



Xinjiang Xinxin Mining Industry Co., Ltd.\*

新疆新鑫礦業股份有限公司

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

Stock Code: 3833

Interim Report

20  
17



\* For identification purpose only

We See The Future



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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Guo Quan  
Lu Xiaoping

## NON-EXECUTIVE DIRECTORS

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Chen Jianguo  
Wang Lijin  
Li Wing Sum, Steven

## SUPERVISORS

Wang Haibang (*Chairman*)  
Zhang Xuehe  
Chen Rong  
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*)

## REGISTERED OFFICE IN HONG KONG

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

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

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

## LEGAL ADVISERS

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

## AUDITORS

International and PRC auditors  
PricewaterhouseCoopers Zhong Tian LLP

## H SHARE REGISTRAR IN HONG KONG

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

## PUBLIC RELATIONS

Wonderful Sky Financial Group Limited

## COMPANY WEBSITE

kunlun.wsfg.hk

## STOCK CODE

3833



## COMPANY RESULTS

The board of directors (the “Board”) of Xinjiang Xinxin Mining Industry Co., Ltd. (the “Company”) hereby announces the unaudited consolidated operating results of the Company and its subsidiaries (the “Company and its Subsidiaries” or the “Group”) prepared in accordance with the China Accounting Standards for Business Enterprises (“CAS”) for the six months ended 30 June 2017 (the “Period”), together with the unaudited consolidated operating results for the six months ended 30 June 2016 (“First Half of 2016” or the “Same Period Last Year”) for comparison. Such operating results have been reviewed and confirmed by the Company’s audit committee (the “Audit Committee”).

Consolidated revenue of the Group for the Period was RMB442.4 million, representing a decrease of 30.4% as compared with consolidated revenue of RMB635.6 million for the Same Period Last Year. The consolidated net loss attributable to shareholders of the Company was RMB64.6 million during the Period, representing a decrease of 28.5% as compared with the consolidated net loss attributable to shareholders of the Company of RMB90.3 million for the Same Period Last Year. The decrease in consolidated revenue of the Group during the Period was mainly due to the significant decrease in output and sales volume of copper cathode as a result of the completion of disposal of Xinjiang Wuxin Copper Industry Co., Ltd. (“Wuxin Copper”) by the Company in June 2016.

Basic loss per share attributable to shareholders of the Company amounted to RMB0.029 during the Period, while the basic loss per share amounted to RMB0.041 per share in the Same Period Last Year.

The Board does not recommend any payment of interim dividend for 2017. Please refer to the unaudited consolidated interim financial statements for details of the consolidated operating results.



## RESOURCES AND RESERVES

As at 30 June 2017, the estimated resources and reserves for the four nickel-copper mines in Kalatongke, Huangshandong, Huangshan and Xiangshan respectively, which are wholly-owned by the Company, are set out in the following tables:

	Ore contents <i>Tonnes</i>	Grade		Metal contents	
		Cu %	Ni %	Cu <i>Tonnes</i>	Ni <i>Tonnes</i>
<b>Resources as at 30 June 2017</b>					
Kalatongke nickel-copper mine	30,544,248	0.98	0.57	298,559	173,908
Three nickel-copper mines in Huangshandong, Huangshan and Xiangshan	80,693,445	0.27	0.45	219,141	360,526
<b>Total</b>	<b>111,237,693</b>			<b>517,700</b>	<b>534,434</b>
<b>Reserves as at 30 June 2017</b>					
Kalatongke nickel-copper mine	20,272,014	1.01	0.62	205,260	126,302
Three nickel-copper mines in Huangshandong, Huangshan and Xiangshan	30,830,539	0.30	0.49	94,052	151,656
<b>Total</b>	<b>51,102,553</b>			<b>299,312</b>	<b>277,958</b>

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

As at 30 June 2017, the resources estimates for the deposits of two vanadium mines in Xianghe Street and Mujia River, which are owned as to 51% by the Company, are set out in the following table:

	Ore contents	V <sub>2</sub> O <sub>5</sub> Grade	V <sub>2</sub> O <sub>5</sub> Contents
	<i>Tonnes</i>	%	<i>Tonnes</i>
<b>Resources as at 30 June 2017</b>			
Xianghe Street vanadium mine	10,159,400	0.95	96,300
Mujia River vanadium mine	29,295,500	0.88	257,800
<b>Total</b>	<b>39,454,900</b>		<b>354,100</b>

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

During the Period, London Metal Exchange (“LME”) average three-month future price of nickel cathode was US\$9,805 per tonne, representing an increase of 12.7% from US\$8,702 per tonne for the Same Period Last Year. The average three-month future price of copper cathode was US\$5,775 per tonne, representing an increase of 23.0% from US\$4,697 per tonne for the Same Period Last Year.

During the Period, the average spot price (including tax) of nickel cathode in Shanghai Yangtze River Nonferrous Metals Spot Market was RMB81,506 per tonne, representing an increase of 19.2% from RMB68,375 per tonne for the Same Period Last Year. The average spot price (including tax) of copper cathode was RMB46,521 per tonne, representing an increase of 28.6% from RMB36,179 per tonne for the Same Period Last Year.

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

## BUSINESS REVIEW

During the Period, the consolidated revenue of the Group amounted to RMB442.4 million, representing a decrease of 30.4% from RMB635.6 million for the Same Period Last Year. The consolidated net loss amounted to RMB64.5 million, representing a decrease of RMB53.9 million as compared with RMB118.4 million for the Same Period Last Year; the consolidated net loss attributable to shareholders of the Company was RMB64.6 million, while the consolidated net loss attributable to shareholders of the Company was RMB90.3 million for the Same Period Last Year.

During the Period, the decrease in consolidated revenue of the Group was mainly due to the decrease in sales volume of copper cathode products as a result of the completion of disposal of Wuxin Copper in June 2016, while the decrease in loss as compared with that for the Same Period Last Year was mainly due to the increase in selling prices of nickel cathode and copper cathode.

During the Period, the Group produced 6,006 tonnes of nickel cathode, which was flat with that of the Same Period Last Year of 6,006 tonnes, and produced 5,002 tonnes of copper cathode, representing a decrease of 33.5% as compared with 7,521 tonnes (among which, Fukang Refinery of Xinjiang Xinxin Mining Industry Co., Ltd. (“Fukang Refinery”) produced 5,036 tonnes of copper cathode, and Wuxin Copper produced 2,485 tonnes of copper cathode) for the Same Period Last Year. During the Period, the decrease in output of copper cathode of the Group was mainly due to the disposal of Wuxin Copper.

During the Period, the Group sold 3,398 tonnes of nickel cathode, representing an increase of 0.4% as compared with 3,385 tonnes for the Same Period Last Year, and sold 3,307 tonnes of copper cathode, representing a decrease of 63.2% from 8,997 tonnes for the Same Period Last Year. The significant decrease in the sales volume of copper cathode was mainly due to the significant decrease in the output of copper cathode products during the Period as a result of the disposal of Wuxin Copper.

During the Period, the average selling price of nickel cathode of the Group (excluding tax) was RMB69,897 per tonne, representing an increase of 20.6% from RMB57,949 per tonne for the Same Period Last Year, while the average selling price of copper cathode (excluding tax) was RMB39,099 per tonne, representing an increase of 28.4% from RMB30,453 per tonne for the Same Period Last Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS AND COUNTERMEASURES

In the second half of 2017, the Group plans to produce 5,994 tonnes of nickel cathode and 4,998 tonnes of copper cathode. The Board would like to emphasize that due to the uncertainties in metal prices, the domestic raw materials market and the production environment, the above plan is made solely on the basis of the current market situation and the existing conditions of the Group. The Board may adjust the relevant production plan according to the changes of the situation.

In the second half of 2017, the Group will endeavor to stabilize the production capacity and upgrade the level of the processing technology, to strengthen the corporate management, to improve the recycle rate of metal, and to reduce the production costs, with an aim at improving the economic benefits and general operational efficiency of the Group. Meanwhile, it will strengthen the analysis and studies on the market price movement of international and domestic nickel cathode and copper cathode and implement more flexible and active marketing strategies based on its actual situation, in order to achieve product sales at a higher price level.

## MINERAL EXPLORATION, MINE DEVELOPMENT AND ORE MINING ACTIVITIES

### Mineral exploration

During the Period, Xinjiang Kalatongke Mining Industry Company Limited (“Kalatongke Mining”), a wholly-owned subsidiary of the Company, mainly completed mineral exploration projects such as 4,941 meters of drilling in pit and 220 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 4,947 meters of shallow-hole drilling in pit, 654 meters of deep-hole drilling in pit and 1,353 meters of surface drilling.

During the Period, the aggregate expenditure on the mineral exploration of the Group was around RMB3.2 million.

### Mine development

During the Period, Kalatongke Mining mainly completed mining development projects, such as the excavation of 558 meters at 350 mid-segment and 440 mid-segment of No. 2 ore body and various tunnels at 410 mid-segment of No. 3 ore body, excavation of 132 meters of various ore chutes and raises as well as excavation of 1,176 meters of slope supporting, etc. Xinjiang Yakesi and Hami Jubao mainly completed mining development projects, such as the excavation of 249 meters of various tunnels and wellbores at 350 mid-segment, 450 mid-segment and 530 mid-segment of No. 30 ore body in Huangshandong mining area and construction of various chambers in total.

During the Period, the aggregate expenditure on the mine development of the Group was around RMB28.7 million.

### Ore mining

During the Period, Kalatongke Mining produced 454,850 tonnes of ores. Xinjiang Yakesi and Hami Jubao produced 482,206 tonnes of ores.

During the Period, the aggregate expenditure on the ore mining of the Group was around RMB160.7 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW AND ANALYSIS

### Revenue and gross profit

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

Product Name	For the period ended 30 June 2017			For the period ended 30 June 2016		
	Sales Volume Tonnes	Amount RMB'000	% to Revenue	Sales Volume Tonnes	Amount RMB'000	% to Revenue
Nickel cathode	3,398	237,528	53.7%	3,385	196,160	30.9%
Copper cathode	3,307	129,305	29.2%	8,997	273,999	43.1%
Copper cathode – Fukang Refinery	3,307	129,305	29.2%	4,915	149,749	23.6%
Copper cathode – Wuxin Copper	–	–	–	4,082	124,250	19.5%
Copper concentrate	1,935	17,340	3.9%	2,849	18,938	3.0%
Anode slime	–	–	–	57	36,419	5.7%
Other products	–	58,183	13.2%	–	110,096	17.3%
Total revenue		442,356	100.0%		635,612	100.0%
Cost of sales		(380,468)	86.0%		(623,089)	98.0%
Of which: Nickel cathode		(236,872)			(228,052)	
Copper cathode – Fukang Refinery		(94,848)			(119,963)	
Copper cathode – Wuxin Copper		–			(131,198)	
Copper concentrate		(13,027)			(6,269)	
Anode slime		–			(39,174)	
Other products		(35,721)			(98,433)	
Gross profit		61,888	14.0%		12,523	2.0%

During the Period, the revenue from nickel cathode of the Group increased by 21.1% to RMB237.5 million as compared with that of the Same Period Last Year. The average selling price of nickel cathode was RMB69,897 per tonne, representing an increase of 20.6% as compared with that of the Same Period Last Year. The sales volume of nickel cathode was 3,398 tonnes, which was flat with that of the Same Period Last Year. The increase in revenue of nickel cathode was due to the increase in average selling price of nickel cathode in the first half of this year.

During the Period, the revenue of copper cathode of the Group decreased by 52.8% to RMB129.3 million as compared with that of the Same Period Last Year. The average selling price of copper cathode increased by 28.4% to RMB39,099 per tonne as compared with that of the Same Period Last Year. The sales volume of copper cathode of the Group decreased by 63.2% to 3,307 tonnes as compared with that of the Same Period Last Year. The significant decrease in revenue of copper cathode was due to the decrease in sales volume of copper cathode products as a result of the disposal of Wuxin Copper.



# MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, no anode slimes was sold due to the disposal of Wuxin Copper.

During the Period, the revenue of copper concentrates of the Group decreased by 8.4% to RMB17.3 million as compared with that of the Same Period Last Year. The average selling price of copper concentrates increased by 34.8% to RMB8,961 per tonne as compared with that of the Same Period Last Year. The sales volume of copper concentrates of the Group decreased by 32.1% to 1,935 tonnes as compared with that of the Same Period Last Year. The decrease in revenue of copper concentrates was due to the adjustments of marketing strategy in accordance with copper price trend, of which certain copper concentrates output would be adjusted to sell in the second half of this year.

During the Period, the revenue of other products of the Group decreased by 47.2% to RMB58.2 million as compared with that of the Same Period Last Year, the decrease in revenue was due to the gold output in the Same Period Last Year and its inventory in previous years were fully sold as a result of the increase in gold price, which led to the decrease in sales volume of gold as compared with that of the Same Period Last Year, and the decrease in sales volume of vitriol due to the disposal of Wuxin Copper.

During the Period, the unit cost of sales of nickel cathode of the Group increased by 3.5% to RMB69,709 per tonne as compared with that of the Same Period Last Year, the unit cost of sales of copper cathode increased by 2.7% to RMB28,681 per tonne as compared with that of the Same Period Last Year, which were mainly attributable to the price increase in raw materials for the Period and the decrease in the transfer of provision for inventories of finished products offsetting the current costs as compared with that of the Same Period Last Year.

During the Period, the Group recorded gross profit of RMB61.9 million while the Group recorded gross profit amounted to RMB12.5 million in the Same Period Last Year. The increase in gross profit of the Group during the Period was mainly due to the increase in prices of nickel cathode and copper cathode.

## Sales and marketing costs

During the Period, sales and marketing costs of the Group was RMB12.3 million, representing a decrease of 40.6% as compared with that of the Same Period Last Year, mainly due to the significant decrease in the sales volume of copper cathode arising from the disposal of Wuxin Copper, which led to decrease in the loading and transportation costs of products.

## Administrative expenses

During the Period, the administrative expense of the Group decreased by 33.8% to RMB48.5 million as compared with that of the Same Period Last Year, mainly due to the decrease of administrative expenses in the scope of consolidation caused by the disposal of Wuxin Copper.

## Finance expenses – net

Finance expenses – net of the Group for the Period decreased to RMB60.2 million as compared with that of the Same Period Last Year of RMB124.4 million, mainly due to the decrease of finance expense in the scope of consolidation caused by the disposal of Wuxin Copper.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Investment income

Investment income of the Group for the Period was RMB2.6 million while investment income was RMB66.0 million for the Same Period Last Year. The significant decrease in investment income of the Group for the period as compared with that of the Same Period Last Year was mainly due to the inclusion of income from disposal of Wuxin Copper into investment income in the Same Period Last Year.

## Financial position

The consolidated balance sheet of the Group remains strong. As at 30 June 2017, owners' equity decreased by 1.5% to RMB4,383.0 million as compared with that as of 31 December 2016, mainly due to the loss during the Period. As at 30 June 2017, total assets decreased by 0.1% to RMB8,084.3 million as compared with that as of 31 December 2016.

For the six months ended 30 June 2017, the Group's net cash inflow generated from operating activities was RMB70.1 million. As compared to the net cash outflow of RMB204.4 million in the Same Period Last Year, there was an increase in the inflow of RMB274.5 million, primarily due to the increase in selling price of nickel cathode during the Period and the decrease in the expenses of external purchasing raw materials after disposal of Wuxin Copper; the net cash inflow generated from investment activities was RMB145.9 million, which was mainly due to the sale of available-for-sale financial assets by the Group, and the acquisition of equipment for and as the construction costs of the Group's various technology renovation and expansion projects; and the net cash outflow generated from financing activities amounted to RMB98.6 million, which was mainly attributable to the Group's repayment of bank loans and interest during the Period.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group had total cash and cash equivalents amounting to RMB217.8 million (31 December 2016: RMB100.4 million), and the total borrowings of the Group amounted to RMB2,710.8 million (31 December 2016: RMB2,657.4 million). As such, the net debts of the Group (total borrowings minus cash and cash equivalents) amounted to RMB2,493.0 million (31 December 2016: RMB2,557.0 million) and the gearing ratio (net debts divided by total capital\*) was 36.26% (31 December 2016: 36.48%).

	<b>As at 30 June 2017</b>	As at 31 December 2016
Current Ratio ( <i>Times</i> )	<b>1.2</b>	1.3
Gearing Ratio (net debts/total capital*)	<b>36.26%</b>	36.48%

\* Total capital: net debts + total equity

As at 30 June 2017, the aggregate amount of borrowings of the Group was RMB2,710.8 million, of which, the proceeds from the issuance of medium-term notes of the Company was RMB800.0 million and loans for working capital of RMB830.0 million (including gold lease financing of RMB250.0 million), the working capital, technological renovation and expansion projects borrowings by Xinjiang Yakesi was RMB423.7 million (including gold lease financing of RMB147.7 million), the working capital borrowings by Kalatongke Mining was RMB657.1 million (including gold lease financing of RMB287.1 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2017, the Group's interest-bearing borrowings amounted to RMB2,710.8 million (31 December 2016: RMB2,597.4 million), including floating rate borrowings amounted to RMB226.0 million (31 December 2016: RMB237.0 million), fixed rate borrowings amounted to RMB1,684.8 million (31 December 2016: RMB1,060.4 million), bond payable amounted to RMB800.0 million (31 December 2016: RMB1,300.0 million).

## COMMODITY PRICE RISK

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

## RISK OF FLUCTUATIONS IN EXCHANGE RATE

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

## 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 30 June 2017, the Group's interest-bearing debts were mainly floating rate borrowings contracts, fixed rate borrowings contracts and interest-bearing bonds payable denominated in RMB, which totaled RMB2,710.8 million (31 December 2016: RMB2,597.4 million). The Group has no interest rate swap arrangement.

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

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

## CHARGE ON ASSETS

As at 30 June 2017, a restricted bank deposit of RMB69.4 million out of the cash in bank and on hand of the Group was set aside as the security for issuing bank acceptance notes and other purposes; Kalatongke Mining factored the receivables of RMB111.2 million due by Fukang Refinery to bank to obtain the loans, the balance of which amounted to RMB100.0 million as at 30 June 2017. Save as disclosed above, there were no charges or pledges of assets in the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## MATERIAL LITIGATION

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

## CONTINGENT LIABILITIES

Save as disclosed in Notes 7 and 8(5)(f) to the unaudited consolidated interim financial statements of the Group, the Group had no other significant contingent liabilities as at 30 June 2017.

## MAJOR ACQUISITIONS AND DISPOSAL

The Group had no acquisition or disposal during the Period.

## SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

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

## HISTORICAL CAPITAL EXPENDITURE

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

	Six months ended 30 June 2017	
	RMB'000	Percentage %
Mining, ore processing and smelting and complementary operations in Kalatongke Mining	20,340	29.1%
Refining and complementary operations in Fukang Refinery	22,962	32.9%
Mining and ore processing operations in Xinjiang Yakesi	21,448	30.7%
Mining operation in Hami Jubao	238	0.4%
Smelting and complementary operations of Xinjiang Zhongxin Mining Company Limited	1,241	1.8%
Research and development of non-ferrous metal industrial products and storage base project of Beijing Xinding Shunze High Technology Co., Ltd.	3,590	5.1%
	69,819	100%



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FUTURE PLANS OF THE GROUP FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS**

Kalatongke Mining will further enhance subsequent construction of mining expansion projects and technological innovation and expansion projects for converter melting, and plans to invest approximately RMB10.2 million. Fukang Refinery will further enhance its technological renovation and expansion projects for the auxiliary facilities of the refining capacity of nickel cathode and copper cathode, and plans to invest approximately RMB59.6 million. Xinjiang Yakesi and Hami Jubao will further improve the mining and processing projects, and plans to invest approximately RMB15.3 million. The capital expenditure of the Group for the exploration projects is planned to be approximately RMB6.7 million. The capital expenditure of the Group for the acquisition of fixed assets is planned to be approximately RMB27.3 million. The sources of fund for the plans mentioned above will be contributed by internal working capital. Save for the plans as disclosed above, the Group had no other plans for material investments or acquisition of capital assets as at 30 June 2017.

### **COMMITMENTS**

Commitments of the Group as at 30 June 2017 are disclosed in Note 9 to the unaudited consolidated interim financial statements.



# DIRECTORS' INTEREST

## DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACT

As at 30 June 2017, none of the directors or supervisors of the Company had any material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, its subsidiaries or any of its fellow subsidiaries was a party during the Period.

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

As at 30 June 2017, the interests or short positions, if any, of the directors and supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO (Cap. 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### Long Positions in Shares and Underlying Shares of the Company

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

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

Save as disclosed above, none of the directors and supervisors of the Company or their respective associates had, as at 30 June 2017, any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## **DIRECTORS' INTEREST**

### **SHARE APPRECIATION RIGHTS INCENTIVE SCHEME**

At the annual general meeting held on 29 May 2008, the Company adopted and approved a share appreciation rights incentive scheme (the "Share Appreciation Rights Incentive Scheme" or "SARIS") to acknowledge the contributions of senior management and key personnel. The SARIS entitles persons who are granted such rights to receive cash payments when the Company's share price rises above the exercise price granted in the share appreciation rights in a certain pre-determined period, subject to certain terms and conditions of the SARIS.

There were no share appreciation rights allocated and outstanding as at 30 June 2017.

### **DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

# SHARE CAPITAL AND DIVIDENDS

## SHARE CAPITAL

The Company's share capital as at 30 June 2017 is as follows:

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

## SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

So far as known to any director or supervisor of the Company, as at 30 June 2017, the persons or companies (other than a director or supervisor of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Number of shares held	Class of share	Approximate percentage of shareholding on relevant class of shares (%)	Approximate percentage of the total share capital (%)
Xinjiang Non-ferrous Metal Industry (Group) Ltd.* (新疆有色金屬工業(集團)有限責任公司)	885,204,000 (L)	Domestic share	61.01	40.06
Shanghai Yilian ( <i>Note</i> )	282,896,000 (L)	Domestic share	19.50	12.80
Zhongjin Investment ( <i>Note</i> )	198,028,000 (L)	Domestic share	13.65	8.96
The National Council for Social Security Fund of the PRC (中國全國社會保障基金理事會)	69,000,000 (L)	H share	9.09	3.12

(L) = Long positions

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

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

Save as disclosed above, as at 30 June 2017, the directors of the Company were not aware of any other person (other than a director or supervisor of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## DIVIDENDS

The Board does not recommend any payment of interim dividend for 2017 (Nil for 2016).

## EMPLOYEES AND WELFARE

As at 30 June 2017, the Group had a total of 2,393 employees. Breakdowns by functions and divisions are as follows:

<b>Division</b>	<b>Employees</b>	<b>Total</b> <i>(In percentage)</i>
Management and administration	168	7.0%
Engineering technician	230	9.6%
Production staff	1,545	64.6%
Repair and maintenance	350	14.6%
Inspection	83	3.5%
Sales	17	0.7%
	2,393	100.0%

The remuneration package of the Group's employees includes salary, bonuses and allowances. The Group has participated in the social insurance contribution plans organised by local governments in the PRC. In accordance with the relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing provident funds. According to the currently applicable local regulations, the respective percentages of the pension insurance, medical insurance, unemployment insurance and housing provident funds which the Group must contribute are 18%, 6% to 9%, 0.5% 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 0.8% of their total monthly basic salary for maternity cover.

# CORPORATE GOVERNANCE

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

## BOARD OF DIRECTORS

The Board currently consists of nine directors, including two executive directors, four non-executive directors and three independent non-executive directors. During the Period, the Board convened two meetings (with an attendance rate of 17/18).

## SUPERVISORY COMMITTEE

The Company has a supervisory committee comprising five Supervisors to exercise supervision over the Board and its members and the senior management, preventing them from abusing their authorities and jeopardizing the legal interests of the Company, its shareholders and its employees. The supervisory committee convened one meetings during the Period (with an attendance rate of 3/4).

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

## AUDIT COMMITTEE

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

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

Xinjiang, the PRC, 18 August 2017

\* For identification purpose only



# CONSOLIDATED AND COMPANY BALANCE SHEETS (UNAUDITED)

AS AT 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Notes	30 June 2017 Consolidated	31 December 2016 Consolidated	30 June 2017 Company	31 December 2016 Company
<b>Current Assets</b>					
Cash at bank and on hand	4(1)/15(1)	287,248,775.75	153,014,245.00	204,995,135.43	56,306,656.46
Notes receivable	4(2)/15(2)	62,076,392.69	190,672,515.58	46,165,554.99	190,328,580.58
Accounts receivable	4(3)/15(3)	133,396,333.69	112,130,198.60	105,014,016.87	73,777,482.66
Other receivables	4(4)/15(4)	78,431,875.46	106,104,633.53	784,680,905.07	1,092,425,046.43
Advances to suppliers	4(5)/15(5)	32,301,571.19	24,005,985.16	365,572,928.32	97,055,086.44
Interest receivable		–	–	34,092,583.33	5,381,847.21
Inventories	4(6)/15(6)	1,570,163,480.76	1,385,290,969.53	1,191,404,601.62	1,008,871,742.88
Other current assets	4(7)/15(7)	461,446,197.71	628,858,538.72	369,536,300.88	387,700,632.32
<b>Total current assets</b>		<b>2,625,064,627.25</b>	2,600,077,086.12	<b>3,101,462,026.51</b>	2,911,847,074.98
<b>Non-current Assets</b>					
Long-term receivables	15(8)	–	–	435,000,000.00	800,000,000.00
Long-term equity investments	4(9)/15(9)	126,568,523.22	130,802,279.44	2,477,933,519.09	2,481,966,513.94
Fixed assets	4(10)/15(10)	2,708,759,476.39	2,799,957,815.87	488,738,801.05	511,774,658.57
Construction in progress	4(11)	1,474,362,798.93	1,411,717,557.11	77,076,126.30	55,720,031.65
Construction materials	4(12)	643,718.45	642,609.04	17,549.34	16,439.93
Intangible assets	4(13)/15(11)	954,925,572.66	963,989,772.34	46,730,773.60	47,358,951.94
Goodwill	4(14)	28,087,550.20	28,087,550.20	–	–
Long-term prepaid expenses		36,600.83	57,738.75	–	–
Deferred tax assets	4(31)/15(12)	143,884,124.27	130,950,672.60	101,426,244.11	103,629,021.18
Other non-current assets	4(15)	22,000,000.00	22,000,000.00	–	–
<b>Total non-current assets</b>		<b>5,459,268,364.95</b>	5,488,205,995.35	<b>3,626,923,013.49</b>	4,000,465,617.21
<b>TOTAL ASSETS</b>		<b>8,084,332,992.20</b>	8,088,283,081.47	<b>6,728,385,040.00</b>	6,912,312,692.19

# CONSOLIDATED AND COMPANY BALANCE SHEETS (UNAUDITED)

AS AT 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	Notes	30 June 2017 Consolidated	31 December 2016 Consolidated	30 June 2017 Company	31 December 2016 Company
<b>Current liabilities</b>					
Short-term borrowings	4(27)(b)	1,000,000,000.00	420,000,000.00	580,000,000.00	–
Financial liabilities at fair value through profit or loss	4(17)	182,093,425.11	137,693,150.55	–	–
Notes payable	4(18)	192,000,000.00	101,250,000.00	192,000,000.00	93,200,000.00
Accounts payable	4(19)/15(14)	289,087,167.61	302,860,921.14	65,462,828.80	207,393,554.50
Advances from customers	4(20)/15(15)	43,439,605.94	24,336,532.36	24,253,493.06	23,467,067.55
Employee benefits payable	4(21)/15(16)	53,874,932.47	55,117,302.59	21,559,191.04	20,113,679.21
Taxes payable	4(22)/15(17)	10,496,444.30	11,137,582.93	1,321,062.30	3,330,022.98
Interest payable	4(23)/15(18)	38,140,642.29	40,942,962.32	34,437,076.18	39,060,776.27
Other payables	4(24)/15(19)	171,402,384.52	251,253,507.52	40,245,358.65	266,389,025.25
Current portion of non-current liabilities	4(26)(a)	151,000,000.00	662,000,000.00	–	500,000,000.00
<b>Total current liabilities</b>		<b>2,131,534,602.24</b>	2,006,591,959.41	<b>959,279,010.03</b>	1,152,954,125.76
<b>Non-current liabilities</b>					
Long-term borrowings	4(27)(a)	75,000,000.00	75,000,000.00	–	–
Bond payable	4(28)	800,000,000.00	800,000,000.00	800,000,000.00	800,000,000.00
Long-term payables	4(29)	–	59,978,281.32	–	–
Provisions	4(25)	8,448,254.70	8,248,582.21	–	–
Deferred income	4(30)	32,494,484.20	33,562,996.66	1,695,116.00	1,725,782.00
Deferred tax liabilities	4(31)	151,190,757.82	150,479,836.70	–	–
Other non-current liabilities	4(26)(b)	502,709,380.00	502,709,380.00	250,000,000.00	250,000,000.00
<b>Total non-current liabilities</b>		<b>1,569,842,876.72</b>	1,629,979,076.89	<b>1,051,695,116.00</b>	1,051,725,782.00
<b>Total liabilities</b>		<b>3,701,377,478.96</b>	3,636,571,036.30	<b>2,010,974,126.03</b>	2,204,679,907.76

# CONSOLIDATED AND COMPANY BALANCE SHEETS (UNAUDITED)

AS AT 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	Notes	30 June 2017 Consolidated	31 December 2016 Consolidated	30 June 2017 Company	31 December 2016 Company
<b>Owner's equity</b>					
Share capital	4(32)	552,500,000.00	552,500,000.00	552,500,000.00	552,500,000.00
Capital surplus	4(33)	4,258,569,997.76	4,263,591,716.44	4,254,754,857.49	4,254,754,857.49
Specific reserve	4(34)	2,326,819.58	1,543,421.85	1,328,720.98	-
Surplus reserve	4(35)	249,625,789.74	249,625,789.74	249,625,789.74	249,625,789.74
Accumulated losses	4(36)	(756,026,831.71)	(691,384,794.32)	340,798,454.24	(349,247,862.80)
<b>Total equity attributable to shareholders of the Company</b>		<b>4,306,995,775.37</b>	4,375,876,133.71	<b>4,717,410,913.97</b>	4,707,632,784.43
<b>Minority interest</b>	5(1)	<b>75,959,737.87</b>	75,835,911.46	-	-
<b>Total owner's equity</b>		<b>4,382,955,513.24</b>	4,451,712,045.17	<b>4,717,410,913.97</b>	4,707,632,784.43
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>8,084,332,992.20</b>	8,088,283,081.47	<b>6,728,385,040.00</b>	6,912,312,692.19

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

Legal representative:  
**Guo Haitang**

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

Head of accounting department:  
**Li Jianhua**

# CONSOLIDATED AND COMPANY INCOME STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

	Notes	Six months ended 30 June 2017 Consolidated	Six months ended 30 June 2016 Consolidated	Six months ended 30 June 2017 Company	Six months ended 30 June 2016 Company
<b>1. Revenue</b>	4(37)/15(20)	<b>442,355,817.53</b>	635,612,015.65	<b>412,154,385.05</b>	373,776,510.76
Less: Cost of sales	4(37)/15(20)	<b>(380,468,199.36)</b>	(623,088,671.40)	<b>(368,138,655.43)</b>	(369,774,550.79)
Taxes and surcharges	4(39)	<b>(13,477,208.96)</b>	(3,470,937.27)	<b>(2,850,850.62)</b>	(241,678.18)
Selling and distribution expenses	4(40)	<b>(12,250,870.16)</b>	(20,617,692.97)	<b>(4,195,303.54)</b>	(4,992,207.19)
General and administrative expenses	4(41)	<b>(48,515,742.05)</b>	(73,313,104.38)	<b>(14,896,699.20)</b>	(18,065,039.46)
Financial expenses –net	4(42)/15(21)	<b>(60,201,732.03)</b>	(124,441,216.31)	<b>(11,790,677.62)</b>	(22,476,431.05)
Assets impairment (losses)/reversal	4(16)/4(43)/15(13)	<b>(7,062,496.95)</b>	9,289,361.58	–	44,905,022.32
Add: profit arising from changes in fair value	4(44)	–	121,319.67	–	–
Investment income/(loss) Including: Share of (loss)/profit of joint venture	4(45)/15(23)	<b>2,645,898.97</b>	65,997,525.19	<b>407,841.85</b>	(7,694,219.49)
		<b>(4,233,756.22)</b>	4,629,943.77	<b>(4,032,994.86)</b>	(9,441,545.99)
<b>2. Operating (loss)/profit</b>		<b>(76,974,533.01)</b>	(133,911,400.24)	<b>10,690,040.49</b>	(4,562,593.08)
Add: Non-operating income	4(46)	<b>1,926,557.08</b>	2,310,285.61	<b>42,145.14</b>	138,882.22
Including: Gains on disposal of non-current assets		<b>89,485.96</b>	8,881.50	–	8,881.50
Less: Non-operating income	4(47)	<b>(1,673,760.92)</b>	(357,077.98)	<b>(80,000.00)</b>	(1,319.80)
Including: Losses on disposal of non-current assets		–	(26,611.55)	–	(1,319.80)
<b>3. Total (loss)/profit</b>		<b>(76,721,736.85)</b>	(131,958,192.61)	<b>10,652,185.63</b>	(4,425,030.66)
Less: income tax expenses	4(48)/15(24)	<b>12,203,437.59</b>	13,535,452.51	<b>(2,202,777.07)</b>	(752,468.73)
<b>4. Net (loss)/profit</b>		<b>(64,518,299.26)</b>	(118,422,740.10)	<b>8,449,408.56</b>	(5,177,499.39)
Attributable to shareholders of the Company		<b>(64,642,037.39)</b>	(90,282,302.41)	<b>8,449,408.56</b>	(5,177,499.39)
Non-controlling interests	5(1)	<b>123,738.13</b>	(28,140,437.69)	–	–

# CONSOLIDATED AND COMPANY INCOME STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

<i>Notes</i>	<b>Six months ended 30 June 2017 Consolidated</b>	Six months ended 30 June 2016 Consolidated	<b>Six months ended 30 June 2017 Company</b>	Six months ended 30 June 2016 Company
<b>5. Other comprehensive income after tax</b>	-	-	-	-
<b>6. Total comprehensive (loss)/profit</b>	<b>(64,518,299.26)</b>	(118,422,740.10)	<b>8,449,408.56</b>	(5,177,499.39)
Comprehensive (loss)/profit attributable to shareholders of the Company	<b>(64,642,037.39)</b>	(90,282,302.41)	<b>8,449,408.56</b>	(5,177,499.39)
Comprehensive loss attributable to non-controlling interests	<b>123,738.13</b>	(28,140,437.69)	-	-
<b>7. Loss per share</b>				
Basic loss per share	4(49) <b>(0.029)</b>	(0.041)	-	-
Diluted loss per share	4(49) <b>(0.029)</b>	(0.041)	-	-
Proposed dividend	4(36) <b>-</b>	-	-	-

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

*Legal representative:*  
**Guo Haitang**

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

*Head of accounting department:*  
**Li Jianhua**



# CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

Notes	Six months ended 30 June 2017 Consolidated	Six months ended 30 June 2016 Consolidated	Six months ended 30 June 2017 Company	Six months ended 30 June 2016 Company
<b>1. Cash flows from operating activities</b>				
Cash received from sales of goods and rendering services	643,403,808.56	548,672,841.82	595,499,186.71	369,871,759.25
Refund of taxes and surcharges	3,375,055.30	-	3,375,055.30	-
Cash received relating to other operating activities	4(50)(a) 6,313,131.28	49,252,762.88	40,541,020.50	96,371,809.78
<b>Sub total of cash inflows</b>	<b>653,091,995.14</b>	597,925,604.70	<b>639,415,262.51</b>	466,243,569.03
Cash paid for goods and services	(332,930,630.71)	(551,959,591.57)	(863,258,979.36)	(701,750,418.48)
Cash paid to and on behalf of employees	(124,483,630.34)	(147,389,050.45)	(43,697,594.69)	(45,594,697.03)
Payments of taxes and surcharges	(63,068,144.68)	(55,641,477.49)	(9,038,816.77)	(5,401,227.84)
Cash paid relating to other operating activities	4(50)(b) (62,490,739.18)	(47,332,582.05)	(254,760,148.95)	(31,486,671.40)
<b>Sub total of cash outflows</b>	<b>(582,973,144.91)</b>	(802,322,701.56)	<b>(1,170,755,539.77)</b>	(784,233,014.75)
<b>Net cash flows generated from/ (used in) operating activities</b>	4(51)(a) 70,118,850.23	(204,397,096.86)	<b>(531,340,277.26)</b>	(317,989,445.72)

# CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

<i>Notes</i>	<b>Six months ended 30 June 2017 Consolidated</b>	Six months ended 30 June 2016 Consolidated	<b>Six months ended 30 June 2017 Company</b>	Six months ended 30 June 2016 Company
<b>2. Cash flows from investing activities</b>				
Cash received from withdrawal of deposit from future contracts	-	34,790,511.52	-	-
Cash received from investment income	<b>6,879,655.19</b>	3,440,883.62	<b>4,440,836.70</b>	29,497,160.67
Cash received from disposal of fixed assets	<b>346,875.40</b>	119,885.12	-	10,275.19
Cash received from disposal of a subsidiary	-	12,000,000.00	-	12,000,000.00
Cash received from disposal of available-for-sale financial assets	<b>2,689,767,000.00</b>	-	<b>1,839,667,000.00</b>	-
Cash received relating to other investing activities	-	11,615,063.59	<b>754,221,444.21</b>	-
<b>Sub total of cash inflows</b>	<b>2,696,993,530.59</b>	61,966,343.85	<b>2,598,329,280.91</b>	41,507,435.86
Cash paid to acquire fixed assets and other long-term assets	<b>(41,977,668.45)</b>	(167,159,332.45)	<b>(26,787,592.24)</b>	(35,952,201.90)
Cash paid to disposal of a subsidiary	-	(21,323,576.36)	-	-
Cash paid to acquire available-for-sale financial assets	<b>(2,509,080,000.00)</b>	(100,000,000.00)	<b>(1,807,880,000.00)</b>	(50,000,000.00)
Cash paid to proved loans to subsidiaries	-	-	<b>(135,785,400.00)</b>	-
Cash paid relating to other investing activities	-	(73,000,000.00)	-	(73,000,000.00)
<b>Sub total of cash outflows</b>	<b>(2,551,057,668.45)</b>	(361,482,908.81)	<b>(1,970,452,992.24)</b>	(158,952,201.90)
<b>Net cash flows generated from/ (used in) investing activities</b>	<b>145,935,862.14</b>	(299,516,564.96)	<b>627,876,288.67</b>	(117,444,766.04)

# CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

<i>Notes</i>	<b>Six months ended 30 June 2017 Consolidated</b>	Six months ended 30 June 2016 Consolidated	<b>Six months ended 30 June 2017 Company</b>	Six months ended 30 June 2016 Company
<b>3. Cash flows from financing activities</b>				
Cash received from borrowings	962,093,425.11	1,409,236,180.00	580,000,000.00	450,000,000.00
<b>Sub total of cash inflows</b>	<b>962,093,425.11</b>	1,409,236,180.00	<b>580,000,000.00</b>	450,000,000.00
Cash repayments of borrowings	(983,693,150.55)	(948,040,156.89)	(500,000,000.00)	-
Cash payments for interest expenses	(77,017,576.23)	(104,374,142.94)	(48,646,019.16)	(41,418,333.33)
Cash payments relating to other financing activities	-	(881,144.45)	-	-
<b>Sub total of cash outflows</b>	<b>(1,060,710,726.78)</b>	(1,053,295,444.28)	<b>(548,646,019.16)</b>	(41,418,333.33)
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(98,617,301.67)</b>	355,940,735.72	<b>31,353,980.84</b>	408,581,666.67
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>	-	-	-	-
<b>5. Net increase/(decrease) in cash and cash equivalents</b>	4(51)(a) <b>117,437,410.70</b>	(147,972,926.10)	<b>127,889,992.25</b>	(26,852,545.09)
Add : cash and cash equivalents at beginning of year	4(51)(a) <b>100,406,459.07</b>	506,128,056.01	<b>18,569,742.78</b>	72,795,873.48
<b>6. cash and cash equivalents at end of year</b>	4(51)(b) <b>217,843,869.77</b>	358,155,129.91	<b>146,459,735.03</b>	45,943,328.39

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

Legal representative:  
**Guo Haitang**

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

Head of accounting department:  
**Li Jianhua**

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

FOR THE SIX MONTHS 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

	Attributable to shareholders of the Company						Non-controlling interests (Note 5(1))	Total owners' equity
	Share capital (Note 4(32))	Capital surplus (Note 4(33))	Specific reserve (Note 4(34))	Surplus reserve (Note 4(35))	Accumulated losses (Note 4(36))	Sub total		
<b>Balance at 1 January 2016</b>	552,500,000.00	4,263,591,716.44	-	249,625,789.74	(484,316,830.46)	4,581,400,675.72	82,919,834.54	4,664,320,510.26
<b>Movements for the period ended 30 June 2016</b>								
<b>Comprehensive loss</b>								
- Net loss	-	-	-	-	(90,282,302.41)	(90,282,302.41)	(28,140,437.69)	(118,422,740.10)
- Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive loss</b>	-	-	-	-	(90,282,302.41)	(90,282,302.41)	(28,140,437.69)	(118,422,740.10)
<b>Shareholder's investment and capital reduction</b>								
- Other	-	-	-	-	-	-	22,191,755.44	22,191,755.44
<b>Appropriation to specific reserve</b>	-	-	13,116,936.22	-	-	13,116,936.22	350.99	13,117,287.21
<b>Utilisation of specific reserve</b>	-	-	(5,830,462.71)	-	-	(5,830,462.71)	-	(5,830,462.71)
<b>Balance at 30 June 2016</b>	552,500,000.00	4,263,591,716.44	7,286,473.51	249,625,789.74	(574,599,132.87)	4,498,404,846.82	76,971,503.28	4,575,376,350.10
<b>Balance at 1 January 2017</b>	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
<b>Movements for the period ended 30 June 2017</b>								
<b>Comprehensive loss</b>								
- Net loss	-	-	-	-	(64,642,037.39)	(64,642,037.39)	123,738.12	(64,518,299.27)
- Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive loss</b>	-	-	-	-	(64,642,037.39)	(64,642,037.39)	123,738.12	(64,518,299.27)
<b>Shareholder's investment and capital reduction</b>								
- Other	-	(5,021,718.68)	-	-	-	(5,021,718.68)	-	(5,021,718.68)
<b>Appropriation to specific reserve</b>	-	-	15,289,849.03	-	-	15,289,849.03	88.29	15,289,937.32
<b>Utilisation of specific reserve</b>	-	-	(14,506,451.30)	-	-	(14,506,451.30)	-	(14,506,451.30)
<b>Balance at 30 June 2017</b>	552,500,000.00	4,258,569,997.76	2,326,819.58	249,625,789.74	(756,026,831.71)	4,306,995,775.37	75,959,737.87	4,382,955,513.24

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

Legal representative:  
**Guo Haitang**

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

Head of accounting department:  
**Li Jianhua**

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

FOR THE SIX MONTHS 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

	Share capital <i>(Note 4(32))</i>	Capital surplus	Specific reserve	Surplus reserve <i>(Note 4(35))</i>	Accumulated losses	Total owners' equity
<b>Balance at 1 January 2016</b>	552,500,000.00	4,254,754,857.49	-	249,625,789.74	(322,209,527.41)	4,734,671,119.82
<b>Movements for the period ended 30 June 2016</b>						
<b>Comprehensive loss</b>						
- Net loss	-	-	-	-	(5,177,499.39)	(5,177,499.39)
- Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive loss</b>	-	-	-	-	(5,177,499.39)	(5,177,499.39)
<b>Appropriation to specific reserve</b>	-	-	1,926,891.30	-	-	1,926,891.30
<b>Utilisation of specific reserve</b>	-	-	(1,157,309.56)	-	-	(1,157,309.56)
<b>Balance at 30 June 2016</b>	552,500,000.00	4,254,754,857.49	769,581.74	249,625,789.74	(327,387,026.80)	4,730,263,202.17
<b>Balance at 1 January 2017</b>	552,500,000.00	4,254,754,857.49	-	249,625,789.74	(349,247,862.80)	4,707,632,784.43
<b>Movements for the period ended 30 June 2017</b>						
<b>Comprehensive income</b>						
- Net profit	-	-	-	-	8,449,408.56	8,449,408.56
- Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	8,449,408.56	8,449,408.56
<b>Appropriation to specific reserve</b>	-	-	3,735,593.94	-	-	3,735,593.94
<b>Utilisation of specific reserve</b>	-	-	(2,406,872.96)	-	-	(2,406,872.96)
<b>Balance at 30 June 2017</b>	552,500,000.00	4,254,754,857.49	1,328,720.98	249,625,789.74	(340,798,454.24)	4,717,410,913.97

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

Legal representative:  
**Guo Haitang**

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

Head of accounting department:  
**Li Jianhua**



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

## 1 GENERAL INFORMATION

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

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

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

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

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

The Company and its subsidiaries(together, the “Group”) are principally engaged in the mining, ore processing, melting, refining of nickel, copper and canadium, 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 June 2017 are listed in note 5.

These financial statements were authorised for issue by the Company’s Board of Directors on 18 August 2017.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

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

### (1) Basis of preparation

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

The financial statements are prepared on a 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.

The Ministry of Finance issued the Accounting Standards for Business Enterprises No. 16 – government grants. This standard takes effect on 12 June 2017. The financial statements for the six months ended 30 June 2017 have been prepared according to the above standard by the Company.

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

The financial statements of the Company for the year ended 30 June 2017 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as of 30 June 2017 and of their financial performance, cash flows and other information for the six months then ended.

### (3) Accounting year

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

### (4) Recording currency

The recording currency is Renminbi (RMB).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Business combinations

#### (a) Business combinations involving entities under common control

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

#### (b) Business combinations involving entities not under common control

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

### (6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' equity and the portion of subsidiaries' net profits and losses for the period not attributable to the Company are recognised as non-controlling interests and presented separately in the consolidated financial statements under equity and net profits respectively. The unrealised intra-group profits from sales of assets by the Company to its subsidiaries are eliminated from the net profits of the Company. In contrast, the unrealised intra-group profits from sales of the assets by subsidiaries to the Company are eliminated in the net profits of the Company and its non-controlling interests based on the percentages of equity investments. The unrealised intragroup profits among subsidiaries are eliminated based on the proportions of equity investments by the Company and non-controlling interests on the subsidiaries selling the assets and allocated between the net profit of the Company and non-controlling interests.

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

### (7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (8) Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Financial instruments

#### (a) Financial assets

##### (i) Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

Financial assets at fair value through profit or loss

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

Receivables

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

Available-for-sale financial assets

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

##### (ii) Recognition and measurement

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Financial instruments (continued)

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

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

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.

##### (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.



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Financial instruments (continued)

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Financial instruments (continued)

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

##### (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, etc.

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

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

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Financial instruments (continued)

#### (b) Financial liabilities (continued)

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 recognized in profit or loss.

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

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

### (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 RMB10,000,000.00.

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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (10) Receivables (continued)

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

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 follow:

Related party group	Receivables from related parties
Ageing group	Except related party group, the accounts receivables within the same ageing category have similar credit risk characteristics

Methods of determining provision for bad debts by groupings are as follows:

Related party group	Analysis based on the repayment ability and history
Ageing group	Ageing analysis method

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (10) Receivables (continued)

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

Ratio used in the ageing analysis method amongst aforesaid group are as follows :

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

  

	<b>Ratios used for other receivable</b>
1 to 4 years	0%
Over 4 years	5%–10%

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (11) Inventories

#### (a) Classification

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

#### (b) Costing of inventories

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

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

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

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

### (12) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. Joint ventures are the investees over which the Group is able to exercise joint control together with other venturers and of which the Group can only enjoy rights of the net assets. Associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method. Accounting policies of joint ventures and associates are consistent with the policies adopted by the Group.



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Determination of investment cost

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

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

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

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

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

For long-term equity investments accounted for using the equity method, the Group recognizes 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.

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(All amounts in RMB Yuan unless otherwise stated)

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

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

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

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

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

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

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

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

### (13) Fixed assets

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (13) Fixed assets (continued)

#### (b) Depreciation methods of fixed assets

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

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

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

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

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

- (c) The carrying amount of fixed assets shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(20)).

#### (d) Disposal of fixed assets

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

### (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)).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (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 capitalization of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

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

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

### (16) Intangible assets

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

#### (a) Mining rights

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

#### (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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

### (16) Intangible assets (continued)

#### (c) Land use rights

Land use rights invested by the shareholders are recognised at the value agreed by all the shareholders unless the agreed value is not fair. Purchased land use rights are stated at actual cost, while land use rights acquired by the business combination are recognised at the fair value at the acquisition date, then subsequently are recorded at cost less accumulated amortization 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)).

### (17) Exploration assets and filling cost

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (18) Goodwill

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

### (19) Long-term prepaid expenses

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

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

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

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

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



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

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

### (21) Employee benefits

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

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

Short-term employment benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, medical insurance, work injury insurance, maternity insurance, housing funds, labour union funds, employee education funds, short-term payable leaves, etc. The short term employment compensation is recognised as salaries and wages payable in the accounting period in which an employee has rendered service, as costs of assets or expenses to whichever the employee service is attributable. Non-monetary benefits are measured at fair value.

#### (b) Post-employment benefits

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

##### *Basic pension benefits*

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (21) Employee benefits (continued)

#### (c) Termination benefits

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

#### *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 recognized 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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 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 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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

## 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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 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 evaluates whether fixed assets, construction in progress, land use rights, mining rights and exploration rights have suffered from any impairment due to events or changes in circumstances indicating that the carrying amount of the asset exceeds its recoverable amount, in accordance with accounting policy stated in Note 2(20) to the financial statements.

As at 30 June 2017, 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.



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

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

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

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

##### *(b) Accounting estimates on impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates (Note 2(20)).

As at 30 June 2017, 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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

##### (c) *Income tax (continued)*

As at 30 June 2017, deferred tax assets of RMB143,884,124.27 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 RMB50,815,815.58 and unrecognised deductible temporary differences of RMB12,352,108.00 as at 30 June 2017. 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.

##### (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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

##### *(f) Estimate of inventory net realizable value*

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 3 TAXATION

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

Type	Taxable base	Tax rate
Corporate income tax	Taxable income	15%/20%/25% (Note(1))
Value-added tax ("VAT")	Taxable turnover amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)	17% (Note (2))
Resources tax	Taxable sales revenue of products or consumption of taxable products regarded as sales	4% (Note (3))
Urban construction tax	VAT and business tax	7%/5%/1%
Education surcharge	VAT and business tax	3%
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 30 June 2017 after communication with local tax authorities (2016: 15%).
- (b) The applicable income tax rate of Shanghai Sales Branch of the Company is 25% for the six months ended June 2017 (2016: 25%).
- (c) The subsidiary, Xinjiang Yakesi Resource Development Co., Ltd. (hereafter "Xinjiang Yakesi"), qualifies as a foreign investment manufacturing enterprise established in Hami, Xinjiang Uygur Autonomous Region. Xinjiang Yakesi has obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region. Xinjiang Yakesi calculated and paid corporate income tax using the preferential rate of 15% for the year ended 30 June 2017 after communication with local tax authorities (2016: 15%).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

## 3 TAXATION (CONTINUED)

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

- (d) The subsidiary, Hami Jubao Resource Development Co., Ltd. (hereafter “Hami Jubao”), qualifies as a foreign investment manufacturing enterprise established in Hami, Xinjiang Uygur Autonomous Region. Hami Jubao has obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region. Hami Jubao calculated and paid corporate income tax using the preferential rate of 15% for the year ended 30 June 2017 after communication with local tax authorities (2016: 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 rate of 15% for the year ended 30 June 2017 after communication with local tax authorities (2016: 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% (2016: 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% for the six months ended June 2017 (2016: 25%).

### (2) Value-added tax

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

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

### (3) Resources tax

Pursuant to 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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	30 June 2017	30 December 2016
Cash on hand	53,362.23	30,633.00
Cash at bank	217,790,507.54	100,375,826.07
Restricted cash at banks (a)	69,404,905.98	52,607,785.93
	<b>287,248,775.75</b>	153,014,245.00

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

	30 June 2017	30 December 2016
Deposits for issue of bank acceptance notes	57,860,674.54	41,063,554.49
Deposits for environmental recovery and safety of production	11,543,931.44	11,543,931.44
Deposits for factoring loans	300.00	300.00
	<b>69,404,905.98</b>	52,607,785.93



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (2) Notes receivable

	30 June 2017	31 December 2016
Bank acceptance notes	<b>62,076,392.69</b>	190,672,515.58

All the notes receivable will be matured within 180 days.

As at 30 June 2017 and 31 December 2016, there were no notes receivable pledged as collateral.

As at 30 June 2017, there were no immature notes receivable that have been discounted.

### (3) Accounts receivable

	30 June 2017	31 December 2016
Accounts receivable	<b>137,159,853.07</b>	115,893,717.98
Less: provision for bad debts	<b>(3,763,519.38)</b>	(3,763,519.38)
	<b>133,396,333.69</b>	112,130,198.60

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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (3) Accounts receivable (continued)

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

	30 June 2017	31 December 2016
Within 1 year	97,805,962.07	81,622,832.56
1 to 2 years	8,489,705.87	19,695,174.53
2 to 3 years	26,927,169.75	10,638,695.51
3 to 4 years	74,400.20	74,400.20
4 to 5 years	-	74,800.00
Over 5 years	3,862,615.18	3,787,815.18
	<b>137,159,853.07</b>	115,893,717.98

As at 30 June 2017, accounts receivable of RMB41,353,891.00 (31 December 2016: RMB36,008,342.50) 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:

	30 June 2017	31 December 2016
Within 1 year	5,763,519.38	5,500,976.46
1 to 2 years	8,489,705.87	19,695,174.53
2 to 3 years	26,927,169.75	10,638,695.51
3 to 4 years	-	-
4 to 5 years	-	74,800.00
Over 5 years	173,496.00	98,696.00
	<b>41,353,891.00</b>	36,008,342.50

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (3) Accounts receivable (continued)

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

	30 June 2017				31 December 2016			
	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 (8)(6)(a))	45,037,061.52	32.84%	(1,456,617.80)	3.23%	53,559,358.49	46.21%	(1,456,617.80)	2.72%
- Ageing group	92,024,095.55	67.09%	(2,306,901.58)	2.51%	62,235,663.49	53.70%	(2,306,901.58)	3.71%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	98,696.00	0.07%	-	-	98,696.00	0.09%	-	-
	<b>137,159,853.07</b>	<b>100%</b>	<b>(3,763,519.38)</b>		<b>115,893,717.98</b>	<b>100.00%</b>	<b>(3,763,519.38)</b>	

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

	30 June 2017			31 December 2016		
	Ending balance Amount	Provision for bad debts Amount	Ratio	Ending balance Amount	Provision for bad debts Amount	Ratio
Within 1 year	88,517,794.37	-	-	59,838,196.51	-	-
1 to 2 years	1,124,599.60	-	-	15,765.40	-	-
2 to 3 years	-	-	-	-	-	-
3 to 4 years	74,400.20	(74,400.20)	100%	74,400.20	(74,400.20)	100.00%
4 to 5 years	-	-	-	74,800.00	-	-
Over 5 years	2,307,301.38	(2,232,501.38)	96.76%	2,232,501.38	(2,232,501.38)	100.00%
	<b>92,024,095.55</b>	<b>(2,306,901.58)</b>		<b>62,235,663.49</b>	<b>(2,306,901.58)</b>	

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (3) Accounts receivable (continued)

(d) As at 30 June 2017, the top five accounts receivable are analysed as follows:

	Ending balance	Provision for bad debts	% of total balance
Total amount of the top five accounts receivable	129,589,856.54	–	94.48%

(e) There was no provision for bad debts provided in current period. There was no provision for bad debts of accounts receivable collected or reversed in current period.

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

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

### (4) Other receivables

	30 June 2017	31 December 2016
Amount due from related parties (Note 8(6)(b))	57,651,154.83	85,553,502.80
Deposits for sales guarantee	10,000,000.00	10,000,000.00
Amount due from equity and debt transfer (i)	5,812,100.00	5,812,100.00
Cash advance	1,850,638.38	2,395,457.11
Other	6,120,378.66	5,345,970.03
	<b>81,434,271.87</b>	109,107,029.94
Less: provision for bad debts	<b>(3,002,396.41)</b>	(3,002,396.41)
	<b>78,431,875.46</b>	106,104,633.53

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (4) Other receivables (continued)

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

	30 June 2017	31 December 2016
Within 1 year	62,582,415.25	90,301,949.22
1 to 2 years	10,366,823.49	10,320,047.59
2 to 3 years	2,235,201.00	2,235,201.00
3 to 4 years	5,812,100.00	5,812,100.00
4 to 5 years	84,082.15	84,082.15
Over 5 years	353,649.98	353,649.98
	<b>81,434,271.87</b>	109,107,029.94

As at 30 June 2017, other receivables of RMB12,851,856.62 (31 December 2016: RMB12,896,634.31) 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:

	30 June 2017	31 December 2016
Within 1 year	-	-
1 to 2 years	10,275,269.90	10,320,047.59
2 to 3 years	2,235,201.00	2,235,201.00
3 to 4 years	-	-
4 to 5 years	84,082.15	84,082.15
Over 5 years	257,303.57	257,303.57
	<b>12,851,856.62</b>	12,896,634.31

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (4) Other receivables (continued)

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

	30 June 2017				31 December 2016			
	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 8(6)(b))	57,651,154.83	70.79%	-	-	85,553,502.80	78.41%	-	-
- Ageing group	17,971,017.04	22.07%	(96,346.41)	0.54%	17,741,427.14	16.26%	(96,346.41)	0.54%
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	7.14%	(2,906,050.00)	50.00%	5,812,100.00	5.33%	(2,906,050.00)	50.00%
	81,434,271.87	100%	(3,002,396.41)		109,107,029.94	100.00%	(3,002,396.41)	

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

	30 June 2017			31 December 2016		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	Ratio	Amount	Amount	Ratio
Within 1 year	4,978,036.32	-	-	4,795,222.32	-	-
1 to 2 years	10,320,047.59	-	-	10,273,271.69	-	-
2 to 3 years	2,235,201.00	-	-	2,235,201.00	-	-
3 to 4 years	-	-	-	-	-	-
4 to 5 years	84,082.15	-	-	84,082.15	-	-
Over 5 years	353,649.98	(96,346.41)	27.24%	353,649.98	(96,346.41)	27.24%
	17,971,017.04	(96,346.41)		17,741,427.14	(96,346.41)	



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (4) Other receivables (continued)

(d) There was no provision for bad debts of other receivables provided, collected or reversed in current period.

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

(f) **As at 30 June 2017, the top five other receivables are analysed as follows:**

	Nature	Amount	Ageing	% of total balance	Provision of bad debts
Xinjiang Jinhui Real Estate Development Co., Ltd.	Transfer of receivables	30,000,000.00	Within 1 year	36.84%	-
Hami Hexin Mining Co., Ltd. (hereafter "Hexin Mining")	Loan	27,157,320.00	Within 1 year	33.35%	-
Trafigura Investment (China) Co., Ltd.	Deposit for sales guarantee	10,000,000.00	1 to 2 years	12.28%	-
Gansu Ximai New Material Technology Co., Ltd.	Transfer of equity and debt	5,812,100.00	3 to 4 years	7.14%	(2,906,050.00)
Xinjiang Bei'a Railway Co., Ltd.	Deposit	2,000,000.00	2 to 3 years	2.46%	-
		74,969,420.00		92.07%	(2,906,050.00)

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Advances to suppliers

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

	30 June 2017		31 December 2016	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	24,962,845.32	77.28%	18,652,604.89	77.70%
1 to 2 years	2,279,664.30	7.06%	2,424,341.50	10.10%
2 to 3 years	2,283,244.56	7.07%	496,334.32	2.07%
Over 3 years	2,775,817.01	8.59%	2,432,704.45	10.13%
	<b>32,301,571.19</b>	<b>100.00%</b>	24,005,985.16	100.00%

As at 30 June 2017, advances to suppliers over 1 year with carrying amount of RMB7,338,725.87 (31 December 2016: RMB5,353,380.27), are mainly advances paid for purchasing raw materials.

#### (b) As at 30 June 2017, the top five advances to suppliers are analysed as follows:

	Amount	% of total balance
Total amount of the top five advances to suppliers	13,370,287.85	41.39%

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (6) Inventories

#### (a) Classification of inventories is as follows:

	30 June 2017			31 December 2016		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	180,969,431.13	(4,336,822.90)	176,632,608.23	214,560,013.97	(4,336,822.90)	210,223,191.07
Work in progress	181,242,695.90	-	181,242,695.90	165,752,417.00	-	165,752,417.00
Semi-finished goods	482,639,964.33	(11,456,067.07)	471,183,897.26	508,913,207.13	(17,214,239.13)	491,698,968.00
Finished goods	759,735,864.53	(18,631,585.16)	741,104,279.37	532,497,725.83	(14,881,332.37)	517,616,393.46
	<b>1,604,587,955.89</b>	<b>(34,424,475.13)</b>	<b>1,570,163,480.76</b>	<b>1,421,723,363.93</b>	<b>(36,432,394.40)</b>	<b>1,385,290,969.53</b>

#### (b) Inventories balance fluctuation is analysed as follows:

	31 December 2016	Increase in current period	Decrease in current period	30 June 2017
Raw materials	214,560,013.97	342,046,530.21	(375,637,113.05)	<b>180,969,431.13</b>
Work in progress	165,752,417.00	147,379,917.96	(131,889,639.06)	<b>181,242,695.90</b>
Semi-finished goods	508,913,207.13	595,936,300.91	(622,209,543.71)	<b>482,639,964.33</b>
Finished goods	532,497,725.83	615,041,760.80	(387,803,622.10)	<b>759,735,864.53</b>
	<b>1,421,723,363.93</b>	<b>1,700,404,509.88</b>	<b>(1,517,539,917.92)</b>	<b>1,604,587,955.89</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (6) Inventories (continued)

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

	31 December 2016	Increase in current period Accrual	Decrease in current period Reversal	30 June 2017
Raw materials	(4,336,822.90)	–	–	<b>(4,336,822.90)</b>
Semi-finished goods	(17,214,239.13)	–	5,758,172.06	<b>(11,456,067.07)</b>
Finished goods	(14,881,332.37)	(7,058,741.05)	3,308,488.26	<b>(18,631,585.16)</b>
	(36,432,394.40)	(7,058,741.05)	9,066,660.32	<b>(34,424,475.13)</b>

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

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes. The reasons for decrease of provision for finished goods is sales of the inventories.

### (7) Other current assets

	30 June 2017	31 December 2016
Deductible VAT	<b>66,198,879.33</b>	49,549,719.20
Prepaid income tax	<b>10,897,318.38</b>	14,271,819.52
Available-for-sale financial assets (Note 4(8))	<b>384,350,000.00</b>	565,037,000.00
	<b>461,446,197.71</b>	628,858,538.72

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	30 June 2017	31 December 2016
Measured at fair value – a financial product	384,350,000.00	565,037,000.00
Less: impairment costs	–	–
Less: available-for-sale financial assets included in other current assets ( <i>Note 4(7)</i> )	(384,350,000.00)	(565,037,000.00)
	–	–

As at 30 June 2017, the balance of the guaranteed and floating-earning financial products that the Group purchased were RMB100,00,000.00, with an annualised return range from 2.60% to 4.35%. The Group has no intention and obligation to provide financial support to these financial products.

As at 30 June 2017, the balance of the non-guaranteed and floating-earning financial products that the Group purchased were RMB284,350,000.00, with an annualised return range from 1.90% to 4.65%. The maximum risk exposure is the carrying value of RMB284,350,000.00 of the financial products at the balance sheet date. The Group has no intention and obligation to provide financial support to these financial products.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (9) Long-term equity investments

	30 June 2017	31 December 2016
Joint venture (a)	<b>126,568,523.22</b>	130,802,279.44
Less: provision of long-term equity investments	-	-
	<b>126,568,523.22</b>	130,802,279.44

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

#### (a) Joint venture

	31 December 2016	Current period movement						30 June 2017	Provision for impairment
		Increase/Decrease in investment	Share of net profit using the equity method (Note 4(45))	Offsetting the unrealised loss of internal transaction (Note 5(2)(b))	Other comprehensive income adjustment	Other changes in equity	Cash dividend declared		
Hexin Mining	130,802,279.44	-	(4,032,994.86)	(200,761.36)	-	-	-	-	<b>126,568,523.22</b>

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

Refer to Note 5(2) for relevant equity information on joint venture.



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (10) Fixed assets

	Buildings	Mining structure	Machinery and equipment	Motor vehicles	Electronic and office equipment	Total
<b>Cost</b>						
31 December 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
Additions						
Purchase	643,492.07	-	5,623,731.98	7,200.00	674,983.61	6,949,407.66
Transfer-in from construction in progress (Note 4(11)(a))	-	-	222,606.84	-	-	222,606.84
Reductions						
Disposal and retirement	(362,001.00)	-	-	-	-	(362,001.00)
Reclassification	(884,936.85)	884,936.85	-	-	-	-
<b>30 June 2017</b>	<b>1,598,594,159.99</b>	<b>886,415,322.88</b>	<b>1,420,264,812.03</b>	<b>54,910,372.52</b>	<b>85,581,221.85</b>	<b>4,045,765,889.27</b>
<b>Accumulated depreciation</b>						
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
Accrument	25,867,844.11	16,436,811.03	48,478,370.08	2,129,290.40	5,200,648.92	98,112,964.54
Disposal and retirement	(104,611.56)	-	-	-	-	(104,611.56)
Reclassification	(2,380.48)	2,380.48	-	-	-	-
<b>30 June 2017</b>	<b>408,384,248.82</b>	<b>178,776,555.43</b>	<b>663,367,512.45</b>	<b>40,162,223.50</b>	<b>46,315,872.68</b>	<b>1,337,006,412.88</b>
<b>Net Book Value</b>						
<b>30 June 2017</b>	<b>1,190,209,911.17</b>	<b>707,638,767.45</b>	<b>756,897,299.58</b>	<b>14,748,149.02</b>	<b>39,265,349.17</b>	<b>2,708,759,476.39</b>
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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (10) Fixed assets (continued)

For the six months ended 30 June 2017, depreciation expense of fixed assets amounted to RMB98,112,964.54 (six months ended 30 June 2016: RMB137,950,103.69) in total, of which RMB91,369,942.82 were charged to cost of sales, RMB6,564,957.98 to general and administrative expense, and RMB72,126.47 to selling expense and RMB105,937.27 to construction in progress (six months ended 30 June 2016: RMB101,973,894.30, RMB6,291,345.72, RMB84,682.62 and RMB29,600,181.05 respectively).

The costs of fixed assets transferred-in from construction in progress amounted to RMB222,606.84 for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB14,335,788.86).

#### (a) Temporarily idle fixed assets

As at 30 June 2017, fixed assets with carrying amount of RMB91,808,320.00 (cost of RMB187,873,627.07) were temporarily idle for the purpose of production facility improvement (31 December 2016: RMB14,096,941.88 (cost of RMB89,691,215.42), and analysed as follows:

	Cost	Accumulated depreciation	Carrying amount
Machinery and equipment	48,485,271.52	(40,605,148.10)	7,879,123.42
Buildings	26,115,387.80	(16,563,703.23)	9,551,684.57
Electronic and office equipment	738,882.78	(629,812.74)	109,070.04
Mining structure	112,535,084.97	(38,266,643.00)	74,268,441.97
	187,873,627.07	(96,065,307.07)	91,808,320.00

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

As at 30 June 2017, 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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (11) Construction in progress

	30 June 2017			31 December 2016		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
<b>The Company:</b>						
<b>Fukang Refinery</b>						
Expansion of technical innovation project for 5,000 tons of nickel	3,396,048.11	-	3,396,048.11	3,396,048.11	-	3,396,048.11
Other projects	73,680,078.19	-	73,680,078.19	52,323,983.54	-	52,323,983.54
<b>Sub-total of the Company</b>	<b>77,076,126.30</b>	<b>-</b>	<b>77,076,126.30</b>	<b>55,720,031.65</b>	<b>-</b>	<b>55,720,031.65</b>
<b>Subsidiaries:</b>						
<b>Kalatongke Mining</b>						
Final stages of Nickel smelting, mining and ore project	44,014,040.37	-	44,014,040.37	42,070,393.85	-	42,070,393.85
Final stages of mining extension	53,416,736.10	-	53,416,736.10	44,116,370.56	-	44,116,370.56
Resource exploration project	24,785,266.13	-	24,785,266.13	22,717,828.16	-	22,717,828.16
Other constructions in progress for production	90,774,449.14	-	90,774,449.14	86,723,287.07	-	86,723,287.07
<b>Xinjiang Yakesi</b>						
Huangshanxi mining and ore processing project	955,760,069.10	-	955,760,069.10	936,887,282.55	-	936,887,282.55
Huangshandong #17 mine construction project	37,000,198.03	-	37,000,198.03	35,786,023.58	-	35,786,023.58
Other projects	621,509.43	-	621,509.43	621,509.43	-	621,509.43
<b>Hami Jubao</b>						
Huangshandong #12 mine project	28,001,313.30	-	28,001,313.30	27,762,901.04	-	27,762,901.04
<b>Zhongxin Mining</b>						
Auxiliary project for smelting operations	61,320.75	-	61,320.75	50,000.00	-	50,000.00
<b>Shaanxi Xinxin</b>						
Other projects	1,959,073.00	-	1,959,073.00	1,959,073.00	-	1,959,073.00
<b>Beijing Xinding</b>						
Construction projects of the base for research and ware housing	160,892,697.28	-	160,892,697.28	157,302,856.22	-	157,302,856.22
<b>Sub-total of subsidiaries</b>	<b>1,397,286,672.63</b>	<b>-</b>	<b>1,397,286,672.63</b>	<b>1,355,997,525.46</b>	<b>-</b>	<b>1,355,997,525.46</b>
<b>Total</b>	<b>1,474,362,798.93</b>	<b>-</b>	<b>1,474,362,798.93</b>	<b>1,411,717,557.11</b>	<b>-</b>	<b>1,411,717,557.11</b>

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FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 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 2016	Current period additions	Transfer to fixed assets (Note 4(10))	30 June 2017	% of expenditures incurred to budgeted amount	Cumulative capitalised borrowing costs	Including: capitalised in current period (Note 4(42))	Capitalisation rate	Source of funds
<b>The Company:</b>										
<b>Fukang Refinery</b>										
Expansion of technical innovation project for 5,000 tons of nickel	10,000,000.00	3,396,048.11	-	-	3,396,048.11	33.96%	-	-	-	Self-funding
Other projects	127,000,000.00	52,323,983.54	21,356,094.65	-	73,680,078.19	99.59%	-	-	-	Self-funding
<b>Sub-total of the Company</b>	<b>137,000,000.00</b>	<b>55,720,031.65</b>	<b>21,356,094.65</b>	<b>-</b>	<b>77,076,126.30</b>					
<b>Subsidiaries:</b>										
<b>Kalatongke Mining</b>										
Final stages of Nickel smelting, mining and ore project	53,000,000.00	42,070,393.85	1,943,646.52	-	44,014,040.37	76.01%	3,654,986.91	-	-	Self-funding/loans/ government grants
Final stages of mining extension	174,650,000.00	44,116,370.56	9,300,365.54	-	53,416,736.10	30.59%	-	-	-	Self-funding
Resource exploration project	67,110,806.00	22,717,828.16	2,067,437.97	-	24,785,266.13	99.85%	-	-	-	Self-funding/government grants
Other constructions in progress for production	118,046,239.00	86,723,287.07	4,051,162.07	-	90,774,449.14	98.00%	-	-	-	Self-funding
<b>Xinjiang Yakesi</b>										
Huangshanxi mining and ore processing project	1,378,259,700.00	936,887,282.55	19,095,393.39	222,606.84	955,760,069.10	99.88%	238,686,357.12	10,146,440.39	5.62%	Self-funding/loans/ government grants
Huangshandong #17 mine construction project	144,000,000.00	35,786,023.58	1,214,174.45	-	37,000,198.03	99.33%	-	-	-	Self-funding
Other project	800,000.00	621,509.43	-	-	621,509.43	77.69%	-	-	-	Self-funding
<b>Hami Jubao</b>										
Huangshandong #12 mine project	92,300,000.00	27,762,901.04	238,412.26	-	28,001,313.30	99.88%	-	-	-	Self-funding
<b>Zhongxin Mining</b>										
Auxiliary project for smelting operations	6,000,000.00	50,000.00	11,320.75	-	61,320.75	92.74%	-	-	-	Self-funding/government grants
<b>Shaanxi Xinxin</b>										
Other projects	10,000,000.00	1,959,073.00	-	-	1,959,073.00	19.59%	-	-	-	Self-funding
<b>Beijing Xinding</b>										
Construction projects of the base for research and ware housing	163,000,000.00	157,302,856.22	3,589,841.06	-	160,892,697.28	98.71%	1,246,602.74	1,246,602.74	-	Self-funding
<b>Sub-total of subsidiaries</b>	<b>2,207,166,745.00</b>	<b>1,355,997,525.46</b>	<b>41,511,754.01</b>	<b>222,606.84</b>	<b>1,397,286,672.63</b>		<b>243,587,946.77</b>	<b>11,393,043.13</b>		
<b>Total</b>	<b>2,344,166,745.00</b>	<b>1,411,717,557.11</b>	<b>62,867,848.66</b>	<b>222,606.84</b>	<b>1,474,362,798.93</b>		<b>243,587,946.77</b>	<b>11,393,043.13</b>		

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FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (12) Construction materials

	30 June 2017	31 December 2016
Construction materials	<b>643,718.45</b>	642,609.04

### (13) Intangible assets

	Mining rights	Exploration rights	Land use rights	Others	Others
<b>Cost</b>					
30 June 2017 and 31 December 2016	699,654,158.24	208,153,000.00	221,641,470.12	2,000,851.68	1,131,449,480.04
<b>Accumulated amortisation</b>					
31 December 2016	130,206,293.77	–	35,851,432.47	1,401,981.46	167,459,707.70
Additions – Purchase	7,322,793.18	–	1,649,191.96	92,214.54	9,064,199.68
<b>30 June 2017</b>	<b>137,529,086.95</b>	<b>–</b>	<b>37,500,624.43</b>	<b>1,494,196.00</b>	<b>176,523,907.38</b>
<b>Book value</b>					
<b>30 June 2017</b>	<b>562,125,071.29</b>	<b>208,153,000.00</b>	<b>184,140,845.69</b>	<b>506,655.68</b>	<b>954,925,572.66</b>
31 December 2016	569,447,864.47	208,153,000.00	185,790,037.65	598,870.22	963,989,772.34

For the six months ended 30 June 2017, amortisation expense of intangible assets amounted to RMB9,064,199.68 (six months ended 30 June 2016: RMB9,539,749.68).

The exploration rights were acquired through the acquisition of Shaanxi Xinxin by the Group in 2011. Shaanxi Xinxin has applied to convert the exploration rights of two mines located in Shangnan, Shaanxi into mining rights. As at 30 June 2017, the application was in the process of approving.

As at 30 June 2017 and 31 December 2016, there was no impairment on intangible assets provided.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (14) Goodwill

	30 June 2017	31 December 2016
The acquisition of Zhongxin Mining	17,844,894.10	17,844,894.10
The acquisition of Xinjiang Yakesi and Hami Jubao	9,987,911.01	9,987,911.01
The acquisition of Shaanxi Xinxin	254,745.09	254,745.09
	<b>28,087,550.20</b>	28,087,550.20

As at 30 June 2017 and 31 December 2016, the Group assessed impairment of goodwill (Note 2(30)(b)) according to the accounting policy of Note 2(20). Based on the result of assessment, the Group did not make impairment provision on goodwill. There is no movement of goodwill for the six months ended 30 June 2017.

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

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

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

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



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

### (15) Other non-current assets

	30 June 2017	31 December 2016
Prepaid utilities (a)	<b>22,000,000.00</b>	22,000,000.00

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

### (16) Provision for asset impairment

	31 December 2016	Current period additions (Note 4(43))	Current period reduction reversal or sold	<b>30 June 2017</b>
Provision for Bad Debts	6,765,915.79	3,755.90	(3,755.90)	<b>6,765,915.79</b>
Including: Accounts				
Receivable	3,763,519.38	-	-	<b>3,763,519.38</b>
Other Receivables	3,002,396.41	3,755.90	(3,755.90)	<b>3,002,396.41</b>
Provision for decline in value of inventories	36,432,394.40	7,058,741.05	(9,066,660.32)	<b>34,424,475.13</b>
	43,198,310.19	7,062,496.95	(9,070,416.22)	<b>41,190,390.92</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	30 June 2017	31 December 2016
Gold lease and related future contracts (a)	182,093,425.11	137,693,150.55

(a) In 2017, Kalatongke Mining and Xinjiang Yakesi signed gold lease contracts with banks to obtain short-term financing. For the purpose of managing the risk of the fluctuation of the price of gold, Kalatongke Mining and Xinjiang Yakesi authorised the banks to purchase the gold future contracts in line with the quantity of gold leased and sold. As at 30 June 2017, the total fair value of the gold lease contracts and the related future contracts amounted to RMB182,093,425.11 (31 December 2016: RMB137,693,150.55).

### (18) Notes payable

	30 June 2017	31 December 2016
Bank acceptance notes	192,000,000.00	101,250,000.00

As at 30 June 2017 and 31 December 2016, all notes payable were due within 180 days.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (19) Accounts payable

	30 June 2017	31 December 2016
Payable for purchase of materials	144,033,695.71	205,528,680.15
Payable for purchase of services	79,936,023.64	75,470,123.90
Payable for transportation fees	2,624,641.87	18,476,828.92
Others	62,492,806.39	3,385,288.17
	<b>289,087,167.61</b>	302,860,921.14

(a) As at 30 June 2017, accounts payable over one year with carrying amount of RMB37,949,333.90 (31 December 2016: RMB26,473,586.61) were mainly payables for purchase of materials.

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

	30 June 2017	31 December 2016
Within 3 months	156,627,430.92	163,941,303.78
3 to 6 months	67,931,564.29	82,778,758.54
Over 6 months	64,528,172.40	56,140,858.82
	<b>289,087,167.61</b>	302,860,921.14

### (20) Advances from customers

	30 June 2017	31 December 2016
Advances from customers	43,439,605.94	24,336,532.36

(a) As at 30 June 2017, advances from customers over one year with carrying amount of RMB835,776.00 (31 December 2016: RMB848,608.20) were mainly advances for sales of goods.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (21) Employee benefits payable

	30 June 2017	31 December 2016
Short-term employee benefits payable	<b>52,087,266.48</b>	53,685,508.54
Defined contribution plans payable	<b>1,787,665.99</b>	1,431,794.05
	<b>53,874,932.47</b>	55,117,302.59

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

	31 December 2016	Current period additions	Current period reductions	30 June 2017
Salaries, bonuses, allowances and subsidies	38,618,782.30	86,297,568.18	(88,473,168.32)	<b>36,443,182.16</b>
Staff welfare	-	1,206,938.05	(1,206,938.05)	-
Social insurances	1,557,151.70	7,890,582.84	(7,716,991.41)	<b>1,730,743.13</b>
Including: Medical insurance	1,053,556.30	6,026,231.87	(5,836,947.88)	<b>1,242,840.29</b>
Work injury insurance	430,971.96	1,488,661.54	(1,504,354.74)	<b>415,278.76</b>
Maternity insurance	71,190.52	372,054.83	(372,388.32)	<b>70,857.03</b>
Illness insurance	1,432.92	3,634.60	(3,300.47)	<b>1,767.05</b>
Housing funds	2,131,222.15	9,084,067.00	(9,109,478.40)	<b>2,105,810.75</b>
Labour union fund and employee education fund	11,377,332.39	2,381,078.99	(1,951,900.94)	<b>11,806,510.44</b>
Service charge	-	1,875,142.51	(1,875,142.51)	-
Others	1,020.00	67,410.00	(67,410.00)	<b>1,020.00</b>
	53,685,508.54	108,802,787.57	(110,401,029.63)	<b>52,087,266.48</b>

#### (b) Defined contribution plans payable

	31 December 2016	Current period additions	Current period reductions	30 June 2017
Pension insurance	1,381,633.75	14,008,670.95	(13,661,557.32)	<b>1,728,747.38</b>
Unemployment insurance	50,160.30	564,379.90	(555,621.59)	<b>58,918.61</b>
	1,431,794.05	14,573,050.85	(14,217,178.91)	<b>1,787,665.99</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (22) Taxes payable

	30 June 2017	31 December 2016
Resource compensation fee	1,522,342.74	1,522,342.74
Value added tax payable	4,551,221.56	5,525,480.12
Resource tax	3,596,841.73	2,965,484.60
Stamp duty	74,341.20	297,656.60
Individual income tax	275,475.52	140,897.32
City maintenance and construction tax payable	240,738.04	307,857.72
Educational surcharge payable	223,959.70	343,898.80
Income tax payable	–	7,306.13
Others	11,523.81	26,658.90
	<b>10,496,444.30</b>	11,137,582.93

### (23) Interest payable

	30 June 2017	31 December 2016
Interest of bond payable	7,839,010.67	39,060,776.27
Interest of short term borrowings	30,301,631.62	1,882,186.05
	<b>38,140,642.29</b>	40,942,962.32

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (24) Other payables

	30 June 2017	31 December 2016
Payables for construction projects	56,004,715.61	62,859,223.69
Payables for purchase of equipments	54,047,359.32	29,604,531.62
Payables due to related parties (Note 8(6)(e))	43,497,490.67	129,158,196.13
Deposit for quality guarantee	9,110,118.04	4,927,651.45
Payable for sewage charges	5,426,364.00	1,144,717.00
Payable for professional service	151,115.76	3,514,131.13
Others	3,165,221.12	20,045,056.50
	<b>171,402,384.52</b>	251,253,507.52

- (a) As at 30 June 2017, other payables over 1 year with carrying amount of RMB69,008,137.46 (31 December 2016: RMB51,169,081.52), were mainly payable for construction projects, equipment and deposit for quality guarantee. Due to the related projects have not been finished yet, these payable balance were not settled.

### (25) Provisions

	31 December 2016	Current period additions (Note 4(42))	30 June 2017
Provision for close down, restoration and environmental costs	8,248,582.21	199,672.49	<b>8,448,254.70</b>

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (26) Non-current liabilities

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

	30 June 2017	31 December 2016
Current portion of long-term borrowings (Note4(27)(a))	151,000,000.00	162,000,000.00
Current portion of bond payable (Note4(28))	–	500,000,000.00
	<b>151,000,000.00</b>	662,000,000.00

#### (b) Other non-current liabilities

	30 June 2017	31 December 2016
Gold lease and related future contracts	502,709,380.00	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 30 June 2017, the total fair value of the gold lease contracts and the related future contracts amounted to RMB502,790,380.00 (31 December 2016: RMB502,790,380.00).

### (27) Borrowings

#### (a) Long-term borrowings

	30 June 2017	31 December 2016
Unsecured loans	226,000,000.00	237,000,000.00
Less: Current portion of long-term borrowings Unsecured loans (Note 4 (26))	(151,000,000.00)	(162,000,000.00)
	<b>75,000,000.00</b>	75,000,000.00



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (27) Borrowings (continued)

#### (a) Long-term borrowings (continued)

As at 30 June 2017, the long-term borrowings were due for repayment since June 2018. The interests are paid on a quarterly basis, and the interest rates of long-term borrowings were between 4.90% and 6.50 % annually (31 December 2016: 4.90% and 6.50%).

#### (b) Short-term borrowings

	30 June 2017	31 December 2016
Unsecured loans	900,000,000.00	320,000,000.00
Factoring loans (i)	100,000,000.00	100,000,000.00
	<b>1,000,000,000.00</b>	420,000,000.00

As at 30 June 2017, the interest rates of short-term borrowing were between 3.92% and 4.35% annually (31 December 2016: 3.92% and 4.35%).

(i) In 2017, Kalatongke Mining signed a factoring contract with a bank to obtain a loan. As at 30 June 2017, the receivable due from Fukang Refinery of RMB111,195,655.88 was factored and loan balance was RMB100,000,000.00 (31 December 2016: RMB100,000,000.00).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (28) Bond payable

	31 December 2016	Increase in current period	Nominal interest	Overflow amortization	Repayment in current period	30 June 2017
Medium-term notes	800,000,000.00	-	-	-	-	800,000,000.00

Information related to bond:

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

On 18 February 2014, the Company issued the first medium term notes of the year. Interest of the bond is calculated by the simple interest method and repaid annually, and the fixed interest rate is 7.12% annually. Such medium term notes were repaid on 17 February 2017. On 12 November 2015, the Company issued the first medium term notes of 2015. Interest of such notes is calculated by the simple interest method and repaid annually, and the fixed interest rate is 6.50% annually (Note 4(23)).

### (29) Long-term payables

	31 December 2016	Decrease in current period	Decrease in capital surplus in current period (Note 4(33))	Accrued in Financial expenses in current period (Note 4(42))	30 June 2017
Payables to a related party (Note 8(6)(g))	65,000,000.00	(65,000,000.00)	-	-	-
Less: discounted payables to a related party	(5,021,718.68)	-	5,021,718.68	-	-
	59,978,281.32	(65,000,000.00)	5,021,718.68	-	-

The Company obtained interest-free borrowings from Xinjiang Non-ferrous Metal Industrial Group in June 2013, June 2015 and July 2015, and the terms of such borrowings were 5 years, 3 years and 3 years respectively. In January 2017, the aforesaid borrowings were repaid in advance by the Company, therefore the discounted payables to a related party of RMB5,021,718.68 were used to write off capital surplus.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (30) Deferred income

	31 December 2016	Current period Additions	Current period Additions	<b>30 June 2017</b>	Causes
Government grants	33,562,996.66	-	(1,068,512.46)	<b>32,494,484.20</b>	Encourage enterprises development
Government grants items	31 December 2016	Current period Additions	Credited into non-operating income (Note 4(46)(a))	<b>30 June 2017</b>	Related to assets/related to income
The Company:					
- Project on concentration of reducing sodium	12,447.00	-	(2,666.00)	<b>9,781.00</b>	Related to assets
- Water resource utilization project	713,335.00	-	(28,000.00)	<b>685,335.00</b>	Related to assets
- Copper system acid tail gas control project	1,000,000.00	-	-	<b>1,000,000.00</b>	Related to assets
Sub-total of the Company	1,725,782.00	-	(30,666.00)	<b>1,695,116.00</b>	
Subsidiaries: :					
- Land use right	8,496,002.08	-	(104,888.94)	<b>8,391,113.14</b>	Related to assets
- Project on exploration of No. 2 mine in Kalatongke Mining	7,092,000.22	-	(131,333.28)	<b>6,960,666.94</b>	Related to assets
- Project on energy saving	4,649,444.46	-	(369,166.68)	<b>4,280,277.78</b>	Related to assets
- Gas device for composite desulfurization	2,500,000.00	-	-	<b>2,500,000.00</b>	Related to assets
- Project on use of well water	1,890,000.00	-	(135,000.00)	<b>1,755,000.00</b>	Related to assets
- Project on technology improvement of nickel smelting	1,370,833.42	-	(87,499.98)	<b>1,283,333.44</b>	Related to assets
- General improvement project	1,120,000.08	-	(79,999.98)	<b>1,040,000.10</b>	Related to assets
- Project on technology improvement	1,184,444.56	-	(26,666.64)	<b>1,157,777.92</b>	Related to assets
- Department of Finance seedling special funds	800,000.00	-	-	<b>800,000.00</b>	Related to assets
- Online monitoring of pollution sources	280,000.08	-	(19,999.98)	<b>260,000.10</b>	Related to assets
- Project on recovery of No. 1 mineresidual ore	22,489.76	-	(11,290.98)	<b>11,198.78</b>	Related to assets
- Final stages of mining extension	1,100,000.00	-	-	<b>1,100,000.00</b>	Related to assets
- Subsidies for clean energy	1,332,000.00	-	(72,000.00)	<b>1,260,000.00</b>	Related to assets
Sub-total of Subsidiaries	31,837,214.66	-	(1,037,846.46)	<b>30,799,368.20</b>	
Total	33,562,996.66	-	(1,068,512.46)	<b>32,494,484.20</b>	

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

	30 June 2017		31 December 2016	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Unrealised profits	10,016,094.73	1,502,414.21	20,979,592.88	3,159,970.60
Deductible losses	813,859,006.65	133,289,946.94	733,497,794.75	119,736,341.20
Government grants	24,175,371.06	3,759,505.66	25,066,994.58	3,893,249.19
Assets impairment	41,190,390.92	6,269,298.56	43,198,310.19	6,503,202.05
Changes in fair value gains and losses	–	–	1,683,380.33	252,507.05
Others	2,261,492.45	565,373.11	2,261,492.45	565,373.11
	<b>891,502,355.81</b>	<b>145,386,538.48</b>	826,687,565.18	134,110,643.20
Including Deferred tax asset to be recovered within 1 year (including 1 year)	–	19,155,660.72	–	21,425,148.94
Deferred tax asset to be recovered after 1 year	–	126,230,877.76	–	112,685,494.26
		<b>145,386,538.48</b>		134,110,643.20

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

	30 June 2017		31 December 2016	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combination involving entities not under common control (i)	581,921,382.53	140,770,084.65	583,714,301.92	139,573,195.26
Unrealised losses	55,356,396.78	8,773,464.21	62,707,275.24	9,661,559.20
Depreciation	20,997,487.80	3,149,623.17	20,997,487.78	3,149,623.17
Discount of long-term payables	–	–	5,021,718.69	1,255,429.67
	<b>658,275,267.11</b>	<b>152,693,172.03</b>	672,440,783.63	153,639,807.30
Including Deferred tax liability to be recovered within 1 year (including 1 year)	–	9,907,502.93	–	11,745,340.01
Deferred tax liability to be recovered after 1 year	–	142,785,669.10	–	141,894,467.29
		<b>152,693,172.03</b>		153,639,807.30

(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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

	30 June 2017	31 December 2016
Deductible losses	50,815,815.58	73,386,673.70
Deductible temporary differences	12,352,108.00	6,441,366.43
	<b>63,167,923.58</b>	79,828,040.13

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

	30 June 2017	31 December 2016
2017	–	23,335,696.35
2018	13,151,242.44	13,151,242.44
2019	1,718,355.75	1,718,355.75
2020	7,182,283.89	7,182,283.89
2021	27,999,095.27	27,999,095.27
2022	764,838.24	–
	<b>50,815,815.59</b>	73,386,673.70

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

	30 June 2017		31 December 2016	
	Setoff amount	Balances After offsetting	Setoff amount	Balances After offsetting
Deferred tax assets	1,502,414.21	143,884,124.27	3,159,970.60	130,950,672.60
Deferred tax liabilities	1,502,414.21	151,190,757.82	3,159,970.60	150,479,836.70

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (32) Share capital

	30 June 2017		31 December 2016	
	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 shareholders	759,000,000	34.34%	759,000,000	34.34%
	<b>2,210,000,000</b>	<b>100.00%</b>	2,210,000,000	100.00%

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

There was no movement of share capital of the Company for six months ended 30 June 2017.

### (33) Capital surplus

	31 December 2016	Current period additions	Current period deductions	30 June 2017
Contribution from Parent				
Contribution from Parent Company related to mining right (Note 1)	35,393,957.53	-	-	<b>35,393,957.53</b>
Share Premium (Note 2)	4,219,360,899.96	-	-	<b>4,219,360,899.96</b>
Other capital surplus – Others (Note 3) (Note 4(29))	8,836,858.95	-	(5,021,718.68)	<b>3,815,140.27</b>
	4,263,591,716.44	-	(5,021,718.68)	<b>4,258,569,997.76</b>

  

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



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (33) Capital surplus (continued)

*Note 1:* It represents the difference between the fair value of mining rights acquired from Xinjiang Non-ferrous Group and the discounted net present value of long-term payable for the mining rights acquired, which is formed prior to be listed on the Hong Kong Stock Exchange in 2007.

*Note 2:* Share premium represents the difference between nominal value of share issued and the fair value of net assets/considerations received by the Company.

*Note 3:* Xinjiang Non-ferrous Group provided long-term interest-free borrowings to the Company. At the date of initial recognition, the difference between loan principal and the fair value of loan was recorded as capital surplus, the loan was paid back at 2017.

### (34) Specific reserve

	31 December 2016	Current period additions	Current period reductions	30 June 2017
Safety fund ( <i>Note</i> )	1,543,421.85	15,289,849.03	(14,506,451.30)	<b>2,326,819.58</b>
	31 December 2015	Current period additions	Current period reductions	30 June 2016
Safety fund ( <i>Note</i> )	–	13,116,936.22	(5,830,462.71)	7,286,473.51

*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 (2016: RMB10) per ton of raw ore mined; and at 4% of consumed amount or revenue of vitriol of last year for Zhongxin Mining, Kalatongke Mining and FuKang Refinery; Zhongxin Mining, 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 RMB14,506,451.30 were used for safety related projects for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB5,830,462.71).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (35) Surplus reserve

	31 December 2016	Current period additions	Current period reductions	30 June 2017
Statutory reserve	249,625,789.74	–	–	<b>249,625,789.74</b>

  

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

Pursuant to the PRC Company Law and the Company's Articles of Association, every year the Company is required to appropriate 10% of the profit after taxation to the statutory reserve until the balance reaches 50% of the share capital. Subject to the approval, such reserve can be used to offset against net losses or to increase share capital. The Company did not appropriate surplus reserve for six months ended 30 June 2017 due to the Company made net losses this period (six months ended 30 June 2016: Nil).

### (36) Accumulated losses

	Six months ended 30 June 2017	Six months ended 30 June 2016
Accumulated losses at the beginning of the year	<b>(691,384,794.32)</b>	(484,316,830.46)
Add: Net loss attributable to the shareholders of the Company for the year	<b>(64,642,037.39)</b>	(90,282,302.41)
Less: Appropriation for statutory reserve	–	–
Accumulated losses at the end of the period	<b>(756,026,831.71)</b>	(574,599,132.87)

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (37) Revenue and cost of sales

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016
Revenue from main operation	<b>434,754,234.54</b>	566,561,241.21
Revenue from other operation	<b>7,601,582.99</b>	69,050,774.44
	<b>442,355,817.53</b>	635,612,015.65
	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016
Cost of sales from main operation	<b>378,736,961.78</b>	554,803,839.25
Cost of sales from main operation	<b>1,731,237.58</b>	68,284,832.15
	<b>380,468,199.36</b>	623,088,671.40

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (37) Revenue and cost of sales (continued)

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

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

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Revenue from main operation	Cost of sales from main operation	Revenue from main operation	Cost of sales from main operation
Copper cathode	129,304,796.52	94,848,109.52	273,998,938.45	251,161,526.56
Nickel cathode	237,528,012.86	236,871,873.13	196,160,127.15	228,052,179.39
Others	67,921,425.16	47,016,979.13	96,402,175.61	75,590,133.30
	<b>434,754,234.54</b>	<b>378,736,961.78</b>	566,561,241.21	554,803,839.25

#### (b) Revenue and cost of sales from other operation

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Revenue from other operation	Cost of sales from other operation	Revenue from other operation	Cost of sales from other operation
Material Sales	260,794.79	177,674.84	54,866,291.18	63,587,159.93
Sales of electricity	1,407,936.10	1,371,487.84	3,515,168.00	3,728,284.24
Scrap sales	4,846,244.27	–	8,778,772.73	–
Others	1,086,607.83	182,074.90	1,890,542.53	969,387.98
	<b>7,601,582.99</b>	<b>1,731,237.58</b>	69,050,774.44	68,284,832.15

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (38) Expenses by nature

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

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016
Raw materials and consumables used	<b>236,054,642.10</b>	810,037,115.41
Other overhead	<b>11,302,432.81</b>	12,715,478.69
Employee benefits	<b>123,375,838.42</b>	132,048,813.79
Depreciation (Note 4(10))	<b>98,007,027.27</b>	108,349,922.64
Transportation fee	<b>10,856,649.43</b>	18,965,293.78
Energy Charge	<b>53,086,443.44</b>	66,593,384.89
Resell of the Depreciated Inventory	<b>(9,066,660.32)</b>	(73,523,553.77)
External services fee	<b>87,842,932.84</b>	100,709,036.19
Taxation	<b>7,940,541.77</b>	20,142,173.19
Safety fund (Note 4(34))	<b>15,289,849.03</b>	13,116,936.22
Amortisation	<b>9,064,199.68</b>	9,494,404.02
Administrative fees	<b>3,148,112.60</b>	4,074,407.44
Mineral resources compensation fee (Note 4(41)) (i)	-	5,267,189.93
Sewage charge (Note 4(41))	<b>4,300,066.00</b>	4,550,513.47
Service Charge	<b>1,660,377.34</b>	1,710,000.00
Operating Leases charge	<b>578,437.34</b>	1,033,428.12
Changes in inventories of work in progress, semi-finished goods and finished goods (Note 4(6)(b))	<b>(216,455,174.80)</b>	(531,936,672.29)
Others	<b>4,249,096.62</b>	13,671,597.03
	<b>441,234,811.57</b>	717,019,468.75

(i) Pursuant to regulation No.[2016]53 "Notification of comprehensively promoting reform of resource taxes", issued by the Ministry of Finance and the National tax Bureau, since 1 July 2016, the mineral compensation rate were reduced to zero.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (39) Taxes and surcharges

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016	Tax base
City maintenance and construction tax	<b>1,783,953.34</b>	1,632,439.93	Note 3
Education surcharge	<b>1,956,528.22</b>	1,072,781.23	Note 3
Property tax	<b>3,976,505.05</b>	–	Note 3
Resource tax	<b>3,369,931.88</b>	–	Note 3
Others	<b>2,390,290.47</b>	765,716.11	
	<b>13,477,208.96</b>	3,470,937.27	

### (40) Selling and administration expenses

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016
Transportation fee	<b>10,856,649.43</b>	18,965,293.78
Employee benefits	<b>951,778.55</b>	1,277,987.70
Travel and administrative expense	<b>41,904.16</b>	94,002.35
Depreciation	<b>72,126.47</b>	84,682.62
Others	<b>328,411.55</b>	195,726.52
	<b>12,250,870.16</b>	20,617,692.97

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (41) General and administrative expenses

	Six months ended 30 June 2017	Six months ended 30 June 2016
Employee benefits	<b>26,756,654.36</b>	31,555,924.31
Depreciation and amortisation	<b>8,193,313.50</b>	8,469,161.97
Taxation	–	11,175,117.29
Mineral resources compensation fee	–	5,267,189.93
Administration expense	<b>1,030,463.67</b>	3,980,405.09
Sewage charge	<b>4,300,066.00</b>	4,550,513.47
Intermediary agency fee	<b>1,515,131.98</b>	1,276,466.56
Service charge	<b>1,660,377.34</b>	1,710,000.00
Operating leases expenses	<b>578,437.34</b>	1,033,428.12
Others	<b>4,481,297.86</b>	4,294,897.64
	<b>48,515,742.05</b>	73,313,104.38



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (42) Financial expenses – net

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016
Interest expense	<b>74,215,256.20</b>	135,433,440.63
Less: Capitalised interest expenses (Note 4(11)(a))	<b>(10,146,440.39)</b>	(14,548,497.79)
Interest expense	<b>64,068,815.81</b>	120,884,942.84
Less: Interest income on bank deposits	<b>(5,544,572.62)</b>	(2,326,555.10)
Interest on notes discounted	–	881,144.45
Bank charges	<b>1,477,816.35</b>	3,106,960.03
Unwinding of discount – net (Note 4(25)/(29))	<b>199,672.49</b>	1,990,059.38
Foreign exchange losses	–	(95,335.29)
	<b>60,201,732.03</b>	124,441,216.31

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

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016
Provision for decline in value of inventories	<b>(7,058,741.05)</b>	(3,634,343.57)
Reversal of provision in value of inventories	–	12,923,705.15
Provision for bad debts for accounts receivable and other receivables	<b>(3,755.90)</b>	–
	<b>(7,062,496.95)</b>	9,289,361.58

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

	Six months ended 30 June 2017	Six months ended 30 June 2016
Gold lease and the corresponding loss in fair value of future contracts <i>(Note 4(17)(a))</i>	–	(33,680.33)
Gains on changes in fair value of futures contract	–	155,000.00
	–	121,319.67

### (45) Investment income

	Six months ended 30 June 2017	Six months ended 30 June 2016
Loss from a joint venture under equity method <i>(Note 4(9))</i>	<b>(4,032,994.86)</b>	(9,441,545.99)
Offset unrealised net (profit)/loss between the joint venture and the Group	<b>(200,761.36)</b>	14,071,489.76
Net losses resulted from settlement of future contracts	–	(28,797.38)
Income resulted from disposal of long-term equity investment	–	57,955,495.17
Income resulted from disposal of available-for-sale financial assets	<b>6,879,655.19</b>	3,440,883.63
	<b>2,645,898.97</b>	65,997,525.19

There is no significant restriction on recovery of investment income.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (46) Non-operating income

	Six months ended 30 June 2017	Six months ended 30 June 2016	Amount recognised in non-recurring profit or loss for the six months ended 30 June 2017
Government grants (a)	<b>1,068,512.46</b>	1,986,428.71	1,068,512.46
Gains on disposal of fixed assets	<b>89,485.96</b>	8,881.50	89,485.96
Others	<b>768,558.66</b>	314,975.40	768,558.66
	<b>1,926,557.08</b>	2,310,285.61	1,926,557.08

#### (a) Details of government grants

	Six months ended 30 June 2017	Six months ended 30 June 2016	Related to assets/income
Energy saving subsidies	<b>878,999.22</b>	878,999.22	Related to assets
Land compensation	<b>104,888.94</b>	104,888.94	Related to assets
Funds for infrastructure construction	–	150,035.70	Related to assets
Special funds for technological transformation	<b>73,333.32</b>	73,333.32	Related to assets
Mining equipment project	<b>11,290.98</b>	11,290.98	Related to assets
Sub-total (Note 4(30))	<b>1,068,512.46</b>	1,218,548.16	
Tax refunded-platinum	–	440,272.08	Related to income
Subsidies for social security	–	76,353.50	Related to income
Others	–	251,254.97	Related to income
Sub-total	–	767,880.55	
Total	<b>1,068,512.46</b>	1,986,428.71	

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (47) Non-operating expenses

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016	Amount recognised in non-recurring profit or loss for the six months ended 30 June 2017
Penalties and fines	<b>699,340.82</b>	206,717.00	699,340.82
Donations	<b>695,000.06</b>	92,000.00	695,000.06
Losses on disposal of fixed assets	–	26,611.55	–
Others	<b>279,420.04</b>	31,749.43	279,420.04
	<b>1,673,760.92</b>	357,077.98	1,673,760.92

### (48) Income tax expenses

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016
Current income tax	<b>19,092.96</b>	286,618.33
Deferred income tax	<b>(12,222,530.55)</b>	(13,822,070.84)
	<b>(12,203,437.59)</b>	(13,535,452.51)

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (48) Income tax expenses (continued)

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

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016
Consolidated total loss	<b>(76,721,736.85)</b>	(131,958,192.61)
Income tax expenses calculated at applicable tax rate of 25%	<b>(19,180,434.21)</b>	(32,989,548.16)
Effect of tax reductions	<b>4,473,662.00</b>	5,860,298.85
Effect of change in the tax rates	<b>1,535,163.37</b>	1,535,163.34
Income not subject to tax	–	(2,110,723.47)
Expenses not deductible for tax purposes	<b>141,898.26</b>	253,711.36
Deductible temporary differences and deductible losses for which no deferred tax assets were recognised	<b>826,272.99</b>	13,629,382.24
Clearance differences in respect of prior years	–	286,263.33
	<b>(12,203,437.59)</b>	(13,535,452.51)

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (49) Loss per share

#### (a) Basic loss per share

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

	Six months ended 30 June 2017	Six months ended 30 June 2016
Consolidated net loss attributable to shareholders of the Company	(64,642,037.39)	(90,282,302.41)
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	(0.029)	(0.041)
Including:		
– Continue Operating basic loss per share	(0.029)	(0.041)
– Terminate Operating basic loss per share	–	–

#### (b) Diluted loss per share

Diluted loss per share is calculated by dividing net loss attributable to shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares in issue of the Company. As there were no dilutive potential ordinary shares for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil), diluted loss per share equal to basic loss per share.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

	Six months ended 30 June 2017	Six months ended 30 June 2016
Restricted cash at banks	–	46,010,887.87
Interest income	<b>5,544,572.62</b>	2,159,019.06
Government grants received	–	767,880.50
Others	<b>768,558.66</b>	314,975.45
	<b>6,313,131.28</b>	49,252,762.88

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

	Six months ended 30 June 2017	Six months ended 30 June 2016
Restricted cash at banks	<b>16,797,120.05</b>	–
Transportation expenses	<b>26,708,836.48</b>	18,965,293.78
Office expenses	<b>1,030,463.67</b>	3,927,651.54
Professional service fee	<b>4,878,147.35</b>	1,539,355.58
Rent expense	<b>578,437.34</b>	1,033,428.12
Sewage charge	<b>18,419.00</b>	4,550,513.47
Bank charges	<b>1,477,816.35</b>	3,106,960.03
Comprehensive supporting services	<b>1,660,377.34</b>	1,710,000.00
Donations	<b>100,000.00</b>	92,000.00
Others	<b>9,241,121.60</b>	12,407,379.53
	<b>62,490,739.18</b>	47,332,582.05



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

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

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

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

	Six months ended 30 June 2017	Six months ended 30 June 2016
Net consolidated loss	<b>(64,518,299.26)</b>	(118,422,740.10)
Adjustment: Provisions/(reversal) for asset impairment <i>(Note 4(43))</i>	<b>7,062,496.95</b>	(9,289,361.58)
Income on the changes in fair value of financial liabilities at fair value through profit or loss <i>(Note 4(44))</i>	–	(121,319.67)
Depreciation of fixed assets <i>(Note 4(10))</i>	<b>98,007,027.27</b>	108,349,922.64
Amortisation of intangible assets <i>(Note 4(13))</i>	<b>9,064,199.68</b>	9,494,404.02
Net (gains)/loss on disposal of fixed assets	<b>(89,485.96)</b>	17,730.05
Increase in deferred tax assets <i>(Note 4(31))</i>	<b>(12,933,451.67)</b>	(14,572,180.58)
Increase in deferred tax liabilities <i>(Note 4(31))</i>	<b>710,921.12</b>	750,109.74
Financial expenses <i>(Note 4(42))</i>	<b>64,268,488.30</b>	123,588,610.63
Amortisation of long-term prepaid expenses	<b>21,137.92</b>	20,436.33
Investment income <i>(Note 4(45))</i>	<b>(2,645,898.97)</b>	(65,997,525.19)
Increase in inventories	<b>(191,931,252.28)</b>	(53,222,868.96)
Amortization of deferred income	<b>(1,068,512.46)</b>	(1,218,548.16)
Utilisation of safety fund-net <i>(Note 4(34))</i>	<b>783,486.01</b>	7,286,824.51
Decrease/(increase) in operating receivables	<b>154,102,063.55</b>	(153,978,922.50)
Increase/(decrease) in operating payables	<b>26,083,050.08</b>	(83,092,555.91)
(Increase)/decrease in restricted cash at banks	<b>(16,797,120.05)</b>	46,010,887.87
Net cash flows generated from/(used in) operating activities	<b>70,118,850.23</b>	(204,397,096.86)

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

*Movement of cash and cash equivalents*

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016
Cash and cash equivalents at end of period (b)	<b>217,843,869.77</b>	358,155,129.91
Less: cash and cash equivalents at beginning of year	<b>(100,406,459.07)</b>	(506,128,056.01)
Net increase/(decrease) in cash and cash equivalents	<b>117,437,410.70</b>	(147,972,926.10)

#### (b) Cash and cash equivalents

	<b>30 June 2017</b>	31 December 2016
Cash	<b>217,843,869.77</b>	100,406,459.07
Including: Cash on hand	<b>53,362.23</b>	30,633.00
Cash at bank	<b>217,790,507.54</b>	100,375,826.07
Cash and cash equivalents	<b>217,843,869.77</b>	100,406,459.07

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 5 EQUITY IN OTHER MAIN BODIES

### (1) Investments in subsidiaries

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

Name of subsidiaries	Type of legal representative	The main premises	Place of registration	Nature of business	% equity interest held by the Group		Methods of investments
					Direct	Indirect	
Mengxi Mining	Corporate legal representative	Hami, the PRC	Hami, the PRC	Mining	51%	-	Through establishment or investment
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
Shanxi Xinxin	Corporate legal representative	Shangnan, the PRC	Shangnan, the PRC	Mining	51%	-	Business combination not under common control

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 5 EQUITY IN OTHER MAIN BODIES (CONTINUED)

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

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

Name of subsidiaries	% equity interest held by non controlling shareholders	Amount of gains or losses attributed to non-controlling shareholders for the six months ended 30 June 2017	Dividend declared/ allocated to non-controlling shareholders this period	Non-controlling interests 30 June 2017
Zhongxin Mining	2.42%	405,097.15	–	1,033,147.94
Shaanxi Xinxin	49.00%	(365,540.96)	–	72,658,931.60
Mengxi Mining	49.00%	84,199.94	–	2,267,658.33
		<b>123,738.13</b>		<b>75,959,737.87</b>

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

Name of subsidiaries	30 June 2017					
	Current assets	Non-current assets	Total assets	Total liabilities	Non-current liabilities	Total Liabilities
Zhongxin Mining	74,032,740.43	174,874,029.18	248,906,769.61	302,738,435.35	9,651,113.14	312,389,548.49
Shaanxi Xinxin	357,915.78	14,965,931.95	15,323,847.73	13,405,063.87	–	13,405,063.87
Mengxi Mining	10,110,388.31	–	10,110,388.31	5,482,514.15	–	5,482,514.15

Name of subsidiaries	31 December 2016					
	Current assets	Non-current assets	Total assets	Total liabilities	Non-current liabilities	Total Liabilities
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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 5 EQUITY IN OTHER MAIN BODIES (CONTINUED)

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

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

Name of subsidiaries	Six months ended 30 June 2017			
	Revenue	Net (loss)/ profit	Total comprehensive (losses)/ income	Operating cash flow
Zhongxin Mining	93,024,541.50	(17,471,481.93)	(17,471,481.93)	4,172,470.26
Shaanxi Xinxin	–	(746,001.96)	(746,001.96)	(1,060,245.44)
Mengxi Mining	–	171,836.61	171,836.61	(36,535.99)

  

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 5 EQUITY IN OTHER MAIN BODIES (CONTINUED)

### (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.

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

	30 June 2017	31 December 2016
Current assets	<b>96,341,347.82</b>	121,281,842.21
Including: cash and cash equivalents	<b>8,957,114.49</b>	39,649,088.62
Non-current assets	<b>440,677,743.83</b>	456,356,490.45
<b>Total assets</b>	<b>537,019,091.65</b>	577,638,332.66
Current liabilities	<b>(370,751,667.93)</b>	(396,804,919.22)
Non-current liabilities	–	(6,500,000.00)
<b>Total liabilities</b>	<b>(370,751,667.93)</b>	(403,304,919.22)
<b>Shareholders' equity</b>	<b>166,267,423.72</b>	174,333,413.44
Share of net assets (i)	<b>83,133,711.86</b>	87,166,706.72
Adjusting events		
– Goodwill	<b>44,668,386.35</b>	44,668,386.35
– Offset of unrealised gains	<b>(1,233,574.99)</b>	(1,032,813.63)
<b>Book value of the investment of joint venture</b>	<b>126,568,523.22</b>	130,802,279.44
<b>Fair value of the joint venture in open market</b>	<b>Not applicable</b>	Not applicable

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 5 EQUITY IN OTHER MAIN BODIES (CONTINUED)

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

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

	Six months ended 30 June 2017	Six months ended 30 June 2016
Revenue	24,956,319.41	35,977,883.87
Interest expense	(4,227,897.05)	(6,307,378.66)
Income tax	—	—
Net loss	(8,065,989.72)	(18,883,091.98)
Other comprehensive income	—	—
Total comprehensive losses	(8,065,989.72)	(18,883,091.98)
Dividends received from joint venture	—	—

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

## 6 SEGMENT INFORMATION

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

For each of the six months ended 30 June 2017 and 2016, the Group's sales were conducted in China and the Group's assets and liabilities were in China.

For the six months ended 30 June 2017, revenue of top three customers of the Group accounted for 51%, 13% and 4% of the total revenue of the Group respectively (six months ended 30 June 2016: 7%, 5% and 5%).



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 7 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 8(5)(f).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 8 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 2016	Current period additions	Current period reductions	30 June 2017
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

	30 June 2017 % interests held and % voting rights	31 December 2016 % interests held and % voting rights
Xinjiang Non-ferrous Group	40.06%	40.06%

### (2) Information of subsidiaries

Please refer to Note 5(1).

### (3) Information of joint venture

Please refer to Note 5(2).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 8 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 Insulation 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
Xinjiang Wuxin Copper Mining Co., Ltd.	Fellow subsidiary
Xinjiang Jinhui Real Estate Development Co., Ltd.	Fellow subsidiary

### (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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (b) Purchases of materials

	Six months ended 30 June 2017	Six months ended 30 June 2016
<b>Purchase of copper concentrate and nickel concentrate</b>		
Hexin Mining	16,979,067.79	28,668,888.11
<b>Purchase of raw materials, consumables and equipment</b>		
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd.	41,711,402.18	11,553,426.56
Fukang Non-ferrous Development Co., Ltd.	957,763.43	5,706,507.72
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	688,865.59	–
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	232,273.49	680,000.00
Fuyun Xingtong Service Co., Ltd.	7,628.32	–
Xinjiang Dongsanhuan Trading Co., Ltd.	–	6,795,333.99
<b>Purchase of equipment parts</b>		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	229,330.75	251,600.00
China Non-ferrous Metal Import and Export Company Xinjiang Co., Ltd.	–	82,909.90
	<b>60,806,331.55</b>	<b>53,738,666.28</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (c) Receiving of services

	Six months ended 30 June 2017	Six months ended 30 June 2016
<b>Construction services</b>		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	<b>10,100,799.90</b>	21,940,055.58
<b>Transportation services</b>		
Fukang Non-ferrous Development Co., Ltd.	<b>2,317,783.29</b>	11,067,822.20
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	<b>1,438,458.66</b>	90,589.60
<b>Other services</b>		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	<b>1,446,196.73</b>	3,876,560.19
Fukang Non-ferrous Development Co., Ltd.	<b>233,249.15</b>	–
Fukang Non-ferrous Property Management Co., Ltd.	<b>4,335.99</b>	4,614.19
<b>Comprehensive supporting services</b>		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	<b>1,660,377.34</b>	1,710,000.00
<b>Storage fee</b>		
Beijing Baodi Xindi Kemao Co., Ltd.	–	157,817.64
<b>Provision of heat</b>		
Fukang Non-ferrous Development Co., Ltd.	<b>11,505.31</b>	13,001.00
	<b>17,212,706.37</b>	38,860,460.40

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (d) Sale of products

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd.	<b>17,340,072.09</b>	–
Fuyun Hengsheng Beryllium Industry Co., Ltd.	<b>7,790,101.14</b>	5,669,818.35
Xinjiang Wuxin Copper Mining Co., Ltd.	<b>4,330,962.81</b>	–
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	<b>123,241.87</b>	–
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	<b>3,743.24</b>	–
	<b>29,588,121.15</b>	5,669,818.35

#### (e) Leases

As lessor:

Name of lessee	Type of rental assets	<b>Lease revenue recognised during six months ended 30 June 2017</b>	Lease revenue recognised during six months ended 30 June 2016
Xinjiang Zhanxin Fire Insulation Materials Co., Ltd.	Land-use right	<b>21,510.00</b>	43,020.00

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 8 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 revenue recognised during six months ended 30 June 2017	Lease revenue recognised during six months ended 30 June 2016
Xinjiang Non-ferrous Group	Building	389,507.15	817,965.00
		<b>389,507.15</b>	817,965.00

#### (f) Guarantee

As guarantor

Name of Company	Amount of bank loans guaranteed	Starting date	Ending date	Fulfilled or not
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	12/08/2016	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
Hexin Mining	15,500,000.00	01/04/2017	01/04/2020	No
Total	114,000,000.00			



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

	Six months ended 30 June 2017	Six months ended 30 June 2016
Loans received from Hexin Mining	(18,000,000.00)	–
Loans provided to Hexin Mining	–	73,000,000.00

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

	Six months ended 30 June 2017	Six months ended 30 June 2016
Loans repaid to Xinjiang Non-ferrous Group	(130,000,000.00)	(181,000,000.00)
Loans received from Xinjiang Non-ferrous Group	–	483,236,712.33

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

	Six months ended 30 June 2017	Six months ended 30 June 2016
Xinjiang Non-ferrous Group	–	7,601,142.47

#### (j) Repayment of entrusted loans

	Six months ended 30 June 2017	Six months ended 30 June 2016
Xinjiang Non-ferrous Group	–	181,000,000.00

#### (k) Use of registered trademark

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

#### (l) Remuneration of key management

	Six months ended 30 June 2017	Six months ended 30 June 2016
Remuneration of key management	1,158,492.05	1,482,564.31

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

Directors, supervisors and chief executive officer's emoluments for the year ended 30 June 2017 are as follows:

Name	Emoluments for providing services as directors			Emoluments for managing company or providing other services	Total
	Fee	Salary and allowance	Pension		
<b>Directors:</b>					
Lu Xiaoping	–	109,375.00	16,095.00	–	125,470.00
Guo Quan	–	124,140.00	16,095.00	–	140,235.00
Guo Haitang	–	–	–	–	–
Shi Wenfeng	–	–	–	–	–
Zhou Chuanyou	–	–	–	–	–
Hu Chengye	–	–	–	–	–
<b>Independent Directors:</b>					
Li Wing Sum, Steven	57,440.00	–	–	–	57,440.00
Chen Jianguo	35,000.00	–	–	–	35,000.00
Wang Lijin	35,000.00	–	–	–	35,000.00
<b>Supervisors:</b>					
Wang Haibang	–	87,660.00	16,095.00	–	103,755.00
Zhang Xuehe	–	79,880.00	16,095.00	–	95,975.00
Hu Zhijiang (i)	6,666.64	–	–	–	6,666.64
Yao Wenying	20,000.00	–	–	–	20,000.00
Chen Rong (iii)	–	–	–	–	–
<b>Senior management:</b>					
Lin Zhuohui	–	167,017.41	7,953.00	–	174,970.41
He Hongfeng	–	92,440.00	16,095.00	–	108,535.00
Zhang Junjie	–	92,440.00	16,095.00	–	108,535.00
Liu Jun	–	92,440.00	16,095.00	–	108,535.00
Sun Baohui (ii)	–	31,220.00	7,155.00	–	38,375.00
<b>Total</b>	<b>154,106.64</b>	<b>876,612.41</b>	<b>127,773.00</b>	<b>–</b>	<b>1,158,492.05</b>

(i) Resigned as supervisor on 28 February 2017.

(ii) Resigned as vice president on 01 April 2017.

(iii) Appointed as supervisor on 15 June 2016.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

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

Name	Emoluments for providing services as directors			Emoluments for managing company or providing other services	Total
	Fee	Salary and allowance	Pension		
<b>Directors:</b>					
Lu Xiaoping	-	143,100.00	15,217.20	-	158,317.20
Guo Quan	-	159,150.00	15,217.20	-	174,367.20
Li Wing Sum, Steven	54,722.00	-	-	-	54,722.00
Chen Jianguo	35,000.00	-	-	-	35,000.00
Wang Lijin	35,000.00	-	-	-	35,000.00
<b>Supervisors: :</b>					
Wang Haibang	-	115,050.00	15,217.20	-	130,267.20
Sun Baohui (i)	-	-	-	38,315.18	38,315.18
Zhang Xuehe (ii)	-	-	-	68,060.60	68,060.60
Hu Zhijiang	20,000.00	-	-	-	20,000.00
Yao Wenyong	20,000.00	-	-	-	20,000.00
<b>Senior management:</b>					
Lin Zhuohui	-	300,000.00	7,563.13	-	307,563.13
He Hongfeng	-	127,350.00	15,217.20	-	142,567.20
Zhang Junjie	-	127,650.00	15,217.20	-	142,867.20
Liu Jun	-	127,650.00	15,217.20	-	142,867.20
Sun Baohui (iii)	-	10,000.00	2,650.20	-	12,650.20
<b>Total</b>	<b>164,722.00</b>	<b>1,109,950.00</b>	<b>101,516.53</b>	<b>106,375.78</b>	<b>1,482,564.31</b>

(i) Resigned as supervisor on 13 April 2016.

(ii) Appointed as supervisor on 13 April 2016.

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

##### *The five highest paid individuals*

The five individuals whose emoluments were the highest in the Group for the six months ended of 2017 included 2 directors (six months ended of 2016: two directors) whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining 3 (six months ended of 2016: three) individuals during the year are as follows:

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016
Basic salaries, bonus, housing allowance, other allowances in kind pension	<b>392,040.41</b>	593,297.53
	<b>Number of individuals</b>	
	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016
Emolument bands: HKD0–1,000,000 (approximately RMB0–867,920)	<b>3</b>	3

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### Receivables from related parties:

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

	30 June 2017		31 December 2016	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Xinjiang Wuxin Copper Mining Co., Ltd.	42,359,331.27	-	46,959,017.18	-
Fuyun Hengsheng Beryllium Industry Co., Ltd.	2,349,689.55	(1,155,416.10)	1,211,659.10	(1,155,416.10)
Xinjiang Haoxin Lithia Developing Co., Ltd.	301,201.70	(301,201.70)	301,201.70	(301,201.70)
Xinjiang Dongsanhuan Trading Co., Ltd.	26,839.00	-	-	-
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd	-	-	5,087,480.51	-
	45,037,061.52	(1,456,617.80)	53,559,358.49	(1,456,617.80)

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

	30 June 2017		31 December 2016	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Xinjiang Jinhui Real Estate Developments Co., Ltd	30,000,000.00	-	40,000,000.00	-
Hexin Mining	27,157,320.00	-	45,161,075.90	-
Fuyun Hengsheng Beryllium Industry Co., Ltd.	406,442.83	-	305,036.90	-
Xinjiang Zhanxin Fire Insulation Materials Co., Ltd.	86,040.00	-	86,040.00	-
Xinjiang Wuxin Copper Mining Co., Ltd.	1,352.00	-	1,350.00	-
	57,651,154.83	-	85,553,502.80	-

##### (c) Advances to suppliers

	30 June 2017		31 December 2016	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	133,994.31	-	-	-

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### Receivables from related parties: (continued)

#### (d) Accounts payable

	30 June 2017	31 December 2016
Xinjiang Non-ferrous Metal Industry (Group) Materials Co., Ltd.	<b>57,361,509.24</b>	31,117,334.98
Hexin Mining	<b>10,527,066.37</b>	30,855,362.47
Xinjiang Dongsanhuan Trading Co., Ltd.	<b>4,613,455.60</b>	9,765,303.60
Fukang Non-ferrous Development Co., Ltd.	<b>2,519,785.87</b>	7,041,875.70
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	<b>2,458,545.12</b>	7,259,511.53
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	<b>2,314,987.80</b>	2,688,589.80
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	<b>1,002,081.70</b>	696,109.00
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	<b>71,682.25</b>	1,086,882.25
Fukang Juxin Industrial and Trade Co., Ltd.	<b>47,280.00</b>	58,700.00
Fukang Non-ferrous Property Management Co., Ltd.	<b>24,600.72</b>	20,035.92
Beijing Baodi Xindi Kemao Co., Ltd.	–	370,034.06
	<b>80,940,994.67</b>	90,959,739.31



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### Receivables from related parties: (continued)

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

	30 June 2017	31 December 2016
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	<b>42,986,475.07</b>	55,948,633.03
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	<b>282,168.40</b>	282,168.40
Xinjiang Dongsanhuan Trading Co., Ltd.	<b>100,000.00</b>	100,000.00
Hexin Mining	<b>78,847.20</b>	78,847.20
Fukang Non-ferrous Development Co., Ltd.	<b>50,000.00</b>	50,000.00
Xinjiang Non-ferrous Group	–	71,226,947.50
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	–	1,471,600.00
	<b>43,497,490.67</b>	129,158,196.13

##### (f) Advances from customers

	30 June 2017	31 December 2016
Xinjiang Dongsanhuan Trading Co., Ltd	<b>26,839.00</b>	13,201.80

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### Receivables from related parties: (continued)

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

	30 June 2017	31 December 2016
Xinjiang Non-ferrous Group	–	65,000,000.00

#### (h) Interest payable

	30 June 2017	31 December 2016
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 are as follows:

	30 June 2017	31 December 2016
– As lessee		
Xinjiang Non-ferrous Group	1,226,947.50	1,635,930.00
– As lessor		
Xinjiang Zhanxin Fire Insulation Materials Co., Ltd	64,530.00	86,040.00

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 9 COMMITMENTS

### (1) Capital commitments

As at 30 June 2017 and 31 December 2016, the Group has no capital expenditures contracted for but not yet necessary to be recognised on the balance sheet.

### (2) Operating lease commitments

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

	30 June 2017	31 December 2016
Within one year	817,965.00	817,965.00
Between one and two years	408,982.50	817,965.00
Between two and three years	—	—
	<b>1,226,947.50</b>	1,635,930.00

## 10 EVENTS AFTER THE BALANCE SHEET DATE

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

## 11 LEASES

The Group did not own fixed assets under finance leases.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENT AND RISK

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

### (1) Market risk

#### (a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies. The Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. For the six months ended 30 June 2017 and the year ended 31 December 2016, the Group did not enter into any forward exchange contracts or currency swap contracts.

As at 30 June 2017 and 31 December 2016, the Group did not have assets or liabilities denominated in foreign currencies.

#### (b) Interest rate risk

The Group's interest rate risk mainly arises from bank loans and interest-bearing long-term borrowings. Bank deposits and loans at variable rate expose the Group to cash flow interest rate risk. The Group adjusts the relative proportion of contracts at fixed rate and contracts at floating rate based on market situation. As at 30 June 2017, the Group's interest bearing debts were mainly floating rate borrowings, fixed rate borrowings and interest bearing bond payable denominated in RMB, which totalled RMB2,710,802,805.11 (31 December 2016: RMB2,597,402,530.55), of which floating rate borrowings are RMB226,000,000.00, fixed rate borrowings are RMB1,684,802,805.11 and interest-bearing bond payable are RMB800,000,000.00 respectively (31 December 2016: RMB237,000,000.00, RMB1,060,402,530.55, RMB1,300,000,000.00) (Note 4(17), (27), (28)).

The Group analyses its interest rate exposure on a dynamic basis. The rise in interest rates would increase the cost of the new interest-bearing debts and unpaid floating interest-bearing debt, and would bring a negative effect to the Group operation results. The Group may manage its interest risk by using floating-to-fixed interest rate swap based on the latest market condition. During the six months ended 30 June 2017 and the year ended 31 December 2016, there is no interest swap exists.

As at 30 June 2017, if annual interest rates had been 10% lower/higher with all other variables held constant, net loss would have decreased/increased by RMB562,887.50 (31 December 2016: net loss increased/decreased RMB415,724.12).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENT AND RISK (CONTINUED)

### (1) Market risk (continued)

#### (c) Concentration risk

Revenues are principally derived from sales of nickel cathode and copper cathode. Approximately 67.82% of the total sales for the six months ended 30 June 2017 (the six months ended 30 June 2016: 17%) were contributed by the top three customers for which the Group has not entered into any long-term sales contracts with them. In the event that these major customers terminate the business relationship with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations.

### (2) Credit risk

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

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

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

### (3) Liquidity risk

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENT AND RISK (CONTINUED)

### (3) Liquidity risk (continued)

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

	30 June 2017				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities at fair value through profit or loss	216,863,450.34	522,454,146.12	–	–	739,317,596.46
Accounts payable	289,087,167.61	–	–	–	289,087,167.61
Interest payable	38,140,642.29	–	–	–	38,140,642.29
Short-term borrowings	1,018,828,888.90	–	–	–	1,018,828,888.90
Long-term borrowings	168,360,200.00	77,895,205.83	–	–	246,255,405.83
Long-term payable	–	–	–	–	–
Bond payable	52,000,000.00	819,500,000.00	–	–	871,500,000.00
Notes payable	192,000,000.00	–	–	–	192,000,000.00
Other payables	171,402,384.52	–	–	–	171,402,384.52
	<b>2,146,682,733.66</b>	<b>1,419,849,351.95</b>	<b>–</b>	<b>–</b>	<b>3,566,532,085.61</b>

  

	31 December 2016				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities at fair value through profit or loss	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
	<b>2,027,166,939.21</b>	<b>978,328,844.32</b>	<b>545,055,029.83</b>	<b>–</b>	<b>3,550,550,813.36</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENT AND RISK (CONTINUED)

### (3) Liquidity risk (continued)

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

	30 June 2017		31 December 2016	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Within 1 year	1,151,000,000.00	–	582,000,000.00	70,000,000.00
1 to 2 years	75,000,000.00	–	40,000,000.00	65,000,000.00
2 to 5 years	–	–	35,000,000.00	–
Over 5 years	–	–	–	–
	<b>1,226,000,000.00</b>	<b>–</b>	<b>657,000,000.00</b>	<b>135,000,000.00</b>

## 13 FAIR VALUE ESTIMATION

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

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

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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

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

As at 30 June 2017, 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 – Available for sale financial assets – Financial products	–	–	384,350,000.00	384,350,000.00
Financial liabilities – Gold leasing and corresponding future contracts	(684,802,805.11)	–	–	(684,802,805.11)
	<b>(684,802,805.11)</b>	<b>–</b>	<b>384,350,000.00</b>	<b>(300,452,805.11)</b>



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 13 FAIR VALUE ESTIMATION (CONTINUED)

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

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 –				
Available-for-sale financial				
assets – Financial products	–	–	565,037,000.00	565,037,000.00
Financial liabilities –				
Gold lease and corresponding				
future contracts	(640,402,530.55)	–	–	(640,402,530.55)
	(640,402,530.55)	–	565,037,000.00	(75,365,530.55)

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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 13 FAIR VALUE ESTIMATION (CONTINUED)

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

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

	<b>Available-for-sale financial assets financial products</b>
1 January 2017	<b>565,037,000.00</b>
Purchase	<b>2,509,080,000.00</b>
Sale	<b>(2,696,646,655.19)</b>
Total gains or losses during current period	<b>6,879,655.19</b>
Gains or losses included in the income statements	<b>6,879,655.19</b>
Gains or losses included in other comprehensive income	-
30 June 2017	<b>384,350,000.00</b>
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 fair 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.

- (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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

## 14 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including short-term, borrowings long-term borrowing, bond payable and long-term payables) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

For the year 2017, the Group's strategy on capital management was to maintain the gearing ratio within 20% to 60%, which was the same as prior year. The gearing ratios at 30 June 2017 and 31 December 2016 were as follows:

	30 June 2017	31 December 2016
Total borrowings		
Short-term borrowings	<b>1,000,000,000.00</b>	420,000,000.00
Long-term borrowings	<b>75,000,000.00</b>	75,000,000.00
Bond payable	<b>800,000,000.00</b>	800,000,000.00
Long-term payables	–	59,978,281.32
Current portion of non-current liabilities	<b>151,000,000.00</b>	662,000,000.00
Financial liabilities measured at fair value through profit and loss	<b>684,802,805.11</b>	640,402,530.55
	<b>2,710,802,805.11</b>	2,657,380,811.87
Less: cash and cash equivalents	<b>(217,843,869.77)</b>	(100,406,459.07)
Net debt (a)	<b>2,492,958,935.34</b>	2,556,974,352.80
Total equity (b)	<b>4,382,955,513.24</b>	4,451,712,045.17
Total capital (c) = (a) + (b)	<b>6,875,914,448.58</b>	7,008,686,397.97
Gearing ratio (a)/(c)	<b>36.26%</b>	36.48%

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

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

	30 June 2017	31 December 2016
Cash on hand	3,582.90	15,915.83
Cash at bank	146,456,152.13	18,553,826.95
Restricted cash at banks (a)	58,535,400.40	37,736,913.68
	<b>204,995,135.43</b>	56,306,656.46

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

	30 June 2017	31 December 2016
Deposits for issue of bank acceptance notes	57,860,674.54	37,062,187.82
Deposits for environmental recovery and safety of production	674,725.86	674,725.86
	<b>58,535,400.40</b>	37,736,913.68

### (2) Notes receivable

	30 June 2017	31 December 2016
Bank acceptance notes	46,165,554.99	190,328,580.58

### (3) Accounts receivable

	30 June 2017	31 December 2016
Accounts receivable	108,777,536.25	77,541,002.04
Less: provision for bad debts	(3,763,519.38)	(3,763,519.38)
	<b>105,014,016.87</b>	73,777,482.66

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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (3) Accounts receivable (continued)

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

	30 June 2017	31 December 2016
Within 1 year	93,806,924.84	64,393,310.18
1 to 2 years	5,189,327.21	2,646,407.66
2 to 3 years	6,737,764.82	6,737,764.82
3 to 4 years	74,400.20	74,400.20
4 to 5 years	-	-
Over 5 years	3,689,119.18	3,689,119.18
	<b>108,777,536.25</b>	77,541,002.04

As at 30 June 2017, accounts receivable of RMB14,470,011.58 (31 December 2016: RMB12,120,046.73) were past due. However, based on the analysis of the customers' financial positions and credit records, the Company 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:

	30 June 2017	31 December 2016
Within 1 year	2,542,919.55	2,735,874.25
1 to 2 years	5,189,327.21	2,646,407.66
2 to 3 years	6,737,764.82	6,737,764.82
	<b>14,470,011.58</b>	12,120,046.73

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (3) Accounts receivable (continued)

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

	30 June 2017				31 December 2016			
	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	20,489,795.40	18.84%	(1,456,617.80)	7.11%	19,886,606.95	25.65%	(1,456,617.80)	7.32%
- Ageing group	88,287,740.85	81.16%	(2,306,901.58)	2.61%	57,654,395.09	74.35%	(2,306,901.58)	4.00%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	-	-	-	-	-	-	-	-
	108,777,536.25	100.00%	(3,763,519.38)		77,541,002.04	100.00%	(3,763,519.38)	

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

	30 June 2017			31 December 2016		
	Ending balance Amount	Provision for bad debts Amount	Ratio	Ending balance Amount	Provision for bad debts Amount	Ratio
Within 1 year	85,980,839.27	-	-	55,347,493.51	-	-
1 to 2 years	-	-	-	-	-	-
2 to 3 years	-	-	-	-	-	-
3 to 4 years	74,400.20	(74,400.20)	100.00%	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%	2,232,501.38	(2,232,501.38)	100.00%
	88,287,740.85	(2,306,901.58)		57,654,395.09	(2,306,901.58)	

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (3) Accounts receivable (continued)

(d) As at 30 June 2017, the top five accounts receivable are analysed as follows:

	Ending balance	Provision for bad debts	% of total balance
Total amount of the top five accounts receivable	110,721,708.53	(1,155,416.10)	98.38%

(e) There was no provision for bad debts provided in current period. There was no provision for bad debts of accounts receivable collected or reversed in current period.

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

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

(h) As at 30 June 2017 and 31 December 2016, there were no accounts receivable pledged as collateral to obtain short-term borrowings.

### (4) Other receivables

	30 June 2017	31 December 2016
Amount due from subsidiaries (Note)	<b>745,489,083.33</b>	1,035,620,577.27
Amount due from a joint venture	<b>27,157,320.00</b>	45,157,320.00
Deposits for sales guarantee	<b>10,000,000.00</b>	10,000,000.00
Cash advance	<b>892,660.87</b>	980,291.16
Others	<b>1,148,116.08</b>	673,133.21
	<b>784,687,180.28</b>	1,092,431,321.64
Less: provision for bad debts	<b>(6,275.21)</b>	(6,275.21)
	<b>784,680,905.07</b>	1,092,425,046.43

Note: The amount due from Xinjiang Yakesi was RMB590,000,000.00. The amount due from Shaanxi Xinxin was RMB5,489,083.33. The amount due from Zhongxin Mining was RMB150,000,000.00.



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (4) Other receivables (continued)

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

	30 June 2017	31 December 2016
Within 1 year	770,044,029.72	1,077,898,820.83
1 to 2 years	10,884,466.13	10,780,091.59
2 to 3 years	1,167,383.33	1,167,383.33
3 to 4 years	765,000.00	765,000.00
4 to 5 years	1,228,500.00	1,228,500.00
Over 5 years	591,525.89	591,525.89
	<b>784,680,905.07</b>	1,092,431,321.64

As at 30 June 2017, other receivables of RMB12,960,565.16 (31 December 2016: RMB10,475,342.27) were past due. However, based on the analysis of the customers' financial positions and credit records, the Company 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:

	30 June 2017	31 December 2016
Within 1 year	2,534,710.00	-
1 to 2 years	10,220,604.48	10,270,091.59
2 to 3 years	100,000.00	100,000.00
3 to 4 years	-	-
4 to 5 years	30,000.00	30,000.00
Over 5 years	75,250.68	75,250.68
	<b>12,960,565.16</b>	10,475,342.27

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (4) Other receivables (continued)

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

	30 June 2017				31 December 2016			
	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	772,733,795.33	98.48%	-	-	1,080,865,287.27	98.94%	-	-
- Ageing group	11,947,109.74	1.52%	(6,275.21)	0.05%	11,566,034.37	1.06%	(6,275.21)	0.05%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	-	-	-	-	-	-	-	-
	784,680,905.07	100%	(6,275.21)		1,092,431,321.64	100.00%	(6,275.21)	

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

	30 June 2017			31 December 2016		
	Ending balance Amount	Provision for bad debts Amount	Ratio	Ending balance Amount	Provision for bad debts Amount	Ratio
Within 1 year	1,508,512.26	-	-	1,127,436.89	-	-
1 to 2 years	10,227,071.59	-	-	10,227,071.59	-	-
2 to 3 years	100,000.00	-	-	100,000.00	-	-
3 to 4 years	-	-	-	-	-	-
4 to 5 years	30,000.00	-	-	30,000.00	-	-
Over 5 years	81,525.89	(6,275.21)	7.70%	81,525.89	(6,275.21)	7.70%
	11,947,109.74	(6,275.21)		11,566,034.37	(6,275.21)	

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### (4) Other receivables (Continued)

(d) There was no provision for bad debts of other receivables provided, collected or reversed in current period.

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

(f) As at 30 June 2017, the top five other receivables are analysed as follows: :

	Nature	Amount	Ageing	% of total balance	Provision of bad debts
Xinjiang Yakesi	Amount due from subsidiaries	590,000,000.00	within 1 year	75.19%	–
Zhongxin mining	Amount due from subsidiaries	150,000,000.00	within 1 year	19.12%	–
Hexin Mining	Loan	27,157,320.00	within 1 year	3.46%	–
Trafigura Investment (China) Co., Ltd.	Deposit for sales guarantee	10,000,000.00	within 2 years	1.27%	–
Shaanxi Xinxin	Amount due from subsidiaries	5,489,083.33	within 1 year	0.70%	–
		782,646,403.33		99.74%	–

### (5) Advances to suppliers

The ageing of advances to suppliers was analysed as follows:

	30 June 2017		31 December 2016	
	Amount	Ratio	Amount	Ratio
Within 1 year	362,550,865.23	99.17%	94,518,946.32	97.39%
1 to 2 years	618,620.30	0.17%	534,998.00	0.55%
2 to 3 years	402,300.67	0.11%	114,407.32	0.12%
Over 3 years	2,001,142.12	0.55%	1,886,734.80	1.94%
	365,572,928.32	100.00%	97,055,086.44	100.00%

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### (6) Inventories

	30 June 2017			31 December 2016		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	52,727,289.09	(4,336,822.90)	48,390,466.19	54,100,661.45	(4,336,822.90)	49,763,838.55
Work in progress	173,490,129.03	-	173,490,129.03	159,911,895.28	-	159,911,895.28
Semi-finished goods	255,596,356.32	-	255,596,356.32	311,569,268.71	(5,758,172.06)	305,811,096.65
Finished goods	717,319,403.49	(3,391,753.41)	713,927,650.08	496,796,055.52	(3,411,143.12)	493,384,912.40
	<b>1,199,133,177.93</b>	<b>(7,728,576.31)</b>	<b>1,191,404,601.62</b>	1,022,377,880.96	(13,506,138.08)	1,008,871,742.88

### (7) Other current assets

	30 June 2017	31 December 2016
Available-for-sale financial assets	301,850,000.00	333,637,000.00
Deductible VAT	56,817,538.05	39,819,814.19
Prepaid of income tax	10,868,762.83	14,243,818.13
	<b>369,536,300.88</b>	387,700,632.32

### (8) Long-term receivable

	30 June 2017	31 December 2016
Long-term receivable	435,000,000.00	800,000,000.00

As at 30 June 2017, the Company provided 3-year entrusted loans of RMB300,000,000.00 and RMB135,000,000.00 to Xinjiang Yakesi and Beijing Xinding respectively, both with an annual rate of 6.50%.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
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## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### (9) Long-term equity investments

	30 June 2017	31 December 2016
Subsidiaries (a)	<b>2,350,131,420.87</b>	2,350,131,420.87
Joint venture	<b>127,802,098.22</b>	131,835,093.07
	<b>2,477,933,519.09</b>	2,481,966,513.94
Less: provision of long-term equity investments	-	-
	<b>2,477,933,519.09</b>	2,481,966,513.94

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

### (a) Subsidiaries

	Accounting treatment	Initial investment cost	31 December 2016	Current year changes	30 June 2017	Equity interest held	Voting rights held
Mengxi Mining	Cost method	10,200,000.00	10,200,000.00	-	<b>10,200,000.00</b>	51%	51%
Xinjiang Yakesi	Cost method	467,844,415.12	720,171,915.12	-	<b>720,171,915.12</b>	99.51%	99.51%
Hami Jubao	Cost method	75,000,000.00	91,100,349.00	-	<b>91,100,349.00</b>	75%	75%
Zhongxin Mining	Cost method	56,659,156.75	118,659,156.75	-	<b>118,659,156.75</b>	97.58%	97.58%
Kalatongke							
Mining	Cost method	10,000,000.00	1,230,000,000.00	-	<b>1,230,000,000.00</b>	100%	100%
Beijing Xinding	Cost method	100,000,000.00	100,000,000.00	-	<b>100,000,000.00</b>	100%	100%
Shanxi XinXin	Cost method	80,000,000.00	80,000,000.00	-	<b>80,000,000.00</b>	51%	51%
			2,350,131,420.87	-	<b>2,350,131,420.87</b>		

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 15 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 2016	442,781,121.40	423,892,468.52	16,514,256.80	17,705,192.13	900,893,038.85
Additions					
Purchase	-	1,479,977.37	-	124,424.44	1,604,401.81
<b>30 June 2017</b>	<b>442,781,121.40</b>	<b>425,372,445.89</b>	<b>16,514,256.80</b>	<b>17,829,616.57</b>	<b>902,497,440.66</b>
Accumulated depreciation					
31 December 2016	138,536,686.94	227,044,662.28	11,232,107.24	12,304,923.82	389,118,380.28
Accrument	8,547,695.68	14,265,200.04	716,160.46	1,111,203.15	24,640,259.33
<b>30 June 2017</b>	<b>147,084,382.62</b>	<b>241,309,862.32</b>	<b>11,948,267.70</b>	<b>13,416,126.97</b>	<b>413,758,639.61</b>
<b>Net book value</b>					
<b>30 June 2017</b>	<b>295,696,738.78</b>	<b>184,062,583.57</b>	<b>4,565,989.10</b>	<b>4,413,489.60</b>	<b>488,738,801.05</b>
31 December 2016	304,244,434.46	196,847,806.24	5,282,149.56	5,400,268.31	511,774,658.57

For the six months ended 30 June 2017, depreciation expense of fixed assets amounted to RMB24,640,259.33 (the six months ended 30 June 2016: RMB23,912,504.16) in total, of which RMB23,401,342.13 were charged to cost of sales, RMB1,166,883.67 to general and administrative expense, and RMB72,033.53 to selling expense (the six months ended 30 June 2016: RMB22,705,311.28, RMB80,126.46 and RMB1,127,066.42 respectively).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (11) Intangible assets

	Land use rights	Others	Total
Cost			
30 June 2017 and 31 December 2016	55,768,857.90	694,384.72	56,463,242.62
Accumulated amortisations			
31 December 2016	8,875,805.77	228,484.91	9,104,290.68
Additions – Accrue ment	566,674.08	61,504.26	628,178.34
<b>30 June 2017</b>	<b>9,442,479.85</b>	<b>289,989.17</b>	<b>9,732,469.02</b>
<b>Net book value</b>			
<b>30 June 2017</b>	<b>46,326,378.05</b>	<b>404,395.55</b>	<b>46,730,773.60</b>
31 December 2016	46,893,052.13	465,899.81	47,358,951.94

For the six months ended 30 June 2017, the amortisation expense of intangible assets was RMB628,178.34 (the six months ended 30 June 2016: RMB596,511.76).



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (12) Deferred tax assets

	30 June 2017		31 December 2016	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Assets impairment	11,498,370.90	1,724,755.64	17,275,932.67	2,591,389.90
Deductible losses	662,981,473.82	99,447,221.07	671,858,426.56	100,778,763.98
Government grants	1,695,116.00	254,267.40	1,725,782.00	258,867.30
	<b>676,174,960.72</b>	<b>101,426,244.11</b>	690,860,141.23	103,629,021.18
Including				
Deferred tax asset to be recovered within 1 year (including 1 year)		10,044,173.94		10,915,408.10
Deferred tax asset to be recovered after 1 year		91,382,070.17		92,713,613.08
		<b>101,426,244.11</b>		103,629,021.18

### (13) Provision for asset impairment

	31 December 2016	Current year additions	Current year reductions		30 June 2017
			Reversal	Sold	
Provision for bad debts	3,769,794.59	-	-	-	<b>3,769,794.59</b>
Including: Accounts receivable	3,763,519.38	-	-	-	<b>3,763,519.38</b>
Other receivables	6,275.21	-	-	-	<b>6,275.21</b>
Provision for decline in value of inventories	13,506,138.08	-	-	(5,777,561.77)	<b>7,728,576.31</b>
	17,275,932.67	-	-	(5,777,561.77)	<b>11,498,370.90</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (14) Accounts payable

	30 June 2017	31 December 2016
Payable for purchase of materials	63,832,560.83	195,233,527.46
Transportation fee payable	991,830.71	10,135,959.90
Others	638,437.26	2,024,067.14
	<b>65,462,828.80</b>	207,393,554.50

### (15) Advances from customers

	30 June 2017	31 December 2016
Advances for sales of goods	24,253,493.06	23,467,067.55

### (16) Employee benefits payable

	30 June 2017	31 December 2016
Short-term employee benefits payable	20,987,655.18	20,107,634.08
Defined contribution plans payable	571,535.86	6,045.13
	<b>21,559,191.04</b>	20,113,679.21

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (16) Employee benefits payable (continued)

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

	31 December 2016	Current period additions	Current period reductions	30 June 2017
Salaries, bonuses, allowances and subsidies	15,943,410.84	29,669,288.89	(29,031,773.01)	<b>16,580,926.72</b>
Staff welfare	–	659,324.50	(659,324.50)	–
Social insurances	2,176.91	3,244,043.65	(3,246,220.56)	–
Including: Medical insurance	2,176.91	2,765,265.91	(2,767,442.82)	–
Work injury insurance	–	339,788.68	(339,788.68)	–
Maternity insurance	–	137,663.17	(137,663.17)	–
Illness insurance	–	1,325.89	(1,325.89)	–
Housing funds	502,615.00	3,218,071.00	(3,218,071.00)	<b>502,615.00</b>
Labour union fund and employee education fund	3,658,411.33	1,017,334.21	(772,652.08)	<b>3,903,093.46</b>
Others	1,020.00	1,875,142.51	(1,875,142.51)	<b>1,020.00</b>
	20,107,634.08	39,683,204.76	(38,803,183.66)	<b>20,987,655.18</b>

#### (b) Defined contribution plans payable

	31 December 2016	Current period additions	Current period reductions	30 June 2017
Pension insurance	–	5,272,806.08	(4,709,151.27)	<b>563,654.81</b>
Unemployment insurance	6,045.13	221,974.38	(220,138.46)	<b>7,881.05</b>
	6,045.13	5,494,780.46	(4,929,289.73)	<b>571,535.86</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (17) Taxes payable

	30 June 2017	31 December 2016
Value added tax payable	1,057,209.71	2,632,146.34
Individual income tax	106,643.44	71,764.74
Stamp duty	38,987.30	147,904.40
City maintenance and construction tax payable	68,962.75	278,924.38
Educational surcharge payable	49,259.10	199,232.10
Others	-	51.02
<b>Total</b>	<b>1,321,062.30</b>	<b>3,330,022.98</b>

### (18) Interest payable

	30 June 2017	31 December 2016
Interests for bond payable	34,437,076.18	39,060,776.27

### (19) Other payables

	30 June 2017	31 December 2016
Payables for purchases of equipments	29,443,784.85	34,944,519.43
Payables for construction projects	3,110,792.21	1,436,044.00
Deposit for quality guarantee	2,998,819.88	1,228,798.50
Withholding of social security fees	1,144,952.30	1,906,396.06
Payable for professional service	129,749.10	3,361,403.11
Payable to subsidiaries	100,000.00	219,794,242.49
Others	3,317,260.31	3,717,621.66
<b>Total</b>	<b>40,245,358.65</b>	<b>266,389,025.25</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (20) Revenue and cost of sales

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016
Revenue from main operation	<b>412,009,404.37</b>	369,970,303.22
Revenue from other operation	<b>144,980.68</b>	3,806,207.54
	<b>412,154,385.05</b>	373,776,510.76

  

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016
Cost of sales from main operation	<b>368,126,328.46</b>	366,326,548.22
Cost of sales from other operation	<b>12,326.97</b>	3,448,002.57
	<b>368,138,655.43</b>	369,774,550.79

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Revenue from main operation	Cost of sales from main operation	Revenue from main operation	Cost of sales from main operation
Nickel cathode	237,528,012.86	236,871,873.13	196,160,127.15	236,541,308.39
Copper cathode	129,304,796.52	94,848,109.52	149,748,786.72	123,264,787.47
Others	45,176,594.99	36,406,345.81	24,061,389.35	6,520,452.36
	<b>412,009,404.37</b>	<b>368,126,328.46</b>	369,970,303.22	366,326,548.22

#### (b) Revenue and cost of sales from other operation

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Revenue from other operation	Cost of sales from other operation	Revenue from other operation	Cost of sales from other operation
Supply of heating	–	–	3,574,506.70	3,414,451.33
Scrap sales	84,810.08	–	90,861.54	–
Sales of electricity	–	–	43,046.94	18,185.84
Others	60,170.60	12,326.97	97,792.36	15,365.40
	<b>144,980.68</b>	<b>12,326.97</b>	3,806,207.54	3,448,002.57

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (21) Financial expenses – net

	Six months ended 30 June 2017	Six months ended 30 June 2016
Interest expense	44,022,319.07	50,001,666.68
Less: Capitalised interest	–	–
Interest expenses	44,022,319.07	50,001,666.68
Less: Interest income on bank deposits	(33,292,842.62)	(29,497,160.67)
Foreign exchange losses	–	4,930.61
Bank Charges	1,061,201.17	1,966,994.43
	<b>11,790,677.62</b>	22,476,431.05

### (22) Expenses by nature

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

	Six months ended 30 June 2017	Six months ended 30 June 2016
Raw materials and consumables used	467,645,665.63	390,731,476.79
Changes in inventories of work in progress, semi-finished goods and finished goods (Note 15(6))	(178,128,669.33)	(44,884,241.95)
Resell of the Depreciated Inventory	(5,777,561.77)	(60,752,693.86)
Employee benefits	45,177,985.22	46,116,075.69
Depreciation	24,640,259.33	23,912,504.16
Electricity costs	18,563,911.45	19,759,852.63
Other overhead	4,150,029.31	3,663,390.22
Office expenses	987,912.45	1,085,370.49
Taxation	–	2,218,476.23
Sewage charges	3,151,160.05	3,949,226.49
Amortisation	628,178.34	596,511.76
Safety fund	3,735,593.94	1,926,891.30
Others	2,456,193.55	4,508,957.49
	<b>387,230,658.17</b>	392,831,797.44



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

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

### (23) Investment income/(losses)

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016
Income from sales of available financial assets	<b>4,440,836.71</b>	1,621,389.57
Income from long-term investment in long-term equity investment	–	125,936.93
Net loss from a joint venture under equity method (Note 4(9)(a))	<b>(4,032,994.86)</b>	(9,441,545.99)
	<b>407,841.85</b>	(7,694,219.49)

### (24) Income tax expenses

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016
Current income tax	–	–
Deferred income tax	<b>2,202,777.07</b>	752,468.73
	<b>2,202,777.07</b>	752,468.73

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 are listed as follows:

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016
Total profit/(loss)	<b>10,652,185.63</b>	(4,425,030.66)
Income tax expenses calculated at applicable tax rate of 25%	<b>2,663,046.41</b>	(1,106,257.67)
Effect of tax deductions	<b>(1,065,218.56)</b>	442,485.07
Expenses not deductible for tax purposes	<b>604,949.22</b>	9.43
Deductible temporary differences for which no deferred tax assets were recognised	–	1,416,231.90
	<b>2,202,777.07</b>	752,468.73

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017  
(All amounts in RMB Yuan unless otherwise stated)

## 16 NET CURRENT ASSETS

	<b>The Group</b>	
	<b>30 June 2017</b>	31 December 2016
Current assets	<b>2,625,064,627.25</b>	2,600,077,086.12
Less: current liabilities	<b>(2,131,534,602.24)</b>	(2,006,591,959.41)
Net current assets	<b>493,530,025.01</b>	593,485,126.71

	<b>The Company</b>	
	<b>30 June 2017</b>	31 December 2016
Current assets	<b>3,101,462,026.51</b>	2,911,847,074.98
Less: current liabilities	<b>(959,279,010.03)</b>	(1,152,954,125.76)
Net current assets	<b>2,142,183,016.48</b>	1,758,892,949.22

## 17 TOTAL ASSETS LESS CURRENT LIABILITIES

	<b>The Group</b>	
	<b>30 June 2017</b>	31 December 2016
Total assets	<b>8,084,332,992.20</b>	8,088,283,081.47
Less: current liabilities	<b>(2,131,534,602.24)</b>	(2,006,591,959.41)
Total assets less current liabilities	<b>5,952,798,389.96</b>	6,081,691,122.06

	<b>The Company</b>	
	<b>30 June 2017</b>	31 December 2016
Total assets	<b>6,728,385,040.00</b>	6,912,312,692.19
Less: current liabilities	<b>(959,279,010.03)</b>	(1,152,954,125.76)
Total assets less current liabilities	<b>5,769,106,029.97</b>	5,759,358,566.43

# SUPPLEMENTARY INFORMATION FOR FINANCIAL STATEMENTS

(All amount in RMB Yuan unless otherwise stated)

## 1 EXTRAORDINARY GAINS OR LOSSES

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016
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	<b>6,879,655.19</b>	3,562,203.29
Government grants through profit or loss	<b>963,623.52</b>	1,986,428.71
Gains/(losses) on disposal of non-current assets	<b>89,485.96</b>	(17,730.05)
Other operating revenues and expenses	<b>(800,313.32)</b>	(15,491.03)
	<b>7,132,451.35</b>	63,470,906.09
Income tax	<b>(7,400.10)</b>	–
Non-controlling interest impact (after tax)	<b>9,017.19</b>	(15,363.40)
	<b>7,134,068.38</b>	63,455,542.69

### 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.

# SUPPLEMENTARY INFORMATION FOR FINANCIAL STATEMENTS

(All amount in RMB Yuan unless otherwise stated)

## 2 LOSS ON NET ASSETS AND LOSS PER SHARE

	Weighted average Loss per share on net assets (%)		Loss per share			
			basic Loss per share		Diluted Loss per share	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Net loss attributable to ordinary shareholders of the Company	<b>(1.46%)</b>	(1.95%)	<b>(0.029)</b>	(0.041)	<b>(0.029)</b>	(0.041)
Net loss attributable to ordinary shareholders excluding extraordinary items	<b>(1.47%)</b>	(3.33%)	<b>(0.029)</b>	(0.070)	<b>(0.029)</b>	(0.070)



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