting and operational results of the Company pursuant to the requirements of the Articles of Association of the Company in 2016. The Supervisory Committee has not found any damage to the interests of the Company and the Shareholders. The Company has conducted its business pursuant to the general meetings and the terms of reference of the Board and the management, and did not violate the Articles of Association of the Company to deal with any corporate business unauthorized. The general meeting has fulfilled its functions of the right, the Board has fulfilled its functions of discussion-making, the Supervisory Committee has fulfilled its functions of supervision and the management has fulfilled its functions execution in general. In addition, the Supervisory Committee had not found any acts of Directors and senior management which are in breach of discipline, laws and regulations and the Articles of Association of the Company or against the interests of the Company in fulfilling their duties.

III. OVERALL EVALUATION OF THE SUPERVISORY COMMITTEE ON THE PERFORMANCE OF THE COMPANY IN 2016

The Supervisory Committee considered that the business and operation of the Company in 2016 were overall in compliance with the requirements of laws and regulations. Each Director and member of the senior management of the Company, under their fiduciary duties, no acts were found to be in violation of rules, regulations or laws. The material operating activities of the Company in 2016 were conducted with open transactions and reasonable prices. No inside transaction, situations harming the interests of the shareholders or cases of asset loss of the Company were found. The Board and the management of the Company discharged their duties in a conscientious and responsible manner during the year. The performance of the "two down and one up (兩降一升)", cost reduction and efficiency improvement programs had obvious effects. In the backdrop of the market downturn, by adopting the sale method of taking advantage of the future market and spot market, the Company has basically sold out the inventory of nickel cathode products by 2016, which substantially reduced the loss of operating results compared with that of 2015.

(I) Assets of the Company

In 2016, the Company transferred all equity interest of Wuxin Copper (representing 66% equity of Wuxin Copper) held by it to Xinjiang Non-ferrous, which has been truthfully disclosed.

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

(II) Financial Management of the Company

The Supervisory Committee has conscientiously inspected, audited and supervised the financial position and management of the Company for 2016 in accordance with laws. PricewaterhouseCoopers Zhong Tian LLP have audited the 2016 financial report of the Company which have been prepared in accordance with the CASBE and issued the auditors' report with standard unqualified opinion. The Supervisory Committee is of the view that the Company has a sound financial system, standard internal operation and good financial position. The 2016 financial report of the Company truly, accurately and completely present the financial position and operating results of the Company.

Operating revenue of the Company for 2016 was RMB2,042.5 million and the consolidated loss attributable to shareholders of the Company was RMB207.1 million.

In 2016, the Company did not encounter any circumstances of misappropriation of fund of the Company by controlling shareholders and other connected parties.

(III) Connected Transactions

In 2016, the Group was involved in connected transactions with the Company's controlling shareholder Xinjiang Non-ferrous and its subsidiaries, with regard to construction service, supply of raw material and transportation service which amounted to RMB173.4 million, labour service payment to Fuyun Xingtong which amounted to RMB3.4 million product sales which amounted to RMB77.4 million and lease payment which amounted to RMB1.2 million. All connected transactions were conducted within the scope of the Mutual Supply Master Agreement between Xinjiang Non-ferrous Metal Industry (Group) Ltd. and Xinjiang Xinxin Mining Industry Co., Ltd. The transaction amounts also have not exceeded the Company's 2016 annual caps of continuing connected transaction, which were approved by the Board or general meetings. All the connected transactions were made pursuant to the market rule, being fair and reasonable. No deterioration of the Company's interests was found under reviews. The Company has also engaged PricewaterhouseCoopers Zhong Tian LLP to perform the duties of international auditors and perform certain procedures on relevant transactions, for details please refer to note (9) to the financial statements of this annual report.

(IV) Internal Control of the Company

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

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

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

On production management, the Company explored internal potentials and endeavored to increase and stabilize production, pursued a streamlined management, met the index of "two down and one up (兩降一升)" at different levels, uplifted levels of skills and techniques further and continuously improved the recycle rate of metal and the ability of comprehensive multi-metal recycling. The reasonable use of external resources helped increase the total output of the Company, and played an important role in producing more than 10,000 tonnes annually for both nickel cathode and cathode copper.

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

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

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

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

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

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

All directors and senior management of the Company were diligent and responsible in their work during 2016. They conformed to the laws and regulations and demonstrated cooperation. Their duties were properly segregated. They were responsible and ensured effective implementation of all resolutions as approved by general meetings and the Board. In carrying out their duties, there were no breaches of the laws and regulations, the Articles of Association of the Company or any other actions which were against the interests of the Company. As a result of the scientific decisions on the major issues of the Company and efficient implementation made by the Board and the management, the Company achieved better performance in various aspects including production, safety, operations and project construction.

IV. FOCUS OF THE SUPERVISORY COMMITTEE IN 2017

In 2017, the Supervisory Committee will further supervise and promote the standard operation of governance structure of the Company in accordance with the relevant provisions under the Articles of Association of the Company. The Supervisory Committee will pay more attention to the coordination and operation amongst the institutions of authority, decision-making and implementation of the Company; harmonious relationship between all shareholders and management teams; progress and problems in relation to the diligence, moral behaviors, performance, etc. of the management at all levels. In the coming year, the Supervisory Committee will faithfully fulfill its duties and conscientiously protect the legal interests of the Company and all shareholders in accordance with the relevant laws, regulations and the Articles of Association of the Company.

By order of the Supervisory Committee
Wang Haibang
Chairman of the Supervisory Committee

Xinjiang, the PRC
24 March 2017

普华永道

AUDITOR'S REPORT

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

OPINION

What we have audited

We have audited the accompanying financial statements of Xinjiang Xinxin Mining Industry Co., Ltd. (hereinafter "Xinjiang Xinxin Mining Co."), which comprise the consolidated and company balance sheets as at 31 December 2016, and the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity for the year then ended, and the notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Xinjiang Xinxin Mining Co. as at 31 December 2016, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of Xinjiang Xinxin Mining Co. in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

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AUDITOR'S REPORT
(CONTINUED)

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment of goodwill and other long-term assets
- Deferred tax assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill and other long-term assets Refer to note 2(30), note 4(10), note 4(11), note 4(13) and note 4(14) to the financial statements. As at 31 December 2016, the book value of goodwill amounted to RMB28,087,550.20, which was resulted from the acquisitions of Xinjiang Yakesi Resource Development Co., Ltd., Hami Jubao Resource Development Co., Ltd. and Xinjiang Zhongxin Mining Co., Ltd. in 2009. Pursuant to No.8 of Accounting Standards for Business Enterprises, management should carry out impairment assessment for goodwill at least at each year end. As at 31 December 2016, the book value of other long-term assets amounted to RMB5,176,365,493.11, mainly included mining rights, land use rights, property, plant and equipment and etc. The main business of Xinjiang Xinxin Mining Co. is producing of nickel and copper; the financial performance was loss due to sluggish market for nickel and copper, therefore the indication that other long-term assets might be impaired existed.	We understood and evaluated the accounting policies, the designed processes and the internal controls related to impairment assessment on goodwill and other long-term assets. The management performed assessment on the impairment provision for goodwill and other long-term assets and reached the conclusion that no impairment provision were provided. Our work on management's assessment included: – We inquired the management, and evaluated the scope of management's impairment assessment on goodwill and related long-term assets by considering the indications of impairment independently. – We understood and evaluated the method adopted in the management's impairment assessment. The management determined the recoverable amount of these assets based on the present value of estimated future cash flows. – We obtained the approved forecast of future cash flows, and compared them with the data used in the impairment assessment.

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AUDITOR'S REPORT
(CONTINUED)

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KEY AUDIT MATTERS *(CONTINUED)*

Key Audit Matters *(Cont'd)*	How our audit addressed the Key Audit Matter *(Cont'd)*
Impairment of goodwill and other long-term assets *(Cont'd)* As at 31 December 2016, the management assessed whether impairment losses for goodwill and other long-term assets should be recognised. The present value of estimated future cash flows of these assets was used to determine the recoverable amount in the assessment. The conclusion was that no impairment provision were provided. We focused on this area because that there are several key assumptions and significant judgements made by the management in the impairment assessment, such as the long-term price of nickel, copper and other metals, reserves, production volumes, capital expenditures, operation costs, the applied discount rates and etc.	– We obtained the key assumptions used in the impairment assessment of goodwill and other long-term assets, including the long-term price of nickel, copper and other metals, reserves, production volumes, capital expenditures, operation costs and the applied discount rates and etc. We compared the long-term price of metals and inflation rate with recent comparable data from the market, and we reassessed the discount rate. We compared the mineral reserves with the exploration results and the reserves data filed in the Bureau of Land and Resources. We compared the production volume with the designed capacity in the feasibility report and historical data. We compared capital expenditure and operation costs with historical data and budget approved by the board of directors. We assessed the aforementioned key assumptions and evaluated whether the judgments were within acceptable range. – We examined the sensitivity test prepared by the management, including sensitivity test of long-term metal price and applied discount rate. Based on the information we obtained and the aforementioned audit procedures performed, key assumptions and significant judgments made by the management in the impairment assessment of goodwill and other long-term assets, and the disclosures in note 4(10), note 4(11), note 4(13) and note 4(14) were supportable.

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AUDITOR'S REPORT (CONTINUED)

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KEY AUDIT MATTERS *(CONTINUED)*

Key Audit Matters *(Cont'd)*	How our audit addressed the Key Audit Matter *(Cont'd)*
Deferred tax assets Refer to note 2(30) and note 4(31) to the financial statements. As at 31 December 2016, deferred tax assets of RMB130,950,672.60 were recognised in the balance sheet, including deferred tax assets of RMB119,736,341.20 recognised for the deductible losses estimated to be utilised in the next five years. We focused on this area because deferred tax assets recognised for deductible losses required the management's judgment on the sufficient taxable income in the next five years. The judgment is based on several key assumptions, such as the long-term price, production volume of nickel, copper and other metals and operation costs adopted in the forecast of taxable income for the next five years, future taxable income resulted from the reversal of temporary differences, and the applicable tax rate during the corresponding periods.	We obtained previous year's tax return report and checked that the accumulated deductible losses of previous years had been verified by the tax authority. We obtained the management's calculation of taxable income for current year, examined the detailed calculation of tax losses incurred in the current year and recalculated the major tax adjustment items. To assess whether there will be adequate taxable income for the reversal of deductible losses in the future, we considered the following matters: 1. Taxable income that could be generated from normal production and operation: we obtained the forecast and key assumptions made for taxable income in the next five years by the management, such as the forecast of long-term price, production volume of nickel, copper and other metals and the operation costs, and checked the aforementioned information was consistent with the evidence obtained from the impairment assessment of goodwill and other long-term assets, and examined the taxable income generated from normal production and operation in the next five years. 2. We obtained the management's estimation of the taxable income resulted from the reversal of recognised temporary differences as at 31 December 2016, and compared them with the historical reversed amounts of taxable temporary differences.

pwc 普华永道

AUDITOR'S REPORT
(CONTINUED)

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KEY AUDIT MATTERS *(CONTINUED)*

Key Audit Matters *(Cont'd)*	How our audit addressed the Key Audit Matter *(Cont'd)*
	We compared the future tax rate forecasted by the management with the tax policy applied, and reassessed the deferred tax assets based on the forecasted taxable income and the applicable tax rate in the next five years. Based on the information we obtained and the aforementioned audit procedures performed, key assumptions and significant judgments made by the management in the recognition of deferred tax and the disclosures in note 4(31) were supportable.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises all of the information included in 2016 annual report of Xinjiang Xinxin Mining Co. other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

pwc 普华永道

AUDITOR'S REPORT
(CONTINUED)

PwC ZT Shen Zi (2017) No. 10071
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RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

In preparing these financial statements, management is responsible for assessing Xinjiang Xinxin Mining Co.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate Xinjiang Xinxin Mining Co. or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Xinjiang Xinxin Mining Co.'s financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

pwc 普华永道

AUDITOR'S REPORT (CONTINUED)

PwC ZT Shen Zi (2017) No. 10071
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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *(CONTINUED)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Xinjiang Xinxin Mining Co.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Xinjiang Xinxin Mining Co. to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Xinjiang Xinxin Mining Co. to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

pwc 普华永道

AUDITOR'S REPORT
(CONTINUED)

PwC ZT Shen Zi (2017) No. 10071
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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *(CONTINUED)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Zhong Tian LLP

Signing CPA ____________________
Ye Jun
(Engagement Partner)

Shanghai, the People's Republic of China
24 March 2017

Signing CPA ____________________
Yang Biqing

CONSOLIDATED AND COMPANY BALANCE SHEETS

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

ASSETS	*Notes*	**31 December 2016 Consolidated**	31 December 2015 Consolidated	**31 December 2016 Company**	31 December 2015 Company
Current assets					
Cash at bank and on hand	4(1)/16(1)	**153,014,245.00**	762,293,074.50	**56,306,656.46**	160,061,754.45
Notes receivable	4(2)/16(2)	**190,672,515.58**	47,573,711.28	**190,328,580.58**	41,880,068.20
Accounts receivable	4(3)/16(3)	**112,130,198.60**	115,327,736.69	**73,777,482.66**	77,252,546.59
Advances to suppliers	4(4)/16(4)	**24,005,985.16**	48,641,356.91	**97,055,086.44**	725,886,280.65
Interest receivable		**–**	–	**5,381,847.21**	1,588,888.88
Other receivables	4(5)/16(5)	**106,104,633.53**	106,659,699.38	**1,092,425,046.43**	160,946,464.22
Inventories	4(6)/16(6)	**1,385,290,969.53**	2,684,877,960.51	**1,008,871,742.88**	1,514,985,263.23
Other current assets	4(7)/16(7)	**628,858,538.72**	431,267,452.56	**387,700,632.32**	162,962,020.71
Total current assets		**2,600,077,086.12**	4,196,640,991.83	**2,911,847,074.98**	2,845,563,286.93
Non-current assets					
Long-term receivable	16(8)	**–**	–	**800,000,000.00**	800,000,000.00
Long-term equity investments	4(9)/16(9)	**130,802,279.44**	134,213,324.52	**2,481,966,513.94**	2,504,221,494.23
Fixed assets	4(10)/16(10)	**2,799,957,815.87**	4,995,060,869.21	**511,774,658.57**	522,672,001.12
Construction in progress	4(11)	**1,411,717,557.11**	1,345,171,170.71	**55,720,031.65**	13,069,909.88
Construction materials	4(12)	**642,609.04**	1,251,725.55	**16,439.93**	569,650.57
Intangible assets	4(13)/16(11)	**963,989,772.34**	1,033,220,892.60	**47,358,951.94**	48,223,513.82
Goodwill	4(14)	**28,087,550.20**	28,087,550.20	**–**	–
Long-term prepaid expenses		**57,738.75**	193,339.87	**–**	–
Deferred tax assets	4(31)/16(12)	**130,950,672.60**	101,827,805.74	**103,629,021.18**	131,056,765.30
Other non-current assets	4(15)	**22,000,000.00**	67,500,000.00	**–**	–
Total non-current assets		**5,488,205,995.35**	7,706,526,678.40	**4,000,465,617.21**	4,019,813,334.92
TOTAL ASSETS		**8,088,283,081.47**	11,903,167,670.23	**6,912,312,692.19**	6,865,376,621.85

CONSOLIDATED AND COMPANY BALANCE SHEETS

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

LIABILITIES AND OWNERS' EQUITY	*Notes*	**31 December 2016 Consolidated**	31 December 2015 Consolidated	**31 December 2016 Company**	31 December 2015 Company
Current liabilities					
Short-term borrowings	4(27)(b)	**420,000,000.00**	1,500,000,000.00	**–**	100,000,000.00
Financial liabilities at fair value through profit or loss	4(17)	**137,693,150.55**	404,215,811.92	**–**	–
Notes payable	4(18)	**101,250,000.00**	748,410,000.00	**93,200,000.00**	543,300,000.00
Accounts payable	4(19)/16(14)	**302,860,921.14**	582,629,071.73	**207,393,554.50**	34,003,615.78
Advances from customers	4(20)/16(15)	**24,336,532.36**	29,474,427.41	**23,467,067.55**	20,818,319.02
Employee benefits payable	4(21)/16(16)	**55,117,302.59**	58,388,000.14	**20,113,679.21**	18,582,409.06
Taxes payable	4(22)/16(17)	**11,137,582.93**	8,699,624.88	**3,330,022.98**	507,058.81
Interest payable	4(23)/16(18)	**40,942,962.32**	41,946,753.91	**39,060,776.27**	37,704,109.56
Other payables	4(24)/16(19)	**251,253,507.52**	638,349,740.33	**266,389,025.25**	75,002,875.80
Current portion of non-current liabilities	4(26)	**662,000,000.00**	576,000,000.00	**500,000,000.00**	–
Total current liabilities		**2,006,591,959.41**	4,588,113,430.32	**1,152,954,125.76**	829,918,388.03
Non-current liabilities					
Long-term borrowings	4(27)(a)	**75,000,000.00**	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)	**59,978,281.32**	76,341,874.43	**–**	–
Provisions	4(25)	**8,248,582.21**	8,383,557.06	**–**	–
Deferred income	4(30)	**33,562,996.66**	54,262,893.03	**1,725,782.00**	787,114.00
Deferred tax liabilities	4(31)	**150,479,836.70**	142,985,405.13	**–**	–
Other non-current liabilities	4(32)	**502,709,380.00**	–	**250,000,000.00**	–
Total non-current liabilities		**1,629,979,076.89**	2,650,733,729.65	**1,051,725,782.00**	1,300,787,114.00
Total liabilities		**3,636,571,036.30**	7,238,847,159.97	**2,204,679,907.76**	2,130,705,502.03
Owners' equity					
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)	**1,543,421.85**	–	**–**	–
Surplus reserve	4(36)	**249,625,789.74**	249,625,789.74	**249,625,789.74**	249,625,789.74
Accumulated Losses	4(37)	**(691,384,794.32)**	(484,316,830.46)	**(349,247,862.80)**	(322,209,527.41)
Total equity attributable to shareholders of the Company		**4,375,876,133.71**	4,581,400,675.72	**4,707,632,784.43**	4,734,671,119.82
Non-controlling interests	6(1)	**75,835,911.46**	82,919,834.54	**–**	–
Total owners' equity		**4,451,712,045.17**	4,664,320,510.26	**4,707,632,784.43**	4,734,671,119.82
TOTAL LIABILITIES AND OWNERS' EQUITY		**8,088,283,081.47**	11,903,167,670.23	**6,912,312,692.19**	6,865,376,621.85

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

Legal representative:	*Principal in charge of accounting:*	*Head of accounting department:*
Guo Haitang	**He Hongfeng**	**Li Jianhua**

CONSOLIDATED AND COMPANY INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in RMB Yuan unless otherwise stated)

	Notes	2016 Consolidated	2015 Consolidated	2016 Company	2015 Company
1. Revenue	4(38)/16(20)	**2,042,487,663.50**	2,685,876,829.69	**1,723,800,361.85**	559,923,332.10
Less: Cost of sales	4(38)/16(20)	**(1,947,808,553.62)**	(2,891,578,382.45)	**(1,652,026,775.13)**	(538,853,498.48)
Taxes and surcharges	4(40)	**(23,314,766.07)**	(8,101,690.65)	**(8,249,085.62)**	(246,615.90)
Selling and distribution expenses	4(41)	**(37,938,258.62)**	(66,267,904.77)	**(12,080,777.06)**	(6,526,723.82)
General and administrative expenses	4(42)	**(133,047,131.66)**	(184,575,946.91)	**(38,562,209.11)**	(44,948,598.94)
Financial expenses –net	4(43)/16(21)	**(202,144,465.26)**	(240,645,649.21)	**(48,507,745.81)**	(37,682,400.80)
Assets impairment (losses)/reversal	4(16)/4(44)/16(13)	**(17,589,253.93)**	(298,202,566.55)	**43,836,614.06**	(800,891,240.83)
Losses on the changes in fair value	4(45)	**(2,244,059.10)**	(1,275,232.45)	**–**	–
Add: Investment income/(losses)	4(46)/16(23)	**62,488,828.89**	(14,240.73)	**(6,441,366.43)**	(13,792,143.69)
Including: Share of losses of joint venture		**(10,380,917.22)**	(13,792,143.69)	**(10,380,917.22)**	(13,792,143.69)
2. Operating (loss)/profit		**(259,109,995.87)**	(1,004,784,784.03)	**1,769,016.75**	(883,017,890.36)
Add: Non-operating income	4(47)	**3,792,683.54**	7,290,601.31	**169,924.28**	522,695.00
Including: Gains on disposal of non-current assets		**66,648.47**	84,769.25	**9,366.30**	1,500.00
Less: Non-operating expenses	4(48)	**(2,440,449.41)**	(1,916,032.39)	**(1,550,001.60)**	(503,174.69)
Including: Losses on disposal of non-current assets		**(26,611.55)**	(94,024.05)	**(1,319.80)**	(27,197.94)
3. Total (loss)/profit		**(257,757,761.74)**	(999,410,215.11)	**388,939.43**	(882,998,370.05)
Less: Income tax expenses	4(49)/16(24)	**21,414,119.35**	56,280,197.58	**(27,427,274.82)**	129,856,592.59
4. Net loss		**(236,343,642.39)**	(943,130,017.53)	**(27,038,335.39)**	(753,141,777.46)
Attributable to shareholders of the Company		**(207,067,963.86)**	(741,028,514.50)	**(27,038,335.39)**	(753,141,777.46)
Non-controlling interests	6(1)	**(29,275,678.53)**	(202,101,503.03)	**–**	–
5. Other comprehensive income after tax		**–**	–	**–**	–
6. Total comprehensive loss		**(236,343,642.39)**	(943,130,017.53)	**(27,038,335.39)**	(753,141,777.46)
Comprehensive loss attributable to shareholders of the Company		**(207,067,963.86)**	(741,028,514.50)	**(27,038,335.39)**	(753,141,777.46)
Comprehensive loss attributable to non-controlling interests		**(29,275,678.53)**	(202,101,503.03)	**–**	–
7. Loss per share					
Basic loss per share	4(50)	**(0.094)**	(0.335)	**–**	–
Diluted loss per share	4(50)	**(0.094)**	(0.335)	**–**	–

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

Legal representative:	*Principal in charge of accounting:*	*Head of accounting department:*
Guo Haitang	**He Hongfeng**	**Li Jianhua**

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in RMB Yuan unless otherwise stated)

	Notes	**2016 Consolidated**	2015 Consolidated	**2016 Company**	2015 Company
1. Cash flows from operating activities					
Cash received from sales of goods and rendering services		**2,177,282,004.46**	3,256,940,501.10	**1,869,625,765.13**	770,701,474.12
Cash received from tax refunds		**6,266,376.12**	–	**257,768.91**	–
Cash received relating to other operating activities	4(51)(a)	**106,497,170.43**	21,244,060.46	**279,734,732.37**	190,430,913.91
Sub-total of cash inflows		**2,290,045,551.01**	3,278,184,561.56	**2,149,618,266.41**	961,132,388.03
Cash paid for goods and services		**(1,288,620,655.20)**	(2,711,031,771.68)	**(796,622,114.73)**	(1,063,188,885.77)
Cash paid to and on behalf of employees		**(270,567,447.08)**	(360,873,205.92)	**(91,937,964.18)**	(109,901,975.85)
Payments of taxes and surcharges		**(128,518,065.55)**	(145,016,754.70)	**(19,850,573.20)**	(14,561,325.49)
Cash paid relating to other operating activities	4(51)(b)	**(75,099,157.63)**	(207,307,441.28)	**(31,124,009.23)**	(105,494,241.04)
Sub-total of cash outflows		**(1,762,805,325.46)**	(3,424,229,173.58)	**(939,534,661.34)**	(1,293,146,428.15)
Net cash flows generated from/(used in) operating activities	4(52)(a)	**527,240,225.55**	(146,044,612.02)	**1,210,083,605.07**	(332,014,040.12)
2. Cash flows from investing activities					
Cash received from withdrawal of deposit from future contracts		**36,023,675.08**	–	**–**	–
Cash received from returns on investments		**7,973,176.18**	–	**3,813,613.86**	–
Cash received from disposal of fixed assets		**328,350.11**	548,863.75	**27,405.69**	1,467.96
Cash received from disposal of a subsidiary	4(52)(b)	**12,000,000.00**	–	**12,000,000.00**	–
Cash received from disposal of available-for-sale financial assets		**3,279,400,000.00**	–	**1,663,300,000.00**	–
Cash received relating to other investing activities	4(51)(c)	**117,667,536.04**	72,110,635.19	**173,769,779.42**	63,666,503.45
Sub-total of cash inflows		**3,453,392,737.41**	72,659,498.94	**1,852,910,798.97**	63,667,971.41
Cash paid to acquire fixed assets and other long-term assets		**(304,565,555.59)**	(328,721,822.88)	**(45,408,747.96)**	(24,279,203.06)
Cash paid for disposal of a subsidiary	4(52)(b)	**(21,323,576.36)**	–	**–**	–
Cash paid to acquire available-for-sale financial assets		**(3,844,437,000.00)**	–	**(1,996,937,000.00)**	–
Cash paid to provide loans to subsidiaries		**–**	–	**(990,652,800.00)**	(800,510,000.00)
Cash paid relating to other investing activities	4(51)(d)	**(126,500,000.00)**	(90,000,000.00)	**(126,500,000.00)**	(90,000,000.00)
Sub-total of cash outflows		**(4,296,826,131.95)**	(418,721,822.88)	**(3,159,498,547.96)**	(914,789,203.06)
Net cash flows used in investing activities		**(843,433,394.54)**	(346,062,323.94)	**(1,306,587,748.99)**	(851,121,231.65)

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in RMB Yuan unless otherwise stated)

	Notes	**2016 Consolidated**	2015 Consolidated	**2016 Company**	2015 Company
3. Cash flows from financing activities					
Cash received from borrowings		**2,018,888,480.00**	2,196,047,380.05	**450,000,000.00**	100,000,000.00
Cash received from issuance of bond		**–**	800,000,000.00	**–**	800,000,000.00
Sub-total of cash inflows		**2,018,888,480.00**	2,996,047,380.05	**450,000,000.00**	900,000,000.00
Cash repayments of borrowings		**(1,900,149,630.00)**	(2,297,864,459.53)	**(300,000,000.00)**	–
Cash payments for interest expenses		**(207,386,133.50)**	(252,724,925.66)	**(107,721,986.78)**	(36,507,222.22)
Cash payments relating to other financing activities	4(51)(e)	**(881,144.45)**	(5,846,511.75)	**–**	–
Sub-total of cash outflows		**(2,108,416,907.95)**	(2,556,435,896.94)	**(407,721,986.78)**	(36,507,222.22)
Net cash flows (used in)/generated from financing activities		**(89,528,427.95)**	439,611,483.11	**42,278,013.22**	863,492,777.78
4. Effect of foreign exchange rate changes on cash and cash equivalents		**–**	–	**–**	–
5. Net decrease in cash and cash equivalents	4(52)(a)	**(405,721,596.94)**	(52,495,452.85)	**(54,226,130.70)**	(319,642,493.99)
Add: Cash and cash equivalents at beginning of year	4(52)(a)	**506,128,056.01**	558,623,508.86	**72,795,873.48**	392,438,367.47
6. Cash and cash equivalents at end of year	4(52)(c)	**100,406,459.07**	506,128,056.01	**18,569,742.78**	72,795,873.48

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

Legal representative:	*Principal in charge of accounting:*	*Head of accounting department:*
Guo Haitang	**He Hongfeng**	**Li Jianhua**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in RMB Yuan unless otherwise stated)

	Attributable to shareholders of the Company						Non-controlling interests	Total owners' equity
	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	*(note 6(1))*	
Balance at 1 January 2015	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
Movements for the year ended 31 December 2015								
Comprehensive loss								
– Net loss	–	–	–	–	(741,028,514.50)	(741,028,514.50)	(202,101,503.03)	(943,130,017.53)
– Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	(741,028,514.50)	(741,028,514.50)	(202,101,503.03)	(943,130,017.53)
Shareholder's investment and capital reduction								
– Other	–	8,836,858.95	–	–	–	8,836,858.95	–	8,836,858.95
Appropriation to specific reserve	–	–	41,040,757.59	–	–	41,040,757.59	–	41,040,757.59
Utilisation of specific reserve	–	–	(41,267,914.76)	–	–	(41,267,914.76)	–	(41,267,914.76)
Balance at 31 December 2015	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
Balance at 1 January 2016	**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**
Movements for the year ended 31 December 2016								
Comprehensive loss								
– Net loss	**–**	**–**	**–**	**–**	**(207,067,963.86)**	**(207,067,963.86)**	**(29,275,678.53)**	**(236,343,642.39)**
– Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss	**–**	**–**	**–**	**–**	**(207,067,963.86)**	**(207,067,963.86)**	**(29,275,678.53)**	**(236,343,642.39)**
Shareholder's investment and capital reduction								
– Other	**–**	**–**	**–**	**–**	**–**	**–**	**22,191,755.45**	**22,191,755.45**
Appropriation to specific reserve	**–**	**–**	**34,350,506.18**	**–**	**–**	**34,350,506.18**	**–**	**34,350,506.18**
Utilisation of specific reserve	**–**	**–**	**(32,807,084.33)**	**–**	**–**	**(32,807,084.33)**	**–**	**(32,807,084.33)**
Balance at 31 December 2016	**552,500,000.00**	**4,263,591,716.44**	**1,543,421.85**	**249,625,789.74**	**(691,384,794.32)**	**4,375,876,133.71**	**75,835,911.46**	**4,451,712,045.17**

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

Legal representative:	*Principal in charge of accounting:*	*Head of accounting department:*
Guo Haitang	**He Hongfeng**	**Li Jianhua**

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR 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
Balance at 1 January 2015	552,500,000.00	4,254,754,857.49	–	249,625,789.74	430,932,250.05	5,487,812,897.28
Movements for the year ended 31 December 2015						
Comprehensive loss						
– Net loss	–	–	–	–	(753,141,777.46)	(753,141,777.46)
– Other comprehensive income	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	(753,141,777.46)	(753,141,777.46)
Appropriation to specific reserve	–	–	7,744,421.31	–	–	7,744,421.31
Utilisation of specific reserve	–	–	(7,744,421.31)	–	–	(7,744,421.31)
Balance at 31 December 2015	552,500,000.00	4,254,754,857.49	–	249,625,789.74	(322,209,527.41)	4,734,671,119.82
Balance at 1 January 2016	**552,500,000.00**	**4,254,754,857.49**	**–**	**249,625,789.74**	**(322,209,527.41)**	**4,734,671,119.82**
Movements for the year ended 31 December 2016						
Comprehensive loss						
– Net loss	**–**	**–**	**–**	**–**	**(27,038,335.39)**	**(27,038,335.39)**
– Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss	**–**	**–**	**–**	**–**	**(27,038,335.39)**	**(27,038,335.39)**
Appropriation to specific re-serve	**–**	**–**	**3,854,130.46**	**–**	**–**	**3,854,130.46**
Utilisation of specific re-serve	**–**	**–**	**(3,854,130.46)**	**–**	**–**	**(3,854,130.46)**
Balance at 31 December 2016	**552,500,000.00**	**4,254,754,857.49**	**–**	**249,625,789.74**	**(349,247,862.80)**	**4,707,632,784.43**

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

Legal representative:	*Principal in charge of accounting:*	*Head of accounting department:*
Guo Haitang	**He Hongfeng**	**Li Jianhua**

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.

On 9 March 2016, Shaanxi Honghao transferred all of 6,272,000 domestic shares held by it in the Company to Shaanxi Guangyou Trading Co., Ltd. (“Shaanxi Guangyou”) by means of negotiated assignment.

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 year ended 31 December 2016 are listed in note 6. Xinjiang Wuxin Copper Mining Co., Ltd. (“Wuxin Copper”) has been excluded from the scope of consolidation from this year (notes 5(1)).

These financial statements were authorised for issue by the Company’s Board of Directors on 24 March 2017.

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 31 December 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 31 December 2016 and of their financial performance, cash flows and other information for the year 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).

(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.

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

(5) Business combinations *(continued)*

(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.

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.

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

(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.

(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.

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

(9) Financial instruments *(continued)*

(a) Financial assets *(continued)*

(i) Classification of financial assets (continued)

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.

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.

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

(9) Financial instruments *(continued)*

(a) Financial assets *(continued)*

(iii) Impairment of financial assets

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

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 blow 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.

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.

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

(9) Financial instruments *(continued)*

(a) Financial assets *(continued)*

(iii) Impairment of financial assets (continued)

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 recognized 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.

(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 though 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.

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

(9) Financial instruments *(continued)*

(b) Financial liabilities *(continued)*

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 can not be obtained, we shall use unobservable market inputs.

(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.

The criterion for determining "individually significant" amounts is that any individual amount is more than RMB 10,000,000.00.

The method of providing for bad debts for those individually significant amount is as follows: the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

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

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

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	100%

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

(10) Receivables *(continued)*

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

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

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

(d) When the Group transfers the accounts receivable 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.

(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.

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

(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.

(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.

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

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

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

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.

(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)).

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

(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.

(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.

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

(13) Fixed assets *(continued)*

(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.

(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.

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

(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.

(b) Exploration rights

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

(c) Land use rights

Land use rights invested by the share shareholders holders are recognised at the value agreed by all the shareholders unless the agreed value is not fair. Purchased land use rights are stated at actual cost, while land use rights acquired by the business combination are recognised at the fair value at the acquisition date, then subsequently are recorded at cost less accumulated amortisation and impairment losses. Land use rights are amortised on the straight-line basis over the period of the land use rights varying from 10 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)).

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

(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.

(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.

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

(20) Impairment of long-term assets *(continued)*

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.

(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.

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

(21) Employee benefits *(continued)*

(b) Post-employment benefits *(continued)*

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 recognizes 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 recognizes costs for restructuring which involving the payment of termination benefits.

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 annual general meeting.

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

(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.

(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 it is probable that 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.

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

(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.

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.

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

(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.

(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.

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

(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 evaluate 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.

As at 31 December 2016, there was no impairment provided for fixed assets, construction in progress, land use rights, mining rights and exploration rights. As determined by management, fixed assets, construction in progress, land use rights, mining rights and exploration rights can be determined as an independent cash generating unit, of which the recoverable amounts have been determined based on value-in-use calculations using cash flow projections approved by management and management's assumptions and estimates of selling price of metals, discount rates and inflation rate. The discount rate used to calculate the value-in-use is 17%, of which is a pre-tax discount rate that reflects the specific risks of relevant business. 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.

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

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

Critical accounting estimates and key assumptions *(continued)*

(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 31 December 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) 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.

The estimates of deferred tax assets require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The realization of deferred tax assets depends on the realization of sufficient profitability (taxable profit) of the Group. The change in future income tax rates and timing of reversals of taxable temporary differences would affect income tax expense (benefits) and balances of deferred tax. Deviation of aforesaid estimates could result in material adjustment to the carrying amount of deferred income tax.

As at 31 December 2016, deferred tax assets of RMB130,950,672.60 have been recognised in the Group's balance sheet. As stated in note 4(31)(c), the Group still has unrecognised deductible temporary losses of RMB73,386,673.70 and unrecognised deductible temporary differences of RMB6,441,366.43 as at 31 December 2016. Deferred tax assets have not been recognised due to the fact that there is no certainty of obtaining approval from local tax authorities or there is no certainty of their respective realization of these tax benefits through available future taxable profits of those subsidiaries concerned. In cases where the actual future assessable profits are more or less than expected or approval from local tax authorities are obtained, a recognition or reversal of deferred tax assets may arise accordingly.

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) 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.

(e) 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.

(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.

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 or taxable sales revenue of products or consumption of taxable products regarded as sales	RMB6 per ton or RMB12 Per ton or 4% of sales *(note (3))*
Urban construction tax	VAT and business tax	7%/5%/1%
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))*
Property tax	Taxable residual value of property	1.2%
	Rental income of property	12%

(1) Corporate income tax

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

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

(a) On 6 April 2012, the State Administration of Taxation announced about carrying out the Western Development Strategy on the issue of corporate income tax, and the Company has obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region in 2012, the Company calculated and paid corporate income tax using the preferential rate of 15% for the year ended 31 December 2016 after communication with local tax authorities (2015: 15%).

(b) The applicable income tax rate of Shanghai Sales Branch of the Company is 25% in 2016 (2015: 25%).

3 TAXATION *(CONTINUED)*

(1) Corporate income tax *(continued)*

(c) The subsidiary, Xinjiang Yakesi Resource Development Co., Ltd. (hereafter "Xinjiang Yakesi"), qualifies as a foreign investment manufacturing enterprise established in Hami, Xinjiang Uygur Autonomous Region. Xinjiang Yakesi has obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region. Xinjiang Yakesi calculated and paid corporate income tax using the preferential rate of 15% for the year ended 31 December 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 31 December 2016 after communication with local tax authorities (2015: 15%).

(e) The subsidiary, Xinjiang Kalatongke Mining Industry Co., Ltd. (hereafter "Kalatongke Mining") qualifies as a foreign investment manufacturing enterprise established in Fuyun, Xinjiang Uygur Autonomous Region. Kalatongke Mining 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 15% he year ended 31 December 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: 20%).

(g) Other subsidiaries, including Xinjiang Zhongxin Mining Industry Co., Ltd. (hereafter "Zhongxin Mining"), 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% in 2016 (2015: 25%).

(h) From 1 January 2016 to 15 June 2016, the applicable income tax rate of Wuxin Copper is 25% (2015: 25%).

(2) Value-added tax

The 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 TAXATION *(CONTINUED)*

(3) Resources tax

Pursuant to “Notification of Financial Department of Xinjiang Uygur Autonomous Region and Regional Tax Bureau of Xinjiang Uygur Autonomous Region about adjusting local copper and nickel ore resources tax rate”, before 1 July 2016, 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. Pursuant to regulation No.[2016]24, “Regional Tax Bureau of Xinjiang Uygur Autonomous Region about adjusting local resources tax rate, conversion ratio and concentration ratio” since 1 July 2016, Kalatongke Mining pays resources tax of 4% of consumption of taxable products regarded as sales in current month, and Xinjiang Yakesi and Hami Jubao pay 4% of sales based on sales of taxable products in current month.

(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

Pursuant to regulation No.[2016]53, “Notice of comprehensively implementing the resources tax reform”, issued by the Ministry of Finance and the National Tax Bureau, since 1 July 2016, the mineral compensation rate were reduced to zero.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2016	31 December 2015
Cash on hand	**30,633.00**	140,396.96
Cash at bank	**100,375,826.07**	505,987,659.05
Restricted cash at banks *(a)*	**52,607,785.93**	256,165,018.49
	153,014,245.00	762,293,074.50

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

	31 December 2016	31 December 2015
Deposits for issue of bank acceptance notes	**41,063,554.49**	232,014,550.04
Deposits for environmental recovery and safety of production	**11,544,231.44**	11,121,455.29
Deposits for irrecoverable letters of credit	**–**	5,986,038.52
Deposits for gold lease contracts	**–**	5,010,000.00
Deposits for compensation of industrial injury of migrant workers	**–**	2,032,974.64
	52,607,785.93	256,165,018.49

(2) Notes receivable

	31 December 2016	31 December 2015
Bank acceptance notes	**190,672,515.58**	47,573,711.28

All the notes receivable will be matured within 180 days.

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

As at 31 December 2016, immature notes receivable that have been endorsed or discounted were shown as follows:

	Derecognised	**Not Derecognised**
Bank acceptance notes	116,034,454.14	–

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

(3) Accounts receivable

	31 December 2016	31 December 2015
Accounts receivable	**115,893,717.98**	119,254,450.69
Less: provision for bad debts	**(3,763,519.38)**	(3,926,714.00)
	112,130,198.60	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 was analysed as follows:

	31 December 2016	31 December 2015
Within 1 year	**81,622,832.56**	12,183,054.20
1 to 2 years	**19,695,174.53**	2,909,032.31
2 to 3 years	**10,638,695.51**	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	**3,787,815.18**	3,113,387.48
	115,893,717.98	119,254,450.69

As at 31 December 2016, accounts receivable of RMB46,959,017.18 was due from Wuxin Copper, a related party. The ageing of this receivable was RMB16,640,912.54 within 1 year, RMB19,679,409.13 within 1 to 2 years, and RMB10,638,695.51 within 2 to 3 years. Wuxin Copper used to be a subsidiary of the Company before the Company transferred its equity interests to Xinjiang Non-ferrous Group on 15 June 2016.

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

(3) Accounts receivable *(continued)*

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

As at 31 December 2016, accounts receivable of RMB36,008,342.50 (31 December 2015: RMB32,623,151.67) were past due. However, based on the analysis of the customers' financial positions and credit records, the Group considered that this part of accounts receivable could be recovered and were not impaired, hence provision for impairment was not provided. The ageing of such accounts receivable was analysed as follows:

	31 December 2016	31 December 2015
Within 1 year	**5,500,976.46**	29,508,229.26
1 to 2 years	**19,695,174.53**	2,909,032.31
2 to 3 years	**10,638,695.51**	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**	–
	36,008,342.50	32,623,151.67

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

	31 December 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))*	**53,559,358.49**	**46.21%**	**(1,456,617.80)**	**2.72%**	1,489,011.90	1.25%	(1,456,617.80)	97.82%
– Ageing group	**62,235,663.49**	**53.70%**	**(2,306,901.58)**	**3.71%**	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	**98,696.00**	**0.09%**	**–**	**–**	–	–	–	–
	115,893,717.98	**100.00%**	**(3,763,519.38)**		119,254,450.69	100.00%	(3,926,714,000)	

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 were analysed as follows:

	31 December 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	59,838,196.51	–	–	112,183,054.20	–	–
1 to 2 years	15,765.40	–	–	2,909,032.31	–	–
2 to 3 years	–	–	–	74,400.20	(44,640.12)	60.00%
3 to 4 years	74,400.20	(74,400.20)	100.00%	74,800.00	–	–
4 to 5 years	74,800.00	–	–	98,696.00	–	–
Over 5 years	2,232,501.38	(2,232,501.38)	100.00%	2,425,456.08	(2,425,456.08)	100.00%
	62,235,663.49	(2,306,901.58)		117,765,438.79	(2,470,096.20)	

(d) As at 31 December 2016, the top five accounts receivable were analysed as follows:

	Ending balance	Provision for bad debts	% of total balance
Total amount of the top five accounts receivable	107,176,604.50	–	92.48%

(e) The provision for bad debts provided in current year was RMB29,760.08. The provision for bad debts of accounts receivable collected or reversed in current year was RMB192,954.70.

(f) There were no accounts receivable written off in current year.

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

(h) As at 31 December 2016 and 2015, there were no accounts receivable pledged as collateral to obtain short-term borrowings.

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

(4) Advances to suppliers

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

	31 December 2016		31 December 2015	
	Amount	**% of total balance**	Amount	% of total balance
Within 1 year	**18,652,604.89**	**77.70%**	42,921,164.74	88.24%
1 to 2 years	**2,424,341.50**	**10.10%**	1,172,355.50	2.41%
2 to 3 years	**496,334.32**	**2.07%**	2,041,700.36	4.20%
Over 3 years	**2,432,704.45**	**10.13%**	2,506,136.31	5.15%
	24,005,985.16	**100.00%**	48,641,356.91	100.00%

As at 31 December 2016, advances to suppliers over 1 year with carrying amount of RMB5,353,380.27 (31 December 2015: RMB5,720,192.17) were mainly advances paid for purchasing raw materials.

(b) As at 31 December 2016, the top five advances to suppliers were analysed as follows:

	Amount	**% of total balance**
Total amount of the top five advances to suppliers	9,866,963.92	41.10%

(5) Other receivables

	31 December 2016	31 December 2015
Amount due from related parties *(note 9(6)(b))*	**85,553,502.80**	33,315,897.04
Deposits for sales guarantee	**10,000,000.00**	13,500,000.00
Amount due from equity and debt transfer *(i)*	**5,812,100.00**	5,812,100.00
Cash advance	**2,395,457.11**	2,245,084.65
Reposts for a future contract	**–**	45,320,568.29
Others	**5,345,970.03**	6,562,395.81
	109,107,029.94	106,756,045.79
Less: provision for bad debts	**(3,002,396.41)**	(96,346.41)
	106,104,633.53	106,659,699.38

(i) Amount due from equity and debt transfer is the receivables resulted from the transfer of equity and debt of Tibet Puxiong Mining Co., Ltd. – an associate of Xinjiang Yakesi in 2013.

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

(5) Other receivables *(continued)*

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

	31 December 2016	31 December 2015
Within 1 year	**90,301,949.22**	94,286,389.55
1 to 2 years	**10,320,047.59**	3,560,504.11
2 to 3 years	**2,235,201.00**	5,812,100.00
3 to 4 years	**5,812,100.00**	84,082.15
4 to 5 years	**84,082.15**	35,691.27
Over 5 years	**353,649.98**	2,977,278.71
	109,107,029.94	106,756,045.79

As at 31 December 2016, other receivables of RMB12,896,634.31 (31 December 2015: RMB12,373,309.83) were past due. However, based on the analysis of the customers' financial positions and credit records, the Group considered that this part of other receivables could be recovered and were not impaired, hence provision for impairment was not provided. The ageing of such other receivable was analysed as follows:

	31 December 2016	31 December 2015
Within 1 year	**–**	–
1 to 2 years	**10,320,047.59**	3,560,504.11
2 to 3 years	**2,235,201.00**	5,812,100.00
3 to 4 years	**–**	84,082.15
4 to 5 years	**84,082.15**	35,691.27
Over 5 years	**257,303.57**	2,880,932.30
	12,896,634.31	12,373,309.83

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

(5) Other receivables *(continued)*

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

	31 December 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))*	85,553,502.80	78.41%	–	–	33,315,897.04	31.21%	–	–
– Ageing group	17,741,427.14	16.26%	(96,346.41)	0.54%	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	5,812,100.00	5.33%	(2,906,050.00)	50.00%	–	–	–	–
	109,107,029.94	100.00%	(3,002,396.41)		106,756,045.79	100.00%	(96,346.41)	

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

	31 December 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	4,795,222.32	–	–	63,627,112.51	–	–
1 to 2 years	10,273,271.69	–	–	3,560,204.11	–	–
2 to 3 years	2,235,201.00	–	–	5,812,100.00	–	–
3 to 4 years	–	–	–	84,082.15	–	–
4 to 5 years	84,082.15	–	–	35,691.27	–	–
Over 5 years	353,649.98	(96,346.41)	27.24%	320,958.71	(96,346.41)	30.02%
	17,741,427.14	(96,346.41)		73,440,148.75	(96,346.41)	

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

(5) Other receivables *(continued)*

(d) The provision for bad debts of other receivables provided in current year was RMB2,906,050.00, there was no provision for bad debts of other receivables collected or reversed in current year.

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

(f) As at 31 December 2016, the top five other receivables were analysed as follows:

	Nature	Amount	Ageing	% of total balance	Provision of bad debts
Hami Hexin Mining Co., Ltd. (hereafter "Hexin Mining")	Loan	45,161,075.90	Within 1 year	41.39%	–
Xinjiang Jinhui Real Estate Development Co., Ltd.	Transfer of receivables	40,000,000.00	Within 1 year	36.66%	–
Trafigura Investment (China) Co., Ltd.	Deposit for sales guarantee	10,000,000.00	1–2 years	9.17%	–
Gansu Ximai New Material Technology Co., Ltd.	Transfer of equity and debt	5,812,100.00	3 to 4 years	5.33%	(2,906,050.00)
Xinjiang Bei'a Railway Co., Ltd.	Deposit	2,000,000.00	2 to 3 years	1.83%	–
		102,973,175.90		94.38%	(2,906,050.00)

(6) Inventories

(a) Classification of inventories was as follows:

	31 December 2016 Ending balance	31 December 2016 Provision for declines in value of inventories	31 December 2016 Carrying amount	31 December 2015 Ending balance	31 December 2015 Provision for declines in value of inventories	31 December 2015 Carrying amount
Raw materials	214,560,013.97	(4,336,822.90)	210,223,191.07	437,877,046.70	(1,225,787.98)	436,651,258.72
Work in progress	165,752,417.00	–	165,752,417.00	737,300,818.26	(52,633,868.28)	684,666,949.98
Semi-finished goods	508,913,207.13	(17,214,239.13)	491,698,968.00	519,059,502.34	(54,651,886.22)	464,407,616.12
Finished goods	532,497,725.83	(14,881,332.37)	517,616,393.46	1,276,967,608.96	(177,815,473.27)	1,099,152,135.69
	1,421,723,363.93	(36,432,394.40)	1,385,290,969.53	2,971,204,976.26	(286,327,015.75)	2,684,877,960.51

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

(6) Inventories *(continued)*

(b) Inventories balance fluctuation was analysed as follows:

	31 December 2015	Increase in current year	Decrease in current year		31 December 2016
			Other	Disposal of a subsidiary	
Raw materials	437,877,046.70	989,489,513.51	(978,724,246.27)	(234,082,299.97)	**214,560,013.97**
Work in progress	737,300,818.26	409,798,945.52	(542,820,280.42)	(438,527,066.36)	**165,752,417.00**
Semi-finished goods	519,059,502.34	976,885,508.41	(978,594,087.64)	(8,437,715.98)	**508,913,207.13**
Finished goods	1,276,967,608.96	1,373,282,834.33	(2,113,888,826.57)	(3,863,890.89)	**532,497,725.83**
	2,971,204,976.26	3,749,456,801.77	(4,614,027,440.90)	(684,910,973.20)	**1,421,723,363.93**

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

	31 December 2015	Increase in current year	Decrease in current year			31 December 2016
		Accruement	Reversal	Sold	Disposal of a subsidiary	
Raw materials	(1,225,787.98)	(3,111,034.92)	–	–	–	**(4,336,822.90)**
Work in progress	(52,633,868.28)	(1,756,649.52)	16,139,269.51	15,370,827.89	22,880,420.40	**–**
Semi-finished goods	(54,651,886.22)	(17,416,071.97)	–	54,651,886.23	201,832.83	**(17,214,239.13)**
Finished goods	(177,815,473.27)	(16,153,686.12)	7,451,774.47	170,321,070.77	1,314,981.78	**(14,881,332.37)**
	(286,327,015.75)	(38,437,442.53)	23,591,043.98	240,343,784.89	24,397,235.01	**(36,432,394.40)**

(d) Provision for decline in value of inventories was 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 was sales of the inventories.

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

(7) Other current assets

	31 December 2016	31 December 2015
Available-for-sale financial assets *(note 4(8))*	**565,037,000.00**	–
Deductible VAT	**49,549,719.20**	410,522,602.11
Prepaid income tax	**14,271,819.52**	20,744,850.45
	628,858,538.72	431,267,452.56

(8) Available-for-sale financial assets

	31 December 2016	31 December 2015
Measured at fair vale		
– financial products	**565,037,000.00**	–
Less: impairment costs	**–**	–
Less: available-for-sale financial assets included in current assets *(note 4(7))*	**(565,037,000.00)**	–
	–	–

As at 31 December 2016, the balance of the guaranteed and floating-earning financial products that the Group purchased were RMB297,200,000.00, with an annualised return range from 1.85% to 3.30%. The Group has no intention and obligation to provide financial support to these financial products.

As at 31 December 2016, the balance of the non-guaranteed and floating-earning financial products that the Group purchased were RMB267,837,000.00, with an annualised return range from 1.15% to 4.34%. The maximum risk exposure is the carrying value of RMB267,837,000.00 of the financial products at the balance sheet date. The Group has no intention and obligation to provide financial support to these financial products.

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

(9) Long-term equity investments

	31 December 2016	31 December 2015
Joint venture *(a)*	**130,802,279.44**	134,213,324.52
Less: provision of long-term equity investments	**–**	–
	130,802,279.44	134,213,324.52

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

(a) Joint venture

	31 December 2015	Current year movement: Increase/ Decrease in investment	Share of net profit using the equity method *(note 4(46))*	Offsetting the unrealised loss of internal transaction *(note 6(2)(b))*	Other comprehensive income adjustment	Other changes in equity	Cash dividend declared	Impairment provided in the current year	**31 December 2016**	Provision for impairment
Hexin Mining	134,213,324.52	–	(10,380,917.22)	6,969,872.14	–	–	–	–	**130,802,279.44**	–

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 in joint venture.

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

(10) Fixed assets

	Buildings	Mining structure	Machinery and equipment	Motor vehicles	Electronic and office equipment	Total
Cost						
31 December 2015	2,712,944,670.17	876,134,438.52	2,437,021,258.50	69,226,339.60	83,697,237.80	6,179,023,944.59
Additions						
Purchase	602,021.68	–	13,775,230.39	700,153.40	1,842,000.20	16,919,405.67
Transfer-in from construction in progress *(note 4(11)(a))*	35,059,945.88	9,395,947.51	16,695,607.11	–	24,883.78	61,176,384.28
Reductions						
Disposal of a subsidiary	(1,289,871,721.68)	–	(909,223,516.53)	(13,218,388.89)	(3,810,035.08)	(2,216,123,662.18)
Other disposal and retirement	–	–	–	(1,954,536.59)	(85,660.00)	(2,040,196.59)
Reclassification	140,462,689.72	–	(143,850,106.26)	149,605.00	3,237,811.54	–
31 December 2016	**1,599,197,605.77**	**885,530,386.03**	**1,414,418,473.21**	**54,903,172.52**	**84,906,238.24**	**4,038,955,875.77**
Accumulated depreciation						
31 December 2015	359,230,262.15	135,195,023.15	616,763,059.03	39,452,593.24	33,322,137.81	1,183,963,075.38
Accruement	61,573,475.70	27,142,340.77	125,094,497.45	4,886,034.32	9,497,305.06	228,193,653.30
Disposal of a subsidiary	(66,281,834.61)	–	(98,039,394.90)	(4,745,739.16)	(2,339,816.71)	(171,406,785.38)
Other disposal and retirement	–	–	–	(1,668,793.20)	(83,090.20)	(1,751,883.40)
Reclassification	28,101,493.51	–	(28,929,019.21)	108,837.90	718,687.80	–
31 December 2016	**382,623,396.75**	**162,337,363.92**	**614,889,142.37**	**38,032,933.10**	**41,115,223.76**	**1,238,998,059.90**
Net Book Value						
31 December 2016	**1,216,574,209.02**	**723,193,022.11**	**799,529,330.84**	**16,870,239.42**	**43,791,014.48**	**2,799,957,815.87**
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

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

(10) Fixed assets *(continued)*

In 2016, depreciation expense of fixed assets amounted to RMB228,193,653.30 (2015: RMB289,118,458.40), of which RMB186,736,859.97 were charged to cost of sales, RMB11,480,951.78 to general and administrative expenses, RMB165,365.51 to selling expense and RMB29,810,476.04 to construction in progress (2015: RMB270,874,324.39, RMB17,717,840.45, RMB162,532.14 and RMB363,761.42 respectively).

The costs of fixed assets transferred-in from construction in progress amounted to RMB61,176,384.28 for the year ended 31 December 2016 (2015: RMB267,099,442.50).

(a) Temporarily idle fixed assets

As at 31 December 2016, fixed assets with carrying amount of RMB14,096,941.88 (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	(58,256,964.28)	4,409,106.64
Buildings	26,115,387.80	(16,563,703.23)	9,551,684.57
Electronic and office equipment	909,756.70	(773,606.03)	136,150.67
	89,691,215.42	(75,594,273.54)	14,096,941.88

(b) Fixed assets with pending certificates of ownership

As at 31 December 2016, the net book value of RMB534,615,205.29 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.

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

(11) Construction in progress

	31 December 2016			31 December 2015		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
The Company:						
Fukang Refinery						
Nickel refining project	3,396,048.11	–	3,396,048.11	3,396,048.11	–	3,396,048.11
Other projects	52,323,983.54	–	52,323,983.54	9,673,861.77	–	9,673,861.77
Sub-total of the Company	55,720,031.65	–	55,720,031.65	13,069,909.88	–	13,069,909.88
Subsidiaries:						
Kalatongke Mining						
Nickel smelting, mining and ore processing project	42,070,393.85	–	42,070,393.85	51,197,646.55	–	51,197,646.55
Final stages of mining extension	44,116,370.56	–	44,116,370.56	17,027,894.84	–	17,027,894.84
Resource exploration project	22,717,828.16	–	22,717,828.16	15,820,811.88	–	15,820,811.88
Other constructions in progress for production	86,723,287.07	–	86,723,287.07	85,316,154.22	–	85,316,154.22
Xinjiang Yakesi						
Huangshanxi mining and ore processing project	936,887,282.55	–	936,887,282.55	892,334,107.97	–	892,334,107.97
Huangshandong #17 mine construction project	35,786,023.58	–	35,786,023.58	34,539,043.92	–	34,539,043.92
Other projects	621,509.43	–	621,509.43	–	–	–
Hami Jubao						
Huangshandong #12 mine project	27,762,901.04	–	27,762,901.04	26,411,951.40	–	26,411,951.40
Zhongxin Mining						
Auxiliary project for smelting operations	50,000.00	–	50,000.00	3,121,800.60	–	3,121,800.60
Wuxin Copper						
Ten thousand copper smelting project	–	–	–	29,642,984.94	–	29,642,984.94
DPA project	–	–	–	61,754,065.98	–	61,754,065.98
Shaanxi Xinxin						
Other projects	1,959,073.00	–	1,959,073.00	1,959,073.00	–	1,959,073.00
Beijing Xinding						
Construction projects of the base for research and ware housing	157,302,856.22	–	157,302,856.22	112,975,725.53	–	112,975,725.53
Sub-total of subsidiaries	1,355,997,525.46	–	1,355,997,525.46	1,332,101,260.83	–	1,332,101,260.83
Total	1,411,717,557.11	–	1,411,717,557.11	1,345,171,170.71	–	1,345,171,170.71

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

(11) Construction in progress *(continued)*

(a) Significant changes to construction in progress

Project name	Budget	31 December 2015	Current year additions	Transferred from fixed assets	Transfer to fixed assets *(note 4(10))*	Disposal of a subsidiary	31 December 2016	% of expenditures incurred to budgeted amount	Cumulative capitalised borrowing costs	Including: borrowing costs capitalised in current year *(note 4(43))*	Capitalisation rate	Source of funds
The Company:												
Fukang Refinery												
Nickel refining project	163,360,000.00	3,396,048.11	–	–	–	–	**3,396,048.11**	14.94%	–	–	–	Self-funding
Other projects	117,000,000.00	9,673,861.77	74,700,651.86	–	(32,050,530.09)	–	**52,323,983.54**	89.85%	–	–	–	Self-funding
Sub-total of the Company	280,360,000.00	13,069,909.88	74,700,651.86	–	(32,050,530.09)	–	**55,720,031.65**		–	–		
Subsidiaries:												
Kalatongke Mining												
Nickel smelting, mining and ore processing project	1,742,551,493.00	51,197,646.55	9,082,135.28	–	(18,209,387.98)	–	**42,070,393.85**	99.94%	3,654,986.91	–	–	Self-funding/loans/ government grants
Final stages of mining extension	48,000,000.00	17,027,894.84	27,088,475.72	–	–	–	**44,116,370.56**	98.42%	–	–	–	Self-funding
Resource exploration project	65,110,806.00	15,820,811.88	6,897,016.28	–	–	–	**22,717,828.16**	99.74%	–	–	–	Self-funding/ government grants
Other constructions in progress for production	118,046,239.00	85,316,154.22	4,006,498.80	–	(2,599,365.95)	–	**86,723,287.07**	99.61%	–	–	–	Self-funding
Xinjiang Yakesi												
Huangshanxi mining and ore processing project	1,358,259,700.00	892,334,107.97	46,240,921.23	–	(1,687,746.65)	–	**936,887,282.55**	99.94%	228,539,916.73	23,352,743.80	5.40%	Self-funding/loans/ government grants
Huangshandong #17 mine construction project	142,000,000.00	34,539,043.92	2,298,757.87	–	(1,051,778.21)	–	**35,786,023.58**	99.87%	–	–	–	Self-funding
Other projects	800,000.00	–	621,509.43	–	–	–	**621,509.43**	77.69%	–	–	–	Self-funding
Hami Jubao												
Huangshandong #12 mine project	92,300,000.00	26,411,951.40	1,418,349.62	–	(67,399.98)	–	**27,762,901.04**	99.62%	–	–	–	Self-funding
Zhongxin Mining												
Auxiliary project for smelting operations	6,000,000.00	3,121,800.60	2,438,374.82	–	(5,510,175.42)	–	**50,000.00**	92.55%	–	–	–	Self-funding/ government grants
Wuxin Copper												
Ten thousand copper smelting project	NA	29,642,984.94	111,402,494.96	99,267,244.05	–	(240,312,723.95)	**–**	NA	–	–	–	Self-funding/loans/ government grants
DPA project	NA	61,754,065.98	968,647.28	–	–	(62,722,713.26)	**–**	NA	–	–	–	Self-funding
Shaanxi Xinxin												
Other projects	10,000,000.00	1,959,073.00	–	–	–	–	**1,959,073.00**	19.59%	–	–	–	Self-funding
Beijing Xinding												
Construction projects of the base for research and ware housing	158,000,000.00	112,975,725.53	44,327,130.69	–	–	–	**157,302,856.22**	99.56%	1,246,602.74	1,246,602.74	4.35%	Self-funding
Sub-total of subsidiaries	3,741,068,238.00	1,332,101,260.83	256,790,311.98	99,267,244.05	(29,125,854.19)	(303,035,437.21)	**1,355,997,525.46**		233,441,506.38	24,599,346.54		
Total	4,021,428,238.00	1,345,171,170.71	331,490,963.84	99,267,244.05	(61,176,384.28)	(303,035,437.21)	**1,411,717,557.11**		233,441,506.38	24,599,346.54		

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

(12) Construction materials

	31 December 2016	31 December 2015
Construction materials	**642,609.04**	1,251,725.55

(13) Intangible assets

	Mining rights	Exploration rights	Land use rights	Others	Totals
Cost					
31 December 2015	699,654,158.24	208,153,000.00	273,436,324.12	1,664,304.26	1,182,907,786.62
Additions – Purchase	–	–	–	414,648.45	414,648.45
Decrease – Disposal of a subsidiary	–	–	(51,794,854.00)	(78,101.03)	(51,872,955.03)
31 December 2016	**699,654,158.24**	**208,153,000.00**	**221,641,470.12**	**2,000,851.68**	**1,131,449,480.04**
Accumulated amortisation					
31 December 2015	115,510,707.41	–	32,897,410.97	1,278,775.64	149,686,894.02
Additions – Accruement	14,695,586.36	–	5,126,476.41	184,640.17	20,006,702.94
Decrease – Disposal of a subsidiary	–	–	(2,172,454.91)	(61,434.35)	(2,233,889.26)
31 December 2016	**130,206,293.77**	**–**	**35,851,432.47**	**1,401,981.46**	**167,459,707.70**
Net book value					
31 December 2016	**569,447,864.47**	**208,153,000.00**	**185,790,037.65**	**598,870.22**	**963,989,772.34**
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 year ended 31 December 2016, amortisation expense of intangible assets amounted to RMB20,006,702.94 (2015: RMB20,521,390.81).

The exploration rights were acquired through the acquisition of Shaanxi Xinxin by the Group in 2011. Shaanxi Xinxin has applied to covert the exploration rights of two mines located in Shangnan, Shaanxi into mining rights. As at 31 December 2016, the application was in the process of approving.

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

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

(14) Goodwill

	31 December 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
	28,087,550.20	28,087,550.20

As at 31 December 2016 and 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.

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 were as follows:

	Zhongxin Minging	**Xinjiang Yakesi and Hami Jubao**
Growth rate	3%	3%
Gross margin	8%	18%
Discount rate	17%	17%

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 consolidation of asset groups. The above assumptions are used to assess the recoverable amount of each asset group and the consolidation of asset groups.

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

(15) Other non-current assets

	31 December 2016	31 December 2015
Prepaid utilities *(a)*	**22,000,000.00**	27,500,000.00
Prepayments for purchase of land *(b)*	**–**	40,000,000.00
Total	**22,000,000.00**	67,500,000.00

(a) The balance represented the prepayment for utilities of Xinjiang Yakesi, which will be offset the utilities to be incurred after 1 January 2018.

(b) As at 31 December 2015, the balance represented prepayment for purchase of a land use right to construct office building by Xinjiang Yakesi. This prepayment was transferred to Xinjiang Jinhui Real Estate Development Co., Ltd in 2016.

(16) Provision for asset impairment

			Current year reductions			
	31 December 2015	Current year additions *note 4(44)*	Reversal *note 4(44)*	Sold	Disposal of a subsidiary	**31 December 2016**
Provision for bad debts						
Including:	4,023,060.41	2,935,810.08	(192,954.70)	–	–	**6,765,915.79**
Accounts receivable	3,926,714.00	29,760.08	(192,954.70)	–	–	**3,763,519.38**
Other receivables	96,346.41	2,906,050.00	–	–	–	**3,002,396.41**
Provision for decline in value of inventories	286,327,015.75	38,437,442.53	(23,591,043.98)	(240,343,784.89)	(24,397,235.01)	**36,432,394.40**
	290,350,076.16	41,373,252.61	(23,783,998.68)	(240,343,784.89)	(24,397,235.01)	**43,198,310.19**

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

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

	31 December 2016	31 December 2015
Gold lease and related future contracts *(a)*	**137,693,150.55**	404,060,811.92
Standard future contracts *(b)*	**–**	155,000.00
	137,693,150.55	404,215,811.92

(a) In 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 31 December 2016, the total fair value of the gold lease contracts and the related future contracts amounted to RMB137,693,150.55 (31 December 2015: RMB404,060,811.92).

(18) Notes payable

	31 December 2016	31 December 2015
Bank acceptance notes	**101,250,000.00**	698,410,000.00
Letter of credit payables	**–**	50,000,000.00
	101,250,000.00	748,410,000.00

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

(19) Accounts payable

	31 December 2016	31 December 2015
Payable for purchase of materials	**205,528,680.15**	506,568,667.98
Payable for purchase of services	**75,470,123.90**	48,729,928.16
Payable for transportation fees	**18,476,828.92**	25,044,892.59
Others	**3,385,288.17**	2,285,583.00
	302,860,921.14	582,629,071.73

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

(19) Accounts payable *(continued)*

(a) As at 31 December 2016, accounts payable over one year with carrying amount of RMB26,473,586.61 (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 was analysed as follows:

	31 December 2016	31 December 2015
Within 3 months	**163,941,303.78**	479,815,799.80
3 to 6 months	**82,778,758.54**	56,584,185.58
Over 6 months	**56,140,858.82**	46,229,086.35
	302,860,921.14	582,629,071.73

(20) Advances from customers

	31 December 2016	31 December 2015
Advances for sales of goods	**24,336,532.36**	29,474,427.41

(a) As at 31 December 2016, advances from customers over one year with carrying amount of RMB848,608.20 (31 December 2015: RMB839,722.96) were mainly advances for sales of goods.

(21) Employee benefits payable

	31 December 2016	31 December 2015
Short-term employee benefits payable	**53,685,508.54**	57,079,720.27
Defined contribution plans payable	**1,431,794.05**	1,308,279.87
	55,117,302.59	58,388,000.14

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

(21) Employee benefits payable *(continued)*

(a) Short-term employee benefit payable

	31 December 2015	Current year additions	Current year reductions: Current year payments	Current year reductions: Disposal of a subsidiary	**31 December 2016**
Salaries, bonuses, allowances and subsidies	37,760,582.13	182,521,127.04	(177,067,228.28)	(4,595,698.59)	**38,618,782.30**
Staff welfare	–	8,002,522.14	(8,002,522.14)	–	**–**
Social insurances	1,550,090.75	18,077,621.23	(18,043,760.11)	(26,800.17)	**1,557,151.70**
Including: Medical insurance	1,058,047.98	13,914,454.08	(13,896,651.43)	(22,294.33)	**1,053,556.30**
Work injury insurance	424,841.22	2,894,871.81	(2,885,494.55)	(3,246.52)	**430,971.96**
Maternity insurance	67,201.55	892,917.24	(887,668.95)	(1,259.32)	**71,190.52**
Illness insurance	–	375,378.10	(373,945.18)	–	**1,432.92**
Housing funds	2,423,641.75	20,333,392.36	(20,243,219.96)	(382,592.00)	**2,131,222.15**
Labor union fund and employee education fund	14,073,596.05	5,122,975.63	(5,204,992.02)	(2,614,247.27)	**11,377,332.39**
Service charge	–	3,889,865.25	(3,889,865.25)	–	**–**
Others	1,271,809.59	1,563,282.93	(2,834,072.52)	–	**1,020.00**
	57,079,720.27	239,510,786.58	(235,285,660.28)	(7,619,338.03)	**53,685,508.54**

(b) Defined contribution plans payable

	31 December 2015	Current year additions	Current year reductions: Current year payments	Current year reductions: Disposal of a subsidiary	**31 December 2016**
Pension insurance	1,255,039.02	33,123,280.32	(32,907,178.19)	(89,507.40)	**1,381,633.75**
Unemployment insurance	53,240.85	2,093,165.69	(2,093,715.57)	(2,530.67)	**50,160.30**
	1,308,279.87	35,216,446.01	(35,000,893.76)	(92,038.07)	**1,431,794.05**

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

(22) Taxes payable

	31 December 2016	31 December 2015
Value added tax payable	**5,525,480.12**	3,017,065.50
Resource tax	**2,965,484.60**	893,960.78
Resource compensation fee	**1,522,342.74**	3,497,718.07
Educational surcharge payable	**343,898.80**	151,358.14
City maintenance and construction tax payable	**307,857.72**	157,536.36
Stamp duty	**297,656.60**	512,985.79
Individual income tax	**140,897.32**	440,822.59
Income tax payable	**7,306.13**	280.00
Others	**26,658.90**	27,897.65
	11,137,582.93	8,699,624.88

(23) Interest payable

	31 December 2016	31 December 2015
Interest of bond payable	**39,060,776.27**	37,704,109.56
Interest of short term borrowings	**1,882,186.05**	2,124,296.13
Interest of long term borrowings	**–**	2,118,348.22
	40,942,962.32	41,946,753.91

(24) Other payables

	31 December 2016	31 December 2015
Payables due to related parties *(note 9(6)(e))*	**129,158,196.13**	362,975,214.01
Payables for construction projects	**62,859,223.69**	158,796,622.02
Payables for purchase of equipments	**29,604,531.62**	81,393,558.98
Deposit for quality guarantee	**4,927,651.45**	12,241,137.45
Payable for professional service	**3,514,131.13**	2,127,023.88
Payable for sewage charges	**1,144,717.00**	1,000,668.00
Others	**20,045,056.50**	19,815,515.99
	251,253,507.52	638,349,740.33

(a) As at 31 December 2016, other payables over 1 year with carrying amount of RMB51,169,081.52 (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.

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

(25) Provisions

	31 December 2015	Current year additions *(note 4(43))*	Current year decrease *(note 4(43))*	**31 December 2016**
Provision for close down, restoration and environmental costs	8,383,557.06	191,493.19	(326,468.04)	**8,248,582.21**

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.

(26) Current portion of non-current liabilities

	31 December 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))*	**162,000,000.00**	576,000,000.00
	662,000,000.00	576,000,000.00

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

(27) Borrowings

(a) Long-term borrowings

	31 December 2016	31 December 2015
Unsecured loans	**237,000,000.00**	1,554,760,000.00
Pledged loans	**–**	90,000,000.00
	237,000,000.00	1,644,760,000.00
Less: current portion of long-term borrowings *(note 4(26))*		
Unsecured loans	**(162,000,000.00)**	(566,000,000.00)
Pledged loans	**–**	(10,000,000.00)
Sub total	**(162,000,000.00)**	(576,000,000.00)
	75,000,000.00	1,068,760,000.00

As at 31 December 2016, the long-term borrowings were due for repayment since June 2018. The interests are paid on a quarterly basis. As at 31 December 2016, the interest rates of long-term borrowings were between 4.90% and 6.50% annually (31 December 2015: between 4.66% and 7.12%).

(b) Short-term borrowings

	31 December 2016	31 December 2015
Unsecured loans	**320,000,000.00**	905,000,000.00
Factoring loans *(i)*	**100,000,000.00**	100,000,000.00
Impawn loans	**–**	315,000,000.00
Pledged loans	**–**	180,000,000.00
	420,000,000.00	1,500,000,000.00

As at 31 December 2016, the interest rates of short-term borrowings were between 3.92% and 4.35% annually (31 December 2015: between 4.13% and 6.00%).

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

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

(28) Bond payable

	31 December 2015	Increase in current year	Nominal interest	Repayment in current year	Current portion of bond payable *(note 4(26))*	**31 December 2016**
Medium-term notes	1,300,000,000.00	–	88,956,666.71	–	(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. Interest of the bond was calculated by the simple interest method and repaid annually, and the fixed interest rate was 7.12% annually. On 12 November 2015, the Company issued the first medium term notes of 2015. Interest of this bond was calculated by the simple interest method and repaid annually, and the fixed interest rate was 6.50% annually (note 4(23)). The first trench of 2014 medium-term notes mentioned above was expired on 19 February 2017, and was settled on 19 February 2017.

(29) Long-term payables

	31 December 2015	Accrued in financial expenses in current year *(note 4(43))*	Current portion of long-term payables	**31 December 2016**
Payables to a related party *(note 9(6)(g))*	85,000,000.00	–	(20,000,000.00)	**65,000,000.00**
Less: discounted payables to a related party	(8,658,125.57)	3,636,406.89	–	**(5,021,718.68)**
	76,341,874.43			**59,978,281.32**

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

(30) Deferred income

	31 December 2015	Current year Additions	Current year Reductions	Disposal of a subsidiary	**31 December 2016**	Causes
Government grants	54,262,893.03	3,500,000.00	(2,287,060.62)	(21,912,835.75)	**33,562,996.66**	Encourage enterprises development

Government grants items	31 December 2015	Current year additions	Credited into non-operating income *(note 4(47)(a))*	Disposal of a subsidiary	**31 December 2016**	Related to assets/related to income
The Company:						
– Project on concentration of reducing sodium	17,779.00	–	(5,332.00)	–	**12,447.00**	Related to assets
– Water resource utilisation project	769,335.00	–	(56,000.00)	–	**713,335.00**	Related to assets
– special funds for energy conservation and emissions reduction	–	1,000,000.00	–	–	**1,000,000.00**	Related to assets
Sub-total of the Company	787,114.00	1,000,000.00	(61,332.00)	–	**1,725,782.00**	
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	–	(209,777.88)	–	**8,496,002.08**	Related to assets
– Project on exploration of No. 2 mine in Kalatongke Mining	7,354,666.78	–	(262,666.56)	–	**7,092,000.22**	Related to assets
– Project on energy saving	5,387,777.82	–	(738,333.36)	–	**4,649,444.46**	Related to assets
– Gas device for composite desulfurization	–	2,500,000.00	–	–	**2,500,000.00**	Related to assets
– Project on use of well water	2,160,000.00	–	(270,000.00)	–	**1,890,000.00**	Related to assets
– Project on technology improvement of nickel smelting	1,545,833.38	–	(174,999.96)	–	**1,370,833.42**	Related to assets
– General improvement project	1,280,000.04	–	(159,999.96)	–	**1,120,000.08**	Related to assets
– Project on technology improvement	1,237,777.84	–	(53,333.28)	–	**1,184,444.56**	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	–	(39,999.96)	–	**280,000.08**	Related to assets
– Project on recovery of No. 1 mine residual ore	45,071.72	–	(22,581.96)	–	**22,489.76**	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	–	(144,000.00)	–	**1,332,000.00**	Related to assets
Sub-total of Subsidiaries	53,475,779.03	2,500,000.00	(2,225,728.62)	(21,912,835.75)	**31,837,214.66**	
Total	54,262,893.03	3,500,000.00	(2,287,060.62)	(21,912,835.75)	**33,562,996.66**	

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

(31) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	31 December 2016		31 December 2015	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Unrealised profits	**20,979,592.88**	**3,159,970.60**	118,654,616.81	17,798,192.52
Deductible losses	**733,497,794.75**	**119,736,341.20**	327,685,909.90	61,182,963.95
Government grants	**25,066,994.58**	**3,893,249.19**	22,018,241.62	3,302,736.24
Assets impairment	**43,198,310.19**	**6,503,202.05**	223,417,945.96	33,550,980.79
Changes in fair value gains and losses	**1,683,380.33**	**252,507.05**	–	–
Others	**2,261,492.45**	**565,373.11**	2,039,159.12	509,789.78
	826,687,565.18	**134,110,643.20**	693,815,873.41	116,344,663.28
Including				
Deferred tax asset to be recovered within 1 year (including 1 year)		**21,425,148.94**		54,796,421.18
Deferred tax asset to be recovered after 1 year		**112,685,494.26**		61,548,242.10
		134,110,643.20		116,344,663.28

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

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

(b) Deferred tax liabilities before offsetting

	31 December 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)*	**583,714,301.92**	**139,573,195.26**	588,510,903.93	138,720,916.49
Unrealised losses	**62,707,275.24**	**9,661,559.20**	87,814,934.74	14,516,857.54
Depreciation	**20,997,487.78**	**3,149,623.17**	13,999,715.01	2,099,957.25
Discount of long-term payables	**5,021,718.69**	**1,255,429.67**	8,658,125.57	2,164,531.39
	672,440,783.63	**153,639,807.30**	698,983,679.25	157,502,262.67
Including				
Deferred tax liability to be recovered within 1 year (including 1 year)		**11,745,340.01**		16,557,456.01
Deferred tax liability to be recovered after 1 year		**141,894,467.29**		140,944,806.66
		153,639,807.30		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 were analysed as follows:

	31 December 2016	31 December 2015
Deductible losses	**73,386,673.70**	754,310,256.89
Deductible temporary differences	**6,441,366.43**	66,932,130.18
	79,828,040.13	821,242,387.07

As at 31 December 2016, Wuxin Copper's deductible losses of RMB754,442,396.65 and deductible temporary differences of RMB91,329,365.19 were no longer included in the consolidated financial statement as the Group disposed the equity interests of Wuxin Copper.

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:

	31 December 2016	31 December 2015
2016	**–**	320,994.72
2017	**23,335,696.35**	18,287,894.27
2018	**13,151,242.44**	2,665,336.33
2019	**1,718,355.75**	204,754,662.78
2020	**7,182,283.89**	528,281,368.79
2021	**27,999,095.27**	–
	73,386,673.70	754,310,256.89

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

	31 December 2016		31 December 2015	
	Setoff amount	**Balances after offsetting**	Setoff amount	Balances after offsetting
Deferred tax assets	**3,159,970.60**	**130,950,672.60**	14,516,857.54	101,827,805.74
Deferred tax liabilities	**3,159,970.60**	**150,479,836.70**	14,516,857.54	142,985,405.13

(32) Other non-current liabilities

	31 December 2016	31 December 2015
Gold lease and related future contracts	**502,709,380.00**	–

In 2016, the Company, Kalatongke Mining and Xinjiang Yakesi signed gold lease contracts with banks to obtain long-term financing. For the purpose of managing the risk of the fluctuation of the price of gold, the Company, 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 31 December 2016, the total fair value of the gold lease contracts and the related future contracts amounted to RMB502,790,380.00 (31 December 2015: Nil).

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

(33) Share capital

	31 December 2016		31 December 2015	
	Number of shares	% of issued capital	Number of shares	% of issued capital
Domestic shares	1,451,000,000	65.66%	1,451,000,000	65.66%
H share holders	759,000,000	34.34%	759,000,000	34.34%
	2,210,000,000	100.00%	2,210,000,000	100.00%

The par value of each share is 0.25, and the total share capital is 552,500,000.00 (note 1).

There was no movement of share capital of the Company in 2016.

(34) Capital surplus

	31 December 2015	Current year additions	Current year deductions	31 December 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))*	8,836,858.95	–	–	8,836,858.95
	4,263,591,716.44	–	–	4,263,591,716.44

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

(34) Capital surplus *(continued)*

	31 December 2014	Current year additions	Current year deductions	31 December 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
Other capital surplus – Others *(Note (3))*	–	11,782,478.60	(2,945,619.65)	8,836,858.95
	4,254,754,857.49	11,782,478.60	(2,945,619.65)	4,263,591,716.44

Note (1): It represented 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 represented 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.

(35) Specific reserve

	31 December 2015	**Current year additions**	**Current year reductions**	**31 December 2016**
Safety fund *(Note)*	**–**	**34,350,506.18**	**(32,807,084.33)**	**1,543,421.85**

	31 December 2014	Current year additions	Current year reductions	31 December 2015
Safety fund *(Note)*	227,157.17	41,040,757.59	(41,267,914.76)	–

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 RMB32,807,084.33 were used for safety related projects for the year ended 31 December 2016 (2015: RMB41,267,914.76).

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

(36) Surplus reserve

	31 December 2015	**Current year additions**	**Current year reductions**	**31 December 2016**
Statutory reserve	**249,625,789.74**	–	–	**249,625,789.74**

	31 December 2014	Current year additions	Current year reductions	31 December 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 in 2016 due to the Company made net losses this year (2015: Nil).

(37) Accumulated losses

	2016	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	**(207,067,963.86)**	(741,028,514.50)
Less: Appropriation for statutory reserve	**–**	–
Accumulated losses at the end of the year	**(691,384,794.32)**	(484,316,830.46)

Pursuant to the resolution of board meeting on 24 March 2017, the Company proposed no payment of final dividend for year ended 31 December 2016.

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

(38) Revenue and cost of sales

	2016	2015
Revenue from main operation	**1,961,972,254.09**	2,602,435,360.13
Revenue from other operation	**80,515,409.41**	83,441,469.56
	2,042,487,663.50	2,685,876,829.69

	2016	2015
Cost of sales from main operation	**1,873,545,041.68**	2,849,365,865.18
Cost of sales from other operation	**74,263,511.94**	42,212,517.27
	1,947,808,553.62	2,891,578,382.45

(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.

	2016		2015	
	Revenue from main operation	**Cost of sales from main operation**	Revenue from main operation	Cost of sales from main operation
Nickel cathode	**1,354,090,127.39**	**1,313,479,258.37**	160,760,932.41	178,118,945.58
Copper cathode	**437,678,290.20**	**435,384,294.19**	2,096,137,088.43	2,276,185,379.99
Others	**170,203,836.50**	**124,681,489.12**	345,537,339.29	395,061,539.61
	1,961,972,254.09	**1,873,545,041.68**	2,602,435,360.13	2,849,365,865.18

(b) Revenue and cost of sales from other operation

	2016		2015	
	Revenue from other operation	**Cost of sales from other operation**	Revenue from other operation	Cost of sales from other operation
Sales of electricity	**6,175,894.42**	**6,096,260.29**	19,768,614.04	18,840,415.53
Scrap sales	**13,173,270.55**	**–**	39,116,505.89	–
Sales of materials	**55,190,441.69**	**64,961,440.89**	11,059,686.37	11,916,812.92
Supply of heating	**3,141,468.28**	**2,867,087.64**	5,590,480.23	5,475,447.00
Others	**2,834,334.47**	**338,723.12**	7,906,183.03	5,979,841.82
	80,515,409.41	**74,263,511.94**	83,441,469.56	42,212,517.27

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 were shown as below:

	2016	2015
Raw materials and consumables used	**454,557,957.86**	2,456,014,685.78
Other overhead	**72,780,180.88**	56,484,879.58
Employee benefits	**260,080,893.87**	355,608,580.12
Depreciation *(note 4(10))*	**198,383,177.26**	288,754,696.98
Reversal of inventory provision due to sales *(note 4(6)(c))*	**(240,343,784.89)**	(20,077,735.37)
Electricity costs	**133,954,125.09**	198,135,392.87
External labor costs	**194,045,555.54**	204,765,684.54
Transportation fee	**32,734,335.25**	61,711,006.25
Taxation	**28,882,993.58**	33,385,202.02
Safety fund *(note 4(35))*	**34,350,506.18**	41,040,757.59
Amortisation of intangible assets	**18,321,238.77**	18,534,794.01
Office expenses	**7,943,218.80**	13,568,869.65
Mineral resources compensation fee *(note 4(42))*	**5,259,640.74**	11,982,217.90
Sewage charge *(note 4(42))*	**9,931,376.47**	9,693,759.67
Comprehensive support service charge *(note 4(42))*	**3,356,981.10**	3,420,000.00
Operating leases expenses	**2,835,677.77**	3,197,722.69
Auditor's Remuneration *(note 4(42))*	**2,270,000.00**	2,210,000.00
– Auditing services	**2,020,000.00**	2,180,000.00
– Non-auditing services	**250,000.00**	30,000.00
Changes in inventories of work in progress, semi-finished goods and finished goods *(note 4(6)(b))*	**875,335,906.37**	**(616,653,115.72)**
Others	**24,113,963.26**	20,644,835.57
	2,118,793,943.90	3,142,422,234.13

(40) Taxes and surcharges

	2016	2015	Tax base
City maintenance and construction tax	**3,594,055.12**	3,895,181.20	*note 3*
Education surcharge	**4,001,237.10**	3,895,961.62	*note 3*
Property tax	**7,275,397.08**	–	*note 3*
Resource tax	**3,918,811.15**	–	*note 3*
Others	**4,525,265.62**	310,547.83	
	23,314,766.07	8,101,690.65	

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

(41) Selling and administration expenses

	2016	2015
Transportation fee	**32,734,335.25**	61,711,006.25
Employee benefits	**2,146,545.68**	2,882,790.49
Travel and administrative expense	**223,363.97**	307,469.84
Depreciation	**165,365.51**	162,532.15
Others	**2,668,648.21**	1,204,106.04
	37,938,258.62	66,267,904.77

(42) General and administrative expenses

	2016	2015
Employee benefits	**59,489,509.77**	79,507,916.91
Depreciation and amortisation	**14,971,051.35**	21,339,195.37
Taxation	**10,325,823.08**	20,509,999.65
Mineral resources compensation fee	**5,259,640.74**	11,982,217.90
Office expense	**7,719,854.83**	11,591,284.82
Sewage charge	**9,931,376.47**	9,693,759.67
Professional services fee	**5,162,612.49**	7,972,930.69
Comprehensive support service charge	**3,356,981.10**	3,420,000.00
Operating leases expenses	**2,835,677.77**	3,197,722.69
Auditor's Remuneration	**2,270,000.00**	2,210,000.00
Others	**11,724,604.06**	13,150,919.21
	133,047,131.66	184,575,946.91

(43) Financial expenses – net

	2016	2015
Interest expense	**222,416,561.90**	261,494,158.26
Less: Capitalised interest expenses *(note 4(11)(a))*	**(24,599,346.54)**	(27,911,605.28)
Interest expenses	**197,817,215.36**	233,582,552.98
Less: Interest income	**(4,747,663.39)**	(16,745,367.76)
Interest on notes discounted	**881,144.45**	5,846,511.75
Bank charges	**4,787,672.09**	8,242,627.27
Unwinding of discount – net *(note 4(25)/(29))*	**3,501,432.04**	8,670,561.23
Foreign exchange gains or losses	**(95,335.29)**	1,048,763.74
	202,144,465.26	240,645,649.21

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

(44) Assets impairment losses (note 4(16))

	2016	2015
Provision for decline in value of inventories	**(38,437,442.53)**	(298,180,246.49)
Reversal of provision in value of inventories	**23,591,043.98**	–
Provision for bad debts for accounts receivable and other receivables	**(2,935,810.08)**	(22,320.06)
Reversal of provision for bad debts for account receivables	**192,954.70**	–
	(17,589,253.93)	(298,202,566.55)

(45) Losses on the changes in fair value

	2016	2015
Losses on changes in fair value of gold lease and related future contracts *(note 4(17)(a))*	**(2,244,059.10)**	(1,182,232.45)
Losses on changes in fair value of futures contract	**–**	(93,000.00)
	(2,244,059.10)	(1,275,232.45)

(46) Investment income/(losses)

	2016	2015
Net loss from a joint-venture under equity method *(note 4(9))*	**(10,380,917.22)**	(13,792,143.69)
Unrealised net loss between the joint-venture and the Group	**6,969,872.14**	6,685,237.10
(Losses)/income resulted from closing out of future contracts	**(28,797.38)**	7,092,665.86
Investment income from disposal of available-for-sale financial assets	**7,973,176.18**	–
Gains from disposal of long-term equity investments *(note5(1))*	**57,955,495.17**	–
	62,488,828.89	(14,240.73)

There is no significant restriction on recovery of investment income.

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

(47) Non-operating income

	2016	2015	Amount recognised in non-recurring profit or loss in 2016
Government grants *(a)*	**3,104,473.78**	4,809,074.34	3,104,473.78
Gains on disposal of fixed assets	**66,648.47**	84,769.25	66,648.47
Others	**621,561.29**	2,396,757.72	621,561.29
	3,792,683.54	7,290,601.31	3,792,683.54

(a) Details of government grants

	2016	2015	Related to assets/income
Energy saving subsidies	**1,757,999.12**	1,737,999.12	Related to assets
Land compensation	**209,777.88**	209,777.88	Related to assets
Funds for infrastructure construction	**150,035.70**	360,085.70	Related to assets
Special funds for technological transformation	**146,666.64**	92,222.18	Related to assets
Mining equipment project	**22,581.28**	22,581.28	Related to assets
Sub-total *(note 4(30))*	**2,287,060.62**	2,422,666.16	
Tax refunded-platinum	**655,688.10**	710,831.62	Related to income
Subsidies for social security	**91,053.50**	235,176.56	Related to income
Funds for patents	**20,000.00**	100,000.00	Related to income
Financial support of foreign trade	**–**	421,800.00	Related to income
Others	**50,671.56**	918,600.00	Related to income
Sub-total	**817,413.16**	2,386,408.18	
Total	**3,104,473.78**	4,809,074.34	

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

(48) Non-operating expenses

	2016	2015	Amount recognised in non-recurring profit or loss in 2016
Penalties and fines	**409,553.96**	556,674.02	409,553.96
Donations	**603,790.00**	513,761.00	603,790.00
Losses on disposal of fixed assets	**26,611.55**	94,024.05	26,611.55
Others	**1,400,493.90**	751,573.32	1,400,493.90
	2,440,449.41	1,916,032.39	2,440,449.41

(49) Income tax expenses

	2016	2015
Current income tax	**214,315.94**	(972,069.70)
Deferred income tax	**(21,628,435.29)**	(55,308,127.88)
	(21,414,119.35)	(56,280,197.58)

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 was listed below:

	2016	2015
Consolidated total loss	**(257,757,761.74)**	(999,410,215.11)
Income tax expenses calculated at applicable tax rate of 25%	**(64,439,440.44)**	(249,852,553.78)
Effect of tax reductions	**16,030,847.86**	39,005,063.72
Income not subject to tax	**(67,196.75)**	(3,946.33)
Expenses not deductible for tax purposes	**2,484,523.99**	2,931,057.47
Deductible temporary differences and deductible losses for which no deferred tax assets were recognised	**24,389,783.30**	148,803,374.74
Clearance differences in respect of prior years	**187,362.69**	2,836,806.60
	(21,414,119.35)	(56,280,197.58)

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 year attributable to shareholders of the Company by the weighted average number of ordinary shares in issue of the Company:

	2016	2015
Consolidated net loss attributable to shareholders of the Company	**(207,067,963.86)**	(741,028,514.50)
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	**(0.094)**	(0.335)
Including		
– basic loss per share under going concern	**(0.094)**	(0.335)
– basic loss per share under discontinued operation	**–**	–

(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 in 2016 (2015: Nil), diluted loss per share equal to basic loss per share.

(51) Notes to consolidated cash flow statements

(a) Cash received relating to other operating activities

	2016	2015
Restricted cash at banks	**100,478,068.63**	–
Interest income	**4,580,127.35**	16,734,732.57
Government grants received	**817,413.16**	2,386,408.18
Others	**621,561.29**	2,122,919.71
	106,497,170.43	21,244,060.46

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

(51) Notes to consolidated cash flow statements *(continued)*

(b) Cash paid relating to other operating activities

	2016	2015
Transportation expenses	**39,302,398.92**	74,823,451.08
Sewage charge	**9,787,327.47**	10,164,597.67
Office expenses	**7,943,218.80**	13,568,869.65
Professional service fee	**6,045,505.24**	10,457,350.22
Bank charges	**4,787,672.09**	8,242,627.27
Comprehensive supporting services	**3,356,981.10**	3,420,000.00
Donations	**603,790.00**	513,761.00
Restricted cash at banks	**–**	77,575,863.97
Others	**3,272,264.01**	8,540,920.42
	75,099,157.63	207,307,441.28

(c) Cash received relating to other investing activities

	2016	2015
Cash repayments of loans from Hexin Mining	**114,000,000.00**	60,000,000.00
Cash received from asset-related government grant	**3,500,000.00**	4,100,000.00
Others	**167,536.04**	8,010,635.19
	117,667,536.04	72,110,635.19

(d) Cash paid relating to other investing activities

	2016	2015
Loans provided to Hexin Mining	**126,500,000.00**	90,000,000.00

(e) Cash paid relating to other financing activities

	2016	2015
Interest paid on discounted notes	**881,144.45**	5,846,511.75

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

	2016	2015
Net loss	**(236,343,642.39)**	(943,130,017.53)
Adjustment:		
Provisions for asset impairment *(note 4(44))*	**17,589,253.93**	298,202,566.55
Losses on the changes in fair value of financial liabilities at fair value through profit or loss *(note 4(45))*	**2,244,059.10**	1,275,232.45
Depreciation of fixed assets *(note 4(10))*	**198,383,177.26**	288,754,696.98
Amortisation of intangible assets *(note 4(13))*	**18,321,238.77**	18,534,794.01
(Gains)/losses on disposal of fixed assets	**(40,036.92)**	9,254.80
Increase in deferred tax assets *(note 4(31))*	**(29,122,866.86)**	(57,783,024.82)
Increase/(decrease) in deferred tax liabilities *(note 4(31))*	**7,494,431.57**	(470,722.71)
Amortisation of deferred income *(note 4(30))*	**(2,287,060.62)**	(2,422,666.16)
Financial expenses *(note 4(43))*	**202,032,255.81**	247,308,031.29
Amortisation of long-term prepaid expenses	**135,601.12**	246,479.57
Investment (gains)/losses *(note 4(46))*	**(62,488,828.89)**	14,240.73
Decrease/(increase) in inventories	**624,226,854.24**	(322,005,648.94)
Uitalisation of safety fund-net *(note 4(35))*	**1,543,421.85**	(227,157.17)
(Increase)/decrease in operating receivables	**(186,739,144.97)**	189,443,196.41
(Decrease)/increase in operating payables	**(128,186,556.08)**	213,781,996.49
Decrease/(increase) in restricted cash at banks	**100,478,068.63**	(77,575,863.97)
Net cash flows generated from/(used in) operating activities	**527,240,225.55**	(146,044,612.02)

Movement of cash and cash equivalents

	2016	2015
Cash and cash equivalents at end of year *(c)*	**100,406,459.07**	506,128,056.01
Less: cash and cash equivalents at beginning of year	**(506,128,056.01)**	(558,623,508.86)
Net decrease in cash and cash equivalents	**(405,721,596.94)**	(52,495,452.85)

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

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

(b) Acquisition or disposal of subsidiaries

i. Disposal of a subsidiary

	2016	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	**(9,323,576.36)**	–

The consideration of disposal of Wuxin Copper in 2016	**12,000,000.00**

Net assets of the subsidiary disposed	**2016**
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

	31 December 2016	31 December 2015
Cash	**100,406,459.07**	506,128,056.01
Including: Cash on hand	**30,633.00**	140,396.96
Cash at bank	**100,375,826.07**	505,987,659.05
Cash and cash equivalents	**100,406,459.07**	506,128,056.01

5 CHANGES IN THE SCOPE OF CONSOLIDATION

(1) Disposal of a subsidiaries

(a) The summarised information related to the disposed subsidiaries in the current year was 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 (i)	12,000,000.00	66%	Transfer of equity interests	15 June 2016	On 15 June 2016, the Extraordinary General Meeting was held, the result of the vote was 99.99% in favour.	57,955,495.17	–

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

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

(i) Wuxin Copper

Calculation of the gain and loss from disposal:	Amount
Consideration of disposal	12,000,000.00
Add: 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
Gains generated from disposal	57,955,495.17

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 Direct	% equity interest held by the Group Indirect	Methods of investments
Mengxi Mining	Corporate legal representative	Hami, the PRC	Hami, the PRC	Mining	51%	–	Through establishment or investment
Kalatongke 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.

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 in 2016	Dividend declared/ allocated to non-controlling shareholders in 2016	Non-controlling interests 31 December 2016
Zhongxin Mining	2.42%	(515,625.66)	–	627,980.51
Shaanxi Xinxin	49.00%	(570,045.72)	–	73,024,472.56
Mengxi Mining	49.00%	118,689.88	–	2,183,458.39
		(966,981.50)	–	75,835,911.46

Note: On 15 June 2016, the Company disposed Wuxin Copper. Before 15 June 2016, amount of gains or losses attributed to non-controlling interests of Wuxin Copper was RMB-28,308,697.03.

Main financial information of the above subsidiaries with significant non-controlling rights in 2016 was as follows:

Name of subsidiaries	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total Liabilities
	31 December 2016					
Zhongxin Mining	81,685,326.33	173,124,838.81	254,810,165.14	290,997,108.28	9,828,002.08	300,825,110.36
Shaanxi Xinxin	460,361.22	14,967,939.97	15,428,301.19	12,763,515.37	–	12,763,515.37
Mengxi Mining	9,947,503.74	–	9,947,503.74	5,491,466.19	–	5,491,466.19

Name of subsidiaries	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total Liabilities
	31 December 2015					
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

6 EQUITY IN OTHER MAIN BODIES *(CONTINUED)*

(1) Investments in subsidiaries *(continued)*

(b) Subsidiaries with non-controlling interests rights *(continued)*

Name of subsidiaries	In 2016 Revenue	Net (loss)/profit	Total comprehensive (losses)/income	Operating cash flow
Zhongxin Mining	322,094,947.52	(25,403,627.09)	(25,403,627.09)	(147,950,274.16)
Shaanxi Xinxin	–	(1,163,358.62)	(1,163,358.62)	(1,209,724.11)
Mengxi Mining	–	242,224.25	242,224.25	213,983.18

Name of subsidiaries	In 2015 Revenue	Net (loss)/profit	Total comprehensive (losses)/income	Operating cash flow
Zhongxin Mining	347,624,603.33	(27,514,605.36)	(27,514,605.36)	8,123,291.31
Shaanxi Xinxin	–	(1,079,283.29)	(1,079,283.29)	(1,051,558.26)
Mengxi Mining	–	117,122.95	117,122.95	18,944.74
Wuxin Copper	2,101,011,197.92	(593,132,239.53)	(593,132,239.53)	325,245,981.59

(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.

6 EQUITY IN OTHER MAIN BODIES *(CONTINUED)*

(2) Interests in joint-venture *(continued)*

(b) Key financial information of the joint venture

	31 December 2016	31 December 2015
Current assets	**121,281,842.21**	102,203,334.20
Including: cash and cash equivalents	**39,649,088.62**	9,620,086.93
Non-current assets	**456,356,490.45**	478,264,035.21
Total assets	**577,638,332.66**	580,467,369.41
Current liabilities	**(396,804,919.22)**	(344,372,121.53)
Non-current liabilities	**(6,500,000.00)**	(41,000,000.00)
Total liabilities	**(403,304,919.22)**	(385,372,121.53)
Owners' equity	**174,333,413.44**	195,095,247.88
Share of net assets *(i)*	**87,166,706.72**	97,547,623.94
Adjusting events		
– Goodwill	**44,668,386.35**	44,668,386.35
– Offset of unrealised losses	**(1,032,813.63)**	(8,002,685.77)
Book value of the investment of joint venture	**130,802,279.44**	134,213,324.52
Fair value of the joint venture in open market	**Not applicable**	Not applicable

	2016	2015
Revenue	**123,139,889.22**	122,567,887.24
Net loss	**(20,761,834.44)**	(27,584,287.38)
Other comprehensive income	**–**	–
Total comprehensive losses	**(20,761,834.44)**	(27,584,287.38)
Dividends received from joint venture	**–**	–

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

7 SEGMENT INFORMATION

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

For each of the years ended 31 December 2016 and 2015, the Group's sales were conducted in China and the Group's assets and liabilities were in China.

For the year ended 31 December 2016, revenue of top three customers of the Group accounted for 41%, 14% and 7% of the total revenue of the Group respectively (2015: 22%, 15% and 8%).

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).

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Information of the parent company

(a) Information of the parent 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

	31 December 2015	Current year additions	Current year reductions	31 December 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

	31 December 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).

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
Xinjiang Jinhui Real Estate Development Co., Ltd.	Fellow subsidiary

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

	2016	2015
Purchase of copper concentrate		
Xinjiang Ashele Copper Industry Co., Ltd.	**5,290,523.84**	365,020,414.31
China Non-ferrous Metal Import and Export Company Xinjiang Co., Ltd.	**–**	60,741,837.27
Hexin Mining	**–**	38,139,382.94
Purchase of nickel concentrate		
Hexin Mining	**91,791,967.65**	84,050,392.65
Purchase of raw materials, consumables and equipment		
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd.	**39,888,309.12**	10,149,855.88
Xinjiang Dongsanhuan Trading Co., Ltd.	**14,740,604.71**	12,278,327.52
Fukang Non-ferrous Development Co., Ltd.	**5,301,741.87**	17,318,555.16
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**4,326,462.14**	5,373,259.49
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	**3,982,719.97**	1,452,584.96
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	**3,095,920.44**	41,535.04
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	**1,424,670.97**	899,463.39
The Western Gold Hami Gold Mine Co., Ltd.	**120,615.56**	248,662.50
Fukang Juxin Industrial and Trade Co., Ltd.	**90,914.53**	136,902.56
Purchase of equipment parts		
Xinjiang Dongsanhuan Trading Co., Ltd.	**1,350,427.40**	–
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**956,317.02**	241,452.99
Purchase of raw coal		
Fukang Non-ferrous Development Co., Ltd.	**4,551,738.46**	2,559,417.74
	176,912,933.68	598,652,044.40

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

(5) Related party transactions *(continued)*

(c) Receiving of services from related parties

	2016	2015
Construction services		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**59,623,183.17**	66,456,719.92
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	**–**	2,610,530.00
Fukang Non-ferrous Development Co., Ltd.	**–**	–
Transportation services		
Fukang Non-ferrous Development Co., Ltd.	**15,814,464.85**	16,334,943.84
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	**4,333,678.03**	920,864.43
Other services		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	**5,968,880.20**	833,662.24
Fukang Non-ferrous Development Co., Ltd.	**1,246,727.53**	3,524,517.09
Xinjiang Non-ferrous Metals Company Hospital	**313,075.00**	–
Urumqi Tianshan Star Precious Metals Smelting Co., Ltd.	**73,297.49**	–
Fukang Non-ferrous Property Management Co., Ltd.	**14,991.64**	422,932.25
Xinjiang Non-ferrous Group	**–**	1,483,463.32
Comprehensive supporting services		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	**3,356,981.10**	3,420,000.00
Storage fee		
Beijing Baodi Xindi Kemao Co., Ltd.	**811,827.20**	119,518.10
Provision of heat		
Fukang Non-ferrous Development Co., Ltd.	**25,152.40**	22,287.00
	91,582,258.61	96,149,438.19

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

(5) Related party transactions *(continued)*

(d) Sale of products to related parties

	2016	2015
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd.	**58,735,069.86**	–
Fuyun Hengsheng Beryllium Industry Co., Ltd.	**9,733,076.07**	10,297,933.27
Wuxin Copper	**7,946,191.44**	–
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**592,249.34**	91,066.99
Xinjiang Dongsanhuan Trading Co., Ltd.	**321,636.65**	3,394,732.62
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	**17,167.17**	–
The Western Gold Hami Gold Mine Co., Ltd.	**14,019.58**	6,490.26
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	**–**	50,578,212.63
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	**–**	435.90
	77,359,410.11	64,368,871.67

(e) Leases

As lessor:

Name of lessee	Type of rental assets	**Lease revenue recognized in 2016**	Lease revenue recognized in 2015
Xinjiang Zhanxin Fire Isulation Materials Co., Ltd.	Land-use right	**43,020.00**	43,020.00
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	Equipment	**–**	13,050.00
Hexin Mining	Building	**–**	8,333.00
		43,020.00	64,403.00

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

(5) Related party transactions *(continued)*

(e) Leases *(continued)*

As lessee:

Name of lessor	Type of rental assets	**Lease expense recognized in 2016**	Lease expense recognized in 2015
Xinjiang Non-ferrous Group	Building	**1,226,947.50**	1,635,930.00
Fukang Non-ferrous Development Co., Ltd.	Equipment	**17,142.86**	18,000.00
The Western Gold Hami Gold Mine Co., Ltd.	Building	**20,000.00**	–
		1,264,090.36	1,653,930.00

(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	04/01/2019	No
Hexin Mining	19,000,000.00	01/12/2016	01/12/2019	No
Hexin Mining	14,500,000.00	08/12/2016	08/12/2019	No
Hexin Mining	10,000,000.00	29/09/2016	28/09/2019	No
Hexin Mining	15,000,000.00	12/08/2016	12/08/2019	No
Hexin Mining	25,000,000.00	15/12/2016	15/12/2019	No
Hexin Mining	15,000,000.00	15/07/2016	15/07/2019	No
Total	282,250,000.00			

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

(5) Related party transactions *(continued)*

(g) Loans provided to/(received from) related parties

	2016	2015
Loans provided to Hexin Mining	**126,500,000.00**	90,000,000.00
Loans received from Hexin Mining	**(114,000,000.00)**	(60,000,000.00)

(h) Loans received from/(repaid to) related parties

	2016	2015
Loans received from Xinjiang Non-ferrous Group	**514,000,000.00**	345,000,000.00
Loans repaid to Xinjiang Non-ferrous Group	**(181,000,000.00)**	(90,000,000.00)

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

	2016	2015
Xinjiang Non-ferrous Group	**8,630,245.21**	3,236,712.33

(j) Interest income arising from discounting notes receivable for a related party

	2016	2015
Wuxin Copper	**934,013.12**	–

(k) Transfer of other assets

	2016	2015
Xinjiang Jinhui Real Estate Development Co.,Ltd.	**40,000,000.00**	–
Xinjiang Non-ferrous Group	**12,000,000.00**	–
	52,000,000.00	–

(l) 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.

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

(5) Related party transactions *(continued)*

(m) Remuneration of key management

	2016	2015
Remuneration of key management	**3,335,206.33**	5,089,521.25

(n) Benefits and interests of directors

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

Directors, supervisors and chief executive officer's emoluments for the year ended 31 December 2016 were as follows:

	Emoluments for providing services as directors			Emoluments for managing company or providing	
Name	Fee	Salary and allowance	Pension	other services	Total
Directors:					
Shi Wenfeng	–	–	–	–	–
Lu Xiaoping	–	360,912.98	31,118.40	–	392,031.38
Guo Haitang	–	–	–	–	–
Zhou Chuanyou	–	–	–	–	–
Hu Chengye	–	–	–	–	–
Guo Quan	–	387,351.76	31,118.40	–	418,470.16
Independent directors:					
Li Wing Sum, Steven	116,285.00	–	–	–	116,285.00
Chen Jianguo	70,000.00	–	–	–	70,000.00
Wang Lijin	70,000.00	–	–	–	70,000.00
Supervisors:					
Wang Haibang	–	290,220.62	31,118.40	–	321,339.02
Sun Baohui(1)	–	–	–	38,315.18	38,315.18
Hu Zhijiang(6)	40,000.00	–	–	–	40,000.00
Yao Wenying	40,000.00	–	–	–	40,000.00
Zhang Xuehe(2)	–	–	–	151,579.31	151,579.31
Chen Rong(5)	–	–	–	–	–
Guo Zhonglin(3)	–	–	–	–	–
Senior management:					
Lam Cheuk Fai	–	480,000.00	16,101.00	–	496,101.00
He Hongfeng	–	322,455.86	31,118.40	–	353,574.26
Zhang Junjie	–	322,755.86	31,118.40	–	353,874.26
Liu Jun	–	311,066.96	31,118.40	–	342,185.36
Sun Baohui(4)	–	112,900.00	18,551.40	–	131,451.40
Total	336,285.00	2,537,024.04	221,362.80	189,894.49	3,335,206.33

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

(5) Related party transactions *(continued)*

(n) Benefits and interests of directors *(continued)*

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

(1) Resigned as supervisor on 13 April 2016.

(2) Appointed as supervisor on 13 April 2016.

(3) Resigned as supervisor on 14 April 2016.

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

(5) Appointed as supervisor on 15 June 2016.

(6) Resigned as supervisor on 28 February 2017.

Directors, supervisors and chief executive officer's emoluments for the year ended 31 December 2015 were as follows:

Name	Emoluments for providing services as directors Fee	Salary and allowance	Pension	Emoluments for managing company or providing other services	Total
Directors:					
Shi Wenfeng	–	589,985.81	19,077.60	–	609,063.41
Lu Xiaoping	–	516,683.12	28,994.40	–	545,677.52
Guo Haitang	–	–	–	–	–
Zhou Chuanyou	–	–	–	–	–
Hu Chengye	–	–	–	–	–
Zhang Guohua[1]	–	414,034.00	6,870.60	–	420,904.60
Guo Quan[3]	–	312,076.24	24,414.00	–	336,490.24
Independent directors:					
Li Wing Sum, Steven	108,911.40	–	–	–	108,911.40
Chen Jianguo	70,000.00	–	–	–	70,000.00
Wang Lijin	70,000.00	–	–	–	70,000.00
Supervisors:					
Wang Haibang	–	428,432.90	28,994.40	–	457,427.30
Sun Baohui	–	–	–	197,801.39	197,801.39
Hu Zhijiang	40,000.00	–	–	–	40,000.00
Guo Zhonglin	–	–	–	–	–
Yao Wenying[4]	26,666.67	–	–	–	26,666.67
Senior management:					
Lam Cheuk Fai	–	600,000.00	13,735.00	–	613,735.00
He Hongfeng	–	542,355.44	28,994.40	–	571,349.84
Zhang Junjie	–	467,255.44	28,994.40	–	496,249.84
Liu Jun	–	247,645.44	24,414.00	–	272,059.44
Wu Tao[2]	–	246,314.00	6,870.60	–	253,184.60
Total	315,578.07	4,364,782.39	211,359.40	197,801.39	5,089,521.25

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

(5) Related party transactions *(continued)*

(n) Benefits and interests of directors *(continued)*

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

(1) Resigned as director on 3 March 2015.

(2) Resigned as chief engineer on 3 March 2015.

(3) Appointed as director on 22 May 2015.

(4) Appointed as supervisor on 22 May 2015.

(ii) As at 31 December 2016, there were no termination benefits for the directors (2015: Nil).

(iii) For the year ended 31 December 2016, there were no consideration provided to third parties for making available directors' services (2015: Nil).

(iv) For the year ended 31 December 2016, there were no loans, quasi-loans and other transactions in favour of directors, controlled body corporate of directors, and connected entities of directors, and no guarantee or security provided to directors, controlled body corporate of directors, and connected entities of directors (2015: Nil).

(v) No significant transactions, arrangements and contracts in related to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the year ended 31 December 2016 (2015: Nil).

(o) The five highest paid individuals

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

	2016	2015
Basic salaries, bonus, housing allowance, other allowances in kind	**1,125,211.72**	1,609,610.88
Pension	**78,337.80**	71,723.80
	1,203,549.52	1,681,334.68

	Number of individuals	
	2016	2015
Emolument bands:		
HKD0 – 1,000,000 (approximately RMB0 – 894,500)	**3**	3

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))*

	31 December 2016		31 December 2015	
	Ending balance	**Provision for bad debts**	Ending balance	Provision for bad debts
Wuxin Copper	**46,959,017.18**	**–**	–	–
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd.	**5,087,480.51**	**–**	–	–
Fuyun Hengsheng Beryllium Industry Co., Ltd.	**1,211,659.10**	**(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)
	53,559,358.49	**(1,456,617.80)**	1,489,011.90	(1,456,617.80)

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

(6) Receivables from and payables to related parties *(continued)*

Receivables from related parties: *(continued)*

(b) Other receivables *(note 4(5)(b))*

	31 December 2016		31 December 2015	
	Ending balance	**Provision for bad debts**	Ending balance	Provision for bad debts
Hexin Mining	**45,161,075.90**	**–**	32,660,375.90	–
Xinjiang Jinhui Real Estate Development Co.,Ltd.	**40,000,000.00**	**–**	–	–
Fuyun Hengsheng Beryllium Industry Co., Ltd.	**305,036.90**	**–**	563,601.14	–
Xinjiang Zhanxin Fire Isulation Materials Co., Ltd.	**86,040.00**	**–**	78,870.00	–
Wuxin Copper	**1,350.00**	**–**	147,528.00	–
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**–**	**–**	13,050.00	–
	85,553,502.80	**–**	33,463,425.04	–

(c) Advances to suppliers

	31 December 2016		31 December 2015	
	Ending balance	**Provision for bad debts**	Ending balance	Provision for bad debts
Xinjiang Ashele Copper Industry Co., Ltd.	–	–	2,925,868.40	–
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	–	–	1,791,402.70	–
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	–	–	10,239.00	–
	–	–	4,727,510.10	–

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

(6) Receivables from and payables to related parties *(continued)*

Payables to related parties:

(d) Accounts payable

	31 December 2016	31 December 2015
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	**31,117,334.98**	6,850,382.02
Hexin Mining	**30,855,362.47**	32,121,469.87
Xinjiang Dongsanhuan Trading Co., Ltd.	**9,765,303.60**	7,720,948.05
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	**7,259,511.53**	2,899,409.91
Fukang Non-ferrous Development Co., Ltd.	**7,041,875.70**	15,683,851.38
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**2,688,589.80**	2,774,469.74
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	**1,086,882.25**	98,051.33
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	**696,109.00**	33,123,437.86
Beijing Baodi Xindi Kemao Co., Ltd.	**370,034.06**	119,518.10
Fukang Juxin Industrial and Trade Co.,Ltd.	**58,700.00**	151,771.02
Fukang Non-ferrous Property Management Co., Ltd.	**20,035.92**	183,158.56
The Western Gold Hami Gold Mine Co., Ltd.	**–**	519,172.05
Xinjiang Non-ferrous Metal Industry Group Tianchi Mining Co., Ltd.	**–**	88,892.40
	90,959,739.31	102,334,532.29

(e) Other payables *(note 4(24))*

	31 December 2016	31 December 2015
Xinjiang Non-ferrous Group	**71,226,947.50**	278,236,712.33
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**55,948,633.03**	79,270,956.08
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	**1,471,600.00**	4,836,530.00
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	**282,168.40**	302,168.40
Xinjiang Dongsanhuan Trading Co., Ltd.	**100,000.00**	100,000.00
Hexin Mining	**78,847.20**	78,847.20
Fukang Non-ferrous Development Co., Ltd.	**50,000.00**	150,000.00
	129,158,196.13	362,975,214.01

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

(6) Receivables from and payables to related parties *(continued)*

Payables to related parties: *(continued)*

(f) Advances from customers

	31 December 2016	31 December 2015
Xinjiang Dongsanhuan Trading Co., Ltd. .	**13,201.80**	68,620.69
Fuyun Hengsheng Beryllium Industry Co., Ltd	**–**	10,483.98
	13,201.80	79,104.67

(g) Long-term payables *(note 4(29))*

	31 December 2016	31 December 2015
Xinjiang Non-ferrous Group	**65,000,000.00**	85,000,000.00

(h) Interest payable

	31 December 2016	31 December 2015
Xinjiang Non-ferrous Group	**1,246,602.74**	–

(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 were as follows:

		31 December 2016	31 December 2015
– As lessee	Xinjiang Non-ferrous Group	**1,635,930.00**	4,907,790.00
– As lessor	Xinjiang Zhanxin Fire Isulation Materials Co., Ltd.	**86,040.00**	129,060.00

10 COMMITMENTS

(1) Capital commitments

As at 31 December 2016 and 31 December 2015, the Group had 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 were summarised as follows:

	31 December 2016	31 December 2015
Within one year	**817,965.00**	1,635,930.00
Between one and two years	**817,965.00**	1,635,930.00
Between two and three years	**–**	1,635,930.00
	1,635,930.00	4,907,790.00

11 EVENTS AFTER THE BALANCE SHEET DATE

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

12 LEASES

The Group didn't own fixed assets under finance leases.

13 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 31 December 2016 and 2015, the Group did not enter into any forward exchange contracts or currency swap contracts.

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

13 FINANCIAL INSTRUMENT AND RISK *(CONTINUED)*

(1) Market risk *(continued)*

(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 31 December 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 RMB2,597,402,530.55 (31 December 2015: RMB4,847,638,579.47), of which floating rate borrowings are RMB237,000,000.00, fixed rate borrowings are RMB1,060,402,530.55 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), (32)).

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 2016 and 2015, there is no interest swap exists.

As at 31 December 2016, if annual interest rates had been 10% lower/higher with all other variables held constant, net loss would have decreased/increased by RMB411,255.99 (31 December 2015: net profit increased/decreased RMB6,566,206.37).

(c) Concentration risk

Revenues are principally derived from sales of nickel cathode and copper cathode. Approximately 62% of the total sales for the year ended 31 December 2016 (2015: 45%) 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.

13 FINANCIAL INSTRUMENT AND RISK *(CONTINUED)*

(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.

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

			31 December 2016		
	Within 1 year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
Financial liabilities at fair value through profit or loss	**171,453,104.74**	**25,582,816.24**	**509,522,951.08**	**–**	**706,558,872.06**
Accounts payable	**302,860,921.14**	**–**	**–**	**–**	**302,860,921.14**
Interest payable	**40,942,962.32**	**–**	**–**	**–**	**40,942,962.32**
Short-term borrowings	**429,170,753.42**	**–**	**–**	**–**	**429,170,753.42**
Long-term borrowings	**172,112,375.00**	**42,726,850.00**	**35,532,078.75**	**–**	**250,371,303.75**
Long-term payable	**–**	**65,000,000.00**	**–**	**–**	**65,000,000.00**
Bond payable	**556,876,712.33**	**845,019,178.08**	**–**	**–**	**1,401,895,890.41**
Notes payable	**101,250,000.00**	**–**	**–**	**–**	**101,250,000.00**
Other payables	**252,500,110.26**	**–**	**–**	**–**	**252,500,110.26**
	2,027,166,939.21	**978,328,844.32**	**545,055,029.83**	**–**	**3,550,550,813.36**

			31 December 2015		
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
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

13 FINANCIAL INSTRUMENT AND RISK *(CONTINUED)*

(3) Liquidity risk *(continued)*

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

	31 December 2016		31 December 2015	
	Bank borrowings	**Other borrowings**	Bank borrowings	Other borrowings
Within 1 year	**582,000,000.00**	**70,000,000.00**	2,076,000,000.00	–
1 to 2 years	**40,000,000.00**	**65,000,000.00**	363,400,000.00	20,000,000.00
2 to 5 years	**35,000,000.00**	**–**	637,360,000.0000	65,000,000.00
Over 5 years	**–**	**–**	68,000,000.00	–
	657,000,000.00	**135,000,000.00**	3,144,760,000.00	85,000,000.00

14 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 31 December 2016, assets and liabilities continuingly measured at fair value based on the above three levels were listed as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets –				
Avialable-for-sale financial assets – Financial products	**–**	**–**	**565,037,000.00**	**565,037,000.00**
Financial liabilities –				
Standard future contracts	**–**	**–**	**–**	**–**
Gold leasing and corresponding future contracts	**(640,402,530.55)**	**–**	**–**	**(640,402,530.55)**
	(640,402,530.55)	**–**	**565,037,000.00**	**(75,365,530.55)**

14 FAIR VALUE ESTIMATION *(CONTINUED)*

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

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

	Level 1	Level 2	Level 3	Total
Financial liabilities –				
Standard future contracts	(155,000.00)	–	–	(155,000.00)
Gold leasing and corresponding future contracts	(404,060,811.92)	–	–	(404,060,811.92)
	(404,215,811.92)	–	–	(404,215,811.92)

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.

The movement of above financial assets in level 3 was listed as follows:

	Available-for-sale financial assets – financial products
1 January 2016	**–**
Purchase	**3,844,437,000.00**
Sale	**(3,287,373,176.18)**
Total gains or losses during current period	**7,973,176.18**
Gains or losses included in the income statements	**7,973,176.18**
Gains or losses included in other comprehensive income	**–**
31 December 2016	**565,037,000.00**

Gains or losses included in the income statements were included in gains or losses on the changes in fiar value, investment income and asset impairment losses etc.

The fair value of level 3 is determined through the fair value provided by the authorised investment institutions.

14 FAIR VALUE ESTIMATION *(CONTINUED)*

(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.

15 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.

For the year ended 31 December 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 31 December 2016 and 2015 were as follows:

	31 December 2016	31 December 2015
Total borrowings		
Short-term borrowings	**420,000,000.00**	1,500,000,000.00
Long-term borrowings	**75,000,000.00**	1,068,760,000.00
Bond payable	**800,000,000.00**	1,300,000,000.00
Long-term payables	**59,978,281.32**	76,341,874.43
Current portion of non-current liabilities	**662,000,000.00**	576,000,000.00
Financial liabilities measured at fair value through profit and loss	**640,402,530.55**	404,060,811.92
	2,657,380,811.87	4,925,162,686.35
Less: cash and cash equivalents	**(100,406,459.07)**	(506,128,056.01)
Net debt *(a)*	**2,556,974,352.80**	4,419,034,630.34
Total equity *(b)*	**4,451,712,045.17**	4,664,320,510.26
Total capital *(c) = (a) + (b)*	**7,008,686,397.97**	9,083,355,140.60
Gearing ratio *(a)/(c)*	**36.48%**	48.65%

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2016	31 December 2015
Cash on hand	**15,915.83**	88,975.14
Cash at bank	**18,553,826.95**	72,706,898.34
Restricted cash at banks *(a)*	**37,736,913.68**	87,265,880.97
	56,306,656.46	160,061,754.45

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

	31 December 2016	31 December 2015
Deposits for issue of bank acceptance notes	**37,062,187.82**	86,694,550.04
Deposits for environmental recovery and safety of production	**674,725.86**	571,330.93
	37,736,913.68	87,265,880.97

(2) Notes receivable

	31 December 2016	31 December 2015
Bank acceptance notes	**190,328,580.58**	41,880,068.20

(3) Accounts receivable

	31 December 2016	31 December 2015
Accounts receivable	**77,541,002.04**	81,179,260.59
Less: provision for bad debts	**(3,763,519.38)**	(3,926,714.00)
	73,777,482.66	77,252,546.59

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.

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(3) Accounts receivable *(continued)*

(a) The ageing of accounts receivable and provision for bad debts were analysed as follows:

	31 December 2016	31 December 2015
Within 1 year	**64,393,310.18**	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	**3,689,119.18**	3,113,387.48
	77,541,002.04	81,179,260.59

As at 31 December 2016, accounts receivable of RMB18,429,989.15 was due from Wuxin Copper, a related party. The ageing of this receivable was RMB9,045,816.67 within 1 year, RMB2,646,407.66 within 1 to 2 years, and RMB6,737,764.82 within 2 to 3 years. Wuxin Copper used to be a subsidiary of the Company before the Company transferred its equity interests to Xinjiang Non-ferrous Group on 15 June 2016.

As at 31 December 2016, accounts receivable of RMB12,120,046.73 (31 December 2015: RMB29,544,507.12) were past due. However, based on the analysis of the customers' financial positions and credit records, the Group considered that this part of accounts receivable could be recovered and were not impaired, hence provision for impairment was not provided. The ageing of such accounts receivable was analysed as follows:

	31 December 2016	31 December 2015
Within 1 year	**2,735,874.25**	27,529,338.16
1 to 2 years	**2,646,407.66**	2,015,168.96
2 to 3 years	**6,737,764.82**	–
	12,120,046.73	29,544,507.12

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(3) Accounts receivable *(continued)*

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

	31 December 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	19,886,606.95	25.65%	(1,456,617.80)	7.32%	13,359,457.83	16.46%	(1,456,617.80)	10.90%
– Ageing Group	57,654,395.09	74.35%	(2,306,901.58)	4.00%	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	–	–	–	–	–	–	–	–
	77,541,002.04	100.00%	(3,763,519.38)		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 were analysed as follows:

	31 December 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	55,347,493.51	–	–	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	(74,400.20)	100.00%	–	–	–
4 to 5 years	–	–	–	–	–	–
Over 5 years	2,232,501.38	(2,232,501.38)	100.00%	2,425,456.08	(2,425,456.08)	100.00%
	57,654,395.09	(2,306,901.58)		67,819,802.76	(2,470,096.20)	

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(3) Accounts receivable *(continued)*

(d) As at 31 December 2016, the top five accounts receivable were analysed as follows:

	Amount	Provision for bad debts	% of account receivable
Total amount of the top five accounts receivable	74,715,512.06	(1,155,416.10)	96.36%

(e) As at 31 December 2016, the provision for bad debts provided in current year was RMB29,760.08. The provision for bad debts of accounts receivable collected or reversed was RMB192,954.70.

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

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

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

(4) Advances to suppliers

The ageing of advances to suppliers was analysed as follows:

	31 December 2016		31 December 2015	
	Amount	**% of total balance**	Amount	% of total balance
Within 1 year	**94,518,946.32**	**97.39%**	723,541,309.73	99.68%
1 to 2 years	**534,998.00**	**0.55%**	309,571.95	0.04%
2 to 3 years	**114,407.32**	**0.12%**	367,599.87	0.05%
Over 3 years	**1,886,734.80**	**1.94%**	1,667,799.10	0.23%
	97,055,086.44	**100.00%**	725,886,280.65	100.00%

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(5) Other receivables

	31 December 2016	31 December 2015
Amount due from subsidiaries *(Note)*	**1,035,620,577.27**	113,493,212.36
Amount due from a joint-venture	**45,157,320.00**	32,656,620.00
Deposits for sales guarantee	**10,000,000.00**	13,500,000.00
Cash advance	**980,291.16**	569,782.36
Others	**673,133.21**	733,124.71
	1,092,431,321.64	160,952,739.43
Less: provision for bad debts	**(6,275.21)**	(6,275.21)
	1,092,425,046.43	160,946,464.22

Note: The amount due from Xinjiang Yakesi was RMB631,131,179.64. The amount due from Shaanxi Xinxin was RMB4,703,683.33.The amount due from Zhongxin Mining was RMB149,785,714.30, and the amount due from Kalatongke Mining was RMB250,000,000.00.

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

	31 December 2016	31 December 2015
Within 1 year	**1,077,898,820.83**	154,535,710.21
1 to 2 years	**10,780,091.59**	1,175,683.33
2 to 3 years	**1,167,383.33**	765,000.00
3 to 4 years	**765,000.00**	1,228,500.00
4 to 5 years	**1,228,500.00**	542,500.00
Over 5 years	**591,525.89**	2,705,345.89
	1,092,431,321.64	160,952,739.43

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(5) Other receivables *(continued)*

(a) Other receivables ageing and provision for bad debts were analysed as follows: *(continued)*

As at 31 December 2016, other receivables of RMB10,475,342.27 (31 December 2015: RMB2,869,870.68) were past due. However, based on the analysis of the customers' financial positions and credit records, the Group considered that this part of other receivables could be recovered and were not impaired, hence provision for impairment was not provided. The ageing of such other receivable was analysed as follows:

	31 December 2016	31 December 2015
Within 1 year	**–**	–
1 to 2 years	**10,270,091.59**	108,300.00
2 to 3 years	**100,000.00**	–
3 to 4 years	**–**	30,000.00
4 to 5 years	**30,000.00**	32,500.00
Over 5 years	**75,250.68**	2,699,070.68
	10,475,342.27	2,869,870.68

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

	31 December 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	**1,080,865,287.27**	**98.94%**	**–**	**–**	146,228,702.36	90.85%	–	–
– Ageing group	**11,566,034.37**	**1.06%**	**(6,275.21)**	**0.05%**	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	**–**	**–**	**–**	**–**	–	–	–	–
	1,092,431,321.64	**100.00%**	**(6,275.21)**		160,952,739.43	100.00%	(6,275.21)	

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(5) Other receivables *(continued)*

(c) The groups of other receivables used ageing analysis method for the purpose of bad debt provision assessment were analysed as follows:

	31 December 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	1,127,436.89	–	–	14,504,511.18	–	–
1 to 2 years	10,227,071.59	–	–	108,000.00	–	–
2 to 3 years	100,000.00	–	–	–	–	–
3 to 4 years	–	–	–	30,000.00	–	–
4 to 5 years	30,000.00	–	–	32,500.00	–	–
Over 5 years	81,525.89	(6,275.21)	7.70%	49,025.89	(6,275.21)	12.80%
	11,566,034.37	(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 year.

(f) As at 31 December 2016, the top five other receivables were analysed as follows:

	Nature	Amount	Ageing	% of total balance	Provision for bad debts
Xinjiang Yakesi	Amount due from subsidiaries	631,131,179.64	Within 1 year	57.77%	–
Kalatongke Mining	Amount due from subsidiaries	250,000,000.00	Within 1 year	22.88%	–
Zhongxin Mining	Amount due from subsidiaries	149,785,714.30	Within 1 year	13.71%	–
Hexin Mining	Loan	45,157,320.00	Within 1 year	4.13%	–
Trafigura Investment (China) Co., Ltd.	Deposit for sales guarantee	10,000,000.00	1 to 2 years	0.92%	–
		1,086,074,213.94		99.42%	–

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(6) Inventories

	31 December 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	**54,100,661.45**	**(4,336,822.90)**	**49,763,838.55**	53,984,473.74	(1,225,787.98)	52,758,685.76
Work in progress	**159,911,895.28**	**–**	**159,911,895.28**	159,298,356.06	–	159,298,356.06
Semi-finished goods	**311,569,268.71**	**(5,758,172.06)**	**305,811,096.65**	310,020,421.43	(34,549,731.16)	275,470,690.27
Finished goods	**496,796,055.52**	**(3,411,143.12)**	**493,384,912.40**	1,257,168,423.64	(229,710,892.50)	1,027,457,531.14
	1,022,377,880.96	**(13,506,138.08)**	**1,008,871,742.88**	1,780,471,674.87	(265,486,411.64)	1,514,985,263.23

(7) Other current assets

	31 December 2016	31 December 2015
Available-for-sale financial assets *(note 4(8))*	**333,637,000.00**	–
Deductible VAT	**39,819,814.19**	148,460,902.97
Prepaid of income tax	**14,243,818.13**	14,501,117.74
	387,700,632.32	162,962,020.71

(8) Long-term receivable

	31 December 2016	31 December 2015
Lont-term receivable	**800,000,000.00**	800,000,000.00

In 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%. As at 31 December 2016, the balance of long-term receivable was RMB800,000,000.00 (31 December 2015: RMB800,000,000.00).

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(9) Long-term equity investments

	31 December 2016	31 December 2015
Subsidiaries *(a)*	**2,350,131,420.87**	2,897,931,420.87
Joint venture	**131,835,093.07**	142,216,010.29
	2,481,966,513.94	3,040,147,431.16
Less: provision of long-term equity investments	**–**	(535,925,936.93)
	2,481,966,513.94	2,504,221,494.23

As at 31 December 2015, provision of long-term equity investments representated impairment losses of long-term equity investments of 535,925,936.93 for Wuxin Copper.

(a) Subsidiaries

	Accounting treatment	Initial investment cost	31 December 2015	Current year changes	31 December 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)	**2,350,131,420.87**		

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(10) Fixed assets

	Building	Machinery and equipment	Motor vehicles	Electronic equipment office equipment	Total
Cost					
31 December 2015	282,802,562.76	551,763,381.49	16,981,677.44	13,783,342.79	865,330,964.48
Additions					
Purchase	290,737.76	2,516,973.14	–	744,814.02	3,552,524.92
Transfer-in from construction in progress	18,713,031.16	13,312,615.15	–	24,883.78	32,050,530.09
Other additions	512,100.00	–	–	–	512,100.00
Reductions					
Disposal and retirement	–	–	(467,420.64)	(85,660.00)	(553,080.64)
Reclassification	140,462,689.72	(143,700,501.26)	–	3,237,811.54	–
31 December 2016	**442,781,121.40**	**423,892,468.52**	**16,514,256.80**	**17,705,192.13**	**900,893,038.85**
Accumulated depreciation					
31 December 2015	97,467,120.76	224,437,710.54	10,160,859.51	10,593,272.55	342,658,963.36
Accruement	12,728,107.56	31,427,133.05	1,521,878.98	1,076,053.67	46,753,173.26
Other additions	239,965.11	–	–	–	239,965.11
Disposal and retirement	–	–	(450,631.25)	(83,090.20)	(533,721.45)
Reclassification	28,101,493.51	(28,820,181.31)	–	718,687.80	–
31 December 2016	**138,536,686.94**	**227,044,662.28**	**11,232,107.24**	**12,304,923.82**	**389,118,380.28**
Net book value					
31 December 2016	**304,244,434.46**	**196,847,806.24**	**5,282,149.56**	**5,400,268.31**	**511,774,658.57**
31 December 2015	185,335,442.00	327,325,670.95	6,820,817.93	3,190,070.24	522,672,001.12

For the year ended 31 December 2016, depreciation expense of fixed assets amounted to RMB46,753,173.26 (2015: RMB48,094,638.30) in total, of which RMB44,360,425.80 were charged to cost of sales, RMB2,232,031.05 to general and administrative expense, and RMB160,716.41 to selling expense (2015: RMB45,106,335.61, RMB2,838,780.47 and RMB149,522.22 respectively).

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(11) Intangible assets

	Land use rights	Others	Total
Cost			
31 December 2015	55,768,857.90	302,589.85	56,071,447.75
Additions – Purchase	–	391,794.87	391,794.87
31 December 2016	55,768,857.90	694,384.72	56,463,242.62
Accumulated amortisations			
31 December 2015	7,742,457.61	105,476.32	7,847,933.93
Additions – Accruement	1,133,348.16	123,008.59	1,256,356.75
31 December 2016	8,875,805.77	228,484.91	9,104,290.68
Net book value			
31 December 2016	46,893,052.13	465,899.81	47,358,951.94
31 December 2015	48,026,400.29	197,113.53	48,223,513.82

For the year ended 31 December 2016, the amortisation expense of intangible assets was RMB1,256,356.75 (2015: RMB1,069,980.87).

(12) Deferred tax assets

	31 December 2016		31 December 2015	
	Deductible temporary differences and deductible losses	**Deferred tax assets**	Deductible temporary differences and deductible losses	Deferred tax assets
Assets impairment	**17,275,932.67**	**2,591,389.90**	805,345,337.76	120,801,800.66
Deductible losses	**671,858,426.56**	**100,778,763.98**	67,579,316.94	10,136,897.54
Government grants	**1,725,782.00**	**258,867.30**	787,114.00	118,067.10
	690,860,141.23	**103,629,021.18**	873,711,768.70	131,056,765.30
Including				
Deferred tax asset to be recovered within 1 year (including 1 year)		**10,915,408.10**		120,811,000.46
Deferred tax asset to be recovered after 1 year		**92,713,613.08**		10,245,764.84
		103,629,021.18		131,056,765.30

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(13) Provision for asset impairment

	31 December 2015	Current year additions	Current year reductions: Reversal	Current year reductions: Sold	Current year reductions: Other	**31 December 2016**
Provision for bad debts	3,932,989.21	29,760.08	(192,954.70)	–	–	**3,769,794.59**
Including: Accounts receivable	3,926,714.00	29,760.08	(192,954.70)	–	–	**3,763,519.38**
Other receivables	6,275.21	–	–	–	–	**6,275.21**
Provision for decline in value of inventories	265,486,411.64	11,898,941.71	(55,572,361.15)	(208,306,854.12)	–	**13,506,138.08**
Provision of long-term equity investments	535,925,936.93	–	–	–	(535,925,936.93)	**–**
	805,345,337.78	11,928,701.79	(55,765,315.85)	(208,306,854.12)	(535,925,936.93)	**17,275,932.67**

(14) Accounts payable

	31 December 2016	31 December 2015
Payable for purchase of materials	**195,233,527.46**	26,514,595.55
Transportation fee payable	**10,135,959.90**	6,742,184.58
Others	**2,024,067.14**	746,835.65
	207,393,554.50	34,003,615.78

(15) Advances from customers

	31 December 2016	31 December 2015
Advances for sales of goods	**23,467,067.55**	20,818,319.02

(16) Employee benefits payable

	31 December 2016	31 December 2015
Short-term employee benefits payable	**20,107,634.08**	18,566,287.20
Defined contribution plans payable	**6,045.13**	16,121.86
	20,113,679.21	18,582,409.06

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(16) Employee benefits payable *(continued)*

(a) Short-term employee benefits payable

		31 December 2015	Current year additions	Current year reductions	**31 December 2016**
Salaries, bonuses, allowances and subsidies		14,095,300.15	58,373,974.93	(56,525,864.24)	**15,943,410.84**
Staff welfare		–	4,500,065.13	(4,500,065.13)	**–**
Social insurances		2,176.91	6,742,292.36	(6,742,292.36)	**2,176.91**
Including:	Medical insurance	2,176.91	5,319,755.89	(5,319,755.89)	**2,176.91**
	Work injury insurance	–	750,419.35	(750,419.35)	**–**
	Maternity insurance	–	298,171.94	(298,171.94)	**–**
	Illness insurance	–	373,945.18	(373,945.18)	**–**
Housing funds		555,345.00	6,831,629.00	(6,884,359.00)	**502,615.00**
Labor union fund and employee education fund		3,912,445.14	1,573,924.48	(1,827,958.29)	**3,658,411.33**
Service charge		–	3,889,865.25	(3,889,865.25)	**–**
Others		1,020.00	–	–	**1,020.00**
		18,566,287.20	81,911,751.15	(80,370,404.27)	**20,107,634.08**

(b) Defined contribution plans payable

	31 December 2015	Current year additions	Current year reductions	**31 December 2016**
Pension insurance	–	10,850,214.80	(10,850,214.80)	**–**
Unemployment insurance	16,121.86	656,755.88	(666,832.61)	**6,045.13**
	16,121.86	11,506,970.68	(11,517,047.41)	**6,045.13**

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(17) Taxes payable

	31 December 2016	31 December 2015
Value added tax payable	**2,632,146.34**	302,413.94
Individual income tax	**71,764.74**	122,277.24
Stamp duty	**147,904.40**	42,227.99
City maintenance and construction tax payable	**278,924.38**	21,223.96
Educational surcharge payable	**199,232.10**	15,175.68
Others	**51.02**	3,740.00
Total	**3,330,022.98**	507,058.81

(18) Interest payable

	31 December 2016	31 December 2015
Interests for bond payable	**39,060,776.27**	37,704,109.56

(19) Other payables

	31 December 2016	31 December 2015
Payable to subsidiaries	**219,794,242.49**	64,315,900.77
Payables for purchases of equipments	**34,944,519.43**	2,732,434.99
Payable for professional service	**3,361,403.11**	1,896,240.54
Withholding of social security fees	**1,906,396.06**	1,892,079.91
Payables for construction projects	**1,436,044.00**	1,820,044.00
Deposit for quality guarantee	**1,228,798.50**	101,735.00
Others	**3,717,621.66**	2,244,440.59
Total	**266,389,025.25**	75,002,875.80

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(20) Revenue and cost of sales

	2016	2015
Revenue from main operation	**1,716,367,550.93**	553,787,105.68
Revenue from other operation	**7,432,810.92**	6,136,226.42
	1,723,800,361.85	559,923,332.10

	2016	2015
Cost of sales from main operation	**1,646,344,280.69**	534,304,661.80
Cost of sales from other operation	**5,682,494.44**	4,548,836.68
	1,652,026,775.13	538,853,498.48

(a) Revenue and cost of sales from main operation

	2016		2015	
	Revenue from main operation	**Cost of sales from main operation**	Revenue from main operation	Cost of sales from main operation
Nickel cathode	**1,354,090,127.39**	**1,323,438,009.39**	160,760,932.41	193,029,561.83
Copper cathode	**313,428,138.47**	**281,143,313.85**	379,846,869.07	326,642,402.65
Others	**48,849,285.07**	**41,762,957.45**	13,179,304.20	14,632,697.32
	1,716,367,550.93	**1,646,344,280.69**	553,787,105.68	534,304,661.80

(b) Revenue and cost of sales from other operation

	2016		2015	
	Revenue from other operation	**Cost of sales from other operation**	Revenue from other operation	Cost of sales from other operation
Supply of heating	**5,776,238.17**	**5,501,857.53**	4,570,863.02	4,455,829.79
Electricity	**450,941.39**	**161,144.15**	–	–
Scrap sales	**147,670.76**	**–**	1,259,030.78	–
Others	**1,057,960.60**	**19,492.76**	306,332.62	93,006.89
	7,432,810.92	**5,682,494.44**	6,136,226.42	4,548,836.68

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(21) Financial expenses – net

	2016	2015
Interest expense	**109,078,653.49**	43,488,044.12
Less: Capitalised interest	**–**	–
Interest expenses	**109,078,653.49**	43,488,044.12
Less: Interest income on bank deposits	**(64,118,399.17)**	(10,088,928.69)
Foreign exchange gains	**4,930.61**	2,697.67
Bank charges	**3,542,560.88**	4,280,587.70
	48,507,745.81	37,682,400.80

(22) Expenses by nature

Cost of sales, selling and distribution expense, general and administrative expenses in Income Statements by nature were shown as follows:

	2016	2015
Raw materials and consumables used	**917,577,588.13**	1,012,926,722.53
Changes in inventories of work in progress, semi-finished goods and finished goods *(note 16(6))*	**758,209,981.62**	(679,086,181.95)
Employee benefits	**93,418,721.83**	109,703,413.07
Depreciation *(note 16(10))*	**46,753,173.26**	48,094,638.30
Electricity costs	**39,415,169.56**	43,419,458.11
Other overhead	**24,207,966.54**	24,444,955.89
Transportation fee	**7,954,931.90**	4,328,537.00
Office expenses	**2,334,670.99**	3,144,268.07
Taxation	**2,074,844.15**	3,515,074.46
Operating leases expenses	**1,168,521.43**	1,635,930.00
Auditor's Remuneration	**1,749,000.00**	1,589,000.00
– Auditing services	**1,499,000.00**	1,559,000.00
– Non-auditing services	**250,000.00**	30,000.00
Amortisation of intangible assets *(note 16(11))*	**1,256,356.75**	1,069,980.87
Sewage charges	**623,806.00**	155,075.00
Safety fund	**3,854,130.46**	7,744,421.31
Reversal of inventory provision due to sales *(note 16(13))*	**(208,306,854.12)**	–
Others	**10,377,752.80**	7,643,708.52
	1,702,669,761.30	590,328,821.24

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

(23) Investment losses

	2016	2015
Net loss from a joint-venture under equity method *(note 4(9)(a))*	**(10,380,917.22)**	(13,792,143.69)
Gains from disposal of long-term investment	**125,936.93**	–
Investment income from disposal of available-for-sale financial assets	**3,813,613.86**	–
	(6,441,366.43)	(13,792,143.69)

(24) Income tax expenses

	2016	2015
Current income tax	**(469.30)**	404,791.27
Deferred income tax	**27,427,744.12**	(130,261,383.86)
	27,427,274.82	(129,856,592.59)

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

	2016	2015
Total profit/(loss)	**388,939.43**	(882,998,370.05)
Income tax expenses calculated at applicable tax rate of 25%	**97,234.86**	(220,749,592.51)
Effect of tax deductions	**(38,893.94)**	88,299,837.01
Income not subject to tax	**–**	2,068,821.55
Expenses not deductible for tax purposes	**24,813.09**	119,550.09
Deductible temporary differences for which no deferred tax assets were recognised	**27,344,590.11**	–
Clearance differences in respect of prior years	**(469.30)**	404,791.27
	27,427,274.82	(129,856,592.59)

17 NET CURRENT ASSETS/(LIABILITIES)

	The Group	
	31 December 2016	31 December 2015
Current assets	**2,600,077,086.12**	4,196,640,991.83
Less: current liabilities	**(2,006,591,959.41)**	(4,588,113,430.32)
Net current assets/(liabilities)	**593,485,126.71**	(391,472,438.49)

	The Company	
	31 December 2016	31 December 2015
Current assets	**2,911,847,074.98**	2,845,563,286.93
Less: current liabilities	**(1,152,954,125.76)**	(829,918,388.03)
Net current assets	**1,758,892,949.22**	2,015,644,898.90

18 TOTAL ASSETS LESS CURRENT LIABILITIES

	The Group	
	31 December 2016	31 December 2015
Total assets	**8,088,283,081.47**	11,903,167,670.23
Less: current liabilities	**(2,006,591,959.41)**	(4,588,113,430.32)
Total assets less current liabilities	**6,081,691,122.06**	7,315,054,239.91

	The Company	
	31 December 2016	31 December 2015
Total assets	**6,912,312,692.19**	6,865,376,621.85
Less: current liabilities	**(1,152,954,125.76)**	(829,918,388.03)
Total assets less current liabilities	**5,759,358,566.43**	6,035,458,233.82

SUPPLEMENTAL INFORMATION FOR FINANCIAL STATEMENTS

(All amounts in RMB Yuan unless otherwise stated)

1 EXTRAORDINARY GAINS OR LOSSES

	2016	2015
Gains from disposal of long-term investment	**57,955,495.17**	–
Changes in fair value losses on disposal of financial liabilities at fair value through profit or loss and investment income from disposal of available-for-sale financial assets– net	**5,729,117.08**	5,817,433.41
Government grants through profit or loss	**3,104,473.78**	4,809,074.34
Gains/(losses) on disposal of non-current assets	**40,036.92**	(9,254.80)
Other operating revenues and expenses	**(1,792,276.57)**	574,749.38
	65,036,846.38	11,192,002.33
Income tax	**(806,472.36)**	–
Non-controlling interest impact (after tax)	**(17,378.30)**	(3,032,659.08)
	64,212,995.72	8,159,343.25

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 averaged loss on net assets (%)		**Loss per share**			
			Loss per share		**Diluted Loss per share**	
	2016	2015	**2016**	2015	**2016**	2015
Net loss attributable to ordinary shareholders	**(4.54%)**	(14.44%)	**(0.094)**	(0.335)	**(0.094)**	(0.335)
Net loss attributable to ordinary shareholders excluding extraordinary items	**(5.95%)**	(14.60%)	**(0.123)**	(0.339)	**(0.123)**	(0.339)

Xinjiang Xinxin Mining Industry Co., Ltd.*

新疆新鑫礦業股份有限公司