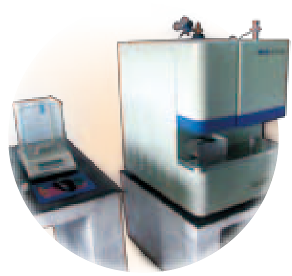
中國有色金屬有限公司*
China Nonferrous Metals Company Limited

(Incorporated in Bermuda with limited liability)

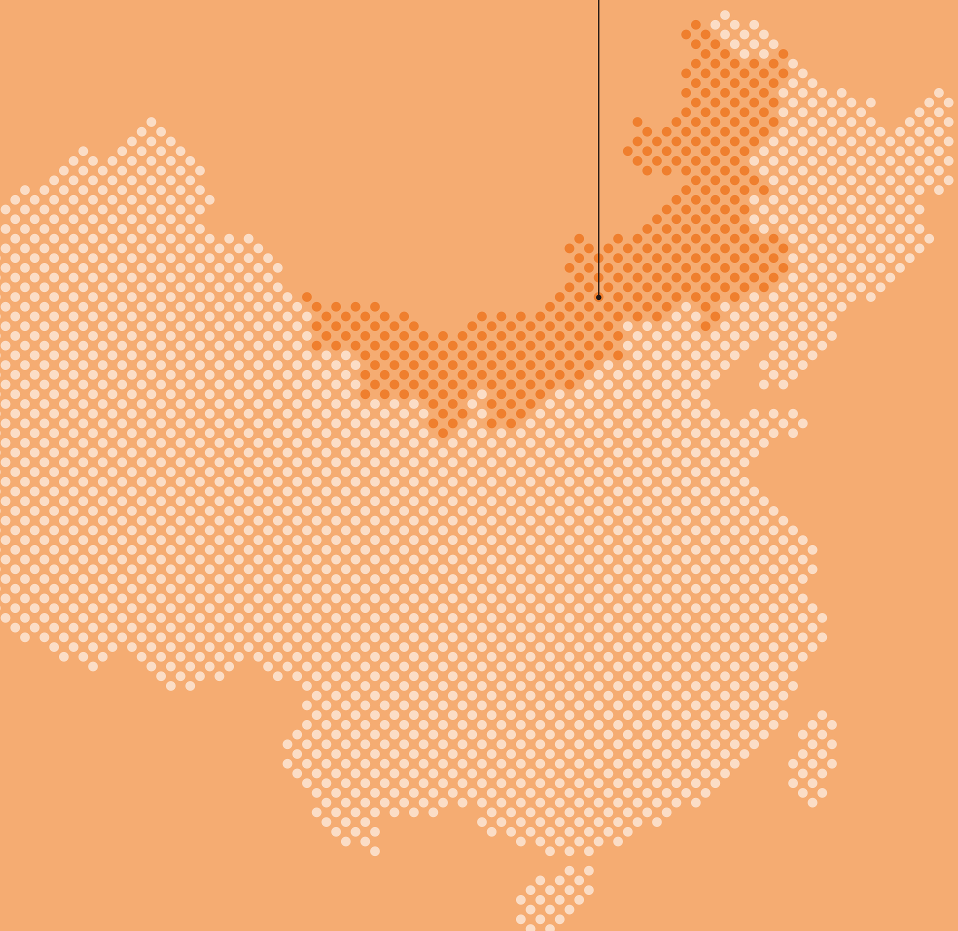
Stock Code: 8306

ANNUAL REPORT 2011



* for identification only

LOCATION OF THE GROUP'S MINE



PROJECT ACQUIRED –

Bameng Wulate Zhong Qi Jiashengpan Zinc, Lead and Pyrite Resources Exploitation Company Limited ("Jiashengpan"), Inner Mongolia

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of China Nonferrous Metals Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. MEI Ping
Ms. XIE Yi Ping
Dr. YU Heng Xiang
Mr. NG Tang
Mr. XU Bing
Mr. KANG Hongbo
Ms. HAN Qiong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU Yaosheng
Mr. CHAN Siu Lun
Mr. CHEN Mingxian

COMPLIANCE OFFICER

Mr. Mei Ping

COMPANY SECRETARY

Mr. LI Chi Chung, Michael

AUDIT COMMITTEE

Mr. CHAN Siu Lun
Mr. LIU Yaosheng
Mr. CHEN Mingxian

REMUNERATION COMMITTEE

Mr. LIU Yaosheng
Ms. XIE Yi Ping
Mr. CHAN Siu Lun

NOMINATION COMMITTEE

Mr. LIU Yaosheng
Mr. Mei Ping
Mr. CHAN Siu Lun

AUTHORISED REPRESENTATIVES

Mr. Kang Hongbo
Mr. Li Chi Chung, Michael

STOCK CODE

8306

LISTED WARRANT

8343

COMPANY WEBSITE

www.cnm.com.hk

LEGAL ADVISERS

Michael Li & Co.

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank
Standard Chartered Bank

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 1704-05
17/F, Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong

FINANCIAL HIGHLIGHTS

	2011	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(represented)	(represented)
Revenue					
– Continuing operations	**526,577**	492,063	269,045	77,612	–
– Discontinued operation	**–**	7,079	117,229	142,159	144,759
	526,577	499,142	386,274	219,771	144,759
Gross profit					
– Continuing operations	**60,785**	111,113	100,073	6,209	–
– Discontinued operation	**–**	1,257	27,603	36,271	48,886
	60,785	112,370	127,676	42,480	48,886
Profit/(loss) attributable to owners of the Company					
– Continuing operations	**27,671**	61,527	60,268	2,675	–
– Discontinued operation	**–**	9,505	(1,965)	5,961	10,067
Profit for the year	**27,671**	71,032	58,303	8,636	10,067
Equity attributable to owners of the Company	**1,085,053**	1,046,950	663,814	545,536	116,356
Total assets	**2,080,121**	2,253,596	2,142,516	1,938,099	265,820
Total liabilities	**902,415**	903,180	1,130,636	1,040,874	101,243

	2011	2010	2009	2008	2007
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(represented)	(represented)
Earnings per share (cents)					
Basic					
– For profit from continuing and discontinued operations	**0.55**	1.81	2.13	0.37	0.50
– For profit from continuing operations	**0.55**	1.57	2.20	0.12	–
Diluted					
– For profit from continuing and discontinued operations	**N/A**	1.64	1.64	0.35	N/A
– For profit from continuing operations	**N/A**	1.49	1.67	0.11	N/A

MILESTONE

TARGET

To become a leading company to explore and produce quality zinc, lead concentrates and other minerals and precious metals in China

2011

April	Completion of acquisition of 15% equity interest in Jiashengpan

2010

November	Mr. Mei Ping was appointed as an executive Director, general manager and chairman of the Group
March	Disposal of 100% of the equity interest in the fertilizer business

2009

October	Conditional acquisition of 奈曼旗烜大礦業有限公司, a company with a zinc-lead Mine in Naimanqi, Tongliao City, Inner Mongolia for a consideration of RMB82.5 million
Mid year	Completion of the increased production capacity to 1.02 million tonnes per annum by the addition of a 600,000 tonnes per annum concentrator in Jiashengpan

2008

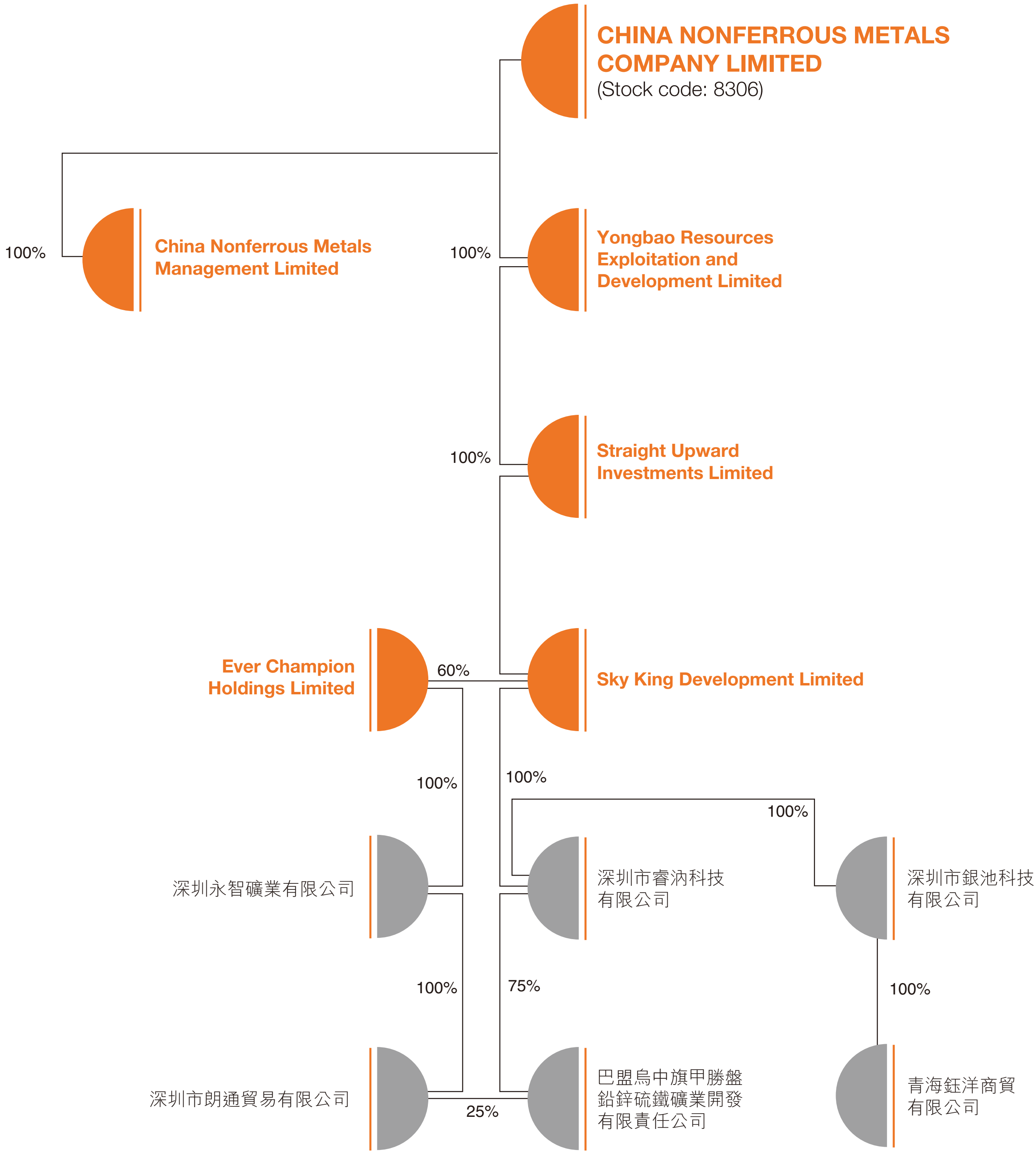
September	1. Acquired Qinghai Yuyang Trading Limited, a company principally engaged in trading of non-ferrous and precious metals with main focus in zinc and lead 2. The Company name changed to China Nonferrous Metals Company Limited to better reflect the change in business focus
August	Conditional acquisition of Chifeng City Gujingdong Kuangye Limited Corporation (赤峰市古金洞礦業有限責任公司), a company with a lead and zinc mine situated in Inner Mongolia for a consideration of HK$50 million
July	Shift in business focus to metal mining by the acquisition of Wulatezhong Qi, Inner Mongolia (Bameng Wuzhong Qi Jiashengpan Zinc, Lead and Pyrite Resources Exploitation Company Limited ("Jiashengpan"), thus the Group commenced the non-ferrous metals mining business

2005

February	Listed on GEM of the Stock Exchange (Stock code#8306) Engaged in manufacturing, sale and distribution of a series of fertilizers under the brand name of "Fuwanjia"

GROUP STRUCTURE

The Group Structure with major subsidiaries as at 31 December 2011 is as follows:



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board (the "Board") of Directors (the "Directors") of China Nonferrous Metals Company Limited (the "Company"), I hereby present the operating results of the Company and its subsidiaries (collectively referred to the "Group") for the year ended 31 December 2011 as follows:

PRC NON-FERROUS MARKET REVIEW

With the gradual spreading of the European debt crisis and the uncertainties surrounding the US economy, the global economy had been weaker than expected. Financial markets around the world and most industrial sectors including non-ferrous markets had been adversely affected in the second half of 2011. Extracted from Shanghai Metals Exchange Markets website, prices of zinc and lead in 2011 remained volatile. Price of zinc dropped by 3% to RMB16,832 per tonne while lead rose by 1% to RMB16,328 per tonne when compared with the average prices of zinc and lead in 2010.

According to an article issued by Ministry of Industry and Information Technology of the People's Republic of China (the "PRC"), the 2011 national output of 10 nonferrous metals, which included copper, aluminum, lead, zinc, nickel, tin, antimony, magnesium, titanium and mercury, rose to approximately 34.4 million tons, representing an increase of approximately 10% from previous year. Among these 10 nonferrous metals, the metal output of lead climbed approximately 10.7% to 4.7 million tons whilst zinc rose slightly by approximately 1.1% to 5.2 million ton from previous year. In addition, the capital investment in fixed assets of the Industry (excluding the contribution from the gold sector) totaled RMB477.4 billion, representing an increase of 34.6% from previous year.

Although non-ferrous metals prices remained volatile in 2011, zinc and lead prices have witnessed a rebound by approximately 5%-8% from late December 2011 to early February 2012. With the continuous increase in capital investment in China's non-ferrous industry, nonferrous metals industry in China is expected to sustain a healthy development going forward.

FINANCIAL REVIEW

For the year ended 31 December 2011, turnover of the Group grew by approximately 7.0 % to approximately RMB 526.6 million (2010: approximately RMB492 million). The increase was mainly attributed to the additional sales volume generated from the Group's non-ferrous metals trading business. However, gross profit has dropped to approximately RMB60.8 million (2010: approximately RMB111.1 million) representing a fall of 45.3% when compared with the year end 31 December 2010. The reduction in gross profit was partly attributable to the fall in mining revenue and increase in the unit production cost. The fall in gross profit was also due partly to the cessation of indent trading in 2011 which carried a 100% gross profit margin in 2010.

CHAIRMAN'S STATEMENT

During 2011, operating environment has been particularly challenging as competition within the non-ferrous metal industry has been escalating. The Group's zinc and lead average selling prices were negatively affected by the increased competition and consequently average prices fell by approximately 5-6% compared with last year. In addition, the processing of low grade ore had a detrimental effect on unit of production cost which further reduced the gross profit for the year. Overall, the year 2011 has been disappointing, however, the Group has taken positive steps to ensure sustainable growth in the Group's core business can be achieved by (1) planning to expand the current production facilities to approximately 1.6 million tonnes per annum; (2) appointing technical experts and advisers with a view to improve mining technologies and methodologies for the identification of high grade ores for extraction in 2012 and beyond.

MAJOR ACHIEVEMENT IN 2011

The Group has acquired 15% indirect equity interest in its mining subsidiary with mine site located at Jiashengpan, Inner Mongolia, the PRC. Following the acquisition, the Group's effective beneficial shareholding of the mining subsidiary has increased from 75% to 90% during the year.

PROSPECT

Continuous improvement on mining technologies and methodologies has been made by the Group to ensure that sustainable growth can be attained. Professional mining experts have been consulted to obtain the latest mining and processing technologies in the upgrading of our production facilities which will increase production efficiency as well as reducing unit cost of production. An additional production facility is also planned and if completed as scheduled, the production capability will be substantially increased. The additional production capacity will lead to higher revenue and profit for the Group in the future.

With the continuing economic growth; accelerated industrialization and urbanization being taken place in the PRC, natural resources are expected to be in short supply. The Group will take advantage of the continuous development in the PRC and to capitalize on the increased demand by producing low-cost quality products to meet China's needs for non-ferrous metals. We are confident that the success of the Group will be driven by the relentless efforts made by its management to improve on profitability without compromising on health and safety as well as environmental issues.

Finally, I would like to take this opportunity to express my gratitude to the Directors, management and our staff for their contributions made to the development of the Group. At the same time, I would like to express my appreciation to shareholders for their continued support. In return for your support, we are fully committed to do our best to bring better returns to our shareholders in the future.

Mei Ping
Chairman

23 March 2012

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Mei Ping, aged 52, is the chairman of the Board, executive Director, and general manager of the Company. Mr. Mei graduated with a Bachelor's Degree in optical physics from Changchun Institute of Optics and Fine Mechanics, the PRC, in 1983. Mr. Mei also obtained a Master's Degree in automation from Beijing Aeronautical and Astronautical Institute, the PRC, in 1989. After graduation, Mr. Mei worked for the Ministry of Aviation Industry of the PRC with main research focused on metal fatigues in airplanes and ship fire controls. Thereafter, Mr. Mei worked in Ministry of Coal Industry of the PRC, and was primarily responsible for gas locking system for ventilation and power supply. Until 1993, Mr. Mei had worked in 13 different Mining Bureaus in the PRC including but not limited to Datong, Pingdingshan, and Huanan and was mainly responsible for the ventilation and safety management controls in mines. Mr. Mei also worked for Intel (China) Co. Ltd. during 1993 to 1995 and was responsible for the application of computer operating systems. Between 1995 and 2009, Mr. Mei worked as a ventilation and safety engineer for the Jinhuagong Coal Mine of Datong Mining Bureau; the general manager of Beijing Aotianshengye Trading Company Limited whose principal business is zinc and lead trading as well as being a manager for research in zinc lead pyrite processing techniques.

Ms. Xie Yi Ping, aged 49, is an accountant in the PRC. Ms. Xie had more than 20 years of experience working in finance departments of several companies before she joined the Group. Ms. Xie graduated from Shanxi University of Finance and Economics with a Bachelor's Degree in accounting in 1997. Ms. Xie is currently an executive director of Sino Union Energy Investment Group Limited (Stock Code: 346), the shares of which are listed on the main board of the Stock Exchange.

Dr. Yu Heng Xiang, aged 43, is a professor in Department of Resources and Environmental Engineering in Guilin University of Technology. He holds a Bachelor's degree in Geology, specializing in Exploration Geochemistry and a Master's Degree in Geology, specializing in Mining Exploration and Survey from Guilin University of Technology and a doctorate in Geology, specializing in Structural Geology from Changsha Institute of Geotectonics, Chinese Academy of Sciences. Dr. Yu joined the Group in April 2008.

Mr. Ng Tang, aged 50, is currently an independent non-executive director of Sino Union Energy Investment Group Limited, the shares of which are listed on the Main Board (Stock code: 346). He is also an executive director of the China Best Group Holding Limited (Stock code: 370), the shares of which are listed on the main board, from November 2001 to June 2011. Mr. Ng has over 15 years' experience in corporate management both in Hong Kong and the PRC. He graduated form East China University of Polities and Law Department. Mr. Ng joined the Group in February 2005.

Mr. Xu Bing, aged 43, graduated from Peking University with an Executive Master of Business Administration and from Beijing University of Aeronautics and Astronautics with a Bachelor's Degree in mechanical engineering. Mr. Xu has extensive experience in the chemical and metal industry. He worked for Yinli Chemical and Metallurgical (Group) Co. Ltd., a company principally engaged in business of zinc smelting for over ten years. Prior to joining the Company, he was a director and general manager of Hong Kong Metals and Mines Limited. Mr. Xu joined the Group in September 2008.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Kang Hongbo, aged 39, graduated with a Bachelor's Degree in investment management from Zhongnan University of Finance and Economics, and a Master's Degree in finance from Nankai University, the PRC. Mr. Kang is a seasoned banker who began his banking career in China Construction Bank Shenzhen Branch in 1995. He was appointed as sub-branch manager in 2001. During the period, Mr. Kang was mainly responsible for credit analysis and management and business operation. From 2005 to 2008, Mr. Kang worked at the Shenzhen Development Bank where he was a sub-branch manager and director of personal finance of Shenzhen Branch. In 2008, Mr. Kang joined Shenzhen First Create Investment Limited, a company whose majority shareholding is owned by Mr. Mei Wei, a substantial shareholder of the Company. Mr. Kang is currently Vice President of Shenzhen First Create Investment Limited. He joined the Group in June 2009.

Ms. Han Qiong, aged 32, graduated with a Bachelor's Degree in financial management from Peking University, Beijing, the PRC in 2002. Ms. Han started her career in an accounting firm in China, in which she obtained substantial experience in the field of auditing. Ms. Han is currently a certified public accountant (practicing) and a certified tax agent (practicing) in China. Before joining the Company as an executive Director, Ms. Han was the finance manager of Shenzhen First Create Investment Limited, a company whose majority shareholding is owned by Mr. Mei Wei, a substantial shareholder of the Company. Ms. Han joined the Group in July 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Siu Lun, aged 32, graduated from University of Queensland, Australia, with Bachelor of Commerce and Bachelor of Business (Management). Mr. Chan is currently a member of CPA Australia and Hong Kong Institute of Certified Public Accountants. He is currently a director of a business consultancy firm in Hong Kong and had worked as an auditor with an international accounting firm in prior. Mr. Chan has over 10 years of experience in business consultancy and financial audit. During the years of professional service, Mr. Chan has involved himself in serving clients from various industries including manufacturing, retailing and natural resources etc. Mr. Chan has been appointed as an independent non-executive Director since July 2011.

Mr. Chen Mingxian, aged 44, obtained a Master's Degree in Business Administration from Guanghua School of Management of Peking University, the PRC. Mr. Chen is experienced in the finance and securities sector where he began his career in the credit loans division in Industrial and Commercial Bank of China, Guangdong Branch since July 1988. He is currently the general manager of Shenzhen Minghua Xinde Investment Management Co., Ltd. Mr. Chen has been appointed as an independent non-executive Director since September 2009.

Mr. Liu Yaosheng, aged 38, graduated with a Bachelor's Degree in computer information systems from Windsor University, Canada in 1999. Mr. Liu also obtained a Master's Degree in Business Administration from Wilfrid Laurier University, Waterloo, Ontario, Canada in 2004. Mr. Liu started his career as a fund manager in Investors Group, Canada starting from 2000. Currently, Mr. Liu is the research director of Cypress House Asset Management Company Limited in Hong Kong. Mr. Liu is an experienced fund manager with global investment experience. He is familiar with Hong Kong investment environment and has broad connection with the investment banking industry.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Tsang Chung Sing, Edward, aged 57, is the director of business development of the Company. He holds a Bachelor's Degree in Commerce and a Master's Degree in Business Accounting. Mr. Tsang is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Prior to joining the Group in November 2007. Mr. Tsang had held senior positions in a number of Hong Kong listed companies.

Ms. Liu Yaling, Irene, aged 39, is the Financial Controller of the Group. Ms. Liu graduated from the Ocean University of Qingdao with a Bachelor's Degree in Ecology and a Master's Degree in Accounting from California State University, LA, USA. Ms. Liu is a member of the Chinese Institute of Certified Public Accountants. Prior to joining the Group in November 2009, Ms. Liu was a manager of KPMG, Shenzhen, China.

MANAGEMENT TEAM

Mr. Mei Ping, He holds several positions of the Company including, chairman of the Board, executive Director and general manager. He graduated with a master degree in 1989. He is the elder brother of Mr. Mei Wei, who is a substantial shareholder of the Company.

Mr. Mei Wei, aged 48, is the general manager of the mining division. Mr. Mei graduated from Beijing University in 1988 with a Bachelor's Degree in Bio Engineering. After graduation, he worked at the Beijing Biological Immunization Pharmaceutical Centre as an engineer before working in Qinghai Bodi International Limited, a zinc and lead trading company in 1993, as General Manager. He began to involve in the international trading of zinc and lead in 1998. He also received training from Standard Bank of London for futures trading in the London Metal Exchange (LME). Shenzhen City First Create Investment Company Limited, a company that he formed in Shenzhen, the PRC in 2002 began to invest in zinc and lead mines in the PRC. Mr. Mei joined the Group in July 2008.

Dr. Yu Heng Xiang, Dr. Yu is a professor in Department of Resources and Environmental Engineering in Guilin University of Technology. He holds a Bachelor's degree in Geology, specializing in Exploration Geochemistry and a master degree in Geology, specializing in Mining Exploration and Survey from Guilin University of Technology and a doctorate degree in Geology, specializing in Structural Geology from Changsha Institute of Geotectonics, Chinese Academy of Sciences.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

THE SUBSIDIARIES' LEVEL

Mr. Yang Wenjiang (楊文江), *("Mr. Yang") general manager of Jiashengpan*
Mr. Yang, aged 42, joined Jiashengpan in March 2007. Prior to joining Jiashengpan, Mr. Yang worked at Henan Yugang Gold and Lead Group Co., Ltd. (河南豫光金鉛集團有限責任公司#) ("**Henan Yuguang**"), which has one of the largest smelting and processing plant in the PRC and the shares of which is listed on the Shanghai Stock Exchange since July 2002 (stock code: 600531), from July 1988 to November 2003, where he was mainly responsible for procurement of raw materials. Between December 2003 and March 2007, Mr. Yang joined Inner Mongolia Dongshengmiao Mining Company Limited (內蒙古東升廟礦業有限責任公司#) as the deputy general manager responsible for procurement of raw materials and sales of products.

In March 2007, Mr. Yang was appointed as the general manager of Jiashengpan where he is responsible for overseeing the entire mining operation. Mr. Yang was elected the chairman of Jiashengpan in May 2008. In addition to overseeing the entire mining operations, Mr. Yang successfully led the expansion of Jiashengpan's ore processing plant which currently has an annual ore processing capacity of 600,000 tonnes.

Mr. Liu Zemin (劉澤民), *chief engineer of Jiashengpan*
Mr. Liu Zemin, aged 47, joined Jiashengpan in February 2004. He is qualified as a geological engineer and has over 23 years of experience in geology, mining, exploration and surveying. Prior to joining Jiashengpan, Mr. Liu Zemin was the head of production at Inner Mongolia Tanyaokou Sulphur and Iron Mine (內蒙古炭窑口硫鐵礦#), the largest sulphuric iron ore mine in the northern region of PRC between 1996 and 1998. His key responsibilities included monitoring mining activities, devising mining plans as well as supervision of construction of mining facilities in various phases of a mining project with a daily production capacity of approximately 500 tonnes.

Since April 2004, Mr. Liu Zemin was appointed as the chief engineer of Jiashengpan, where he has been responsible for production and safety issues. In addition, Mr. Liu was also involved in planning the expansion of Jiashengpan's ore processing plant, and conducted survey on Jiashengpan's ore reserve and its recoverability.

Mr. Liu Zemin graduated from Lianyungang School of Chemistry and Mining, Jiangsu Province (江蘇連雲港化學礦業學校) in 1986, majoring in geology.

Mr. Jin Yuanliang (晉元良), *("Mr. Jin") vice president of Jiashengpan – sales, procurement and storage*
Mr. Jin, aged 39, joined Jiashengpan in March 2004. Prior to joining Jiashengpan, Mr. Jin was the head of accounting department of a principal subsidiary of Henan Yuguang from July 1994 to October 2000, where he was responsible for finance and accounting. He also participated in the listing exercise of Henan Yuguang where he was involved in the valuation of the assets of Henan Yuguang prior to its listing.

From October 2000 to March 2004, Mr. Jin became the procurement officer for a principal subsidiary of Henan Yugang and was responsible for procurement of lead from the north-western region of PRC. In March 2004, Mr. Jin joined Jiashengpan as a vice president and was responsible for procurement of raw materials and sales of products. In addition to these duties, Mr. Jin was also involved in the expansion of Jiashengpan ore processing plant as well as the company's cost saving exercise.

Mr. Jin obtained a degree from Zhengzhou University in June 2007 majoring in administrative management. Mr. Jin is qualified as an economist in the PRC.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Jian (李健), *("Mr. Li") executive director of Jiashengpan*

Mr. Li, aged 39, joined Jiashengpan in March 2004. Prior to joining Jiashengpan, Mr. Li worked at Henan Yuguang, where he was mainly responsible for cost accounting and budgeting and was involved in the reorganization and listing exercise of Henan Yuguang on the Shanghai Stock Exchange in 2002. While he was working at Henan Yuguang, he assisted the company in formulating and implementing budgeting policies and procedures.

Mr. Li was appointed as the financial controller of Jiashengpan in March 2004 and is responsible for overseeing the finance and accounting function. In addition to these responsibilities, he was in charge of reviewing the corporate policies and administration procedures as well as planning the upgrade of the management system of Jiashengpan. Mr. Li was appointed as an executive director of Jiashengpan in 2009.

Mr. Li graduated from Jiaozuo School of Finance and Accounting of Henan Province (河南省焦作財會學校) and is qualified as an accountant in PRC.

Mr. Bai Manxiong (白滿雄), *("Mr. Bai") plant manager of Jiashengpan – processing plant*

Mr. Bai, aged 43, joined Jiashengpan in June 2008 and he is responsible for supervising the expansion of Jiashengpan's processing plant to an annual capacity of 600,000 tonnes, and was appointed as the vice plant manager of this processing plant upon its completion. Mr. Bai has over 10 years of experience in mine processing. Prior to joining Jiashengpan, Mr. Bai held various positions at the production department of a charcoal processing plant in Inner Mongolia between 1989 and 2003 and was also involved in the supervision of the processing plant's expansion of its annual production capacity from 400,000 tonnes to 800,000 tonnes. In April 2005, Mr. Bai joined as production director in Wuhou Qi Shuangli Iron Ore Mine (烏後旗雙利鐵礦#), which had an aggregate annual production capacity of 100,000 tonnes, and he was responsible for the planning and organization of the mine's production activities.

Mr. Bai graduated from Hubei Chemical Mining Technical School (湖北化學礦山技術學校) in 1989 and is qualified as an engineer in PRC.

Mr. Zhang Zhi (張智), *("Mr. Zhang") chief engineer of Jiashengpan – mine processing*

Mr. Zhang, aged 39, joined Jiashengpan in April 2009. Between 1994 and 2005, Mr. Zhang worked at Inner Mongolia Dongshengmiao Mining Company Limited (內蒙古東升廟礦業有限責任公司#) and its predecessor and had held various positions, including production supervisor, head of production technology and deputy plant manager. In addition to providing supervision on production technology, Mr. Zhang was also involved in the expansion of the processing plant of Inner Mongolia Dongshengmiao Mining Company Limited. He also provided staff training and assisted the company in improving its production process.

Between April 2005 and July 2007, Mr. Zhang joined Inner Mongolia Yufeng Mining Group Company (內蒙古玉峰礦業集團公司#) and had held various senior positions including the company's chief of production technology, plant manager of the company's Baiyin Wula Processing Plant (白音烏拉選廠#), chief engineer of mine processing and chief of production technology. During his tenure at Inner Mongolia Yufeng Mining Group Company, Mr. Zhang was responsible for the technology and management of its 7 plants. He was also responsible for processing different types of metals, including lead, zinc, copper and nickel.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Between April 2007 and April 2009, Mr. Zhang was appointed as the chief engineer of mine processing by Inner Mongolia Yuan Xin Nickel Co., Ltd. (內蒙古遠鑫鎳業有限公司#) where he assisted the company in modifying and improving its production process as well as designing and constructing an iron ore processing plant with an annual production capacity of 500,000 tonnes.

Since April 2009, Mr. Zhang joined Jiashengpan as the chief engineer of mine processing.

Mr. Zhang graduated in 1994 from Wuhan Industrial University (武漢工業大學#), majoring in mineral processing engineering. He is qualified as a mineral processing engineer in PRC.

Mr. Liu Xianjun (劉獻鈞), *director of Shenzhen City RuiRui Technology Co., Ltd. (Metal trading and trade finance), Sky King Development Limited and Jiashengpan*
Mr Liu Xianjun, aged 38, joined Shenzhen City Ruirui Technology Company Limited in March 2006. Mr. Liu graduated from Remin University of China majoring in Enterprise Management. From 1997 to 2000, he worked in Shenzhen City Mingdu Industrial Co., Ltd. (深圳市名都實業股份有限公司#) and was responsible for overseeing the financial functions of the company. From 2001 to 2004, he worked in an iron and steel metal company where he was responsible for sales and marketing. Mr. Liu Xianjun has about ten years' experience in the metal industry and is primarily engaged in commodity trading and related financing. Mr. Liu Xianjun is a seasoned commodity trader and his experience in the metal trading and trade finance industry has given him wide recognition in this field, both locally and abroad. With this recognition, he has been able to establish strong and long standing relationship with many of his trade counterparts as well as international trade finance banking institutions. He was appointed as an executive director of Jiashengpan in July 2010.

Mr. Zhao Mingjun (趙明軍), *("Mr. Zhao") Financial controller of Jiashengpan*
Mr. Zhao, aged 38, joined Jiashengpan in October 2006. Between 1994 and 2006, he worked for Henan Yuguang where he held various positions in the finance department, social affairs department and the finance division of the property department. He was also responsible for cost accounting and preparing the budget for the company. He also assisted in the listing exercise of Henan Yuguang on the Shanghai Stock Exchange in 2002.

The English transliteration of the Chinese name in this report, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Completion of the acquisition of a 15% indirect equity interest in Bameng Wuzhong Qi Jiashengpan Zinc, Lead and Pyrite Resources Exploitation Company Limited ("Jiashengpan"), a principal subsidiary of the Company, took place on 29 April 2011. Jiashengpan is principally engaged in the exploration and exploitation of the mineral resources extracted from the mine consisting of zinc, lead and sulphur. Since then, the Group's beneficial shareholding in Jiashengpan has increased from 75% to 90%.

PRC NONFERROUS METAL MARKET INDUSTRY REVIEW

Introduction to Lead and Zinc

Lead is a very corrosion-resistant, dense, ductile and malleable blue-gray metal that has been used for at least 5,000 years. Approximately 80% of the lead produced globally is used for making lead-acid batteries, which can be found in motor vehicles and in emergency systems.

Zinc is a bluish-white, lustrous, diamagnetic metal. Approximately 55% of the zinc produced globally is used for making galvanizing steel.

Reserve, production and consumption in China

China has ranked among the second largest of the world's lead and zinc reserve whereas Australia is the largest in 2010 according to the data from United States Geological Survey.

Driven by steady and rapid economic development, demand for zinc and lead increases significantly and China becomes the single largest zinc and lead consumption country in the world for almost 10 years according to International Lead and Zinc Study Group ("ILZSG"). However, its output on non-ferrous resources cannot meet its demand and thus China has to import from other countries such as Peru and Australia. China is also the world's largest importers of zinc and lead concentrates in recent years. To reduce these imbalance situations, China plans to raise its self-sufficiency in non-ferrous metals by stepping up domestic exploration and overseas acquisitions during the 12th Five-Year Plan.

Central Government measures to stimulate the non-ferrous metals industry

With the initiative from the Central Government to provide greater involvement of non-ferrous metal development, according to the overall guideline for the non-ferrous metal industrial development during "The 12th Five-Year Plan" period (2011-2015), the PRC government would regulate the production level and the combined output of 10 non-ferrous metals, which included copper, aluminum, lead and zinc, would be limited to approximately 46 million tonnes by 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

To cope with the targets set in the Nonferrous Metal Industry Promotion Planning 《有色金屬產業調整和振興規劃》 announced in May 2009, the sector would focus on meeting domestic market demand. Meanwhile, it would make best use of resources both domestic and abroad, vigorously develop a circular economy, control blind expansion of smelting capacity, eliminate backward production capacity and increase independent innovation, so as to promote industrial restructuring and upgrading. China Nonferrous Metals Industry Association predicted the apparent consumption of the 4 basic non-ferrous metals would likely to exceed approximately 43.8 million tons in 2015, of which approximately 8.3 million tons, approximately 24 million tons, approximately 5 million tons and approximately 6.5 million tons are copper, aluminum, lead and zinc respectively. Thus, emphasis would also be given to the control of extra smelting capacity development. In addition to output limit, the non-ferrous metal sector would vigorously enhance the additional value of products and develop the downstream processing industry.

PRC non-ferrous metals development in 2011

According to the articles issued by Ministry of Industry and Information Technology and China Nonferrous Metals Industry Association of the PRC, total capital investments in non-ferrous metals industry in the PRC had increased by approximately 34.6% up to approximately RMB477.3 billion from 2010 to 2011. Capital investments in non-ferrous industry of 2011 accounted for 1.58% of the overall capital investments in the PRC, increased by approximately 10.84% compared with other industries in the PRC. Given the substantial increase in the investment in non-ferrous metal industry, the output of 10 non-ferrous metals, including zinc and lead, rose approximately 9.82% to approximately 34.4 million tonnes for 2011 in the PRC. The output of lead climbed approximately 10.68% to 4.6 million tonnes and zinc rose approximately 1.12% to 5.2 million tonnes. Profitability in the PRC non-ferrous industry had reached approximately RMB186.9 billion, increased by approximately 55.5%.

With the gradual spreading of the European debt crisis and the uncertainties surrounding the US economy, the global economy had been weaker than expected. These incidents caused adverse consequences in the financial markets around the world and impacted on most industrial sectors including non-ferrous markets mainly in the second half of 2011 and the followings have been observed:

– Prices of zinc and lead remained volatile: prices of zinc dropped by 3% to RMB16,832 per tonne while that of lead rose by 1% to RMB16,328 per tonne while compared with the average prices in the year 2010.

– 2011 national output of 10 non-ferrous metals including zinc and lead rose to 34.4 million tons, representing an increase of approximately 9.82% from last year, but non-ferrous metal output growth decelerated by approximately 10.6% from 2010.

– Excess supply found in zinc and lead global market: incremental production supply surplus can be witnessed in zinc and lead by approximately 95,000 tonnes and 157,000 tonnes respectively while compared with the year 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite of on-going complex global economic issues including the spread of European sovereign debt crisis, the emerging developing countries, increasing inflationary pressures, at the same time the continue rise of trade and investment protectionism and increasing economic friction in both developed and emerging markets, the economic situation is not expected to deteriorate further. With the introduction of stimulus measures by governments worldwide, the persistent increase in the demand and supply of non-ferrous metals (shown as below) and zinc and lead prices rebounded by approximately 5%-8% from late December 2011 to early February 2012, the outlook of the Industry remained positive. Domestic market demand for non-ferrous metals is expected to grow steady in line with the national economic development in China.

MARKET REVIEW

LEAD

Total global supply of lead for this year stood at 10.372 million tons whilst total consumption was only 10.216 million tons, representing a supply surplus of 156,000 tons. During the year 2010, global lead production was approximately 9.682 million tons and consumption was approximately 9.683 million tons, representing a supply deficit of 1,000 tons.

World refined lead supply and usage

	2011	2010
January-December		
Metal production (ton)	**10,372,000**	9,682,000
Metal usage (ton)	**10,216,000**	9,683,000
Surplus/(deficit) (ton)	**156,000**	(1,000)

Source: International Lead and Zinc Study Group ("ILZSG")

Approximately 7.1% increase in global refined lead metal production while compared to 2010 was primarily a consequence of higher production in China, India, the Republic of Korea and the United States. Overall China accounted for 51% of world lead mine production in 2011. World usage of refined lead metal benefited from further growth of 9.9% in Chinese apparent demand and a rise of 9.6% in the United States where usage reached its highest level since 2006. It is expected the size of the surplus will eventually be turned into a deficit as global economy continues to improve and the persistent improvement on demand created by the automobile industry in China.

ZINC

Total global supply of zinc was approximately 13.062 million tons for this year whilst total consumption was approximately 12.709 million, representing a surplus of 353,000 tons. When compared to the supply surplus of 258,000 tons for the same period last year, there was an increment of 95,000 tons. During the year 2010, global zinc production was approximately 12.830 million tons and consumption was approximately 12.572 million tons, representing a supply surplus of 258,000 tons.

MANAGEMENT DISCUSSION AND ANALYSIS

World refined Zinc supply and usage

	2011	2010
January-December		
Metal production (ton)	**13,062,000**	12,830,000
Metal usage (ton)	**12,709,000**	12,572,000
Surplus (ton)	**353,000**	258,000

Source: ILZSG

The zinc market is still being over supplied in 2011 and 2010. Production is estimated to increase disproportionately to consumption implying that the supply surplus may stay for some time.

In addition, according to the preliminary statistics available from the National Bureau of Statistic of China, the PRC economy has demonstrated a strong growth in GDP in the year of 2011. The GDP growth in the first quarter, second quarter, third quarter and fourth quarter of 2011 are 9.7%, 9.6%, 9.4% and 9.2% respectively which will further fortify the demand for base metals such as zinc and lead.

OUTLOOK

Capitalising on the government stimulus measures and soar in the capital investment and profitability in the non-ferrous metals industry, the Group will continue to explore investment opportunities in the PRC mining industry in order to establish its position as one of the industry leader in zinc and lead mining in the PRC. With the expertise and experience of our management team, the Group believes it has the ability to produce even better results in years to come.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

Revenue and gross profit margin by segment is as follows:

Continuing operations	2011 Revenue RMB'000	2011 Cost of sales RMB'000	2011 Gross profit RMB'000	2011 Gross profit %	2010* (represented) Revenue RMB'000	2010* (represented) Cost of sales RMB'000	2010* (represented) Gross profit RMB'000	2010* (represented) Gross profit %	Per 2010 annual report Revenue RMB'000	Per 2010 annual report Cost of sales RMB'000	Per 2010 annual report Gross profit RMB'000	Per 2010 annual report Gross profit %
Non-ferrous metal mining	167,718	110,699	57,019	34.0%	175,643	101,778	73,865	42.1%	167,588	104,125	63,463	37.9%
Service income	–	–	–	N/A	30,855	–	30,855	100.0%	30,855	–	30,855	100.0%
Metal trading	358,859	355,093	3,766	1.1%	285,565	279,172	6,393	2.2%	293,620	276,825	16,795	5.7%
Total	526,577	465,792	60,785	11.5%	492,063	380,950	111,113	22.6%	492,063	380,950	111,113	22.6%

* Intra-group transfer pricing impact has been eliminated for comparative purpose.

Looking back to the year of 2011, revenue generated from the non-ferrous metal mining segment increased by approximately 7.01% to approximately RMB526.6 million. However, gross profit margin decreased from approximately 22.6% to 11.5% due to the following factors:

– Indent trading was terminated in 2011 (2010: approximately RMB30,855,000 was recognised as revenue) due to adverse market conditions. If indent trading was excluded last year, overall gross profit margin in 2010 was approximately 17.4%;

– Processing of low grade ore: Current year exploration result was worse than expected, fall in margin was mainly attributable to the low grade ore drilled from the underground mine which diminished the production quantities of zinc and lead concentrates. In addition, more labour hours and raw materials input were utilized in order to extract low grading ore to zinc and lead concentrates, thus, higher production cost was incurred. In addition, drop in sales volume and selling price of zinc concentrates also attributable to the decrease in gross profit, please refer to "Revenue" section for details; and

– Keen market competition and the increasing supply of non-ferrous metals in the PRC, non-ferrous metals trading conditions had adversely affected the gross margins on the metal trading activities in 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT PLAN OF MINING SITE IN JIASHENGPAN

Given the slowdown in the global economy recovery as a result of debt crisis in the United States and Europe, recovery of global economy is expected to continue with many uncertainties. In China, the economic situation was comparatively optimistic as its GDP and fixed assets capital investment continued on a steady upward trend. Under the current economic conditions, the Group will focus on taking necessary initiatives to enhance production efficiency and at the same time placing specific focus on averting risks:

1. *Construction of another 600,000 tonnes production facility*

   To cope with the expected increase in sales orders and demand for non-ferrous metals, the Group had decided to expand the production facilities further at the Company's mine site located in Inner Mongolia ("Jiashengpan"). The capacity of Jiashengpan was expanded to approximately 1.02 million tonnes per annum ("tpa") with the addition of a 600,000 tpa production facility, the construction of which was completed in 2009. This additional capacity has positively affected the production at Jiashengpan. In order to capitalize on the increasing demand for zinc and lead, the Group has commenced feasibility studies on the possible investment of another production facility which, if completed, will increase the total capacity to 1.62 million tpa representing approximately a 60% increase in production capacity. The new production facility will adopt the latest processing technologies which will have positive impact on turnover and gross margin as cost of production can be reduced significantly.

2. *Exploration of high grade ore*

   The fall in margin for mining activities in 2011 was primarily due to the processing of low grade ore. A qualified professional mining adviser, who is deemed to be a competent person under the HKEX listing rule chapter 18, has been appointed to provide consulting services on estimation of resource in Jiashengpan as well as general technical advice on mining methodology to the Group. Feasible studies have been carried out under advice to identify the higher ore grading area and preliminary exploitation plan for 2012 has been completed and implemented. It is expected that the extraction of higher grading ore will be expected which will enhance the Group's profitability going forward.

3. *Safety and efficiency in the mining site*

   To improve the safety and efficiency in the production at the mining site, the Company has already terminated the contract with the contractor who previously provided staff with inadequate mining knowledge and experience. A new mining contractor with staff who possessed adequate mining knowledge and experience has been appointed to replace the old contractor. In October 2011, the Group engaged a geological team to conduct sufficient technical training to the staff of the Company and to the mining contractor's staff to further strengthen its production efficiency.

   In addition, in order to enhance the production efficiency, the Group will adopt a stringent standard in selecting contractors who will provide mining staff with appropriate mining knowledge and experience. The Group will also assign a technical engineer at each shaft to monitor the production progress and to provide technical training to staff in the future. The Group will further invest in the tunneling of mine shafts and relevant equipment so as to upgrade the Group's existing technology and equipment.

4. Enforce risk control and prevention

In view of the surging raw material costs which have been affecting production cost adversely, the Group is developing new sourcing channels to find more stable supplies of materials with better terms. Further, the Group continues to exercise tight control on costs and capital expenditure with a cautious approach with a view to enhance production yield and product quality. Re-engineering of the production process and better materials planning are in place to build greater flexibility in our internal operating system to adjust quickly to market demand and material prices. The management will also monitor the market demand frequently to adjust the labour force and labour structure to achieve better staff mix to enhance labour efficiency. Through the above measures, the Group expects to minimise the cost pressure and to achieve further business growth.

REVENUE

Turnover for the year ended 31 December 2011 was approximately RMB526.6 million, representing an increase of approximately RMB34.5 million or approximately 7.01% as compared to the turnover recorded last year.

Although the turnover of non-ferrous metal mining declined by a small extent of 4.5% due primarily to the drop in the production volume of zinc and lead concentrates over the last year, turnover of metal trading business recorded a significant growth of approximately 25.7% over the last year, leading to an overall increase in the Group's revenue for 2011.

MINING

Mining activities at Jiashengpan, a principal subsidiary of the Group, has generated revenue from sales of non-ferrous metals products amounted to approximately RMB167.7 million, representing a decrease of 4.5% over the last year. The decrease was mainly attributable to the drop in the sales of zinc concentrates by approximately 21% to RMB117.3 million (2010: RMB148.3 million). The decline in sales of zinc concentrates was mainly due to the processing of low grade ore and fall in selling prices. On the other hand, lead concentrates and sulphuric acid have recorded a growth in both selling prices and sales volume, with an annual growth rate of approximately 11% and 75% to RMB20.0 million and RMB16.5 million respectively in revenue. Revenue generated from sales of tailing mine amounted to approximately RMB13.8 million (2010: Nil). Overall, zinc concentrates accounted for approximately 70% of the mining sector's revenue (2010: 84%) and as such its fluctuation had materially affected the Group's performance in 2011.

METAL TRADING

Total revenue generated from trading activities amounted to approximately RMB358.9 million for the year (2010: RMB285.6 million) representing an increase of approximately RMB73.3 million or 25.7% over the same period last year. Gross profit margin on metal trading, however, has dropped from approximately 2.2% to 1.1% when compared to last year. To remain competitive, the Group has adopted a slim margin strategy in respect of its metal trading business. Instead, the Group had increased its trading volume in order to compensate for the loss of profit margin during 2011.

The following are the sales volume and average selling prices for each of our mining products and trading business in respect of the year ended 31 December 2011 and 2010:

	2011			2010		
	Sales volume approximately *(ton)*	**Selling price approximately *(RMB/ton)***	**Total Revenue approximately *(RMB'000)***	Sales volume approximately *(ton)*	Selling price approximately *(RMB/ton)*	Total Revenue approximately *(RMB'000)*
Zinc concentrates	12,843	9,602.89	123,330	18,852	10,140.67	191,172
Lead concentrates, crude lead and lead ingots	14,693	13,232.49	194,425	14,404	14,104.48	203,161
Sulphuric acid	43,791	377.84	16,546	40,533	232.99	9,444
Silver	19.6	6,107,419	119,706	14	3,074,357.14	43,041
Associated gold metal (gram)	36,041	291.1	10,492	18,732	243.1	4,554
Iron concentrates	–	–	–	3,736	670.04	2,503
Copper concentrates or copper cathode	7.2	53,472	385	157	46,707.01	7,333
Tailing mine	63,893	217.28	13,883	–	–	–
Tin Ingots	390	122,589.7	47,810	–	–	–
Service income	–	–	–	–	–	30,855
			526,577			492,063

OTHER INCOME

During the year, total other income was approximately RMB18.9 million representing a decrease of approximately RMB13.1 million or approximately 41% as compared with approximately RMB32.0 million in 2010. The decrease was mainly attributable to a fall in the Company's compensation income.

CHANGES IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

It represents the gain or loss arising from the changes in fair value of the metal commodities futures contracts used to hedge against the Group's production and inventory. For the year ended 31 December 2011, the Group recorded a profit on future contracts of approximately RMB51.0 million (2010: approximately RMB94.0 million). The Group did not enter into any commodities futures contracts unrelated to the business operations during the year.

The Group continued to take a prudent approach to hedge the inventory position through appropriate non-ferrous metal futures contracts during the year. Strict internal policies and procedures are in place to ensure the position is regularly reviewed and that the Group is not exposed to undue market risk and the management is not allowed in entering into any commodities futures contract for speculation purposes.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING EXPENSES

The Group's operating expenses primarily consisted of selling and distribution costs and administrative expenses.

Selling and distribution expenses for the year amounted to approximately RMB10.8 million, as compared to approximately RMB7.9 million reported last year. The increase was primarily attributable to the increase in transportation cost due to the increase in the total sales volume in tailing mine and other metals in relation to metal trading business.

Administrative expenses for the year decreased to approximately RMB40.3 million, as compared to approximately RMB42.2 million reported last year. Major components of administrative expenses are staff remuneration and social insurance, including Directors' emoluments, of approximately RMB12.2 million, real estate tax, land use tax and various governmental expenses of approximately RMB6.5 million, and rental and management fees of approximately RMB1.8 million.

FINANCE COSTS

Finance cost for the year ended 31 December 2011 amounted to approximately RMB28.5 million, representing a decrease of approximately RMB14.3 million compared with the same in 2010. The decrease was due to the repayment of loans.

Finance cost amounted to approximately RMB4,358,000 was capitalised as additions to construction in progress for the year ended 31 December 2011 (2010: RMB4,527,000).

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The net profit attributable to owners of the Company for the year ended 31 December 2011 decreased to approximately RMB27.7 million, a decrease of approximately RMB43.3 million or 61.0%.

Net profit recorded in the year was attributable to the profits generated from the mining operation in Inner Mongolia acquired in July 2008, gain on metal commodities futures contracts and trading of nonferrous metals products.

LIQUIDITY AND FINANCIAL RESOURCES

SHAREHOLDERS' FUNDS

The Group adopts a prudent policy for its financial resources management. The Group had bank and cash balances of approximately RMB12.3 million, as compared to approximately RMB14.7 million reported last year.

Total shareholders' funds amounted to approximately RMB1,085.0 million, an increase of approximately 3.6% as compared to approximately RMB1,047.0 million reported at 31 December 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

As at 31 December 2011, the outstanding borrowings of the Group amounted to approximately RMB110.5 million (2010: approximately RMB99.3 million), comprising of short term bank and other borrowings repayable within one year of approximately RMB109.4 million (2010: approximately RMB97.7 million). The Group has long term other borrowings repayable after one year of approximately RMB1.1 million (2010: approximately RMB1.6 million).

As at 31 December 2011, the total asset value of the Group was approximately RMB2,080.1 million (2010: approximately RMB2,253.6 million). Total liabilities was approximately RMB902.4 million (2010: approximately RMB903.2 million). Gearing ratio of the Group, calculated as total liabilities excluding minority interest over total assets was approximately 43.3% (2010: approximately 40.0%).

FOREIGN EXCHANGE EXPOSURE

The Group has bank balances, sales and purchases denominated in foreign currencies which expose the Group to foreign currency risk. The currency risk for those subsidiaries with functional currency in Hong Kong Dollars ("HKD") were mainly attributable to the bank balances, trade and other receivables, denominated in United States Dollars ("USD") as at the end of the reporting period. As the exchange rate of HKD is pegged against USD, the Directors were of the opinion that the currency risk of USD was insignificant to the Group.

The Group currently does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

SAFETY PRODUCTION AND ENVIRONMENTAL PROTECTION

The Group has always been paying great attention to production safety and environmental protection while achieving growth in zinc and lead concentrates production. Thus, the Group had put great efforts in promoting safety management and strengthened measures for environmental protection, aiming to build itself into a safety-oriented and environmental-friendly corporation. During the year, Jiashengpan had operated smoothly and recorded no material safety incidents.

PLEDGE OF ASSETS

As at 31 December 2011, the Group's pledged bank deposit of approximately RMB2.4 million were used for securing a banking facility.

Save as disclosed above, the Group had no other pledge of assets as at 31 December 2011.

CONTINGENT LIABILITIES

As at 31 December 2011, there were no guarantees given to any banks or financial institutions by the Group to the parties outside the Group.

EMPLOYEE INFORMATION

As at 31 December 2011, the Group had approximately 335 employees. The Group has maintained good relations with its staff and has not experienced any disruption of its operations due to labour disputes. The Group provides fringe benefits in accordance with the relevant laws and regulations of the PRC and Hong Kong including contributions to social security scheme of the PRC and the contributions to the Mandatory Provident Fund Scheme of Hong Kong. The Group remunerates its employees in accordance with their work performance and experience.

Total employees' remuneration incurred for the year ended 31 December 2011 amounted to approximately RMB24.0 million (2010: approximately RMB60.2 million). The decrease was mainly attributable to the effect of the 358,510,000 share options granted to Mr. Mei Wei in 2010 where the relevant share options expenses booked was approximately RMB30.5 million. The Directors received remuneration of approximately RMB1.4 million during the year ended 31 December 2011 (2010: approximately RMB2.3 million).

CORPORATE GOVERNANCE REPORT

The Company applied the principles and complied with all requirements of the new promulgated Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules throughout 2011 with certain deviations in respect of the distinctive roles of chairman and chief executive officer. The following summarises the Company's corporate governance practices and explains deviations, if any, from the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they complied with the required standard of dealings and its code of conduct regarding directors' securities transactions throughout the year ended 31 December 2011.

BOARD OF DIRECTORS

The Board comprises ten Directors, of whom seven being executive Directors (including the chairman of the Board), and three being independent non-executive Directors. The Directors' profile is set out on pages 9 to 10 of the annual report. The Company has received confirmation from each independent non-executive Director about his independence under the GEM Listing Rules and continues to consider each of them to be independent. In accessing the independence of independent non-executive Directors, the Company is satisfied that each independent nonexecutive Director fulfills the guideline requirement as set out in Rule 5.09 of the GEM Listing Rules.

The Board is responsible for determining the overall strategy and development, overseeing the business operations of the Group, financial reporting, legal and regulatory compliance, risk management, major acquisitions, disposals, capital transactions and approving the annual business plan of the Group whereas day-to-day execution responsibility was delegated to management team of the Company with clear directions by the Board. The Board is also responsible for the establishment of the internal control of the Company; the Board discusses with the management regularly to ensure that internal control is operating effectively. There is no other relationship (including financial, business, family or other material/relevant relationship(s)), among members of the board, save that the general manager and the chairman is the same person.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his or her position, and has sufficient experience to hold the position so as to carry out his or her duties effectively and efficiently.

The Directors have been informed of the requirement under code provision A6.1 of the CG Code regarding continuous professional development. Details of how each Director complies with such requirements for the year ending 31 December 2012 will be set out in the corporate governance report in the 2012 annual report of the Company.

CORPORATE GOVERNANCE REPORT

Details of the attendance of the Board are as follows:

Executive Directors	**Attendance**
Mr. Mei Ping (chairman of the Board and general manager)	6/13
Mr. Zhuo Ze Fan (resigned on 5 May 2011)	0/4
Ms. Xie Yi Ping	3/13
Dr. Yu Heng Xiang	2/13
Mr. Ng Tang	3/13
Mr. Xu Bing	2/13
Mr. Kang Hongbo	12/13
Ms. Han Qiong	13/13

Independent non-executive Directors	**Attendance**
Mr. Chen Mingxian	4/13
Mr. Chau Kam Wing, Donald (resigned on 5 May 2011)	1/5
Mr. Chan Siu Lun (appointed on 12 July 2011)	3/4
Mr. Liu Yaosheng	7/13

Each of Mr. Liu, Mr. Chan and Mr. Chen is appointed for successive term of 1 year. Their appointment are renewable upon expiry and all of them are subject to the rotation and re-election requirements under the Company's bye-laws.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has a post of general manager but not chief executive officer to manage day-to-day business. Mr. Mei Ping is the chairman of the Board and general manager of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly at least four times a year to discuss issues affecting operations of the Company. Also, the balance of power is further ensured by the following reasons:

– Audit Committee is composed exclusively of all independent non-executive Directors; and

– The independent non-executive Directors have free and direct access to the Company's external auditor and independent professional advices when considered necessary.

The Board believes that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Mei Ping, and believes that his appointment to the posts of Chairman and General Manager is beneficial to the business prospects of the Company.

REMUNERATION OF DIRECTORS

The Company set up a Remuneration Committee in February 2005. The Remuneration Committee comprises three members, (i) an executive Director, Ms. Xie Yi Ping; and (ii) two independent non-executive Directors, namely Mr. Liu Yaosheng and Mr. Chan Siu Lun. Mr. Liu Yaosheng is currently the chairman of the Remuneration Committee. The responsibility of the Remuneration Committee is to formulate transparent procedures for development of remuneration policies and packages for key executives. The terms of reference of the Remuneration Committee are in compliance with GEM Listing Rules.

The Remuneration Committee consults the chairman of the Board about their proposals relating to the remuneration policies and packages of key executives. During the year under review, two meetings (in which all members of remuneration committees were present for all meetings) were held for approving the remuneration packages of Mr. Chan Siu Lun as non-executive Director of the Company and considering and reviewing the remuneration and terms of service contracts of the executive Directors of the Company.

NOMINATION OF DIRECTORS

The Company established the Nomination Committee in March 2005. The Nomination Committee currently comprises Mr. Liu Yaosheng (who is currently the chairman of the Nomination Committee), Mr. Mei Ping and Mr. Chan Siu Lun. A majority of the Nomination Committee are independent non-executive Directors of the Company.

The responsibilities and authorities of the Nomination Committee are clearly stated in the terms of reference of the Nomination Committee, including but not limited to reviewing the structure, size and composition of the Board, making recommendations to the Board on relevant matters relating to the appointment of Directors and accessing the independence of independent non-executive Directors. The terms of reference of the Nomination Committee are in compliance with the GEM Listing Rules.

During the year under review, two meetings were held in total (in which all members of nomination committee were present for all meetings). The major work conducted by the Nomination Committee during the year was to consider and approve the proposed appointment of such new members of the Board. The Nomination Committee has taken into account the experience, professional qualifications, and expertise of each individual before approving the appointment of each of the proposed Directors. For appointment of independent non-executive Directors, the Nomination Committee also assessed the independence of each of them before approval.

INTERNAL CONTROL

An effective internal control system is very important for the protection of the Group's assets and shareholders' investments, ensuring the reliability of financial information announcements and compliance with the GEM Listing Rules. The Board is also aware of and acknowledge its responsibility towards the Group's internal control, financial control and risk management, and its responsibility of supervising the efficiency from time to time.

CORPORATE GOVERNANCE REPORT

The Internal Audit Team of the Group carried out reviews and submitted report on the internal control system of the Group as well as the accounting workforce of the Group during the year in order to review the effectiveness of the internal control system. The scope of the review covered all important aspects of the internal control, including the control in finance, operation, compliance and risk management of the subsidiaries on a rotational basis. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

In addition, the Board will continuously closely monitor the transactions with related parties with due care, and if necessary seek prior professional advice before entering into any legally-binding agreements, so as to ensure compliance with all relevant regulations in this regard.

AUDITOR'S REMUNERATION

Currently, the Group's external auditor is BDO Limited. For the year ended 31 December 2011, the remuneration paid and payable to the auditor of the Company, BDO Limited, for provision of audit services were approximately RMB731,000. During the year ended 31 December 2011, approximately RMB149,000 was paid and payable to the Company's auditor, BDO Limited for provision of non-audit services during the year ended 31 December 2011. The Audit Committee approved the appointment of BDO Limited as auditor, which the Board fully concurred with such approval of the Audit Committee.

AUDIT COMMITTEE

The Company set up an Audit Committee in February 2005 with the responsibility of reviewing and providing supervision over the Group's financial reporting process and internal controls, as well as making recommendations to the Board for appointment and removal of external auditor. The Audit Committee currently comprises three members who are all independent non-executive Directors, namely, Mr. Liu Yaosheng, Mr. Chan Siu Lun (who is the chairman of the Audit Committee) and Mr. Chen Mingxian. Before the resignation of Mr. Chau Kam Wing, Donald on 5 May 2011. Mr. Chau was a member of audit committee. After Mr. Chau's resignation, Mr. Chan Siu Lun joined the Board and the Audit Committee since 12 July 2011. All the independent non-executive Directors confirmed their independence pursuant to Rule 5.09 of the GEM Listing Rules.

The Audit Committee met four times in the year of 2011, all of which were attended by all members at the time of the relevant meeting. The Group's 2011 quarterly, interim reports and 2011 annual report have been reviewed by the Audit Committee which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial period and to ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statements of the auditor of the Company regarding their responsibilities on the financial statements are set out in the Independent Auditor's Report on pages 42 to 43 of this annual report.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The company secretary of the Company is Mr. Li Chi Chung who is a solicitor admitted in Hong Kong. Mr. Li has been informed of the requirement under Rule 3.29 of the GEM Listing Rules and his compliance with such requirement for the year ending 31 December 2012 will be set out in the corporate governance report in the 2012 annual report of the Company.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene a special general meeting and putting forward proposals at shareholders' meeting

Pursuant to the bye-law of the Company, any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company by mail at Suites 1704-05, 17/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquires may be put to the Board

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at Suites 1704-05, 17/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

There has not been any significant change in the Company's constitutional documents during the year ended 31 December 2011.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of maintaining a clear, timely and effective communication with the shareholders and investors of the Company. The Board also recognizes that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the shareholders and investors of the Company will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, quarterly reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at www.cnm.com.hk. Members of the Board and chairmen of various board committees will attend the forthcoming annual general meeting of the Company (the "AGM") to answer questions raised by the shareholders of the Company. The resolution of every important proposal will be proposed at general meetings separately.

Voting at general meetings of the Company is conducted by way of poll in accordance with the GEM Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 18 to the consolidated financial statements. Save for completion of the acquisition of a 15% indirect equity interest in Jiashengpan on 29 April 2011, there were no other significant changes in the nature of the Group's principal activities during the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 44 to 45 of the annual report.

DIVIDENDS

The Directors do not recommend the payment of a dividend and the Directors propose that the profit for the year be retained.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 32 to the consolidated financial statements.

In order to increase the Group's general working capital and used for future investment in the mining business in PRC, the Company has carried out the following activities:

On 17 January 2011, the Company entered into a placing of existing shares and top-up subscription agreement (the "Top-up Agreement") with Ruffy Investments Limited and Peace Town Securities Limited (the "Placing Agent"), pursuant to which the Placing Agent agreed to place 200,000,000 existing Shares at HK$0.22 per share on behalf of Ruffy Investments Limited. The Top-up Agreement was completed on 26 January 2011.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on pages 51 to 52 of this annual report and in note 34 to the financial statements respectively.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at 31 December 2011 and 2010 were nil.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is also available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

EXECUTIVE DIRECTORS:

Mr. Mei Ping
Mr. Zhuo Ze Fan *(resigned on 5 May 2011)*
Ms. Xie Yi Ping
Dr. Yu Heng Xiang
Mr. Ng Tang
Mr. Xu Bing
Mr. Kang Hongbo
Ms. Han Qiong

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Chau Kam Wing, Donald *(resigned on 5 May 2011)*
Mr. Chan Siu Lun *(appointed on 12 July 2011)*
Mr. Chen Mingxian
Mr. Liu Yaosheng

In accordance bye-law clause 87 of the Company's bye-laws, Mr. Chan Siu Lun, Mr. Ng Tang, Mr. Kang Hongbo and Ms. Han Qiong and will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' PROFILE

The Directors' profile is set out on pages 9 to 10 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Each of Mr. Mei and Ms. Xie has entered into a service contract with the Company for an initial term of three years and will continue thereafter until the contract is terminated by either party giving to the other party not less than three calendar months' notice in writing. Each of Mr. Mei and Ms. Xie is entitled to a basic salary subject to an annual review by the Board. In addition, the executive Directors are also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors in respect of any financial year of the Company shall not exceed 5% of the audited consolidated net profit of the Group in respect of that financial year.

Mr. Ng, Dr. Yu, Mr. Xu, Mr. Kang, Ms. Han, Mr. Chen and Mr. Liu are appointed for a term of one year and Mr. Chan is appointed for a term of two years with specific terms in the letter of appointment. All of their appointment are renewable for successive terms of one year automatically upon expiry and are subject to re-election requirements under the Company's bye-laws.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2011, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of the Hong Kong Special Administrative Region (the "SFO")), which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in the shares of the Company (the "Shares")

(A) ORDINARY SHARES OF HK$0.0004 EACH OF THE COMPANY

Name of Director	Capacity	Number of Shares	Percentage of shareholding (%)
Xu Bing	Beneficial owner	1,500,000(L)	0.03
Kang Hongbo	Beneficial owner	11,400,000(L)	0.23

(L): Long position

(B) SHARE OPTIONS

The following Directors have been granted options under the share option scheme of the Company which are as follows:

Name of Directors	Capacity	No. of options outstanding	Approx. % of interests	Date granted	Period during which options exercisable	Exercise price per Share
Ng Tang	Beneficial owner	3,000,000	0.06%	4 Dec 09	4 Dec 2010 to 3 Dec 2014	HK$0.26
Kang Hongbo	Beneficial owner	1,500,000	0.03%	20 May 09	20 Mar 2010 to 19 May 2014	HK$0.234
	Beneficial owner	10,000,000	0.2%	4 Dec 09	4 Dec 2010 to 3 Dec 2014	HK$0.26
	Subtotal:	11,500,000				
Han Qiong	Beneficial owner	4,000,000	0.08%	4 Dec 09	4 Dec 2010 to 3 Dec 2014	HK$0.26

Save as disclosed herein, as at 31 December 2011, none of Directors and chief executive of the Company had any interests and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); and (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred in Rules 5.46 to 5.67 of the GEM Listing Rules.

SHARE OPTIONS SCHEME

The Company has adopted a share option scheme on 16 February 2005. A summary of the principal terms and conditions of the share option scheme is set out in note 33 to the financial statements. Up to 31 December 2011, 586,710,000 options have been granted and remained outstanding under such share option scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements which enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the financial statements, no contract of significance, to which the Company, or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, so far as the Directors were aware, the following persons or companies (other than the Directors or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which were discloseable under Divisions 2 and 3 Part XV of the SFO and recorded in the register of interests required to be kept by the Company pursuant to Section 336 of SFO:

Name of Shareholders	Type of interests	Position	Number of Shares	Approximate percentage
Ruffy Investments Limited *(Note 1)*	Beneficial owner	Long	3,092,101,140	61.76%
Mr. Mei Wei *(Note 1 & 2)*	Interest in controlled corporation	Long	3,092,101,140	61.76%
	Beneficial owner	Long	419,560,000	8.38%
			3,511,661,140	70.14%

Notes:

1. These shares and underlying shares of the Company comprise of 1,399,836,622 shares and HK$372,298,194 principal amount of convertible bonds which can be convertible into 1,692,264,518 Shares, were held by Ruffy Investments Limited, which is wholly-owned by Mr. Mei Wei. Mr. Mei Wei was deemed to be interested in these shares and the underlying shares under the SFO. Among the shares owned by Ruffy Investments Limited, 326,624,250 shares and HK$370,957,666 principal amount of convertible bonds have been pledged by Ruffy Investments Limited to CCB International Group Holdings Limited.

2. These shares and underlying shares of the Company, comprise of 56,050,000 shares and 363,510,000 share options, were beneficially held by Mr. Mei Wei.

Save as disclosed herein, so far as known to any Director or chief executive of the Company, no other person (other than the Directors and chief executive of the Company) had any interest and short positions in the shares, underlying shares and debentures of the Company which were discloseable under Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register required to be kept under Section 336 of the SFO and/or directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group as at 31 December 2011.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 91% of the total purchases of the Group and the largest supplier accounted for approximately 64% of the total purchases of the Group. The aggregate sales attributable to the Group's five largest customers during the year accounted for approximately 97% of the total sales of the Group and sales to the largest customer accounted for approximately 77%.

So far as is known to the Directors, other than those disclosed in "Continuing Connected transactions and related party transactions" section in this report, none of the Directors, their associates or substantial shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the share capital of any of the five largest customers and suppliers of the Group.

CONTINUING CONNECTED TRANSACTIONS

Relationship between the Group and each of the relevant connected persons

深圳市冠欣投資有限公司 and 深圳市冠欣礦業集團有限公司 (collectively referred as "First Create Group"), these companies were established under the laws of the PRC with limited liability. Mr. Mei Wei, a substantial shareholder of the Company and Mr. Mei Ping, an executive Director, beneficially owned more than 30% equity interest in First Create Group respectively. Mr. Mei Ping, Mr. Mei Wei and an executive Director, Mr. Kang Hongbo have directorship in 深圳市冠欣礦業集團有限公司. Mr. Mei Ping and Mr. Mei Wei have directorship in 深圳市冠欣投資有限公司. First Create Group is a connected person to the Company under the GEM Listing Rules.

The Group had entered into a new zinc supply agreement (the "Zinc Supply Agreement"), a new lead supply agreement (the "Lead Supply Agreement"), a new copper supply agreement (the "Copper Supply Agreement"), a new zinc procurement agreement (the "Zinc Procurement Agreement"), a new lead procurement agreement (the "Lead Procurement Agreement") and a new copper procurement agreement (the "Copper Procurement Agreement") (collectively referred as "Zinc, Lead and Copper Agreement") with First Create Group on 31 May 2010.

DIRECTORS' REPORT

As stated in the circular of the Company dated 9 July 2010, the transactions contemplated under Zinc, Lead and Copper Agreement entered into between the Group and First Create Group will constitute non-exempt continuing connected transactions on the part of the Company and therefore would be subject to the reporting, announcement and the independent shareholders' approval requirements pursuant to Rule 20.35 of the GEM Listing Rules. Independent shareholders' approval for the above transactions was obtained on 28 July 2010. On 28 July 2010, a special general meeting was held and the independent shareholders had approved the Zinc, Lead and Copper Agreement. As Mr. Mei Wei and his associates had a material interest in the transactions contemplated under Zinc, Lead and Copper Agreement, they abstained from voting on the resolutions passed in the special general meeting held on 28 July 2010 pursuant to the GEM Listing Rules. All the resolutions were validly passed.

The annual cap amounts for the zinc, lead and copper products for each of the three financial years ending 31 December 2012 are as follows:

Agreement	**Product**	**For the financial year end 31 December 2010** *RMB million*	**For the financial year end 31 December 2011** *RMB million*	**For the financial year end 31 December 2012** *RMB million*
Zinc Supply Agreement	Zinc concentrates and zinc ingots	1,134	2,005	3,440
Lead Supply Agreement	Lead concentrates, crude lead, refined lead and lead ingots containing gold and/or silver	513	980	2,080
Copper Supply Agreement	Copper concentrates, copper cathodes and copper ingots containing gold and/or silver	6,832	11,664	15,222
Zinc Procurement Agreement	Zinc concentrates and zinc ingots	630	1,025	1,490
Lead Procurement Agreement	Lead concentrates, crude lead, refined lead and lead ingots containing gold and/or silver	246	464	880
Copper Procurement Agreement	Copper concentrates, copper cathodes and copper ingots containing gold and/or silver	296	705	1,444

The continuing connected transactions as set out above which took place during the year have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that:

(1) the transactions were entered into in the ordinary and usual course of business of the relevant members of the Group;

(2) the transactions were conducted on normal commercial terms, or if there was no available comparison, on terms that were no less favourable than terms available to or from (as the case may be) independent third parties; and

(3) the transactions were entered into in accordance with the relevant agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has provided a letter to the Board of Directors of the Company confirming the matters stated in Rule 20.38 of the GEM Listing Rules in respect of the continuing connected transactions as set out above which took place during the year.

As far as the transactions set out in note 37 to the financial statements under the heading of "Related Party Transactions – Group" are concerned, the transactions relating to the sale of zinc and lead products to a First Create as set out in note (a) were continuing connected transactions which had been approved by the independent shareholders of the Company. The transaction as set out in note (b) the remuneration of the Directors as determined pursuant to the service contracts entered into between the key management and Directors and the Group and the securities issued and to be issued upon exercise of options granted to the Directors under the share option scheme of the Company were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the GEM Listing Rules. The transaction as set out in note (c) was exempt from the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

Save as disclosed herein and elsewhere in the financial statements, (i) there were no other transactions which need to be disclosed as connected or continuing connected transactions in accordance with the requirements of the GEM Listing Rules; and (ii) no contracts of significance to which Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Directors and the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interests in companies that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Company on the basis of their merit, qualifications and competence. The emoluments of the Directors and senior management are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 33 to the financial statements.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 26 to 31 of this annual report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

AUDIT COMMITTEE

The Company established an audit committee on 16 February 2005 with written terms of reference in compliance with the GEM Listing Rules. The authority and duties of the audit committee are based on the guidelines set out in "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The audit committee provides a link between the Board of Directors and the Company's auditor in matter coming within the scope of the Group audit. It also reviews and supervises the financial reporting process and internal control procedures of the Group. The members of the audit committee comprises three independent non-executive Directors, namely Mr. Liu Yaosheng, Mr. Chan Siu Lun and Mr. Chen Mingxian.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the amount of sufficient public float as required under the GEM Listing Rules throughout 2011.

DIRECTORS' REPORT

AUDITOR

The financial statements for the year ended 31 December 2009 were audited by Grant Thornton ("GTHK"), now known as JBPB & Co. Due to a merger of the businesses of GTHK and BDO Limited ("BDO") to practise in the name of BDO, GTHK resigned and BDO was appointed as auditor of the Company effective from 22 November 2010. The financial statements for the years ended 31 December 2010 and 2011 were audited by BDO.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board
China Nonferrous Metals Company Limited

Mei Ping
Chairman

Suites 1704-05, 17/F
Dah Sing Financial Centre
108 Gloucester Road
Wanchai, Hong Kong

23 March 2012

INDEPENDENT AUDITOR'S REPORT

BDO

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香港干諾道中111號
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TO THE SHAREHOLDERS OF CHINA NONFERROUS METALS COMPANY LIMITED
中國有色金屬有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Nonferrous Metals Company Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 44 to 128, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Lo Ngai Hang
Practising Certificate Number P04743

Hong Kong, 23 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Continuing operations			
Revenue	5	**526,577**	492,063
Cost of sales		**(465,792)**	(380,950)
Gross profit		**60,785**	111,113
Other income	5	**18,922**	31,998
Change in fair value of derivative financial instruments		**50,981**	93,980
Selling and distribution costs		**(10,766)**	(7,932)
Administrative expenses		**(40,273)**	(42,228)
Equity-settled share options expenses		**(4,422)**	(40,388)
Profit from operation	7	**75,227**	146,543
Finance costs	8	**(28,473)**	(42,780)
Profit before income tax		**46,754**	103,763
Income tax expense	9	**(16,227)**	(36,274)
Profit for the year from continuing operations		**30,527**	67,489
Discontinued operation			
Gain for the year from a discontinued operation	10	**–**	8,779
Profit for the year		**30,527**	76,268
Attributable to:			
Owners of the Company		**27,671**	71,032
Non-controlling interests		**2,856**	5,236
Profit for the year		**30,527**	76,268
Continuing operations			
Attributable to:			
Owners of the Company		**27,671**	61,527
Non-controlling interests		**2,856**	5,962
Profit for the year		**30,527**	67,489
Discontinued operation			
Attributable to:			
Owners of the Company		**–**	9,505
Non-controlling interests		**–**	(726)
Gain for the year		**–**	8,779

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	2011	2010
Earnings per share	13		
Basic			
– For profit from continuing and discontinued operations		**RMB0.55 cent**	RMB1.81 cents
– For profit from continuing operations		**RMB0.55 cent**	RMB1.57 cents
Diluted			
– For profit from continuing and discontinued operations		**N/A**	RMB1.64 cents
– For profit from continuing operations		**N/A**	RMB1.49 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
Profit for the year	**30,527**	76,268
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**(3,666)**	2,138
Reclassification adjustment – Disposal of subsidiaries	**–**	(8,305)
Total other comprehensive income for the year	**(3,666)**	(6,167)
Total comprehensive income for the year attributable to owners of the Company	**26,861**	70,101
Attributable to:		
Owners of the Company	**24,005**	64,865
Non-controlling interests	**2,856**	5,236
	26,861	70,101

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**349,322**	345,318
Intangible assets	16	**1,077,770**	1,061,640
Prepaid land lease payments	17	**1,965**	2,007
Deposits	19	**65,703**	66,043
Deferred tax assets	31(a)	**251**	251
		1,495,011	1,475,259
Current assets			
Inventories	20	**66,818**	63,202
Prepaid land lease payments	17	**42**	42
Trade and note receivables	21	**65,824**	306,938
Other receivables, deposits and prepayments	22	**291,865**	323,688
Financial assets at fair value through profit or loss	29	**267**	12,182
Amounts due from related companies	23	**147,928**	57,610
Pledged bank deposits	24	**2,350**	3,501
Cash and bank balances	24	**10,016**	11,174
		585,110	778,337
Current liabilities			
Trade payables	25	**39,730**	108,713
Other payables and accrued charges	26	**150,138**	68,618
Amounts due to related companies	27	**876**	14,140
Financial liabilities at fair value through profit or loss	29	**3,032**	14,090
Amounts due to former and non-controlling equity holders of subsidiaries	27	**–**	5,022
Borrowings	28	**109,456**	97,667
Convertible bonds	30	**12,132**	–
Provision for tax		**82,641**	76,102
		398,005	384,352
Net current assets		**187,105**	393,985
Total assets less current liabilities		**1,682,116**	1,869,244

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current liabilities			
Borrowings	28	**1,080**	1,610
Convertible bonds	30	**243,634**	253,967
Deferred tax liabilities	31(b)	**259,696**	263,251
		504,410	518,828
Net assets		**1,177,706**	1,350,416
EQUITY			
Equity attributable to owners of the Company			
Share capital	32	**1,901**	1,828
Reserves	34	**1,083,152**	1,045,122
		1,085,053	1,046,950
Non-controlling interests		**92,653**	303,466
Total equity		**1,177,706**	1,350,416

On behalf of the Board

Mei Ping **Kang Hongbo**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Profit before income tax from continuing operations		**46,754**	103,763
Gain before income tax from discontinued operation	10	**–**	8,779
Profit before income tax		**46,754**	112,542
Adjustments for:			
Finance costs	8	**28,473**	42,926
Interest income	5	**(85)**	(249)
Equity-settled share options expenses		**4,422**	40,388
Depreciation of property, plant and equipment	7	**15,289**	13,370
Amortisation of prepaid land lease payments	7	**42**	232
Amortisation of mining rights	7	**13,752**	14,697
Amortisation of other intangible assets	7	**–**	21
Gain on disposal of subsidiaries	10	**–**	(10,852)
Operating profit before working capital changes		**108,647**	213,075
Increase in inventories		**(3,616)**	(13,188)
Decrease/(Increase) in trade and note receivables		**241,114**	(222,054)
Decrease/(Increase) in other receivables, deposits and prepayments		**27,823**	(153,770)
(Increase)/Decrease in amounts due from related companies		**(31,230)**	39,054
(Decrease)/Increase in trade payables		**(68,983)**	57,029
Increase in other payables and accrued charges		**2,039**	26,678
(Decrease)/Increase in amounts due to related companies		**(51,582)**	12,256
Decrease in amounts due to former and non-controlling equity holders of subsidiaries		**(5,022)**	–
Change in derivative financial instruments		**857**	1,908
Cash generated from/(used in) operations		**220,047**	(39,012)
Income tax paid		**(13,243)**	(10,970)
Net cash generated from/(used in) operating activities		**206,804**	(49,982)
Cash flows from investing activities			
Deposits paid for acquisition of property, plant and equipment		**(5,838)**	(5,123)
Purchase of property, plant and equipment		**(10,225)**	(23,138)
Purchase of intangible assets		**(25,882)**	–
Interest received		**85**	249
Deposit paid for acquisition of a subsidiary		**–**	(27,674)
Decrease in pledged bank deposits		**1,151**	24,951
Disposal of subsidiaries (net of cash and cash equivalents disposed)		**–**	33,164
Transaction costs of disposal of subsidiaries		**–**	(1,069)
Fund advance to a related company		**(59,088)**	–
Net cash(used in)/generated from investing activities		**(99,797)**	1,360

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Cash flows from financing activities			
Issue of new shares	32	**37,641**	106,200
Share issue expenses		**(1,907)**	(3,295)
Share options exercised	32	**–**	10,066
Issue of convertible bonds		**–**	26,383
Convertible bonds conversion expenses		**–**	(24)
New bank and other borrowings raised		**64,000**	–
Repayment of bank and other borrowings		**(52,189)**	(167,373)
Interest paid on bank and other borrowings		**(6,852)**	(14,008)
Interest paid on convertible bonds		**(11,524)**	(6,250)
Interest paid on finance lease liabilities		**(68)**	(34)
Capital element on finance lease liabilities		**(552)**	(471)
Issue of warrants		**–**	6,256
Warrants issue expenses		**–**	(942)
Net proceed of purchase of non-controlling equity interest of subsidiary		**(122,606)**	–
Net cash used in financing activities		**(94,057)**	(43,492)
Net increase/(decrease) in cash and cash equivalents		**12,950**	(92,114)
Cash and cash equivalents at beginning of year		**11,174**	111,338
Effect of foreign exchange, net		**(14,108)**	(8,050)
Cash and cash equivalents at end of year		**10,016**	11,174

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company															
	Share capital RMB'000	Share premium RMB'000	Warrant reserve (note 34(ii)) RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Translation reserve RMB'000	Special reserve RMB'000	Specific reserve RMB'000	Other reserve RMB'000	Share option reserve RMB'000	Convertible bonds equity reserve (note 30) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2010	1,224	345,610	–	6	6,782	9,336	(2,973)	(129)	5,343	6,964	9,279	193,067	89,305	663,814	348,066	1,011,880
Warrants issued	–	–	6,256	–	–	–	–	–	–	–	–	–	–	6,256	–	6,256
Transaction costs attributable to issue of warrants	–	–	(942)	–	–	–	–	–	–	–	–	–	–	(942)	–	(942)
Placing and subscription of new shares	170	106,030	–	–	–	–	–	–	–	–	–	–	–	106,200	–	106,200
Share issue expenses	–	(3,295)	–	–	–	–	–	–	–	–	–	–	–	(3,295)	–	(3,295)
Issue of convertible bonds	–	–	–	–	–	–	–	–	–	–	–	1,343	–	1,343	–	1,343
Convertible bonds exercised	388	232,636	–	–	–	–	–	–	–	–	–	(74,139)	–	158,885	–	158,885
Convertible bonds exercised expenses	–	(24)	–	–	–	–	–	–	–	–	–	–	–	(24)	–	(24)
Share option exercised	46	12,235	–	–	–	–	–	–	–	–	(2,215)	–	–	10,066	–	10,066
Equity-settled share option arrangements	–	–	–	–	–	–	–	–	–	–	40,388	–	–	40,388	–	40,388
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(49,836)	(49,836)
Transactions with owners	604	347,582	5,314	–	–	–	–	–	–	–	38,173	(72,796)	–	318,877	(49,836)	269,041
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	71,032	71,032	5,236	76,268
Other comprehensive income																
Currency translation	–	–	–	–	–	–	2,138	–	–	–	–	–	–	2,138	–	2,138
Reclassification adjustment – Disposal of subsidiaries	–	–	–	–	–	–	(8,305)	–	–	–				(8,305)	–	(8,305)
Total comprehensive income for the year	–	–	–	–	–	–	(6,167)	–	–	–	–	–	71,032	64,865	5,236	70,101
Share option lapsed	–	–	–	–	–	–	–	–	–	–	(1,847)	–	1,847	–	–	–
Disposal of subsidiaries	–	–	–	–	(6,782)	(9,336)	–	129	–	–	–	–	15,989	–	–	–
Utilization of specific reserve	–	–	–	–	–	–	–	–	(606)	–	–	–	–	(606)	–	(606)
At 31 December 2010	1,828	693,192	5,314	6	–	–	(9,140)	–	4,737	6,964	45,605	120,271	178,173	1,046,950	303,466	1,350,416

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company															
	Share capital RMB'000	Share premium RMB'000	Warrant reserve (note 34(ii)) RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Translation reserve RMB'000	Special reserve RMB'000	Specific reserve RMB'000	Other reserve RMB'000	Share option reserve RMB'000	Convertible bonds equity reserve (note 30) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2011	1,828	693,192	5,314	6	-	-	(9,140)	-	4,737	6,964	45,605	120,271	178,173	1,046,950	303,466	1,350,416
Placing and subscription of new shares	68	37,573	-	-	-	-	-	-	-	-	-	-	-	37,641	-	37,641
Share issue expenses	-	(1,907)	-	-	-	-	-	-	-	-	-	-	-	(1,907)	-	(1,907)
Convertible bonds exercised	5	2,860	-	-	-	-	-	-	-	-	-	(926)	-	1,939	-	1,939
Equity-settled share option arrangements	-	-	-	-	-	-	-	-	-	-	4,422	-	-	4,422	-	4,422
Purchase of non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	-	(27,524)	-	-	-	(27,524)	(213,669)	(241,193)
Transactions with owners	73	38,526	-	-	-	-	-	-	-	(27,524)	4,422	(926)	-	14,571	(213,669)	(199,098)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	27,671	27,671	2,856	30,527
Other comprehensive income																
Currency translation	-	-	-	-	-	-	(3,666)	-	-	-	-	-	-	(3,666)	-	(3,666)
Total comprehensive income for the year	-	-	-	-	-	-	(3,666)	-	-	-	-	-	27,671	24,005	2,856	26,861
Utilization of specific reserve	-	-	-	-	-	-	-	-	(473)	-	-	-	-	(473)	-	(473)
At 31 December 2011	**1,901**	**731,718**	**5,314**	**6**	**-**	**-**	**(12,806)**	**-**	**4,264**	**(20,560)**	**50,027**	**119,345**	**205,844**	**1,085,053**	**92,653**	**1,177,706**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL INFORMATION

China Nonferrous Metals Company Limited (the "Company") was incorporated in Bermuda on 14 April 2004 as an exempted company under the Companies Act 1981 of Bermuda (as amended). Its shares are listed on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 28 February 2005.

The Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Company's principal place of business is Suites 1704-1705, 17th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal subsidiaries of the Company's are engaged in the mining, processing and trading of mineral resources. Details of the activities of the principal subsidiaries of the Company are set out in note 18 to the financial statements. Other than the completion of the acquisition of a 15% indirect equity interest in Bameng Wuzhong Qi Jiashengpan Zinc, Lead and Pyrite Resources Exploitation Company Limited ("Jiashengpan"), there were no significant changes in the Group's operations during the year.

The financial statements on pages 44 to 128 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretation issued by the International Accounting Standards Board. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial statements for the year ended 31 December 2011 were approved and authorised for issue by the board of Directors on 23 March 2012.

2. ADOPTION OF NEW AND AMENDED IFRSs

In the current year, the Company and its subsidiaries (the "Group") has applied for the first time the following new standards, amendments and interpretations (the "new IFRSs"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2011:

IAS 24 (Revised)	Related party disclosures
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in 2010

Other than as noted below, the adoption of the new IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

2. ADOPTION OF NEW AND AMENDED IFRSs (Continued)

IAS 24 (Revised) – Related Party Disclosures

IAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years.

IAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

At date of authorisation of these financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group for the year ended 31 December 2011.

Amendments to IFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets[2]
Amendments to IAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[3]
Amendments to IAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[5]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
IFRS 9	Financial Instruments[6]
IFRS 10	Consolidated Financial Statements[4]
IFRS 11	Joint Arrangements[4]
IFRS 12	Disclosure of Interests in Other Entities[4]
IFRS 13	Fair Value Measurement[4]
IAS 19 (2011)	Employee Benefits[4]
IAS 27 (2011)	Separate Financial Statements[4]
IAS 28 (2011)	Investments in Associates and Joint Ventures[4]
IFRIC – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

2. ADOPTION OF NEW AND AMENDED IFRSs (Continued)

The Directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

The Directors of the Company are currently assessing the impact of other new and amended IFRSs upon initial application. So far, the Directors of the Company have preliminarily concluded that the initial application of these IFRSs is unlikely to have a significant impact on the Group's results and financial position.

IFRS 7 (Amendments) Disclosure — Transfer of Financial Assets

The amendments to IFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

IFRS 9 – Financial Instruments

Under the standard, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. IFRS 9 carries forward the recognition and measurement requirements for financial liabilities from IAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable IFRSs, IASs and Interpretations (hereinafter collectively referred to as the "IFRSs") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Listing Rules.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

(b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for financial assets and liabilities which are measured at fair value in accordance with IFRSs. The measurement bases are fully described in the accounting policies below.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the year presented unless otherwise stated. The adoption of new or amended IFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The area involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(c) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in Renminbi ("RMB") since most of the companies comprising the Group are operating in RMB environment and the functional currency of most of the companies comprising the Group is RMB.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

(c) Functional and presentation currency (Continued)

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the translation reserves in equity.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separated from the equity attributable to the owners of the Company. Profit or loss attributable to the non-controlling interests are presented separately in the consolidated income statement as an allocation of the Group's results. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Changes in Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

In consolidation financial statements, acquisition of subsidiaries (other than those common control) is accounted for by applying the acquisition method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

3.4 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if early. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented on the face of the consolidated income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Revenue recognition

Revenue is measured at the fair value for the sale of goods and rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer accepted the goods;

(ii) Dividend income is recognised when the right to receive payment has been established;

(iii) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount; and

(iv) Service income is recognised when services are rendered.

3.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on the following property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Buildings	Over the shorter of the term of the leasehold interests in land and the expected useful live of 50 years
Leasehold improvements	3 to 5 years
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 to 8 years

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Property, plant and equipment (Continued)

Depreciation on the mining structures is provided to write off the cost of the mining structures using units of production method based on the proven and probable mineral resources.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Construction in progress represents leasehold buildings, plant and machinery and mining structures under development and is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3.7 Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire the land use rights/leasehold land. They are stated at cost less accumulated amortisation and accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 3.11. Amortisation is calculated on a straight line basis over the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

3.8 Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for the intangible assets with finite useful lives is provided on the following bases over their estimated useful lives. Amortisation commences when the intangible assets are available for use.

Mining rights

The mining rights are amortised using units of production method based on the proven and probable mineral resources.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Where any Group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's owners until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company. No gain or loss is recognised in profit or loss on the purchase, sales reissue or cancellation of such shares.

3.10 Impairment of non-financial assets

Goodwill arising on acquisition of subsidiaries, property, plant and equipment, prepaid land lease payments and intangible assets are subject to impairment testing.

Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purpose of assessing impairment, where an asset does not generate cash inflows largely independent from those other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflow independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Impairment of non-financial assets (Continued)

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other non-financial assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except that property held under operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Leases (Continued)

(iii) Operating lease charges as the leasee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

3.12 Financial assets

The Group's accounting policies for financial assets are set out below.

Financial assets other than hedging instruments are classified into the following categories (i) financial assets at fair value through profit or loss and (ii) loans and receivables.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed an appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

- the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

- the financial asset contains an embedded derivative that would need to be separate recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 3.5 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fee that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its costs.

Loss events in respect of a group of financial assets include observable data indicating that there is a measureable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Loans and receivables

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss for the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period in which the reversal occurs.

For financial assets other than financial assets at fair value through profit or loss and trade and note receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade and note receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade and bill receivables is remote, the amount considered irrecoverable is written off against trade and note receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3.13 Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is determined using the weighted average basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities for all deductible temporary difference, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in equity if they relate to items that are charged or credited directly to equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if, the Group has the legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Accounting for income taxes (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if, the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.15 Employee benefits

(i) Retirement benefit obligations

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. Under the rule of the MPF Schemes, the employer and its employees are each required to make contributions to the scheme of rate specified in the rules. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under Scheme. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee.

The Group also participates in a defined contribution retirement scheme organised by the relevant local government authority in the PRC. Certain employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at certain percentage of the local standard basic salaries.

Contributions to the above defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by employees.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Employee benefits (Continued)

(ii) Short-term employee benefit

Provision for bonus due are recognised when the Group has a present legal or constructive obligations as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employee.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. The value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in profit or loss with a corresponding credit to equity share option reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalent comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, bank and cash balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3.17 Financial liabilities

The Group's financial liabilities include trade payables, other payables and accrued charges, amounts due to related companies, amounts due to former and non-controlling equity holders of subsidiaries, borrowings, financial liabilities at fair value through profit or loss and convertible bonds.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 3.20). A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

(i) Trade payables, other payables and accrued charges

Trade payables, other payables and other accrued charges are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(ii) Bank and other borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Financial liabilities (Continued)

(iii) Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bonds issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included equity as convertible bond equity reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bond.

When the bond is converted, the convertible bond equity reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the convertible bond equity reserve is released directly to retained profits.

(iv) Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 3.11).

3.18 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into or the derivative is separated from the host contracts and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Related parties

(i) A person or a close member of that person's family is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of key management personnel of the Group or the Company's parent.

(ii) An entity is related to the Group if any of the following conditions apply:

(a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identifies in (i)(a) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influence by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed as incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

3.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match then with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in profit or loss on a straight line basis over the expected lives of the related assets.

Government grants related to assets are presented in the consolidated statement of financial position by setting up the grant as deferred income. Government grants relating to income is presented in gross under “Other income” in profit or loss.

3.22 Research and development expenditure

Cost associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group’s ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Research and development expenditure (Continued)

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

3.23 Provisions and contingent liabilities

Provision are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 Financial guarantee issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for issuance of the guarantee, the consideration is recognised in accordance with the Group's policies to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantee issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.25 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive Directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the Directors are determined following the Group's major product and services lines. The Group has only one segment following disposal of fertilizers operations in 2010.

4. CRITICAL ACCOUNTING ESTIMATES

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

4. CRITICAL ACCOUNTING ESTIMATES (Continued)

(i) Estimation of mineral resources

Mining rights and mining structures are depreciated and amortised using units of production method based on the proven and probable mineral resources. Such estimates are made based on the management's knowledge, experience and industry practice. Estimates which were valid when originally made may need to be updated when new information or techniques become available. By nature, resources estimates depend to some extent on interpretations and deductions which may prove to be inaccurate. As further information becomes available, the estimates are likely to change.

(ii) Depreciation and amortisation

The Group depreciates the property, plant and equipment and amortises prepaid land lease payments and the intangible assets in accordance with the accounting policies stated in note 3.6 note 3.7 and note 3.8 respectively. The estimated useful lives reflect the management estimate of the periods that the Group intends to derive future economic benefits from the use of these assets. In particular, the mining rights and mining structures are amortised and depreciated using units of production method, utilising only proved and probable mineral resources as the depletion base. The estimated mineral reserves reflect the management estimation on the intention to derive future economic benefits from the mining rights (see note 4(i)). The management assesses annually the estimated resources of the mine. However, the licence period of the mining rights held by the Group expires by January 2019 which is shorter than the estimated useful lives of the mine estimated by the management. Management of the Group is of the opinion that the Group will be able to renew the licence of the mining rights from the relevant authority continuously and at minimal charges. If the expectation differs from the original estimate, such differences will impact the depreciation and the amortisation charged in the year in which such estimate is changed.

(iii) Allowance for and written off of irrecoverable debtors

The Group's management determines the allowance for irrecoverable debtors on a regular basis. This estimate is based on the credit history of the Group's debtors, past default experience and the current market condition. When the Group's management determines that there are indicators of significant financial difficulties of the debtors such as default or delinquency in payments, allowance for debtors are estimated. The Group's management reassesses the estimations at the reporting dates.

When the Group's management determines the debtors are uncollectible, they are written off against the allowance account for debtors. Any amounts held in the allowance account in respect of those debtors are reversed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. CRITICAL ACCOUNTING ESTIMATES (Continued)

(iv) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at cash reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

(v) Income taxes

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. 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 provision in the period in which such determination is made.

(vi) Share-based payment compensation

The share-base payment expense is subject to the limitation of the option pricing model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model.

(vii) Net realisable value of inventories

These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. The Group's management will reassess the estimations at the reporting dates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, derived from the Group's principal activities recognised during the year is as follows:

	Continuing operations		Discontinued operation		Consolidated	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Revenue:						
Sales of goods	**526,577**	461,208	**–**	7,079	**526,577**	468,287
Income from indent trading (note a)	**–**	30,855	**–**	–	**–**	30,855
	526,577	492,063	**–**	7,079	**526,577**	499,142
Other income:						
Bank interest income	**85**	167	**–**	82	**85**	249
Refund of value-added tax (note b)	**–**	–	**–**	734	**–**	734
Sales of scrap materials	**4,656**	4,471	**–**	–	**4,656**	4,471
Government grants and subsidies (note c)	**–**	–	**–**	353	**–**	353
Recovery of bad debts	**–**	–	**–**	206	**–**	206
Compensation income	**14,181**	27,224	**–**	–	**14,181**	27,224
Other income	**–**	136	**–**	43	**–**	179
Total	**18,922**	31,998	**–**	1,418	**18,922**	33,416

Notes:

(a) During the year ended 31 December 2010, the Group entered into indent trading transactions of nonferrous metals and the gross invoiced sale amount was approximately RMB687 million. Pursuant to 2009 amendments to IAS 18 Revenue, the Group's sale amount received from its indent trading of nonferrous metals are deemed as cash collected on behalf of the principal as an agent. Accordingly, the net amount receivable in return for services performed is recognised as revenue.

(b) Pursuant to an approval document issued by State Tax Finance Bureau 財稅(2004)197號, a subsidiary of the Group was entitled to a refund of the value-added tax paid in relation to the sales of organic potash fertilizer products with effect from 1 December 2004.

(c) During year ended 31 December 2010, government grants and subsidies represented unconditional monetary award of RMB353,000 from relevant authorities in the PRC respect of the Group's contribution in products improvement arising from its participation in fertilizers business and for subsidising the Group's fertilizers business.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

6. SEGMENT INFORMATION

The Group disposed of the fertilizers operations as described in note 10 to the financial statements. The Directors manage the Group's continuing operations as a single business segment. The Group's operation is monitored and strategic decision are made on the basis of operating results, consolidated assets and liabilities as reflected in the Group's financial statements were prepared under IFRS.

The Group's principle place of operations is in Mainland China. The Group's assets are located in Mainland China. The result of its revenue from external customers in different countries is as follows:

	2011 **RMB'000**	2010 RMB'000
– Mainland China (domicile)	**526,577**	461,208
– Hong Kong	**–**	30,855
Total revenue	**526,577**	492,063

The geographical analysis of revenue is based on the location of external customers.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

7. PROFIT FROM OPERATION

Profit from operation is arrived at after charging/(crediting):

	Continuing operations		Discontinued operation		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Directors' emoluments (note 14(a))	**1,426**	2,308	**–**	–	**1,426**	2,308
Other staff costs	**16,936**	15,822	**–**	829	**16,936**	16,651
Equity-settled share options expenses (excluding those of Directors)	**3,980**	39,235	**–**	–	**3,980**	39,235
Retirement benefit schemes contribution (excluding those of Directors)	**1,626**	2,034	**–**	8	**1,626**	2,042
Total staff costs	**23,968**	59,399	**–**	837	**23,968**	60,236
Less: Staff costs included in the research and development costs	**–**	–	**–**	(114)	**–**	(114)
	23,968	59,399	**–**	723	**23,968**	60,122
Depreciation of property, plant and equipment	**15,289**	12,250	**–**	1,120	**15,289**	13,370
Less: Depreciation included in the research and development costs	**–**	–	**–**	(22)	**–**	(22)
	15,289	12,250	**–**	1,098	**15,289**	13,348
Cost of inventories sold	**465,792**	380,950	**–**	5,822	**465,792**	386,772
Amortisation of mining rights	**13,752**	14,697	**–**	–	**13,752**	14,697
Amortisation of other intangible assets	**–**	–	**–**	21	**–**	21
Amortisation of prepaid land lease payments	**42**	43	**–**	189	**42**	232
Auditor's remuneration	**731**	697	**–**	–	**731**	697
Operating lease expenses in respect of rented premises	**1,610**	1,597	**–**	202	**1,610**	1,799
Research and development costs	**–**	–	**–**	458	**–**	458
Foreign exchange loss, net	**582**	821	**–**	–	**582**	821

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

8. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Wholly repayable within five years						
– interest on bank loans	**3,416**	6,137	**–**	–	**3,416**	6,137
– interest on other loans	**3,436**	7,725	**–**	146	**3,436**	7,871
Interest on convertible bonds	**25,911**	33,411	**–**	–	**25,911**	33,411
Interest on finance lease liabilities	**68**	34	**–**	–	**68**	34
Total financial costs on financial liabilities not at fair value through profit or loss	**32,831**	47,307	**–**	146	**32,831**	47,453
Less: interest capitalised included in construction in progress (note 15)	**(4,358)**	(4,527)	**–**	–	**(4,358)**	(4,527)
	28,473	42,780	**–**	146	**28,473**	42,926

The borrowing costs have been capitalised at a rate of 9.13% per annum (2010: 9.48%).

9. INCOME TAX EXPENSE

(a) Income tax expense in the income statement represents:

	Continuing operations		Discontinued operation		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current						
– Hong Kong	**–**	3,451	**–**	–	**–**	3,451
– PRC	**19,782**	36,583	**–**	–	**19,782**	36,583
	19,782	40,034	**–**	–	**19,782**	40,034
Deferred taxation (note 31)	**(3,555)**	(3,760)	**–**	–	**(3,555)**	(3,760)
Total tax charge for the year	**16,227**	36,274	**–**	–	**16,227**	36,274

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2011 as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2011. Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong during the year ended 31 December 2010. Income tax expense for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the PRC Enterprise Income Tax Law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises were unified at 25% and became effective from 1 January 2008. Subsequent to 16 March 2007, the implementation measure on transitional policy of preferential tax rate was announced and the Group's entitlement to certain tax concessions is still applicable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

9. INCOME TAX EXPENSE (Continued)

(b) The income tax expense for the year can be reconciled to the profit before income tax as per the consolidated income statement as follows:

	2011 RMB'000	2010 RMB'000
Profit before income tax		
Continuing operations	**46,754**	103,763
Discontinued operation	**–**	8,779
Profit before income tax	**46,754**	112,542
Tax at the domestic income tax rate of 25% (2010: 25%)	**11,689**	28,136
Tax effect of non-taxable and non-deductible items, net	**(440)**	9,406
Tax effect of tax losses not recognised	**1,316**	1,097
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**3,662**	(2,365)
Income tax expenses for the year	**16,227**	36,274

(c) At 31 December 2011, deferred tax liabilities amounted to RMB3,185,000 (2010: RMB2,553,000) in respect of the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries have not been recognised. No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not reverse in the foreseeable future.

(d) At 31 December 2011, the Group has unrecognised tax losses of RMB9,653,284 (2010: RMB4,388,000) available for offsetting against future taxable profits of the Group's companies which incurred losses. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams.

NOTES TO THE FINANCIAL STATEMENTS

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10. DISCONTINUED OPERATION

On 31 March 2010, the Group completed the disposal of subsidiaries to Billion Prestige Limited in relation to the dispose of the entire equity interest of the Group's subsidiary Sungreen investment Limited and its subsidiaries (together referred as to the "Sungreen Group") at consideration of approximately RMB123,888,000. Details of the disposal have been set out in the announcement and circular of the Company dated 21 December 2009 and 8 January 2010 respectively. Since then, the Group ceased its fertilizers operation. The result of fertilizers operation included in these financial statements is as follows:

	3 months ended 31/03/2010 RMB'000
Loss for the year from a discontinued operation	
Revenue	7,079
Cost of sales	(5,822)
Gross profit	1,257
Other income	1,418
Selling and distribution costs	(3,117)
Administrative expenses	(1,485)
Loss from operation	(1,927)
Finance costs	(146)
Loss before income tax	(2,073)
Income tax expense	–
	(2,073)
Gain on disposal of subsidiaries (note 35 (a))	10,852
Gain for the year from a discontinued operation	8,779

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

10. DISCONTINUED OPERATION (Continued)

The net cash flows generated from a discontinued operation are as follows:

	3 month ended 31/3/2010 RMB'000
Net cash generated from operating activities	625
Net cash generated from investing activities	45
Net cash used in financing activities	(146)
Net cash inflow	524

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit attributable to the owners of the Company of RMB27,671,000 (2010: RMB71,032,000), a loss of approximately RMB35,249,000 (2010: approximately RMB4,336,000) has been dealt with in the financial statements of the Company.

12. DIVIDEND

During the years ended 31 December 2011 and 2010, no dividend was paid or proposed, nor has any dividend been proposed since the reporting date.

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted earnings per share attributable to the owners of the Company are based on the following data:

(a) From continuing and discontinued operations

	2011 RMB'000	2010 RMB'000
Earnings		
Profit attributable to owners of the Company	**27,671**	71,032
Effect of dilutive potential ordinary shares in respect of convertible bonds	**25,911**	33,411
Profit attributable to owners of the Company from the continuing and discontinued operations for the purpose of diluted earnings per share	**53,582**	104,443

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (Continued)

(a) From continuing and discontinued operations (Continued)

	2011 '000	2010 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**4,989,277**	3,915,089
Effect of dilutive potential ordinary shares in respect of share options	**–**	100,585
Effect of dilutive potential ordinary shares in respect of convertible bonds	**1,789,246**	2,350,646
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**6,778,523**	6,366,320

Diluted earnings per share for the year ended 31 December 2011 was not presented because the impacts of both of the exercise of share options and conversion of the convertible bonds were anti-dilutive.

(b) From continuing operations

	2011 RMB'000	2010 RMB'000
Earnings		
Profit attributable to owners of the Company	**27,671**	71,032
Less: Gain from discontinued operation	**–**	(8,779)
Result from discontinued operation attributable to non-controlling interests	**–**	(726)
Gain attributable to owners of the Company from the discontinued operation	**–**	(9,505)
Profit attributable to owners of the Company from the continuing operations	**27,671**	61,527

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (Continued)

(c) From discontinued operation

The Group had no discontinued operation during the year ended 31 December 2011. As at 31 December 2010, basic and dilutive earnings per share attributable to owner of the Company from the discontinued operation was RMB0.24 cents per share and RMB0.15 cents per share respectively, based on the profit for the period ended 31 March 2010 attributable to owners of the Company from discontinued operation of RMB9,505,000 and the denominators details in (a) above.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The details of Directors' remuneration of each Director for the years ended 31 December 2011 and 2010 are set out below:

Name of Directors	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Employee share option benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
2011					
Executive Directors:					
Mr. Mei Ping	100	–	–	–	100
Ms. Xie Yi Ping	100	–	–	–	100
Dr. Yu Heng Xiang	30	–	–	–	30
Mr. Ng Tang	83	–	78	–	161
Mr. Xu Bing	80	–	–	–	80
Mr. Kang Hongbo	199	–	260	–	459
Ms. Han Qiong	149	–	104	–	253
Mr. Zhuo Ze Fan^	–	–	–	–	–
Independent non-executive Directors:					
Mr. Liu Yaosheng	80	–	–	–	80
Mr. Chan Siu Lun*	50	–	–	–	50
Mr. Chau Kam Wing Donald^	33	–	–	–	33
Mr. Chen Mingxian	80	–	–	–	80
	984	–	442	–	1,426

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Name of Directors	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Employee share option benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
2010					
Executive Directors:					
Mr. Mei Ping[(i)]	10	–	–	–	10
Mr. Zhuo Ze Fan	–	54	484	–	538
Ms. Xie Yi Ping	61	24	–	–	85
Dr. Yu Heng Xiang	31	–	–	–	31
Mr. Ng Tang	63	–	145	–	208
Mr. Xu Bing	53	–	39	–	92
Mr. Kang Hongbo	209	–	523	–	732
Ms. Han Qiong	157	–	194	–	351
Independent non-executive Directors:					
Mr. Liu Yaosheng[(i)]	49	–	–	–	49
Mr. Zhao Shuo Guo[(ii)]	23	–	–	–	23
Mr. Chen Mingxian	84	–	–	–	84
Mr. Chau Kam Wing Donald	105	–	–	–	105
	845	78	1,385	–	2,308

(i) Appointed during the year ended 31 December 2010

(ii) Resigned during the year ended 31 December 2010

* Appointed during the year ended 31 December 2011

^ Resigned/retired during the year ended 31 December 2011

There was no arrangement under which a Director waived or agreed to waive any remuneration during the years ended 31 December 2011 and 2010.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

The five highest paid individuals in the Group during the year included one (2010: two) Directors, details of whose emoluments have been disclosed in note (a) above. The emoluments of the remaining four (2010: three) non-Director, highest paid individuals for the year are as follows:

	2011 **RMB'000**	2010 RMB'000
Basic salaries, bonus and allowances	**3,865**	2,275
Share-based payments	**260**	30,452
Retirement benefits scheme contribution	**37**	31
	4,162	32,578

The number of the remaining highest paid individuals whose enrolments fell within the following band is as follows:

	2011	2010
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$2,000,000	**2**	1
Over HK$2,000,000	**–**	1

During the years ended 31 December 2011 and 2010, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Mining structures	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010								
Cost	126,917	8,228	96,480	45,594	1,195	3,739	59,084	341,237
Accumulated depreciation	(2,672)	(8,158)	(2,459)	(6,266)	(367)	(1,350)	–	(21,272)
Net carrying amount	124,245	70	94,021	39,328	828	2,389	59,084	319,965
Year ended 31 December 2010								
Opening net carrying amount	124,245	70	94,021	39,328	828	2,389	59,084	319,965
Additions	887	–	8,243	3,083	213	4,280	20,977	37,683
Transfers	–	–	32,535	6,567	–	–	(39,102)	–
Depreciation	(2,173)	(69)	(1,557)	(6,985)	(338)	(1,128)	–	(12,250)
Exchange realignment	–	(1)	–	–	(17)	(62)	–	(80)
Closing net carrying amount	122,959	–	133,242	41,993	686	5,479	40,959	345,318
At 31 December 2010 and 1 January 2011								
Cost	127,804	8,228	137,258	55,244	1,378	7,947	40,959	378,818
Accumulated depreciation	(4,845)	(8,228)	(4,016)	(13,251)	(692)	(2,468)	–	(33,500)
Net carrying amount	122,959	–	133,242	41,993	686	5,479	40,959	345,318
Year ended 31 December 2011								
Opening net carrying amount	**122,959**	**–**	**133,242**	**41,993**	**686**	**5,479**	**40,959**	**345,318**
Additions	**4,063**	**–**	**5,408**	**4,978**	**269**	**81**	**4,600**	**19,399**
Transfer	**4,211**	**–**	**4,674**	**–**	**–**	**–**	**(8,885)**	**–**
Depreciation	**(3,480)**	**–**	**(1,493)**	**(8,454)**	**(367)**	**(1,495)**	**–**	**(15,289)**
Exchange realignment	**–**	**–**	**–**	**–**	**(14)**	**(92)**	**–**	**(106)**
Closing net carrying amount	**127,753**	**–**	**141,831**	**38,517**	**574**	**3,973**	**36,674**	**349,322**
At 31 December 2011								
Cost	**136,078**	**197**	**147,340**	**60,222**	**1,589**	**7,909**	**36,674**	**390,009**
Accumulated depreciation	**(8,325)**	**(197)**	**(5,509)**	**(21,705)**	**(1,015)**	**(3,936)**	**–**	**(40,687)**
Net carrying amount	**127,753**	**–**	**141,831**	**38,517**	**574**	**3,973**	**36,674**	**349,322**

NOTES TO THE FINANCIAL STATEMENTS

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15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Note:

(a) At 31 December 2010, the Group's property, plant and equipment at the net carrying amount of approximately RMB136,536,000 were pledged to secure banking facilities granted to the Group (note 28). The related borrowings had been fully repaid and the banking facilities and relevant pledge had been released during the year ended 31 December 2011.

(b) The net carrying amount of the Group's property, plant and equipment held under financial lease arrangement included in the total amount of motor vehicles at 31 December 2011 amounted to approximately RMB1,675,000 (2010: RMB2,274,000).

(c) Construction in progress at 31 December 2011 primarily represents costs incurred in connection with the Group's mining facilities in the PRC. Included in additions to construction in progress for the year ended 31 December 2011 is capitalised borrowing cost of approximately RMB4,358,000 (2010: RMB4,527,000).

16. INTANGIBLE ASSETS

	Mining rights RMB'000
At 1 January 2010	
Cost	1,094,116
Accumulated amortisation	(17,779)
Net carrying amount	1,076,337
Year ended 31 December 2010	
Opening net carrying amount	1,076,337
Amortisation	(14,697)
Closing net carrying amount	1,061,640
At 31 December 2010 and 1 January 2011	
Cost	1,094,116
Accumulated amortisation	(32,476)
Net carrying amount	1,061,640
Year ended 31 December 2011	
Opening net carrying amount	**1,061,640**
Addition	**29,882**
Amortisation	**(13,752)**
Closing net carrying amount	**1,077,770**
At 31 December 2011	
Cost	**1,123,998**
Accumulated amortisation	**(46,228)**
Net carrying amount	**1,077,770**

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16. INTANGIBLE ASSETS (Continued)

Mining rights represent the right for mining in Wulatezhong Qi, an autonomous region in Inner Mongolia of the PRC with an aggregate mining area of approximately 1.1014 square kilometer. The mining rights will expire in January 2019. In the opinion of Directors, the Group will be able to renew the licence of the mining rights from the relevant authority continuously and at minimal charges.

At 31 December 2010, the Group's mining rights at the net carrying amount of RMB1,061,640,000 were pledged to secure banking facilities granted to the Group (note 28). The related borrowings had been fully repaid and the banking facilities and relevant pledge had been released during the year ended 31 December 2011.

17. PREPAID LAND LEASE PAYMENTS

	2011 **RMB'000**	2010 RMB'000
At beginning of the year		
Cost	**2,114**	2,114
Accumulated amortisation	**(65)**	(22)
Net carrying amount	**2,049**	2,092
For the year ended 31 December		
Opening net carrying amount	**2,049**	2,092
Amortisation	**(42)**	(43)
Closing net carrying amount	**2,007**	2,049
At end of the year		
Cost	**2,114**	2,114
Accumulated amortisation	**(107)**	(65)
Net carrying amount	**2,007**	2,049
Analysed for reporting purposes as:		
Current asset	**42**	42
Non-current assets	**1,965**	2,007
	2,007	2,049

NOTES TO THE FINANCIAL STATEMENTS

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17. PREPAID LAND LEASE PAYMENTS (Continued)

Note:

At 31 December 2010, the Group's prepaid land lease payment from continuing operations at the net carrying amount of approximately RMB2,049,000 was pledged to secure banking facilities granted to the Group (note 28). The related borrowings had been fully repaid and the banking facilities and relevant pledge had been released during the year ended 31 December 2011.

18. LIST OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2011 are as follows:

Name	Place of incorporation/ registration and operation	Particulars of Issued capital/ registered capital	Effective interest held by the Group		Principal activities
			Direct	Indirect	
China Nonferrous Metals Management Limited	HK	HK$2,000,000	100%	–	Inactive (2010: Trading of nonferrous metals)
Yongbao Resources Exploitation and Development Limited	BVI	US$1	100%	–	Investment holding
Straight Upward Investments Limited ("Straight Upward")	BVI	US$100	–	100%	Investment holding and trading of derivative financial instruments (2010: Investment holding)
Sky King Development Limited	HK	HK$1	–	100%	Investment holding and Trading of derivative financial instruments
深圳市睿沩科技有限公司	PRC	RMB154,045,227 (2010: RMB100,000,000)	–	100%	Investment holding and trading of nonferrous metals
巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司("Jiashengpan")	PRC	RMB150,000,000	–	90% (2010: 75%)	Mining and processing of mineral resources and holding of mining licence in the PRC

18. LIST OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operation	Particulars of Issued capital/ registered capital	Effective interest held by the Group Direct	Effective interest held by the Group Indirect	Principal activities
深圳市銀池科技有限公司 ("銀池科技")	PRC	RMB1,000,000	–	100%	Investment holding
青海鈺洋商貿有限公司 ("青海鈺洋")	PRC	RMB20,000,000	–	100%	Trading of nonferrous metals
Ever Champion Holdings Limited	HK	HK$10	–	60% (2010: Nil)	Investment holding
深圳永智礦業有限公司	PRC	RMB10,014,610	–	60% (2010: Nil)	Investment holding
深圳市朗通貿易有限公司	PRC	RMB100,000	–	60% (2010: Nil)	Investment holding

The financial statements of the Company's subsidiaries are audited by BDO Limited for statutory purpose or Group consolidation purpose.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

19. DEPOSITS

	Notes	**2011 RMB'000**	2010 RMB'000
Deposits for acquisition of subsidiaries	(a)	**59,865**	61,227
Deposits for acquisition of property, plant and equipment	(b)	**5,838**	4,816
		65,703	66,043

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19. DEPOSITS (Continued)

Note:

(a) As at 31 December 2011, the deposits for acquisition of equity instruments amounted to RMB59,865,000 (2010: RMB61,227,000) mainly comprised of the following:

(i) The amount of RMB8,607,000 (equivalent to HK$10,000,000) (2010: RMB8,803,000 (equivalent to HK$10,000,000)) represented the deposits paid to Shenzhen City First Create Investment Company Limited ("First Create"), a related company, for the proposed acquisition of the entire equity interest in 赤峰市古金洞礦業有限責任公司 ("赤峰古金") which is a company established in the PRC and principally engaged in the exploration and intended to be engaged in mining of mineral resources in the PRC. The acquisition is still in progress as at the approval date of these financial statements.

(ii) The amount of RMB51,258,000 (equivalent to HK$59,553,000) (2010: RMB52,424,000 (equivalent to HK$59,553,000)) represented the deposits paid to First Create, a related company, for the proposed acquisition of 55% equity interest in 奈曼旗烜大礦業有限公司 ("奈曼旗烜大") which is a company established in the PRC and principally engaged in the exploration, mining and trading of mineral resources in the PRC. The acquisition is still in progress as at the approval date of these financial statements.

(b) The amount of RMB5,838,000 (2010: RMB4,816,000) were paid for the acquisition of property, plant and equipment for the Group's development projects to expand the production capacity in the Group's mining business in the PRC.

20. INVENTORIES

	2011 RMB'000	2010 RMB'000
Raw materials	**17,418**	17,146
Finished goods	**49,400**	46,056
	66,818	63,202

21. TRADE AND NOTE RECEIVABLES

	2011 RMB'000	2010 RMB'000
Trade and note receivables	**65,824**	306,938
Less: Allowance for impairment	**–**	–
	65,824	306,938

21. TRADE AND NOTE RECEIVABLES (Continued)

The ageing analysis of the trade and note receivables (net of allowance for impairment) is as follows:

	2011 **RMB'000**	2010 RMB'000
0 to 60 days	**62,883**	123,596
61 to 120 days	**2,519**	17,246
121 to 180 days	**–**	3,850
181 – 365 days	**422**	162,246
	65,824	306,938

The ageing analysis of these trade and note receivables (net of allowance for impairment) that are neither individually nor collectively considered to be impaired are as follows:

	2011 **RMB'000**	2010 RMB'000
Neither past due nor impaired	**65,402**	140,566
1 to 60 days past due	**–**	118,436
61 to 180 days past due	**422**	44,224
181 to 365 days past due	**–**	3,712
At end of year	**65,824**	306,938

The Group has a policy of allowing trade customers with credit normally within 90 days (2010: 90 days), except for certain customers where the terms are extended to 180 days during the year ended 31 December 2010.

As at 31 December 2011, the Group has determined trade receivables of RMB422,000 (2010: RMB166,372,000) were past due but not impaired. These receivables related to a number of independent customers for whom there is no recent history of default. Based on past experience and settlement subsequent to the reporting date, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Trade and note receivables that were neither past due nor impaired related to a large number of independent customers that have a good track record with the Group. The Group does not hold any collateral or other credit enhancements over these balances.

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2011	2010
	RMB'000	RMB'000
Other receivables	**137,077**	157,671
Deposits	**119,392**	127,377
Prepayments	**35,396**	38,640
	291,865	323,688

The ageing analysis of other receivables that are neither individually nor collectively considered to be impaired are as follows:

	2011	2010
	RMB'000	RMB'000
Neither past due nor impaired	**109,881**	86,203
1 to 6 months past due	**27,196**	11,902
Over 6 months past due	**–**	59,566
At end of year	**137,077**	157,671

The Directors of the Company consider that no impairment of other receivables is necessary as there was no recent history of default in respect of these debtors.

The Directors of the Company consider that the fair values of current portion of deposits and other receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

23. AMOUNTS DUE FROM RELATED COMPANIES

	2011 **RMB'000**	2010 RMB'000
西部礦業西藏雅江礦業有限公司	**2,000**	2,000
烏蘭察布市白乃廟銅業有限責任公司	**800**	–
First Create	**93,281**	–
Hung Kam Holdings Limited	**51,847**	55,610
	147,928	57,610

Details of amounts due from related companies pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name of borrower	**西部礦業西藏雅江礦業有限公司** RMB'000	**烏蘭察布市白乃廟銅業有限責任公司** RMB'000	**First Create** RMB'000	**Hung Kam Holdings Limited** RMB'000
Balance of the relevant loans				
At 31/12/2011	2,000	800	93,281	51,847
At 1/1/2011	2,000	Nil	(13,464) Due to First Create	55,610
Maximum balance outstanding during the year	2,000	800	93,281	55,610

Mr. Mei Wei, a substantial shareholder of the Company, has beneficial interest or directorship in these companies above.

The Company's Director, Mr. Mei Ping has directorship in First Create.

The above loans are unsecured, interest free and repayable on demand.

The amounts due are unsecured, non-interest bearing and repayable on demand. The amounts due from 烏蘭察布市白乃廟銅業有限責任公司 and First Create are fully settled subsequent to the reporting date and before the approval date of these financial statements. The Company's substantial shareholder, Mr. Mei Wei, has undertaken to indemnify any loss that the Group may incur in consequence of any failure or default in repayment by 西部礦業西藏雅江礦業有限公司 and Hung Kam Holdings Limited.

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For the year ended 31 December 2011

24. CASH AND BANK BALANCES

	2011 RMB'000	2010 RMB'000
Cash in hand	**2,556**	237
Cash at bank	**9,810**	14,438
	12,366	14,675
Less: Pledged bank deposits	**(2,350)**	(3,501)
Cash and cash equivalents	**10,016**	11,174

Cash at bank earns interest at floating rates based on daily bank deposit rates and earn interest ranging from 0.01% to 0.5% (2010: 0.01% to 0.72%) per annum.

At 31 December 2011, the Group had cash and bank balances denominated in RMB amounting to approximately RMB11,314,000 (2010: approximately RMB11,326,000), which were deposited with banks in the PRC and held in hand. The RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

25. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2011 RMB'000	2010 RMB'000
0 to 90 days	**17,550**	64,399
91 to 180 days	**7,077**	32,289
181 to 365 days	**15,103**	11,303
Over 365 days	**–**	722
	39,730	108,713

26. OTHER PAYABLES AND ACCRUED CHARGES

	2011 RMB'000	2010 RMB'000
Other payables	**139,723**	55,527
Accrued interest charges (note)	**6,638**	7,899
Accrued charges	**3,777**	5,192
	150,138	68,618

Note: At 31 December 2011, the accrued interest charges consist of approximately RMB4,563,000 (2010: approximately RMB6,464,000) in relation to the interest payable of convertible bonds to Ruffy Investments Limited ("Ruffy"), a related company of the Group in which Mr. Mei Wei, a substantial shareholder of the Company, has a directorship. Details of which are set out in note 30 to the financial statements.

27. AMOUNTS DUE TO RELATED COMPANIES AND NON-CONTROLLING EQUITY HOLDERS OF SUBSIDIARIES

The amounts due to related companies in which Mr. Mei Wei, a substantial shareholder of the Company, has beneficial interest or directorship in these companies, are unsecured, non-interest bearing and repayable on demand.

The amounts due to non-controlling equity holders of subsidiaries are unsecured, non-interest bearing and repayable on demand.

28. BORROWINGS

	Notes	Original currency	2011 RMB'000	2010 RMB'000
Current				
Finance lease liabilities	(a)	HK$	**456**	478
Bank loans – secured	(b)	RMB	**–**	33,689
Bank loans – unsecured	(b)	RMB	**55,000**	45,000
Other loans – unsecured (2010: secured)	(b)	RMB	**54,000**	18,500
			109,456	97,667
Non-current				
Finance lease liabilities	(a)	HK$	**1,080**	1,610
			110,536	99,277

Note (a)

During the year ended 31 December 2011, the Group has leased its motor vehicle under a finance lease and has remaining lease terms of four (2010: five) years. Finance lease liabilities are effectively secured as the rights to lease asset revert to the lessor in the even of default. These leases do not have options to renew or any contingent rental provisions.

The analysis of the obligations under finance leases is as follows:

	2011 RMB'000	2010 RMB'000
Amounts payable:		
Within one year	**523**	549
In the second year	**505**	549
In the third to fifth years	**722**	1,285
	1,750	2,383
Less: Future finance charges on finance lease	**(214)**	(295)
Present value of finance lease liabilities	**1,536**	2,088
The present value of finance lease liabilities is as follows:		
Within one year	**456**	478
In the second year	**441**	478
In the third to fifth years	**639**	1,132
	1,536	2,088
Less: Portion due within one year included under current liabilities	**(456)**	(478)
Non-current portion included under non-current liabilities	**1,080**	1,610

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

28. BORROWINGS (Continued)

Note (b)

	2011 RMB'000	2010 RMB'000
Within one year or on demand		
Bank loans (note i and ii)	**55,000**	78,689
Other loans (note iii)	**54,000**	18,500
	109,000	97,189

The Group's bank and other loans as at 31 December 2011 were:

(i) guaranteed by 青海汭銀投資擔保有限公司 which is a third party to the Group as details stated in the announcement of the Company dated 25 October 2011, in the principal amount of RMB45,000,000.

(ii) guaranteed by a related company, First Create in the principal amount of RMB10,000,000.

(iii) Borrowed from a related company, First Create, in the principal amount of RMB54,000,000. During the year ended 31 December 2011, interest accrued with regard to the loan was RMB1,885,000. The principal balance had been fully repaid to First Create subsequent to the reporting date and before approval date of these financial statements.

As at 31 December 2011, the bank loans are at annual fixed rates of approximately 7.55% and 8.53% (2010: approximately 6.75% and 6.90%).

As at 31 December 2011, loan from a related company is at a fixed rate of 7.02% per annum.

The secured other loans with aggregate carrying amount of RMB18,500,000 which are interest-bearing at floating interest ranging from 8.64% to 9.79% per annum as at 31 December 2010.

29. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 RMB'000	2010 RMB'000
Financial assets at fair value through profit or loss classified as held for trading		
– Future contracts in relation to nonferrous metals, at fair value	**267**	12,182
Financial liabilities at fair value through profit or loss classified as held for trading		
– Future contracts in relation to nonferrous metals, at fair value	**3,032**	14,090

(a) Financial assets at fair value through profit or loss

Maturity	**Underlying commodity**	**Fair value**	
		2011 RMB'000	2010 RMB'000
10 February 2012 – 21 March 2012	LME Nonferrous Metals *	**267**	–
21 January 2011 – 24 March 2011	LME Nonferrous Metals *	**–**	12,182

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

Maturity	**Underlying commodity**	**Fair value**	
		2011 RMB'000	2010 RMB'000
20 January 2012 – 21 March 2012	LME Nonferrous Metals *	**3,032**	–
21 January 2012 – 24 March 2012	LME Nonferrous Metals *	**–**	14,090

Note:

* London Metal Exchange registered contracts

The Directors determine the fair value of the above future contracts are determined with reference to the publicly available market price at the reporting date.

As at the approval date of these financial statements, the Directors confirmed that the Group does not have material exposure to derivative financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

30. CONVERTIBLE BONDS

On 9 July 2008, the Company issued convertible bonds with a principal amount of HK$756,900,000 (the "2008 Convertible Bonds"), which bear coupon interest rate at 3% per annum payable semi-annually in arrears. The 2008 Convertible Bonds were issued as part of the consideration for the acquisition of entire issued share capital of Straight Upward and its subsidiaries (collectively referred as to the "Straight Upward Group"). The 2008 Convertible Bonds due on 2015 are convertible into fully paid ordinary shares with a par value of HK$0.0004 each of the Company at an initial conversion price of HK$0.22, subject to adjustments on the occurrence of dilutive or concentrative event.

The Company has not redeemed any of the 2008 Convertible Bonds since the issuance. Pursuant to the Deed of Set-off and on 21 August 2009, Ruffy agreed to set off each of 2007 and 2008 Profit Guarantee shortfalls by deducting a principal amount of approximately HK$80,488,000 from the 2008 Convertible Bonds held by Ruffy. Since the date of issuance, principal amount of approximately HK$294,374,000 has been converted into approximately 1,338,065,000 shares. As at 31 December 2011, the principal amount outstanding was approximately HK$382,038,000.

On 9 March 2010, the Company and two subscribers entered into the subscription agreements in respect of the issue of the convertible bonds (the "CB Subscription Agreements"). Pursuant to the CB Subscription Agreements, the Company issued the two years 1% per annum plus the prime lending rate per annum quoted by The Hongkong and Shanghai Banking Corporation Limited coupon convertible bonds due to 2012 up to aggregate amount of HK$30,000,000 (the "2010 Convertible Bonds"). Based on the conversion price of HK$0.285 per conversion share, a maximum number of 105,263,156 conversion shares will fall to be allotted and issued upon exercise of the conversion rights attached to the convertible bonds. The CB Subscription Agreements had been completed on 17 March 2010.

HK$15,000,000 principal amount of the 2010 Convertible Bonds has been converted into 52,631,578 shares on 5 November 2010. Subsequent to the reporting date and before approval date of these financial statements, total outstanding principal amount of the 2010 Convertible Bonds of HK$15,000,000 will be fully redeemed by the Company.

The bondholders of the convertible bonds will have the right to convert the whole or part of the outstanding principal amount of the 2008 Convertible Bonds. Any conversion shall be made in amounts of not less than a whole multiple of HK$5,000,000. The convertible bonds remain outstanding on the maturity date shall be redeemed at its then outstanding principal amount, inclusive of interest as accrued.

On initial recognition, the fair value of the liability component of the convertible bonds was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost under the effective interest method.

The equity component of the convertible bonds was recognised at the difference between the proceeds received and the fair value of the liability component and was included in shareholders' equity in convertible bonds equity reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

30. CONVERTIBLE BONDS (Continued)

The convertible bonds recognised in the statement of financial position were calculated as follows:

	2008 Convertible Bonds RMB'000 **(Non-current liabilities)**	**2010 Convertible Bonds** RMB'000 **(Current liabilities)**	**Total** RMB'000
Liability component			
Net carrying amounts at 1 January 2010	378,834	–	378,834
Issue of 2010 Convertible Bonds	–	25,040	25,040
Arising from exercise of conversion rights (note a)	(146,324)	(12,560)	(158,884)
Interest expenses	31,853	1,558	33,411
Interest paid and accrued	(13,084)	(1,065)	(14,149)
Exchange realignment	(9,687)	(598)	(10,285)
Net carrying amounts at 31 December 2010 and 1 January 2011	**241,592**	**12,375**	**253,967**
Arising from exercise of conversion rights (note a)	**(1,938)**	**–**	**(1,938)**
Interest expenses	**24,833**	**1,078**	**25,911**
Interest paid and accrued	**(9,516)**	**(747)**	**(10,263)**
Exchange realignment	**(11,337)**	**(574)**	**(11,911)**
Liability component at 31 December 2011	**243,634**	**12,132**	**255,766**

30. CONVERTIBLE BONDS (Continued)

	2008 Convertible Bonds RMB'000	2010 Convertible Bonds RMB'000	Total RMB'000
Equity component			
Net carrying amounts at 1 January 2010	193,067	–	193,067
Issue of 2010 Convertible Bonds	–	1,343	1,343
Arising from exercise of conversion rights (note a)	(73,468)	(671)	(74,139)
Net carrying amounts at 31 December 2010 and 1 January 2011	**119,599**	**672**	**120,271**
Arising from exercise of conversion rights (note a)	**(926)**	**–**	**(926)**
Equity component at 31 December 2011	**118,673**	**672**	**119,345**

Note:

(a) During the year ended 31 December 2011, the 2008 Convertible Bonds at the principal amount of HK$3,100,000 were converted into ordinary shares of the Company and total number of ordinary shares converted was approximately 14,091,000.

During the year ended 31 December 2010, the 2008 Convertible Bonds and 2010 Convertible Bonds at the principal amount of HK$232,911,000 and HK$15,000,000 were converted into ordinary shares of the Company and total number of ordinary shares converted was approximately 1,058,684,000 and 52,632,000 respectively (note 32).

The fair value of the equity component of the convertible bonds was calculated using the Binominal model with the major inputs used in the model as follows:

	2008 Convertible Bonds
Stock price	HK$1.64
Expected volatility	83.02%
Risk free rate	3.43%
Expected life	7 years
Expected dividend yield	0%

Interest expense on the 2008 Convertible Bonds and 2010 Convertible Bonds is calculated using the effective interest method by applying the effective interest rate of 10.18% and 8.76% respectively to the adjusted liability component.

31. DEFERRED TAX ASSET AND LIABILITIES

Deferred tax asset and liabilities are calculated in full on temporary differences under the liability method using principal taxation rate of 25% (2010: 25%).

(a) The movement on deferred tax assets during the year is as follows:

	Fair value adjustment of property, plant and equipment RMB'000
At 1 January 2010, 31 December 2010 and 2011	**251**

(b) The movement on deferred tax liabilities during the year is as follows:

	Accelerated tax depreciation RMB'000	Fair value adjustment of mining rights RMB'000	Total RMB'000
At 1 January 2010	2,705	264,306	267,011
Credit for the year (note 9)	(86)	(3,674)	(3,760)
At 31 December 2010 and 1 January 2011	**2,619**	**260,632**	**263,251**
Credit for the year (note 9)	**(117)**	**(3,438)**	**(3,555)**
At 31 December 2011	**2,502**	**257,194**	**259,696**

32. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.002 each at 1 January 2009	25,000,000	50,000
Shares subdivision	100,000,000	–
Ordinary shares of HK$0.0004 each at 31 December 2010 and 2011	**125,000,000**	**50,000**

	Number of shares '000	Amount RMB'000
Issued:		
Ordinary shares of HK$0.0004 each at 1 January 2010	3,061,447	1,224
Placing and subscription of new shares (note a)	489,436	170
Share options exercised (note b)	130,250	46
Conversion rights of convertible bonds exercised (note c)	1,111,316	388
Ordinary shares of HK$0.0004 each at 31 December 2010 and 1 January 2011	**4,792,449**	**1,828**
Placing and subscription of new shares (note d)	**200,000**	**68**
Conversion rights of convertible bonds exercised (note c)	**14,091**	**5**
Ordinary shares of HK$0.0004 each at 31 December 2011	**5,006,540**	**1,901**

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32. SHARE CAPITAL (Continued)

During the year ended 31 December 2010 and 2011, the movements in share capital were as follows:

(a) On 6 January 2010 and 4 March 2010, the Company entered into a top-up placing agreement with, among others, Peace Town Securities Limited (the "Placing Agent") for the placement of 229,556,000 and 59,880,000 ordinary shares of the company at a price of HK$0.2465 and HK$0.257 per share respectively. On 19 January and 18 March 2010, the top-up placement were completed and raised total consideration of HK$56,586,000 (equivalent to approximately RMB49,815,000) and HK$15,389,000 (equivalent to approximately RMB13,546,000) (before expenses) respectively.

On 6 October 2010, the Company entered into a subscription agreement (the "Subscription Agreement") with Ruffy Investments Limited ("Ruffy"). Pursuant to which the Company has conditionally agreed to issue 200,000,000 shares at HK$0.25 per share to the Ruffy. The Company is currently indebted to Ruffy HK$50,000,000 (the "Shareholder Loan"). The issuance of 200,000,000 shares payable by Ruffy would be set-off in full against the Shareholder's Loan at the completion date. The Subscription Agreement was completed on 15 November 2010.

(b) During the year ended 31 December 2010, the subscription rights attaching to 111,250,000, 4,000,000 and 12,000,000 and 3,000,000 share options issued pursuant to the share option scheme of the Company which both were exercised at the subscription price of HK$ 0.066 per share, HK$0.216 per share, HK$ 0.22 per share and HK$0.234 per share The share options of 130,250,000 shares of HK$0.0004 each in issue for a total cash consideration of RMB10,066,000 (equivalent to approximately HK$11,549,000 (before expenses)) (note 33).

(c) During the year ended 31 December 2011, 14,090,909 and nil (2010: 1,058,684,670 and 52,631,578) ordinary shares of HK$0.0004 each were issued pursuant to the exercise of the conversion rights attaching to the Company's 2008 Convertible Bonds and 2010 Convertible Bonds at a conversion price of approximately HK$0.22 and HK$0.285 per share respectively (note 30).

(d) On 17 January 2011, the Company entered into a placing of existing shares and top-up subscription agreement (the "Top-up Agreement") with Ruffy and Peace Town Securities Limited (the "Placing Agent"), pursuant to which the Placing Agent agreed to place 200,000,000 existing shares at HK$0.22 per share on behalf of Ruffy. The Top-up Agreement was completed on 26 January 2011.

NOTES TO THE FINANCIAL STATEMENTS

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33. SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to the resolutions of the shareholders passed on 16 February 2005 for the primary purposed of providing the people and the parties working for the interest of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with incentives to work better for the interest of the Group and/or rewards for their contribution and support to the Group. The board of Directors may, at its discretion, invite (i) employees of the Company (whether full-time or part-time) or any of its subsidiaries or associated companies; (ii) chief executive, Directors (whether executive Directors or non-executive Directors or independent non- executive Directors) of the Company or any its subsidiaries or associated companies; (iii) any shareholder of any member of the Company or any of its subsidiaries or associated companies; (iv) suppliers of good and/or services to the Company or any of its subsidiaries or associated companies; (v) any customers of the Company or any of its subsidiaries or associated companies: (vi) any person or entity that provides research, development or other technical support to the Company or any of its subsidiaries or associated companies; (vii) any adviser (technological, technical, financial, legal or otherwise) or consultants engaged by or worked for the Company or any of its subsidiaries or associated companies; and (viii) joint venture partner or counter-party to any business operation or business arrangements of the Group (together, the "Participants" and each a "Participant"), to take up options ("Option") to subscribe for shares at a price calculated in accordance with paragraph below. No performance target is required to be achieved before an option can be exercised.

HK$1.00 is payable by the Participant to the Company on acceptance of the option offer as consideration for the grant.

At the time of adoption of the Share Option Scheme, the Company may seek approval of its shareholders in a general meeting to authorise the Directors to grant options under the Share Option Scheme and any other Share Option Schemes of the Company entitling the grantees to exercise up to an aggregate of 10% (the "Scheme Mandate Limit") of the total number of shares of the Company in issue immediately following completing of the placing (excluding (a) any shares issued pursuant to Share Option Scheme and any other Share Option Schemes of the Company: and (b) any pro rata entitlements to further shares issued in respect of these shares mentioned in (a) unless the Company obtains a fresh approval from the shareholders).

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period of not more than 10 years to be notified by the board of Directors to each grantee, which period shall commence on the date on which an offer of the grant of an Option is accepted or deemed to be accepted or deemed to be accepted in accordance with the terms of the Share Option Scheme and expire on the last day of such period as determined by the board.

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on 16 February 2005, after which period no further Options will be granted but in respect of all Option which remain exercisable at the end of such period, the provisions of the Share Option Scheme shall remain in full force and effect. Unless otherwise determined by the Directors of the Company at their discretion, there is no requirement of minimum period of which a share option must be held.

33. SHARE OPTION SCHEME (Continued)

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of any ordinary share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

Movement in share options during the year ended 31 December 2011 are as follows:

	Number of share options							
Name or category of participant	At 1 January 2011	Granted during the year	Exercise during the year	Forfeited/ Lapsed during the year	At 31 December 2011	Date of grant of share options	Exercise period of share options (note a)	Exercise price of share option
Directors								
Mr. Zhuo Ze Fan	2,000,000	–	–	(2,000,000)	–	04/12/2009	Period 9	0.260
(Note b)	2,000,000	–	–	(2,000,000)	–	04/12/2009	Period 10	0.260
	3,000,000	–	–	(3,000,000)	–	04/12/2009	Period 11	0.260
	3,000,000	–	–	(3,000,000)	–	04/12/2009	Period 12	0.260
	10,000,000	–	–	(10,000,000)	–			
Mr. Ng Tang	600,000	–	–	–	600,000	04/12/2009	Period 9	0.260
	600,000	–	–	–	600,000	04/12/2009	Period 10	0.260
	900,000	–	–	–	900,000	04/12/2009	Period 11	0.260
	900,000	–	–	–	900,000	04/12/2009	Period 12	0.260
	3,000,000	–	–	–	3,000,000			
Mr. Kang Hongbo	1,500,000	–	–	–	1,500,000	20/05/2009	Period 6	0.234
	2,000,000	–	–	–	2,000,000	04/12/2009	Period 9	0.260
	2,000,000	–	–	–	2,000,000	04/12/2009	Period 10	0.260
	3,000,000	–	–	–	3,000,000	04/12/2009	Period 11	0.260
	3,000,000	–	–	–	3,000,000	04/12/2009	Period 12	0.260
	11,500,000	–	–	–	11,500,000			

33. SHARE OPTION SCHEME (Continued)

	Number of share options							
Name or category of participant	At 1 January 2011	Granted during the year	Exercise during the year	Forfeited/ Lapsed during the year	At 31 December 2011	Date of grant of share options	Exercise period of share options (note a)	Exercise price of share option
Directors								
Ms. Han Qiong	800,000	–	–	–	800,000	04/12/2009	Period 9	0.260
	800,000	–	–	–	800,000	04/12/2009	Period 10	0.260
	1,200,000	–	–	–	1,200,000	04/12/2009	Period 11	0.260
	1,200,000	–	–	–	1,200,000	04/12/2009	Period 12	0.260
	4,000,000	–	–	–	4,000,000			
Other employees								
In aggregate	1,500,000	–	–	–	1,500,000	15/05/2009	Period 4	0.216
	5,000,000	–	–	–	5,000,000	20/05/2009	Period 6	0.234
	22,340,000	–	–	–	22,340,000	04/12/2009	Period 9	0.260
	22,340,000	–	–	–	22,340,000	04/12/2009	Period 10	0.260
	33,510,000	–	–	–	33,510,000	04/12/2009	Period 11	0.260
	33,510,000	–	–	–	33,510,000	04/12/2009	Period 12	0.260
	358,510,000	–	–	–	358,510,000	28/07/2010	Period 13	0.246
	476,710,000	–	–	–	476,710,000			
Suppliers/Advisors								
In aggregate	20,000,000	–	–	–	20,000,000	12/06/2008	Period 3	0.340
	8,000,000	–	–	–	8,000,000	19/05/2009	Period 5	0.220
	3,500,000	–	–	–	3,500,000	17/08/2009	Period 7	0.272
	10,000,000	–	–	–	10,000,000	04/12/2009	Period 8	0.260
	10,000,000	–	–	–	10,000,000	04/12/2009	Period 9	0.260
	10,000,000	–	–	–	10,000,000	04/12/2009	Period 10	0.260
	15,000,000	–	–	–	15,000,000	04/12/2009	Period 11	0.260
	15,000,000	–	–	–	15,000,000	04/12/2009	Period 12	0.260
	91,500,000	–	–	–	91,500,000			
	596,710,000	–	–	(10,000,000)	586,710,000			

33. SHARE OPTION SCHEME (Continued)

Movement in the share options during the year ended 31 December 2010 are as follows:

Name or category of participant	Number of share options: At 1 January 2010	Granted during the year	Exercise during the year	Forfeited/ Lapsed during the year	At 31 December 2010	Date of grant of share options	Exercise period of share options (note a)	Exercise price of share option
Directors								
Mr. Zhuo Ze Fan	2,000,000	–	–	–	2,000,000	04/12/2009	Period 9	0.260
(Note b)	2,000,000	–	–	–	2,000,000	04/12/2009	Period 10	0.260
	3,000,000	–	–	–	3,000,000	04/12/2009	Period 11	0.260
	3,000,000	–	–	–	3,000,000	04/12/2009	Period 12	0.260
	10,000,000	–	–	–	10,000,000			
Mr. Ng Tang	600,000	–	–	–	600,000	04/12/2009	Period 9	0.260
	600,000	–	–	–	600,000	04/12/2009	Period 10	0.260
	900,000	–	–	–	900,000	04/12/2009	Period 11	0.260
	900,000	–	–	–	900,000	04/12/2009	Period 12	0.260
	3,000,000	–	–	–	3,000,000			
Mr. Xu Bing	1,500,000	–	(1,500,000)	–	–	20/05/2009	Period 6	0.234
Mr. Kang Hongbo	1,500,000	–	–	–	1,500,000	20/05/2009	Period 6	0.234
	2,000,000	–	–	–	2,000,000	04/12/2009	Period 9	0.260
	2,000,000	–	–	–	2,000,000	04/12/2009	Period 10	0.260
	3,000,000	–	–	–	3,000,000	04/12/2009	Period 11	0.260
	3,000,000	–	–	–	3,000,000	04/12/2009	Period 12	0.260
	11,500,000	–	–	–	11,500,000			
Ms. Han Qiong	800,000	–	–	–	800,000	04/12/2009	Period 9	0.260
	800,000	–	–	–	800,000	04/12/2009	Period 10	0.260
	1,200,000	–	–	–	1,200,000	04/12/2009	Period 11	0.260
	1,200,000	–	–	–	1,200,000	04/12/2009	Period 12	0.260
	4,000,000	–	–	–	4,000,000			

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33. SHARE OPTION SCHEME (Continued)

Name or category of participant	At 1 January 2010	Granted during the year	Exercise during the year	Forfeited/ Lapsed during the year	At 31 December 2010	Date of grant of share options	Exercise period of share options (note a)	Exercise price of share option
	Number of share options							
Other employees								
In aggregate	1,500,000	–	–	(1,500,000)	–	12/06/2008	Period 2	0.340
	5,500,000	–	(4,000,000)	–	1,500,000	15/05/2009	Period 4	0.216
	5,000,000	–	–	–	5,000,000	20/05/2009	Period 6	0.234
	22,980,000	–	–	(640,000)	22,340,000	04/12/2009	Period 9	0.260
	22,980,000	–	–	(640,000)	22,340,000	04/12/2009	Period 10	0.260
	34,470,000	–	–	(960,000)	33,510,000	04/12/2009	Period 11	0.260
	34,470,000	–	–	(960,000)	33,510,000	04/12/2009	Period 12	0.260
	–	358,510,000	–	–	358,510,000	28/07/2010	Period 13	0.246
	126,900,000	358,510,000	(4,000,000)	(4,700,000)	476,710,000			
Suppliers/Advisors								
In aggregate	131,250,000	–	(111,250,000)	(20,000,000)	–	17/12/2007	Period 1	0.066
	20,000,000	–	–	–	20,000,000	12/06/2008	Period 3	0.340
	40,000,000	–	(12,000,000)	(20,000,000)	8,000,000	19/05/2009	Period 5	0.220
	1,500,000	–	(1,500,000)	–	–	20/05/2009	Period 6	0.234
	3,500,000	–	–	–	3,500,000	17/08/2009	Period 7	0.272
	10,000,000	–	–	–	10,000,000	04/12/2009	Period 8	0.260
	10,000,000	–	–	–	10,000,000	04/12/2009	Period 9	0.260
	10,000,000	–	–	–	10,000,000	04/12/2009	Period 10	0.260
	15,000,000	–	–	–	15,000,000	04/12/2009	Period 11	0.260
	15,000,000	–	–	–	15,000,000	04/12/2009	Period 12	0.260
	256,250,000	–	(124,750,000)	(40,000,000)	91,500,000			
	413,150,000	358,510,000	(130,250,000)	(44,700,000)	596,710,000			

33. SHARE OPTION SCHEME (Continued)

Period 1	17 December 2007 to 31 December 2010
Period 2	12 December 2008 to 11 June 2013
Period 3	12 June 2008 to 11 June 2013
Period 4	15 November 2009 to 14 May 2014
Period 5	19 May 2009 to 18 May 2014
Period 6	20 March 2010 to 19 May 2014
Period 7	17 June 2010 to 16 August 2014
Period 8	4 December 2009 to 3 December 2014
Period 9	4 December 2010 to 3 December 2014
Period 10	4 December 2011 to 3 December 2014
Period 11	4 December 2012 to 3 December 2014
Period 12	4 December 2013 to 3 December 2014
Period 13	28 July 2010 to 30 May 2015

Notes:

(a) The vesting date of the share options for Period 1, 3, 5, 8 and 13 are the date of grant. The share options for Period 2 and 4 are subject to half year vesting period. The share option for Period 6 and 7 are subject to ten months vesting period. The vesting period of the share options for Period 9, 10, 11 and 12 are subject to one, two, three and four years vesting period respectively.

(b) Mr. Zhuo Ze Fan retired by rotation as executive Director in accordance with bye-laws and the resolution in respect of his re-election was not passed by shareholders as ordinary resolution at the conclusion of the annual general meeting held on 5 May 2011. The share options forfeited due to his retirement.

(c) The weighted average exercise prices of share options are as follows:

	Weighted average exercise prices of share options RMB'000
For the year ended 31 December 2011	
At 1 January 2011	**0.253**
At 31 December 2011	**0.253**
For the year ended 31 December 2010	
At 1 January 2010	0.198
Granted during the year	0.246
Exercised during the year	0.089
At 31 December 2010	0.253

(d) The weighted average remaining contractual life of the share options outstanding at 31 December 2011 was approximately 891 days (2010: 1,517 days).

(e) During the year ended 31 December 2010, the weighted average share price at the date of exercise was HK$0.258.

(f) During the year ended 31 December 2010, the weighted average share price at the date of grant was HK$0.255.

33. SHARE OPTION SCHEME (Continued)

The fair values of the share options granted during the year ended 31 December 2010 were calculated using the binominal model. The inputs into model were as follows:

For the year ended 31 December 2010

Expected volatility (%)	67.67%
Expected life (year)	2.41 years
Risk free rate (%)	0.62%
Expected dividend yield (%)	0%

The expected life of the options is based on the historical data over one year and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

At 31 December 2011, the Company had 586,710,000 (2010: 596,710,000) share options outstanding under the Share Option Scheme, which are exercisable and represented approximately 11.7% (2010: 12.5%) of the Company's share in issue at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 586,710,000 (2010: 596,710,000) additional ordinary shares of the Company and additional share capital of HK$235,000 (2010: HK$239,000) and share premium of HK$148,378,000 (2010: HK$203,045,000) (before issue expenses).

34. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity.

(i) Share premium

The share premium mainly includes shares issued at a premium.

(ii) Warrant reserve

On 2 August 2010, 717,000,000 listed warrants (the "Warrants") were issued and listed on GEM (stock code: 8343) pursuant to a placing agreement signed with Kingston Securities Limited. The issue price per warrant was HK$0.01 and the subscription price was HK$0.26. Upon the exercise of the subscription rights attaching to the Warrants in full, a maximum of 717,000,000 new shares (subject to adjustments) will fall to be issued and allotted for up to approximately HK$186,420,000 in cash. The placing of warrants was completed on 2 August 2010. The exercise period of the Warrants is from the date of listing of the Warrants up to 1 August 2012.

As at 31 December 2011, no Warrants have been exercised by registered holders.

34. RESERVES (Continued)

(iii) Capital redemption reserve

The capital redemption reserve of the Group represents the nominal value of the share capital of the Company repurchased and cancelled.

(iv) Capital reserve

Capital reserve represented the loan from shareholder that have been waived pursuant to the deed of waiver prior to the listing of the shares of the Company on the GEM of the Stock Exchange.

(v) Statutory reserves

In accordance with relevant PRC regulations, certain subsidiaries of the Company are required to appropriate not less than 10% of their profits after tax to the respective statutory reserves, until the respective balances of the fund reach 50% of the respective registered capitals. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to offset against their respective accumulated losses, if any.

(vi) Special reserve

The special reserve represented the difference between the nominal value of share capital issued by the Company and the nominal value of share capital of the subsidiaries at the time of group reorganisation.

(vii) Specific reserve

In accordance with relevant PRC regulations, a subsidiary of the Company is required to provide that production maintenance fee and safety fund and other expense of similar nature are required to be charged to cost of production and credited to a specific reserve.

(viii) Other reserve

The other reserve represented the difference between the consideration and the carrying amount of the net assets attributable to the additional interests in subsidiaries being acquired from non-controlling equity holders.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

35. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

(a) Disposal of subsidiaries

Net assets/(liabilities) of Sungreen Group at the date of disposal were as follows:

	2010 RMB'000
Net assets/(liabilities) disposed of:	
Property, plant and equipment	14,378
Prepaid land lease payment	35,897
Deposits paid	43,350
Available-for-sale financial assets	400
Inventories	3,696
Trade receivables	60,639
Other receivables, deposits and prepayments	1,829
Bank and cash balances and balance with non-financial institutions	90,724
Trade payables	(1,430)
Other payables and accrued charges	(20,545)
Amounts due to related company	(427)
Amount due to equity holders of subsidiaries	(17,225)
Borrowings	(40,000)
Provision for taxation	(1,178)
Non-controlling interests	(49,836)
	120,272
Release of translation reserve	(8,305)
Due to group companies disposal of	(51,262)
Costs incurred for disposal	1,069
Net gain on disposal of subsidiaries	10,852
	72,626
Satisfied by:	
Cash	123,888
Waiver of amounts due from the disposed subsidiaries by the Group	(51,262)
	72,626
An analysis of net inflow of cash and cash equivalents in respect of the disposal of Sungreen Group is as follows:	
Cash consideration	123,888
Bank and cash balances disposed	(90,724)
Net inflow of cash and cash equivalents in respect of the Disposal	33,164

35. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS (Continued)

(b) During the year ended 31 December 2011, the Group purchased the property, plant and equipment of RMB4,816,000 (2010: RMB7,836,000) which was transferred from the deposits paid for acquisition of property, plant and equipment.

(c) During the year ended 31 December 2011, the Group purchased the intangible assets of RMB4,000,000 (2010: Nil) which was transferred from other receivables, deposits and prepayments.

(d) During the year ended 31 December 2011, the Group acquired 60% equity interest in Ever Champion Holdings Limited ("Ever Champion") at a consideration of HK$197,000,000 (equivalents to RMB165,988,000). At the effective date of the transaction, cash and bank balances of Ever Champion and its subsidiaries aggregated RMB425,000.

As at 31 December 2011, remaining amount of the consideration of RMB42,957,000 included in other payables and accrued charges.

36. COMMITMENTS

At the reporting date, the Group had the following outstanding commitments:

(a) Operating lease arrangement

As lessee

At the respective reporting date, the Group had outstanding commitments payable under non-cancellable operating lease in respect of rented premises which fall due as follows:

	2011 **RMB'000**	2010 RMB'000
Within one year	**1,695**	717
In the second to fifth year inclusive	**2,026**	229
	3,721	946

Operating lease payments represent rental payable by the Group for its office premises. Leases are negotiated for terms ranging from two to three (2010: two to three) years. Certain leases contain an option to renew the lease and renegotiated the terms at the expiry dates or at date mutually agreed between the Group and the landlords. None of the leases include contingent rentals.

(b) Capital commitments

	2011 **RMB'000**	2010 RMB'000
Property, plant and equipment		
– Contracted but not provided for	**7,591**	10,543

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

36. COMMITMENTS (Continued)

(c) Other commitments

At the reporting date, the Group had commitment in relation to the acquisition of subsidiaries in the PRC of RMB84,564,000 (2010: RMB84,564,000). These commitments were effective on or before 31 December 2012 in relation to the aforesaid completion of the acquisition of the subsidiaries in the PRC (note 19).

37. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material related party transactions:

(a) Nature of transactions

	Notes	**2011 RMB'000**	2010 RMB'000
Sales of goods to related companies	(i)	**406,196**	327,419
Purchase of goods from a related company	(ii)	**5,137**	–

Notes:

(i) Balance represented sales of mineral resources to First Create (2010: First Create and Hung Kam Holdings Limited). Mr. Mei Wei, a substantial shareholder of the Company, has beneficial interest or directorship in First Create (2010: First Create and Hung Kam Holdings Limited). The sales were based on mutually agreed terms.

The Company's Director, Mr. Mei Ping has directorship in First Create.

(ii) Balance represented purchases of mineral resources from First Create.

(b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year are follows:

	2011 RMB'000	2010 RMB'000
Short-term benefits	**3,457**	3,198
Share-based payments	**443**	1,385
Post-employment benefits	**20**	21
	3,920	4,604

(c) Bank borrowings of RMB10,000,000 (2010: Nil) was guaranteed by First Create during the year ended 31 December 2011.

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For the year ended 31 December 2011

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Board of Directors. The overall objectives in managing financial risk focus on securing the Group's short or medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

(a) Categories of financial assets and liabilities

The carrying amounts presented in the reporting dates relate to the following categories of financial assets and financial liabilities.

Financial assets

	2011 RMB'000	2010 RMB'000
Loans and receivables		
– Trade and note receivables	**65,824**	306,938
– Other receivables	**137,077**	157,671
– Amounts due from related companies	**147,928**	57,610
– Pledged bank deposits	**2,350**	3,501
	353,179	525,720
Bank balances and cash	**10,016**	11,174
	363,195	536,894
At fair value through profit or loss		
– Financial assets at fair value through profit or loss	**267**	12,182
	363,462	549,076

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Categories of financial assets and liabilities (Continued)

Financial liabilities

	2011 RMB'000	2010 RMB'000
Measured at amortised cost		
– Trade payables	**39,730**	108,713
– Other payables and accrued charges	**150,138**	68,618
– Amounts due to related companies	**876**	14,140
– Amounts due to former and non-controlling equity holders of subsidiaries	**–**	5,022
– Borrowings	**110,536**	99,277
– Convertible bonds	**255,766**	253,967
	557,046	549,737
At fair value through profit or loss		
– Financial liabilities at fair value through profit or loss	**3,032**	14,090
	560,078	563,827

(b) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from the change in fair value of derivative financial instruments which are mainly denominated in United Stated Dollars ("US$"). These are not the functional currencies of the Group entities to which these transactions relate.

The Group currently does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk (Continued)

Foreign currency sensitivity

The sensitivity analysis below have been determined based on the exposure to foreign currency risk at the reporting dates.

In 2011, if the foreign currency rate of US$ against RMB had been increase/decrease by 10% at the beginning of the year and all other variables were held constant, the Group's profit after tax and retained profits would decrease/increase by approximately RMB3,597,000. The assumed changes have no impact on the Group's other components of equity.

In 2010, the Group's exposure to currency exchange rate was minimal as the group companies held most of their financial assets/liabilities in their own functional currencies as at 31 December 2010.

The 10% increase or decrease represents management's assessment of a reasonably possible change in foreign currency rates over the period until the next annual reporting date.

(c) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly the interest bearing bank balances and floating-rate bank and other borrowings at prevailing market interest rates. The management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposure to interest bearing bank balances and floating-rate bank and other borrowings at the reporting dates. The analysis is prepared assuming the relevant assets and liabilities outstanding at the reporting date were outstanding for that whole year.

If interest rates had been 1% higher/lower and all other variables were held constant, the profit for the year ended 31 December 2011 would increase/decrease by RMB93,000 (2010: RMB110,000). The assumed changes have no impact on the Group's other components of equity. This is mainly attributable to the Group's exposure to interest rates on its interest bearing bank balances is higher than that of the floating-rate borrowings.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Price risk

The derivative financial instruments are stated at fair value and exposure the Group to quoted future price risk.

Price sensitivity

The sensitivity analysis of the Group's profit after tax and retained earnings to a reasonably possible change in the fair value of derivative financial instruments until the next annual reporting date is assessed to be immaterial. Changes in fair value of derivative financial instruments have no impact on other components of equity.

(e) Fair values

The carrying amounts of the financial assets and financial liabilities as disclosed under current assets and current liabilities, respectively, approximate their fair values as they are all short term in nature.

The following table presents financial assets measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

– Level 1: quoted prices (unadjusted) in active markets for identical assets;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Fair values (Continued)

The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

At 31 December 2011

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Future contracts	**267**	**–**	**–**	**267**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Future contracts	**3,032**	**–**	**–**	**3,032**

At 31 December 2010

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Future contracts	12,182	–	–	12,182
Liabilities				
Financial liabilities at fair value through profit or loss				
– Future contracts	14,090	–	–	14,090

There have been no significant transfers between levels 1, 2 and 3 in the reporting period.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Note: Fair value of the future contracts have been determined by reference to their quoted bid prices at the reporting date.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Credit risk

At the reporting date, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated reporting date.

In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The Company's substantial shareholder, Mr. Mei Wei, has undertaken to indemnify any loss the Company may incur in consequence of any failure or default in repayment by certain receivables of the Group to minimize the Group's credit risk. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group had concentration of credit risk of its trade and note receivables on two customers which represented 85.3% of the aggregate amount of the Group's trade and note receivables as at 31 December 2010.

In the opinion of Directors, the credit risk on liquid funds, including balances with non-bank financial institutions is limited because the counterparties are reputable banks and financial institutions.

(g) Liquidity risk

The management has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining sufficient bank balances and banking facilities. The Group continuously monitors the forecast and actual cash flows and the maturity profiles of financial liabilities.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(g) Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the reporting date, base on the contracted undiscounted payments, was as follows:

	On demand or less than three months RMB'000	Three to twelve months RMB'000	More than one year RMB'000	Total RMB'000
At 31 December 2011				
Non-derivative financial liabilities				
Trade payables	**39,730**	**–**	**–**	**39,730**
Other payables and accrued charges	**150,138**	**–**	**–**	**150,138**
Amounts due to related companies	**876**	**–**	**–**	**876**
Amounts due to non-controlling equity holders of subsidiaries	**–**	**–**	**–**	**–**
Borrowings	**114,532**	**393**	**1,227**	**116,152**
Convertible bonds	**12,158**	**–**	**309,641**	**321,799**
	317,434	**393**	**310,868**	**628,695**
Derivative financial liabilities				
Financial liabilities at fair value through profit or loss	**3,032**	**–**	**–**	**3,032**
	320,466	**393**	**310,868**	**631,727**
At 31 December 2010				
Non-derivative financial liabilities				
Trade payables	108,713	–	–	108,713
Other payables and accrued charges	68,618	–	–	68,618
Amounts due to related companies	14,140	–	–	14,140
Amounts due to former and non-controlling equity holders of subsidiaries	5,022	–	–	5,022
Borrowings	73,151	25,881	1,829	100,861
Convertible bonds	–	–	339,877	339,877
	269,644	25,881	341,706	637,231
Derivative financial liabilities				
Financial liabilities at fair value through profit or loss	14,090	–	–	14,090
	283,734	25,881	341,706	651,321

39. CAPITAL MANAGEMENT

The Group's capital management objective include:

(i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;

(ii) to support the Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly review and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount dividends paid to owners, return capital to owners, issue new shares or raise new debts, or sell assets to reduce debt.

The capital-to-overall financial ratio at the reporting date was as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Capital		
Equity attributable to owners of the Company	**1,085,053**	1,046,950
Overall financing		
Borrowings	**110,536**	99,277
Convertible bonds	**255,766**	253,967
	366,302	353,244
Capital-to-overall financing ratio	**2.96 times**	2.96 times