Hunan Nonferrous Metals Corporation Limited

湖南有色

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

(Stock Code: 2626)

09

annual report

CONTENTS

SUMMARY OF FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December				
	2005	2006	2007	2008	**2009**
		(RMB'000)			
CONTINUING OPERATIONS					
REVENUE	9,291,232	17,765,129	21,493,689	15,588,436	**18,037,253**
Cost of sales	(7,779,944)	(15,152,177)	(19,412,091)	(14,003,659)	**(16,655,166)**
Gross profit	1,511,288	2,612,952	2,081,598	1,584,777	**1,382,087**
Other revenue and gains	52,688	186,560	358,132	379,289	**231,440**
Selling and distribution costs	(164,662)	(234,905)	(311,318)	(356,567)	**(311,639)**
Administrative expenses	(560,312)	(896,408)	(970,601)	(1,282,889)	**(998,571)**
Other operating expenses, net	(40,940)	(249,466)	(27,829)	(407,118)	**(70,719)**
Finance costs	(174,489)	(245,022)	(343,731)	(441,226)	**(454,354)**
Share of profits and losses of associates	47,660	(8,608)	(70,689)	46	**(3,916)**
PROFIT BEFORE TAX	671,233	1,165,103	715,562	(523,688)	**(225,672)**
Income tax expense	(133,978)	(290,461)	(239,362)	(132,664)	**(67,051)**
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	537,255	874,642	476,200	(656,352)	**(292,723)**
DISCONTINED OPERATIONS					
Profit for the year from discontinuing operations	—	—	—	—	—
NET PROFIT FOR THE YEAR	537,255	874,642	476,200	(656,352)	**(292,723)**
Attributable to:					
Equity holders of the Company	426,013	451,409	314,896	(739,517)	**(358,483)**
Minority Interests	111,242	423,233	161,304	83,165	**65,760**
	537,255	874,642	476,200	(656,352)	**(292,723)**

SUMMARY OF FINANCIAL INFORMATION

EXTRACTS FROM THE CONSOLIDATED BALANCE SHEET

	As at 31 December				
	2005	2006	2007	2008	**2009**
		(RMB'000)			
Total non-current assets	4,917,682	6,381,662	8,711,387	9,641,265	**10,823,685**
Total current assets	5,114,730	8,272,793	9,886,861	8,638,875	**10,041,451**
Total assets	10,032,412	14,654,455	18,598,248	18,280,140	**20,865,136**
Total current liabilities	5,234,844	7,175,389	7,476,243	7,263,300	**7,115,856**
Total non-current liabilities	1,591,694	1,708,978	3,083,589	4,415,862	**7,308,662**
Equity attributable to equity holders of the Company	1,940,768	4,225,395	5,764,286	4,518,490	**4,268,764**
Minority interests	1,265,106	1,544,693	2,274,130	2,082,488	**2,171,854**
Total equity	3,205,874	5,770,088	8,038,416	6,600,978	**6,440,618**

CORPORATION INFORMATION

REGISTERED OFFICE AND PRNICIAPL PLACE OF BUSINESS IN THE PRC

11/F, Block A Yousedasha
No. 342 Laodongxi Road
Changsha City, Hunan, PRC
(410015)

PLACE OF BUSINESS IN HONG KONG

Unit 3103, 31/F
Office Tower, Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

LEGAL REPRESENTATIVE

He Renchun

AUTHORISED REPRESENTATIVES

Liao Luhai
Lam Kai Yeung

COMPANY SECRETARY

Lam Kai Yeung

DEPARTMENT FOR CORPORATE INFORMATION AND INQUIRY

Finance and Securities Department

CORPORATE INFORMATION AND INQUIRY HOTLINE

(86) 731 85385556

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK EXCHANGE

The Stock Exchange of Hong Kong Limited

STOCK NAME

Hunan Nonferrous Metals Corporation Limited (HNC)

STOCK CODE

2626

PRINCIPAL BANKERS

Bank of China, Hunan Branch
Industrial and Commercial Bank of China, Hunan Branch
China Construction Bank, Hunan Branch
The Export-Import Bank of China, Hunan Branch
China Merchants Bank, Changsha Branch
China Development Bank, Hunan Branch

AUDITORS

Hong Kong:
UHY Vocation HK CPA Limited

Mainland China:
Vocation International Certified Public Accountants Limited

LEGAL ADVISORS

As to Hong Kong law:
Charltons

As to PRC law:
Jia Yun Law Firm

CORPORATE PROFILE

Hunan Nonferrous Metals Corporation Limited ("HNC" or the "Company") was established by Hunan Nonferrous Metals Holding Group Co., Ltd. ("HNG"), Bangxin Assets Management Co., Ltd. ("Bangxin Assets"), Zijin Mining Group Co., Ltd. ("Zijin"), Hunan Valin Steel and Iron Group Co., Ltd. ("Hunan Valin") and Powerise Information Technology Co., Ltd. ("Powerise") as a joint stock company in the People's Republic of China ("PRC") on 1 September 2005. The Company successfully issued its H Shares in Hong Kong and was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 31 March 2006 (the "Listing").

On 9 July 2007, the Company placed 272,118,000 new H shares (of which 24,738,000 shares were converted from the same number of State-owned domestic shares placed to the National Council for Social Security Fund ("NSSF") of the People's Republic of China ("PRC"), a State-owned shareholder) of RMB1.00 each in the share capital of the Company at a placing price of HK$4.93 per H share.

The Company and its subsidiaries (the "Group") is the largest integrated producer of nonferrous metals, excluding aluminum, in the PRC in term of production volume. Our mines contain the largest tungsten and bismuth reserve in the world as well as an abundant reserve of antimony. We possess a vertically-integrated and centralised production chain that includes upstream exploration, mining and ore processing as well as midstream smelting, downstream refining and value-added processing. We are the largest producer of cemented carbides, zinc and antimony in the PRC, as measured by production volume, as well as a major producer of lead, silver, indium, tantalum and niobium products.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

He Renchun（何仁春）, aged 52, is the Chairman of the Company and the chairman of HNG. He is a professor and a senior engineer.

Mr. He graduated from Central South University with a major in powder metallurgy in 1976. He spent the next 10 years working as an assistant engineer and an engineer at Zhuzhou Cemented Carbides Plant ("Zhuying Plant"). From 1986 to 1993, Mr. He pursued his postgraduate study in Japan and worked as a researcher at the Association for Overseas Technical Scholarship ("AOTS"), Department of International Economics, National Otaru University of Commerce and Izawa Technology Research Center（株澤技術研究所）in Japan.

Mr. He has played a managerial or supervisory role in the Group or its predecessor for the most part of the Track Record Period. Mr. He served in various positions in the nonferrous metal industry including deputy general manager at Zhuying Plant Import and Export Company from May 1993 to September 1993, deputy general manager at Diamond Tools Company, a Sino-foreign joint venture, from October 1993 to December 1994, manager and deputy general manager at Hunan Province International Economy Development (Group) Company from January 1995 to April 2002 and director and deputy general manager of Hunan Ping He Tang Co., Ltd. from 1998 to 2002. Mr. He served as Deputy General Manager (Party Representative) at Hunan Nonferrous Metals Industry Company ("HNMC") from May 2002 to July 2004, and was primarily responsible for the reform and restructuring, technological improvement, research and development, and other aspects of the entities under the management of HNMC, including our five operating centers. In August 2004, he was appointed the secretary of the party committe and chairman of HNG and, in September 2005, the Chairman of HNC and is responsible for the overall management of our Company and our five operating centers.

Mr. He is also the vice president of China Nonferrous Metal Industry Association, the vice president of Hunan Province International Business Association and a researcher at Strategic Research Center of the Emergence of Central China（中國中部崛起戰略研究中心）. He holds a doctorate in management science and engineering and is an adjunct professor at Central South University.

Li Li（李立）, aged 46, is an executive director and general manager of the Company ("Executive Director"). He is a senior administrator（高級政工師）.

Mr. Li graduated from Zhuzhou Metallurgy Industrial School（株洲冶金工業學校）in 1982 and received his bachelor's degree in industrial automation from Central South University of Technology（中南工業學校）in 1989. From October 1996 to June 1997, he attended the Hunan Provincial Party Committee School(湖南省委黨校). Mr. Li studied economic law at postgraduate level from September 1999 to July 2001, during which period he also participated in a senior executive training program organised by the China National Nonferrous Metals Corporation Changsha Branch ("CNNCCS") at the University of Maryland in the United States. He holds an Executive Master of Business Administration for Senior Management at Hunan University. Mr. Li worked at Zhuzhou Cemented Carbides Group Co., Ltd. ("Zhuying") (and its predecessors) from July 1982 to September 2004 in various positions. From January 1998 to June 2002, he was a deputy secretary and secretary of the party committee of the Zhuying Plant. From June 2002 to September 2004, Mr. Li was the party secretary and deputy chairman of Zhuying. He served as a member of party committee and the deputy general manager of HNG from September 2004 to August 2005. Mr. Li is a member of the Chinese People's Political Consultative Conference ("CPPCC") of Hunan Province（省政協委員）.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During his tenure as the secretary of the party committee at the Zhuying Plant, which was reorganised as Zhuying in 2002, Mr. Li was responsible for implementing general policies and guidelines from the Chinese Communist Party and the PRC Government regarding the operation and management of a state-owned enterprise at the Zhuying plant and Zhuying, respectively. Mr. Li was also responsible for the system of appointing senior management at the Zhuying Plant and Zhuying.

Liao Luhuai（廖魯海）, aged 39, is our Executive Director, deputy general manager and secretary of the board of directors of the Company. He is a senior economist.

Mr. Liao graduated in July 1992 from the Department of Exploration, University of Petroleum (East China)（華東石油大學）with a bachelor's degree in engineering in oil geology and exploration. He received his master of engineering degree in geology and exploration of coal fields, petroleum and natural gas（煤田油汽地質與勘探）in July 1995 from University of Petroleum (Beijing)（北京石油大學）where he also obtained a doctoral degree in mine exploration of management engineering in July 1998. Prior to joining HNG, Mr. Liao served as an officer and division head at China Development Bank from July 1998 to February 2005. From March 2005 to August 2005, Mr. Liao served as a member of party committee and the deputy general manager of HNG.

Chen Zhixin（陳志新）, aged 54, is our Executive Director, deputy general manager and financial controller. He is a senior accountant and a member of the Chinese Institute of Certified Public Accountants.

Mr. Chen graduated from Hubei University of Finance and Economics with a major in industrial accounting. Prior to joining HNG in August 2004, Mr. Chen served as head of the finance departments of Hunan Nonferrous Labor Protection Research Institute and CNNCCS. From January 2001 to August 2004, Mr. Chen was the deputy chief accountant and head of the finance division of HNMC. He was primarily responsible for the financial and accounting matters concerning the entities under the management of HNMC, which include our five operating centers. From September 2004 to August 2005, Mr. Chen joined HNG as a member of party committee and chief accountant. He was in charge of financial matters and supervised areas such as asset management, accounting and fund raising activities. Since the establishment of HNC on 1 September 2005, Mr. Chen has been our Executive Director, deputy general manager and financial controller.

NON-EXECUTIVE DIRECTORS

Cao Xiuyun（曹修運）, aged 48, is a non-executive director of the Company ("Non-executive Director"), our vice chairman and a director and the general manager of HNG. He is a professor and senior engineer.

Mr. Cao received his master's degree in engineering from Central South University of Technology in 1989. He gained extensive experience in quality control and research and development in the nonferrous metal industry when he was working for Zhuzhou Smelter Group Co., Ltd. ("Zhuye") (and its predecessors) and CNNCCS between 1992 and 2004. He was in charge of quality control, environmental protection, energy technology and management at Zhuye. Mr. Cao studied and conducted research at Mitsubishi Materials Group in Japan in 1990 and 1991. From February 1992 to August 2004, Mr. Cao served in various executive positions, such as a deputy chief of a zinc roasting plant and the head of a leaching plant, a deputy head of Zhuye, a director, a deputy general manager and the general manager of Hunan Zhuye Torch Metals Co., Ltd. ("Zhuye Torch") and a director and the general manager of Zhuye. Since August 2004, Mr. Cao has been a Director, deputy secretary of party committee and the general manager of HNG.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Wu Longyun（吳龍雲）, aged 58, is our Non-executive Director. He is a professor and senior administrator（高級政工師）.

Mr. Wu graduated from Central South Institute of Mining and Metallurgy（中南礦冶學院）in 1976 and the Central Party School（中央黨校）in December 1994. Prior to joining HNG, Mr. Wu served in various positions at Shuikoushan Mines Bureau as technician, engineer, secretary of the party committee and deputy chairman. He was appointed as chairman of the supervisory committee, deputy secretary of the party committee and a deputy general manager of HNG in August 2004. Currently he is a member of the party committee and Secretary of the Discipline Inspection Commission of HNG.

Zhang Yixian（張一憲）, aged 55, has been our Non-executive Director, and a deputy general manager at HNG since December 2005. He is a senior economist.

Mr. Zhang graduated from the Department of Economics and Management at Changsha University in 1986. Prior to joining HNG in September 2004, Mr. Zhang was a technician at Hengyang Jianxiang Machinery Plant, an officer at Changsha Semiconductors Materials Plant, an officer at HNMC and a manager at Changsha Station of China Nonferrous Civil Engineering and Construction Quality Supervision Station. From October 2004, Mr. Zhang was an assistant general manager of HNG. Since 21 December 2005, Mr. Zhang has been a member of the party committee and the deputy general manager of HNG.

Zou Jian（鄒健）, aged 39, has been our Non-executive Director since March 2009.

Mr. Zou is an economist. Mr. Zou graduated from the Department of World Economics of Fudan University in 1993. From July 1993 to March 2000, he worked for the business department of the Shenzhen branch of Bank of China（中國銀行深圳分行）. From March 2000 to June 2005, he worked for the asset resources department of the Shenzhen office of China Oriental Assets Management Company（中國東方資產管理公司深圳辦事處）. From July 2005 to date, he has been working for the trading services department and investment banking department of Bangxin Assets Management Co., Ltd（邦信資產管理有限公司）.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Gu Desheng（古德生）, aged 72, has been an independent non-executive director of the Company ("Independent Non-executive Director") since September 2005.

Mr. Gu is a professor and an academic adviser to Ph.D. students at Central South University. Mr. Gu graduated from Central South University in July 1960 and joined the faculty thereafter as a professor and academic adviser to its Ph.D. students, department head, head of the research institute and a member of the degree-awarding committee（校學委員會）and has been teaching to date.

In 1995, Mr. Gu became a fellow of the Chinese Academy of Engineering. Mr. Gu received the first prize in the National Technology Advancement Award（國家科技進步一等獎）, two second prizes of National Technological Advancement Awards, and the State Major Technology Contribution and Breakthrough Award（國家重大科技攻關突出貢獻獎）. He has authored and published more than 180 professional articles worldwide. Mr. Gu was a committee member of the 9th and 10th National Committee of the Chinese People's Political Consultative Conference（全國政協第九、第十屆委員會）and a member of the Evaluation Committee of the National Natural Science Foundation（國家自然科學基金）. Mr. Gu also serves as consultant and independent director of various companies and holds four patents.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Wan Ten Lap（溫天納）, aged 40, has been an Independent Non-executive Director since September 2005. He is an expert in finance and investment banking, serving as the Vice Chairman of CUAA Finance Association, a committee member of Hong Kong Securities Institute and the Managing Director of investment banking business of China Merchants Securities (HK) Limited. He previously serve as chair professor（講座教授）at the School of Business of Renmin University of China（中國人民大學商學院）and was the founding managing director of BOCOM International. He is a registered officer under the SFC and a member of the Hong Kong Securities Institute. Mr. Wan has been repeatedly appointed by Hong Kong Securities Institute as a working group member for the Ad Hoc Working Group in relation to the papers on the licensing examination for the securities and futures intermediaries on the basis of his substantial knowledge and expertise in financial markets and the corresponding practices in Hong Kong. Mr. Wan graduated from the London School of Economics and Political Science with a master's degree in international accounting and finance. He joined the corporate finance department of Standard Chartered Asia Limited in 1993, and then joined Creditanstalt Group as an associate director in 1996. Mr. Wan later joined Sun Hung Kai International Limited as a director in 1998. Mr. Wan specialised in corporate financing, mergers and acquisitions, restructurings and insolvencies before he assisted in the establishment of BOCOM International in 2004.

Chen Xiaohong(陳曉紅), aged 46, was an independent supervisor of the Company (the "Supervisor") from September 2005 until Ms. Chen resigned on 2 November 2007 and was appointed as an Independent Non-executive Director on 21 December 2007.

Ms. Chen is a professor and an academic adviser to Ph.D. students, having obtained a doctorate degree from Tokyo Institute of Technology. Ms. Chen is now an assistant to the Principal and Dean of Business School at Central South University, and is also an expert with the Evaluation Committee of the National Nature Science Funds and National Social Science Funds. Ms. Chen is a member of the National Steering Committee of MBA Programs(全國工商管理碩士指導委員會). Ms. Chen is also an economic consultant in the government sector and acts as an independent director of many large-scale enterprises and listed companies.

Ms. Chen has received numerous awards, including the "Fok Ying Tung Education Fund – National Outstanding Young Teachers (Research)" in 1998, "Outstanding Individual of Younger Generation in Hunan Province" in 1999 and "Outstanding Economists in Hunan Province" in 2001.

Kang Yi（康義), aged 70, has been an Independent Non-executive Director of the Company since March 2009.

Mr. Kang graduated from Central-South Institute of Mining and Metallurgy(中南礦冶學院) with a university diploma in nonferrous metals metallurgy in 1965. He is a professor of engineering. He served as director of Qingtongxia Aluminum Factory(青銅峽鋁廠), party secretary and director of the economy committee of Ningxia Autonomous Region, Minister of the Organisation Department, member of the standing committee and vice secretary of the party committee of Ningxia Autonomous Region, vice party secretary and vice general manager of China Nonferrous Metals Industry Corporation(中國有色金屬工業總公司)and deputy commissioner and member of the party committee of the National Nonferrous Metals Industry Bureau（國家有色金屬工業局). He is currently the chairman of the China Nonferrous Metals Industry Association（中國有色金屬工業協會）and a member of CPPCC. He also serves as a member of the China Association for Science and Technology(中國科協), council member of the Nonferrous Metals Society of China（中國有色金屬學院）and independent non-executive director for listed companies including Aluminum Corporation of China Limited（中國鋁業股份有限公司）and Shan'xi Jinduicheng Molybdenum Company Limited（陝西金堆城鉬業股份有限公司).

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Choi Man Chau, Michael（蔡文洲）, aged 52, has been an Independent Non-executive Director of the Company since March 2009.

Mr. Choi is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. He is a Certified Public Accountant (practicing). Mr. Choi is also an independent nonexecutive director of Dynamic Energy Holdings Limited, Oriental Watch Holdings Limited and Nam Tai Electronic & Electrical Products Limited, which companies are listed on the main board of the Stock Exchange of Hong Kong Limited. Mr. Choi was an independent non-executive director of Hong Kong Energy Holdings Limited (formerly known as J.I.C. Technology Company Limited) from 11 May 2007 to 10 April 2008.

SUPERVISORS

Zeng Shaoxiong （曾少雄）, aged 50, is presently a deputy general manager of HNG and the chairman of our supervisory standing committee ("Supervisory Standing Committee"). He is a senior engineer.

Mr. Zeng graduated from the Central South Institute of Mining and Metallurgy（中南礦冶學院）in December 1981 with a major in ore processing. From December 1981 to 1995, Mr. Zeng was a technician, deputy chief of a branch and the head of Hunan Shizhuyuan Nonferrous Metals Co., Ltd. ("Shizhuyuan") (and its predecessors). Mr. Zeng spent the next seven years as deputy secretary of the Party Committee, the head of mining, chairman and general manager of Shizhuyuan. From May 2002 to August 2004, Mr. Zeng was a deputy general manager and a member of the Party Committee of HNMC. Since September 2004, Mr. Zeng has been the deputy secretary of the Party Committee and a deputy general manager (operation) of HNG.

He Hongsen（賀洪森）, aged 49, is one of the Supervisors and is a deputy general manager of HNG.

Mr. He graduated from the Central Party School in December 1995. Prior to joining HNG, Mr. He served in various positions in the Hunan provincial government. Since August 2004, Mr. He has been a member of the Party Committee of HNG, secretary of the discipline inspection commission, the chairman of the labour union and a director of HNG. Currently he is a member of the party committee and a deputy general manager of HNG.

Liu Xiaochu（劉曉初）, aged 64, is one of our Supervisors and a deputy chief executive of Zijin Mining Group Co. Ltd.

Mr. Liu graduated from Fuzhou University in July 1982. Mr. Liu was previously an officer, deputy manager and manager of the Economic System Reform Committee in Fujian Province. Before August 2000, he was the director and deputy chief executive of Newhuadu Industrial Group Co. Ltd. Mr. Liu was appointed the vice chairman of Zijin in August 2000.

Jin Liangshou（金良壽）, aged 51, is one of our Supervisors and has been the manager of the financial resources department and deputy chief accountant of HNG since October 2004.

Mr. Jin graduated from Zhuzhou Metallurgy Industrial School in July 1981 and is a senior accountant and a member of the Chinese Institute of Certified Public Accountants. From July 1981 to July 1986, Mr. Jin worked in various positions at Zhuying including the capital department manager, assistant to the manager, the deputy manager and the manager of the Department of Finance. Between 1998 and 2004, Mr. Jin was a researcher at HNMC and the deputy general manager and general manager of Hunan Nonferrous Metals Enterprise Finance Company（湖南有色金屬企業財務公司）. Mr. Jin joined HNG in August 2004.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Qi Xiaochun（戚小村）, aged 36, is one of our Supervisors and has been the manager of our Human Resources Department since February 2007. Mr. Qi succeeded Mr. He Liu as our Supervisor since March 2007. Currently he is a deputy secretary of the party committee of Zhuying Group（株硬集團）.

Mr. Qi graduated from Hunan Normal University（湖南師範大學）with a bachelor's degree in arts in 1996. He was awarded a Ph.D degree in 2006. He is currently undertaking a Post-doctorate degree of Economic Law at the Central South University（中南大學）. Mr. Qi was an officer at the Hunan Local Taxation Bureau and a senior officer at the Education Office in 1996. In 2003, he was the Supervisor and Deputy Secretary of the Hunan Youth Office（湖南青年聯合會辦公室）, and the Deputy Secretary of the "Hunan-Hong Kong Youth Exchange Conference"（湖南－香港青年交流促進會）. In 2005, he was also the Assistant to the Supervisor of the "Hunan Provincial Foreign Trade Association's "Hunan – EU SME Partnership Fair"（湖南省對外貿易促進會「湖南－歐盟中小企業合作項目」）. Mr Qi joined our Group in February 2007.

Li Junli（李俊利）, aged 32, is one of our Supervisors and has been a manager of our Finance and Securities Department since September 2005. She was promoted to senior manager of our Finance and Securities Department in June 2006. She has been a secretary of the Board of ZhongWu GaoXin Materials Company Limited since 22 April 2008.

She graduated with a bachelor's degree in engineering from Henan University of Technology（河南工業大學）in 2000. She holds an MBA degree at the School of Business of Central South University. From 2000 to 2001, Ms. Li was a sales supervisor of Guangdong Foshan Sanshui Fengshun Food Limited（廣東佛山三水豐順食品有限公司）, Guangzhou branch. From 2001 to 2003, she was a sales manager of Guangzhou Mega-Fun Food Products Ltd.（廣州萬家歡食品有限公司）. From 2004 to February 2005, she was an assistant general manager of Changsha Tature Industry Co., Ltd.（長沙大嘉實業有限公司）. Immediately prior to joining us, she was a manager at HNG.

Qi Yang（祁楊）, aged 42, has been our Supervisor since March 2009.

Mr. Qi is a lawyer with post-graduate qualifications. Mr. Qi graduated from the Department of Economic Law of Zhongnan University of Finance, Politics and Law（中南財經政法大學）and has been assigned to work in the law committee and general office of the Hunan Provincial People's Political Consultative Committee, acting as deputy head. In March 1998, he worked for Xiangcai Securities Co., Ltd.（湘財證券有限責任公司）and served as general manager of its legal department and deputy general manager of the investment bank department. In September 2002, he served as general manager of Qinian Futures Company（祁年期貨公司）. In March 2005, he set up Shanghai Goodwin Law Firm（上海格物律師事務所）, acting as attorney-in-charge. From November 2006 to date, he has been working for HNG and served as officer and senior officer and head of legal affairs department. He is currently the head of the Office of HNG.

INDEPENDENT SUPERVISORS

Ou Wen（歐文）, aged 42, has been our Supervisor since March 2009.

Mr. Ou majored in management in university. From June 2003 to August 2005, he served as deputy director of No.4 Office of the Provincial State-owned Major Enterprise Supervisory Committee（省屬國有重點企業監事會四辦事處副主任）delegated by the Hunan Provincial Government. From August 2005 to May 2007, he was deputy director of No.6 Office of the Provincial State-owned Major Enterprise Supervisory Committee（省屬國有重點企業監事會六辦事處副主任）delegated by the Hunan Provincial Government. From May 2007 to September 2008, he was deputy head of the Performance Evaluation Department（業考處）of the Provincial State-owned Assets Supervision and Administration Commission. From September 2008 to date, he has been serving as director of No.6 Office of the Provincial State-owned Key Enterprise Supervisory Committee（省屬國有重點企業監事會六辦事處主任）delegated by the Hunan Provincial Government.

Liu Dongrong（劉冬榮）, aged 68, has been an independent Supervisor since September 2005.

Ms. Liu is a professor of industrial management at Central South University, and an adviser to Ph.D candidates for management science and engineering. She was a delegate to the 9th and 10th People's Congress, and an adviser to the Hunan Provincial Government（湖南省參事室參事）.

The State Council of the PRC has granted Ms. Liu a special stipend based on her expertise in her field.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

OTHER SENIOR MANAGEMENT

Zhou Xianlin（周獻林）, aged 51. Mr. Zhou graduated from Changsha Nonferrous Metal Industrial School in July 1980 majoring in Mineral Sciences. In July 1986, Mr. Zhou graduated from the Corporate Management Department of Jiangxi Institute of Metallurgy. Mr. Zhou received a postgraduate degree in Business Management from the Chinese Academy of Social Sciences in 1998. He is a senior economist and a serior human resources adviser. Mr Zhou was a senior economist and senior human resources division From 1976 to 1978, Mr. Zhou taught at the Miluoyuchi Secondary School and School of Agricultural Sciences before working in the Descloizite Mine in Taolin. From December 1995 to June 2003, Mr. Zhou was the deputy mine officer of the Descloizite Mine in Taolin, deputy secretary of the party committee, chief deputy mine officer, secretary of the party discipline committee and secretary of the party committee (Sub-departmental Level). From June 2003 to December 2003, Mr. Zhou served as the secretary of the party committee of the Descloizite Mine in Taolin, mine co-officer and secretary of the discipline party committee. From September 2004 to July 2006, Mr. Zhou was the chief officer of the human resources department of Hunan Nonferrous Metals Holding Group Co., Ltd. and was a member of the party committee of the Hunan Nonferrous Metals Holding Group Co., Ltd. since August 2006. Mr. Zhou was appointed as the deputy general manager on 18 July 2007.

Hong Mingyang（洪明洋）, aged 52, joined the workforce in August 1980 after tertiary education. Mr. Hong is a senior engineer, a senior economist, registered safety adviser and the deputy Chairman of China Tungsten Industry Association. Mr. Hong received honourable titles such as the Top Ten Outstanding Contribution Entrepreneurs of Chenzhou City（彬州市十大突出貢獻企業家）and Ten Best Ideological and Political Workers of Hunan Province（湖南省十佳思想政治工作者）. From March 1978 to August 1980, Mr. Hong studied in Changsha Nonferrous Metals Industrial School. From August 1980 to August 1982, Mr. Hong studied in Central South Mineral Sciences and Metallurgy School. From August 1982 to July 1984, Mr. Hong served as the director and assistant engineer in Shizhu Yuan Multi-Metals Mine in Hunan. From July 1984 to February 2000, Mr. Hong served at Shizhu Yuan as Communist Young League Committee secretary, stope officer, officer and secretary of an ore processing plant, mine branch officer, deputy general manager of a developmental company, officer of the sales department and general manager of an import and export company. From February 2000 to May 2002, Mr. Hong was the deputy officer of Shizhu Yuan Nonferrous Metals Mine in Hunan, deputy general manager and financial controller of Hunan Shizhu Yuan Nonferrous Metals Co, Ltd. (during that period, Mr. Hong was engaged in the economic management professional course organised by the Central Party School). From May 2002 to November 2007, Mr. Hong served as the director and party committee secretary of Hunan Shizhu Yuan Nonferrous Metals Co, Ltd. Mr. Hong was appointed as the deputy manager on 21 December 2007.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Deng Yingjie (鄧英傑), aged 45. Mrs. Deng received a master degree from the foreign language department of Sichuan University in July 1988. Mrs. Deng obtained her doctor degree in Business Administration from Central South University in July 2006. She was accredited the "Excellent Lady of Hengyang" jointly by the party committee, propaganda committee, Human Resources Department and Association of Women of Hengyang and was also accredited as "Outstanding Lady" of Hunan.

From 1988 to 1993, Mrs. Deng was assigned to Hunan Technology Import & Export Corporation and was responsible for import and export trading and invitations for international tender and bidding business. From 1993 to 1994, Mrs. Deng was the assistant to general manager of CITIC Xinhai Industrial Company, Hunan Branch and was responsible for import and export business. From 1994 to 2005, she was assigned to a state-owned enterprise in Hengyang due to her outstanding performance and acted as a government officer of Hengyang City. From 1994 to September 2005, she worked in Hunan Gold Fruit Industry Co., Ltd., a listing company, as the deputy general manager, deputy general manager (operation) and general manager. Mrs. Deng was also the general manager of Hunan Gold Fruit Industry Co., Ltd., legal representative and general manager of Hengyang Natural Gas Co. Ltd., legal representative and chairman of Hengyang Electric Cable Factory and Resort Intime Sanya, a five-star resort, from 2002 to 2006. In October 2006, Mrs. Deng was a member of the party committee, deputy general manager of Hunan Electronic Information Production Group, a collectively-owned enterprise, and was responsible for investment and planning. In November 2007, Mrs. Deng was appointed as the deputy general manager of our Company.

Sheng Zhongjie（盛忠傑）, aged 48. He received his bachelor of engineering degree in mine selection at the mineral engineering department（礦物工程系選礦專業）of Central South University of Technology（中南工業大學）in August 1982. He was a postgraduate student of mineral engineering mathematical model（礦物工程數學模型）in Changsha Research Institute of Mining and Metallurgy（長沙礦冶研究院）of the Ministry of Metallurgical Industry from August 1985 to June 1988 and received his master of engineering degree in June 1988.

From August 1982 to August 1985, Mr. Sheng Zhongjie worked for the tungsten mine in Yaogangxian, Hunan Province and was responsible for technology management, engineering project design and construction management. From June 1988 to October 1990, he worked for research projects of Changsha Research Institute of Mining and Metallurgy（長沙礦冶研究院）of the Ministry of Metallurgical Industry. From October 1990 to October 2004, he served in the planning department, the planning and technology department and the corporate reform and development department of China Nonferrous Metals Industry Company Limited (Changsha Branch)(中國有色金屬工業長沙公司)(now known as Hunan Nonferrous Metals Industry Company Limited（湖南有色金屬工業總公司)) and was responsible for the management of planning, investment, scientific research, technological reform, reorganisation and system restructuring. He served as the deputy director of the planning and technology department in 1997 and served as director of the corporate reform and development department in 2001. From October 2004 to June 2006, he served as director of the scientific and technological industry department and the investment planning department of Hunan Nonferrous Metals Holding Group Co., Ltd. Form June 2006 to February 2009, he was appointed as the deputy chief engineer and director of the investment planning department of Hunan Nonferrous Metals Group Corporation Limited. He was appointed as the deputy general manager on 26 February 2009.

Lam Kai Yeung（林繼陽）, aged 41, has been the company secretary and qualified accountant of the Company since joining the Group in July 2006. Mr. Lam is a Fellow of the Association of Chartered Certified Accountants and a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Lam possesses financial and auditing experience for more than 10 years.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I hereby present the report of Hunan Nonferrous Metals Corporation Limited ("HNC" or the "Company") for the period from 1 January 2009 to 31 December 2009 and the report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009. On behalf of the Board of Directors and all the employees of the Company, I would like to express our sincere gratitude to all our shareholders for your care of and support of the Group.

RESULTS AND DIVIDEND

In 2009, the turnover of the Group was RMB18,037 million, representing a increase of 15.7% as compared to 2008. The loss attributable to equity holders of the parent was RMB358 million (2008: loss of RMB740 million). The basic loss per share of the Group was RMB9.77 cents. The Board of Directors does not recommend the payment of any dividend for the year ended 31 December 2009 (2008: nil).

BUSINESS REVIEW

In 2009, the Group was seriously affected by the financial crisis. At the beginning of the year, against the backdrop of a tough operating environment and the potential of a serious recession in the global economy, the Group placed emphasis on cost control and improvement to revenue and efficiency. The cash flow was also under strict control. In the second half of the year, the non-ferrous metal product market saw improvement and the prices of zinc, lead and antimony increased sharply. The Group adjusted its product mix and increased sales by increasing the utilisation of its production capacity. The operation conditions and efficiency of the Company has been improved obviously since the financial crisis and further improvement is expected.

- In 2009, the Group's production of zinc was 480,015 tons, representing an increase of 10.88% as compared to 2008; production of lead was 104,590 tons, representing an increase of 15.1% as compared to 2008; production of antimony was 29,071 tons, representing an increase of 12.37% as compared to 2008; production of zinc concentrates was 22,721 tons, representing an increase of 6.45% as compared to 2008; production of tungsten concentrates 5,777 tons, representing an increase of 14.19% as compared to 2008; production of lead concentrates was 10,331 tons, representing a decrease of 7.06% as compared to 2008; and production of cemented carbides was 6,752 tons, representing a decrease of 7.52% as compared to 2008.

- In 2009, the Group continued to implement its strategy of "globalisation" and further invested in overseas assets. The Group acquired the entire equity interest in Beaver Brook Antimony Mine Inc., which has the largest antimony reserves in North America, at a consideration of US$29.5 million. The Group took over the management in October 2009 upon completion of the acquisition of equity interest. As at the end of the year, the production of antimony concentrates of Beaver Brook Antimony Mine Inc. was 5,561 tons, equivalent to 3,571 tons of antimony. The Group also subscribed 98,000 new ordinary shares issued by Tian Da Uranium Mining Ltd.(天大鈾礦公司), representing 49% of its equity interest as enlarged by the issue, at AUD2 million. Tian Da Uranium Mining Ltd. (天大鈾礦公司) has 16 concessions for the exploration of uranium in Australia.

CHAIRMAN'S STATEMENT

- In 2009, the Group properly allocated its resources in Hunan to meet the production and efficiency targets. The Xintianling（新田嶺）Project, with a target annual tungsten concentrates production capacity of 4,000-5,000 tons, obtained a license for mining and now is doing the preparation for preliminary production.

- In 2009, the Group speeded up the construction of its production projects when the cost of construction was low. The site preparation of the lead refinery project of Zhuye（株冶直接煉鉛項）of a total investment of RMB894.99 million was completed in 2009. Production is expected to commence by the end of October 2011. The Group also made a total investment of RMB750 million in the Zhuying Project in High Performance Ultra-fine grained Hard Metals Project（高性能超細晶硬質合金項目）. The upgrade of the metal bar secondary processing（棒材深加生產線改造）under the Zhuying Project has completed and began operation in August 2009.

- In 2009, the Group made significant efforts in technology innovation and introduced a new production platform. The Provincial Technology Centre of Hsikwangshan was recognised by the state and upgraded to National Technology Centre. State Laboratory of Hard Metals（硬質合金國家重點實驗室）of Zhuying was recognised by the Ministry of Science and Technology of the PRC.

- In 2009, the Company strengthened its internal control and optimised its core business procedures. The corporate governance of the Group was further improved. Various improvements in regulatory framework were introduced to regulate the operations of the Company.

MARKET REVIEW

After a slump in metal prices triggered by the global financial crisis, the nonferrous metal market in China began to recover and saw a remarkable growth in 2009. It is expected that the nonferrous metal market in China will maintain its momentum in 2010. The utilisation of productivity will further improve due to strong market demand and prices will increase significantly.

(The following information was quoted from the website of China Metal: www.metalchina.com. The prices in China are inclusive of value added tax.)

CHAIRMAN'S STATEMENT

Tungsten Market

The tungsten market was volatile in 2009 with a rising trend in general. Due to the reduction in sales and regulation of market by government policies as well as the reduction and suspension of production in the nonferrous metal industry, the price of tungsten concentrates in China began to pick up in December 2008 and reached RMB65,000-66,000 per ton at the end of February 2009. Tungsten mines and refinery plants have begun to resume production since March and relieved the pressure of undersupply. Accordingly, the price of tungsten declined again and bottomed at RMB57,000 per ton at the end of March. The domestic demand for Tungsten has recovered since April and the price has surged to more than RMB60,000 per ton. During the year, the price of tungsten concentrates in China set a new record at RMB72,000 per ton in September 2009.

In 2009, the average price of tungsten concrete was RMB63,300-64,800 per ton in China, representing a drop of 21.9% as compared with last year, and the average prices of APT and tungsten in China were RMB98,100-100,000 per ton.

In the international market, the average price of tungsten in Europe was US$26.13-27.53 per kg in 2009, representing a decrease of 22.1% as compared with last year. The average price of APT in the Europe was US$190.5-215.2 per ton in 2009, the highest and lowest prices were US$210-230 per ton and US$170-180 per ton respectively.

With the expected growth in the consumption of tungsten in both domestic and overseas markets, the supply of tungsten may be a bit tight in 2010. The average price of tungsten is expected to rise to more than RMB70,000 per ton in 2010.

Lead Market

The price of lead quoted on London Metal Exchange ("LME") continued to rise in 2009 though it began to slow down and dropped slightly in the last quarter. The average spot price of lead quoted on LME was US$1,721 per ton in 2009, with an average monthly growth of 6.7%, while the average price of three-month futures was US$1,731 per ton, with an average monthly growth of 6.9%, representing a decrease of 174% as compared with 2008.

In 2009, because of lacking the relevant Futures in Domesitic Market, the price of refined lead in China was also increasing but at a much slower pace than that of the overseas market. The average monthly price of refined lead in China ranged from RMB12,000 to RMB16,000 per ton, while the average annual price was RMB13,746 per ton. The monthly growth rate was 2.3%, much lower than that of LME of 7%. According to the latest report of International Refined Lead Study Group (國際精鉛研究小組), global production of lead concentrates amounted to 3.63 million tons from January to November in 2009, representing a year-on-year increase of 1.74%. According to the statistics, the global oversupply of refined lead amounted to 58,000 tons from January to November in 2009.

According to the statistics of China Nonferrous Metals Industry Association, the domestic production of refined lead amounted to 3.708 million tons in aggregate in 2009, representing a year-on-year increase of 15.6%.

It is expected that the price of lead quoted on LME will be highly volatile and the price of refined lead in China will have a moderate rise and the average price will be above RMB16,000 per ton in 2010.

Zinc Market

The prices of all basic metals increased in 2009 though at different paces. The increase in the price of zinc ranked behind copper and lead. The price of zinc in both China and overseas markets showed a V-shaped rebound supported by the economic rebound, easing monetary policies, the weakening dollar as well as other fundamental factors. The price for zinc futures on LME surged by 150%, while the price of zinc on Shanghai Stock Exchange increased by 110%.

For overseas markets, although fluctuating from time to time, the three-month zinc futures on LME maintained a rising trend in 2009 and closed at US$2,615 per ton, representing an increase of 150% as compared with the beginning of the year. The highest and lowest prices were US$2,615 per ton and US$1,067 per ton during the year. The annual average price was 1,680 per ton, representing a decrease of 11.4% as compared with 2008.

For the domestic market, the highest price and the lowest price of zinc futures on the Shanghai Stock Exchange in 2009 were RMB21,425 per ton and RMB9,855 per ton respectively, while the closing price was RMB21,375 per ton, representing an increase of 110%. The spot price fluctuated in line with the price of the futures. In 2009, the annual average price of 0#zinc was RMB13,740 per ton, representing a decrease of 11.2% as compared with last year.

The global production of zinc was 11.16 million tons in 2009, representing a decrease of 2.8% as compared with last year. China's annual production of refined zinc was 3.09 million tons, representing a decrease of 1.95% as compared to last year.

After a rebound in 2009, the global economy will see a moderate growth in 2010. It is expected that the global consumption of zinc will grow over 6% in 2010 but there is still some capacity in the world. In 2010, it is expected that the zinc price on LME will increase slightly and fluctuate between US$1,800 to US$3,200 per ton. The annual average price of o#zinc in China will be approximately above RMB17,500 per ton.

Antimony Market

2009 was an extraordinary year for the antimony industry. Despite the weak demand in overseas markets, sales of antimony in China saw a strong rebound due to the uniqueness of the China market. In 2009, the annual average price of 2#antimony in China was RMB35,221 per ton, 14.2% lower as compared to last year. For the international market, the annual average price of antimony (Class II) was USD5,160 per ton, 14.3% lower as compared to last year. The winter in the antimony market lasted from November 2008 to mid-April 2009, in which a plunge in the antimony price lasted for more than two months. The price of antimony in China fell from RMB43,000 per ton to approximately RMB22,000 per ton while the price of antinomy ingots in the international market experienced a continuous decline and fell to the lowest point for the year, of USD4,000 to USD4,200 per ton, twice. Supported by the limitation of sales by the Group, price of antimony in China rose to approximately RMB32,000 per ton at the end of June and triggered the rebound of antimony prices in the international market. The price of antimony surged in July and stabilised in August. After a serious accident at the Group's tin mine in October, the price of antimony soared to approximately RMB45,000 per ton in China and USD6,475 per ton in the international market. The change in price of antimony in the international market was generally in line with that in China.

CHAIRMAN'S STATEMENT

According to China Nonferrous Metals Industry Association, the production of antimony of China in 2009 was 166,000 tons, representing an increase of 13.7% when compared with last year.

In 2010, the supply of antimony will remain tight and antimony prices will remain high. It is expected that the international price of antimony will be between USD5,700 to USD5,900 per ton and the domestic annual average price will be above RMB40,000 per ton.

BUSINESS PROSPECTS AND OUTLOOK

2010 will see the most complicated year for the global economy since the onset of this century. Generally speaking, economic development should be more encouraging than that of last year. Adhering to its development strategies, the Group will fully capitalise on the favourable conditions and positive factors to further strengthen its strong development momentum since the second half of last year. The Group will seek additional reserves and increase the proportion of internal supply. Management resources will be further consolidated to optimise the production chain, capital chain and cost control to realise a healthy growth in operating results in 2010.

- The Company will accelerate the integration of internal&external resources and optimise resource allocation to concentrate on its principle business segments. It will also enhance the overall profits and core competitiveness of the Group through technology innovation and the introduction of value-added products.

- The Company will fortify capital central management and further improve its gearing position to minimise financial risks and capital expenses.

- The Company will initiate a management system to effectively control finance, human resources and operations. The Company will also observably reinforce the subsidiary control, unify the material purchase and producut sales gradually and implementation capabilities of the Group so as to achieve synergy and resources share between the parent company and its subsidiaries.

- The Company will continue to indentify potential acquisition targets and explore local, domestic and overseas strategic resources such as tungsten, antimony, lead, zinc, copper, gold, silver, tin and tombarthite. It will also actively seek acquisition and merger opportunities with technology leading domestic and overseas companies engaged in downstream businesses. In addition, the Company will enhance its capability to preserve resources and its further processing techniques. So the Company will achieve a leapfrog growth.

- The Company will develop a new management model to strengthen the supervision over investment projects. For existing overseas and domestic projects that are of great potential to enhance our core competitiveness and are in line with the development strategies of the Group, the Company will enhance its management of bid and tender, economize their investment and enhance their management to accelerate the commencement of the projects.

- The Company will establish a management information platform integrating the Group's business flow, product flow, cash flow and information flow in order to provide real-time information for management and control, as well as decision-making by the Group.

- The Company will facilitate safety standardisation as well as energy saving and emission reduction. It will continuously enhance the promotion of safety through safety education and training. In addition, the Company will reinforce the identification and elimination of hidden dangers to ensure safe production and prevent serious accidents.

CHAIRMAN'S STATEMENT

- The Company will reinforce the building of its management team and the training and by further streamlining its assessment measures. It will establish an objective selection mechanism to identify elite individuals and build up an excellent management team with strong capabilities, who are well-versed with corporate management and market changes.

With the joint efforts of our directors, senior management and employees, I strongly believe that the Group will continue to provide our clients with better products and services, and that together we will welcome in new times of the world's Economics full recovery.

He Renchun
Chairman

Changsha, PRC
27 March 2010

CORPORATE GOVERNANCE REPORT

The Company strives to maintain a high standard of corporate governance in compliance with the relevant regulations of China Securities Regulatory Commission and the Stock Exchange of Hong Kong Limited (the "SEHK") as well as the regulations of other relevant regulatory authorities. The Articles of Association, the terms of reference for the Audit Committee, the terms of reference for the Supervisory Committee and the Model Code for Securities Transactions by Directors and specific employees constitute the bases of its corporate governance. The Company has complied with the provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") during the financial year ended 31 December 2009. The Company will further improve its corporate governance and enhance its transparency to shareholders.

BOARD OF DIRECTORS

Our Board of Directors is responsible for the overall leadership and governance of the Company, and is collectively responsible for directing and supervising the affairs of the Company. Our Board of Directors consists of 13 directors, four of whom are executive directors including Mr. He Renchun, Mr. Li Li, Mr. Liao Luhai and Mr. Chen Zhixin; another four of whom are non-executive directors including Mr. Cao Xiuyun, Mr. Wu Longyun, Mr. Zhang Yixian and Mr. Zou Jian; the remaining five of whom are independent non-executive directors including Mr. Kang Yi, , Mr. Gu Desheng, Ms. Chen Xiaohong, Mr. Wan Ten Lap, and Mr. Choi Man Chau . Mr. He Renchun is the chairman. Our directors were elected at Shareholders' Meetings for a term of three years.

Each director of the Board shall act in the interests of the shareholders, and use his best endeavours to perform the duties and obligations as a director in accordance with all the applicable laws and regulations. Duties of the Board include: deciding on the Company's business plans and investment proposals, preparing the Company's profit distribution and loss recovery proposals, formulating the Company's capital allocation proposals, and implementing resolutions approved at Shareholders' Meetings, etc.

Mr. He Renchun is the Chairman of the Company and Mr. Li Li is the general manager of the Company. The roles of the Chairman of the Board and the general manager are separated. The Chairman of the Board is responsible for the management of the Board and its effective operation. The Chairman of the Board shall ensure that the directors perform their duties and obligations and discuss all important matters on a timely basis. The Chairman also conducted personal interviews with each of the non-executive directors to understand their views and advice on the operation of the Company and the Board. The general manager is an executive director and exercises the power and performs the responsibilities in relation to the Company and its subsidiaries conferred by the Executive Committee.

The Finance and Securities Department of the Company offer comprehensive services to the shareholders and answer their enquiries promptly in order to enhance their understanding of the Company. They also maintain effective communications with shareholders and ensure that the views of the shareholders will be communicated to the Board.

The Company has appointed sufficient independent non-executive directors with suitable professional qualifications, such as expertise in accounting or financial management, in accordance with the requirements of the Listing Rules. The five independent non-executive directors of the Company are independent of the Company and are professionals with extensive experience in the respective fields of accounting, nonferrous metals and finance and higher education. They provide professional advice on the healthy operation and development of the Company. They also monitor and regulate the operation of the Company to safeguard the interests of the Company and its shareholders.

Pursuant to Rule 3.13 of the Listing Rules, the Company has appointed five independent non-executive directors, one of whom has professional qualification in accounting and has experience in financial management. The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and has examined the independence of the independent non-executive directors.

In 2009, the Company held eleven regular Board meetings, with an average attendance rate of 89%. The attendance rate of Mr. He Renchun, Mr. Cao Xiuyun, Mr. Li Li, Mr. Liao Luhai and Mr. Choi Man Chau was 100%. The attendance rate of Mr. Chen Zhixin, Mr. Zhang Yixian, Mr. Gu Desheng and Ms. Chen Xiaohong was 91%. The attendance rate of Mr. Kang Yi was 88%. The attendance rate of Wu Longyun was 81%. The attendance rate of Mr. Zou Jian was 66% and the attendance rate of Mr. Wan Ten Lap was 54%. Those who failed to attend the meetings in person had casted their votes in writing. Minutes of all the meetings are recorded by a designated officer. All proposals approved in the meetings were passed as resolutions of the Board and were recorded and filed in accordance with relevant laws and regulations. The principal activities of the Board in 2009 were as follows:

1. Resolution in relation to the additional capital inject into Ziying;

2. Resolution in relation to the expiry of the first session of the Board of Directors and the re-election of directors;

3. Resolution in relation to the acquisition of the entire equity interest in Beaver Brook Antimony Mine Inc.; and

4. Resolution in relation to the appointment of Evolution Watterson Securities Limited as independent financial adviser to give advice to the independent board committee and independent shareholders on a possible offer for H Shares.

The Company includes all matters to be discussed at Board meetings in the agendas. In general, notice of board meeting shall be delivered 14 days before the meeting and the resolutions to be discussed will be provided to the directors 10 days prior to the meeting to allow sufficient time for directors' consideration. The Finance and Securities Department of the Company and the Board Secretariat shall ensure that the Board Meetings are properly conducted in accordance with the relevant laws and regulations. Directors may enquire the Finance and Securities Department of the Company of the proper procedures of Board meeting. The directors may seek independent professional advice when appropriate, in order to assist them in performing their duties as directors of the Company. According to the Company's Article of Association, directors are prohibited from voting in relation to contracts, arrangements, transactions or other proposals in which they or their associates have a material interest and the director concerned shall not be counted towards the quorum. The minutes of meetings of the Board of directors and Board Committees shall be kept by the Finance and Securities Department of the Company. All directors are entitled to examine the minutes.

Details of the director's remuneration are disclosed in note 10 to the financial statements.

Appointments, re-election and removal

Pursuant to the Company's Articles of Association, each director shall retire from office by rotation every 3 years. The term of a director (including non-executive director) shall not be over three years. Directors who have retired from office may offer themselves for re-election at the annual shareholders' general meeting of the Company.

Our Company has adopted a proper, careful and transparent procedure for the selection of new directors. Opinions of the existing directors (including independent non-executive directors) will be sought before the nomination of new director. Nomination of director shall be considered by the Executive Committee before its recommendations are forwarded by the Executive Committee to the Board of Directors for decision. The new directors appointed shall retire and shall be re-elected at the next shareholders' general meeting.

Capacities and responsibilities of the Directors

Our Company shall inform all directors of their rights and responsibilities on a regular basis. All directors shall understand the business operation, business activities and development of our Company through meetings of the Board of Directors.

Model Code for Directors' Securities Transactions

The Company has adopted its own code of conduct regarding directors' securities transactions which is no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as. The Company has made specific enquiries to all directors who have confirmed that they have complied with the required standard as set out in the Model Code for Securities Transactions by Directors in all material time during the period from 1 January 2009 to 31 December 2009 (both days inclusive).

Availability and use of information

All directors shall have full access to all information about our Company on a timely basis, such that they can perform their responsibilities as directors. Our Company has in place a procedure for directors to seek independent professional advice on matters in relation to the Company at the expense of the Company. In addition, all directors are entitled to direct contact the senior management of our Company.

Committees of the Board of Directors and their functions

The Board of Directors has four committees: the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee.

All Committees have written terms of reference containing their specific powers and responsibilities.

AUDIT COMMITTEE

An audit committee has been established by the Board. The audit committee's duties are mainly to review the Company's financial reports and internal control system, consider the appointment of independent auditors, provide recommendation to the Board, approve audit and audit-related services, and supervise the Company's internal financial reporting procedures and management policies. The committee consists of two independent non-executive directors including Mr. Choi Man Chau and Mr. Wan Ten Lap, and one non-executive director Mr. Zhang Yixian. Mr. Choi Man Chau is the chairman of the committee. The audit committee meetings shall be held at least twice a year. Two meetings were held in the reporting period with all committee members attending the meetings to review the annual results for the year 2008 and the interim results for 2009.

REMUNERATION COMMITTEE

A remuneration committee has been established by the Board. The duties of the remuneration committee include: to consider the Company's policy of remuneration and other benefits; to assess the performance of the Company's Directors and senior management; and to make recommendations to the Board regarding such matters. The committee consists of one non-executive director Mr. Wu Longyun and one executive director Mr. Liao Luhai, three independent nonexecutive directors Mr. Choi Man Chau, Mr. Gu Desheng and Mr. Wan Ten Lap. Mr. Wan Ten Lap is the chairman of the remuneration committee. The remuneration committee reviews the structure of the Board, the number of directors in the Board and the performance of directors regularly. For the avoidance of conflict of interest, the directors and their associates do not participate in decisions making relating to their own remuneration. One meeting was held by the committee during the reporting period. All members attended the meeting.

NOMINATION COMMITTEE

The nomination committee has been established by the Board. The committee consists of Ms. Chen Xiaohong, Mr. Gu Desheng and Mr. Cao Xiuyun. Ms. Chen Xiaohong is the Chairwoman of the committee. All members are non-executive directors and the majority of them are independent non-executive directors. The duties of the nomination committee include: to formulate nomination policies and to made recommendation to the Board regarding nomination, appointment and replacement of directors. The committee will also establish recruitment procedures, review the structure, number of members and composition of the Board and assess the independence of the independent non-executive directors. One meeting was held by the committee during the reporting period. All members attended the meeting.

STRATEGY COMMITTEE

A strategy committee has also been established by the Board. The Committee consists of four executive directors Mr. He Renchun, Mr. Li Li, Mr. Liao Luhai, Mr. Chen Zhixin, two non-executive directors Mr. Cao Xiuyun, Mr. Zou Jian and three independent non-executive directors Mr. Kang Yi, Mr. Gu Desheng and, Mr. Wan Ten Lap. Mr. He Renchun is the chairman of the strategy committee. One meeting was held by the committee during the reporting period. All members attended the meeting.

The duties of the strategy committee are to review and evaluate the development, financial budget, investment, business operation and strategic planning of the annual investment returns of the Company. The committee members perform their duties in accordance with their respective rules.

SUPERVISORY COMMITTEE

The Company's supervisory committee consists of nine Supervisors. Zeng Shaoxiong is the Chairman of the Supervisory Committee. Six of the Supervisors are elected by our shareholders at Shareholder's Meetings, including two independent non-executive Supervisors and four Supervisors elected as shareholders' representatives. The other three Supervisors are elected by our employees as their representatives. Supervisors serve for a term of three years and are entitled to re-election. The Supervisory Committee is responsible for supervision of the Board of Directors and its members and the senior management, preventing them from abusing their power and authority and jeopardising the legal interests of the shareholders, the Company and its employees. Two meetings were held by the Supervisory Committee during the reporting period in 2009. During the meetings, the committee reviewed the financial condition and operation of the Company as well as the performance of the senior management. Other relevant matters were also dealt with at the meetings, which were attended by all Supervisors.

SHAREHOLDERS' MEETING AND INVESTOR RELATIONSHIP

The Shareholders' Meeting provides an opportunity for direct communications and the establishment of a good relationship between the Board and the shareholders of the Company. The Company attaches great importance to such meetings. During the reporting period in 2009, two Shareholders' Meetings were conducted at which, among other things, the following matters were considered and passed:

1. In the extraordinary shareholder's general meeting held on 6 March 2009, the retiring Directors and Supervisors were re-elected.

2. In the annual shareholders' general meeting held on 22 June 2009, the audited consolidated financial statements of the Company for the year ended 31 December 2008 were approved; the appointment of Vocation International Certified Public Account Co., Ltd as the domestic and international auditor of the Company for the year ended 31 December 2009 was approved, and the Board was authorised to fix its remuneration; the grant of an unconditional and general mandate to allot, issue and deal with new domestic shares and foreign listed shares to the Board of Directors of the Company was approved;

The Chairman of the Board chaired the shareholders' meetings and explained the procedures of voting. Chairmen or failing him a member of the audit committee, remuneration committee and nomination committee were present at the annual shareholders' general meeting to answer questions. Shareholders considered and voted on each resolution. Directors were served the notices of such meetings and some of them attended the meetings.

The Finance and Securities Department is responsible for investor relationship and has formulated the "Investor Relations Policy" to regulate the relationships between the Company and its investors. The Company's management maintains close communications with investors, analysts and the media by various means including personal interviews, meetings and visits to allow investors to have better understanding of the Company. Our Finance and Securities Department is also responsible for answering investors' enquiries and mails on a timely basis.

INTERNAL CONTROL AND CORPORATE MANAGEMENT

The Board of Directors shall be responsible for the internal control of the Company and its subsidiaries and its effectiveness.

The internal control system of the Company includes a well-organised corporate structure and a comprehensive set of internal control policies and standards. The responsibilities of each of the business and operation units are clearly defined to ensure effective control.

The Company has adopted a series of procedures to prevent the unauthorised usage and appropriation of assets; to ensure the proper maintenance of the accounting records and the integrity of the financial data used in business operation and released to the public. This procedure can only provide reasonable assurance. There may still be material errors, loss or fraudulent activities. The Company has adopted a series of procedures to ensure the applicable laws, rules and regulations are adhered to.

The Company has adopted a series of policies and procedures to identify, control and report the major risks of the Company. The Company has procedures to manage the risk of its daily operations so as to protect its reputation.

Our Company conducts an annual review on the effectiveness of its internal control system of financial, operation and risk management activities. In 2009, an internal compliance review committee was established to review the internal control system of the Company under the supervision of Mr Lin Jiyang who is an experienced public certified accountant in Hong Kong.

The Board of the Company appointed professional institutes to arrange training on director's responsibilities and seminars on Listing Rules and the Securities and Futures Ordinance ("SFO") for directors, supervisors and senior management in order to ensure strict compliance with the relevant laws and regulations.

The Company regularly held managerial meetings chaired by the General Manager. These meetings were attended by the Chairman of the Board of Directors, the senior management, and the department heads of the Company headquarters. Operation, investment and financial matters of the Company were discussed at the meetings. The managers of the Company and its subsidiaries and associated companies and department heads of the Company headquarters held regular managerial meetings to coordinate, communicate and supervise the implementation and progress of business activities.

ACCOUNTABILITY AND AUDIT

Financial Report

The Board of Directors shall provide an objective, clear and comprehensive assessment on the performance, condition and future prospects of the Company. Annual operation budget shall be submitted to the Board of Directors for consideration and approval. All discrepancies between the monthly results, monthly performance and annual operation budget shall be submitted to the Board of Directors' Meeting regularly for discussion.

Our Company shall announce the annual and interim results within three months and two months of the completion of the accounting periods, respectively.

The directors acknowledged that they have the responsibility to ensure the accuracy of the accounts prepared by our Company. As at 31 December 2009, none of the directors is aware of any or potential material issues or situations that may affect the continuous operation of the business. Our directors prepare our accounts on the ongoing basis.

The responsibilities of the external auditors are detailed in the auditors' report in the 2009 financial report of our Company.

Internal Audit

The Company has an Audit and Supervision Department that is responsible for internal audits. The performance of an internal audit is an integral part of the internal control system. An internal audit is performed to supervise the effectiveness of internal controls and to ensure all business and operation units are in compliance with the designated policies and standards. The department may make recommendations on operation and risk management to the management of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Loss before income tax amounted to RMB226 million for the year ended 31 December 2009, representing a decrease of RMB298 million, or 57%, from loss before income tax of RMB524 million for the year ended 31 December 2008. The loss attributable to equity holders of the parent was RMB358 million, representing a decrease of RMB382 million, or 52% from RMB740 million for the year ended 31 December 2008.

The following is the comparison of the two years ended 31 December 2009 and 31 December 2008:

TURNOVER

Turnover increased to RMB18,037 million for the year ended 31 December 2009, from RMB15,588 million for the year ended 31 December 2008, representing an increased of RMB2,449 million, or 16%, primarily due to the decreases in turnover before sales tax and surcharge of RMB76 million or 4% for the nonferrous metals mine segment, the increase of RMB3,609 million or 44% for the nonferrous metals smelting segment , and the decrease of RMB1,139 million or 20% for the cemented carbides, tungsten, molybdenum, tantalum, niobium and their compounds segment.

Our gross profit decreased by 13% from RMB1,585 million for the year ended 31 December 2008 to RMB1,382 million for the year ended 31 December 2009. The gross profit margins in the two years ended 31 December 2008 and 2009 were 10% and 8% respectively.

NONFERROUS METALS MINE SEGMENT

The following data are the sales volume and average selling price of our nonferrous metals mine segment products:

	2009		2008	
	Sales volume (ton)	**Average selling price (RMB/ton)**	Sales volume (ton)	Average selling price (RMB/ton)
Shizhuyuan				
Tungsten concentrates	**3,900**	**50,922**	2,573	68,890
Oxidized molybdenum	**1,054**	**85,146**	1,064	162,412
Huangshaping Branch				
Zinc concentrates	**5,024**	**7,598**	2,073	8,056
Lead concentrates	**4,027**	**12,506**	3,952	14,489
Hsikwangshan				
Antimony products	**28,811**	**26,410**	25,602	31,437
Zinc products	**36,671**	**12,151**	25,850	13,592

Turnover before sales tax and surcharge of the nonferrous metals mine segment decreased by RMB76 million, or 4%, from RMB2,020 million for the year ended 31 December 2008 to RMB1,944 million for the year ended 31 December 2009. The decrease of turnover is primarily due to the observably decrease of average selling prices of the nonferrous metals mine products compared to 2008.

Gross profit from our nonferrous metals mine segment decreased by 39% from RMB324 million for the year ended 31 December 2008 to RMB198 million for the year ended 31 December 2009. Gross profit margin for the year ended 31 December 2009 decreased to 10% from 16% for the year ended 31 December 2008. The decrease in gross profit margin of this segment was attributable to the decrease in gross profit of Antimony products, oxide molybdenum as well as Tungsten concentrates.

NONFERROUS METALS SMELTING SEGMENT

The following data are the sales volume and average selling price of our nonferrous metals smelting segment products:

	2009		2008	
	Sales volume (ton)	**Average selling price (RMB/ton)**	Sales volume (ton)	Average selling price (RMB/ton)
Zinc products	**442,103**	**12,088**	409,913	13,634
Lead products	**103,489**	**12,070**	90,696	14,726
Precious metal – indium	**0.2**	**2,564,115**	31	2,919,398
Precious metal – silver	**98**	**2,831,912**	125	2,856,939

Turnover before sales tax and surcharge of the nonferrous metals smelting segment increased by RMB3,608 million, or 44%, from RMB8,149 million for the year ended 31 December 2008 to RMB11,757 million for the year ended 31 December 2009. The increase in turnover is primarily due to the increase of sales volume of the zinc products as compared with 2008 as well as the increase of sales volumes of lead products.

Gross profit from our nonferrous metals smelting segment increased by 64% from RMB448 million for the year ended 31 December 2008 to RMB734 million for the year ended 31 December 2009. But the gross profit margin as at 31 December 2009 remained at the level of 6% which is the same for the year ended 31 December 2008. The gross profit margin was not affected because the decrease of average sales price of zinc product and Lead product is approximately equal with the decrease of average sales cost.

CEMENTED CARBIDES, AND TUNGSTEN, MOLYBDENUM, TANTALUM, NIOBIUM AND THEIR COMPOUNDS

The following data are the sales volume and average selling price of our cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds:

	2009		2008	
	Sales volume (ton)	**Average selling price (RMB/ton)**	Sales volume (ton)	Average selling price (RMB/ton)
Cemented carbides	**11,003**	**249,630**	10,648	319,610
Tungsten and compounds	**9,620**	**119,079**	8,817	169,991
Molybdenum and compounds	**587**	**286,796**	621	505,386
Tantalum, niobium and their compounds	**166**	**569,663**	501	455,594

Turnover before sales tax and surcharge of the cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment decreased by RMB1,139 million, or 20%, from RMB5,567 million for the year ended 31 December 2008 to RMB4,428 million for the year ended 31 December 2009. The decrease of turnover is primarily due to the decrease in average sales price of the cemented carbide, tungsten and its compounds as well as the decrease in average sales price of molybdenum and its compounds.

Gross profit from the cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment decreased by 45% from RMB813 million for the year ended 31 December 2008 to RMB450 million for the year ended 31 December 2009. Gross profit margin for the year ended 31 December 2009 decreased to 10% from 15% for the year ended 31 December 2008. The decrease is primarily due to decrease in the average selling prices of the cemented carbides products and average price of the tungsten and its compounds.

OTHER INCOME AND GAINS

Other income and gains decreased by RMB129 million, or 40.7% from RMB317 million for the year ended 31 December 2008 to RMB188 million for the year ended 31 December 2009. The decrease was primarily due to the decrease in compensation income, net realized and unrealized gains on derivative financial instruments.

SELLING AND DISTRIBUTION COSTS

The selling and distribution costs decreased by RMB45 million, or 12.6% from RMB357 million for the year ended 31 December 2008 to RMB312 million for the year ended 31 December 2009. The decrease was primarily due to the cost control policy.

ADMINISTRATIVE EXPENSES

The administrative expenses decreased by RMB406 million, or 31.6% from RMB1,283 million for the year ended 31 December 2008 to RMB877 million for the year ended 31 December 2009. The decrease was primarily due to the cost control policy and the exchange differences changed from loss to gain. The exchange gain for the year is RMB198 million, compared with exchange loss of RMB238 million suffered in 2008, there was an increase of RMB436 million.

OTHER EXPENSES, NET

Other operating expenses, net decreased by RMB336 million, or 82.6% from RMB407 million for the year ended 31 December 2008 to RMB71 million for the year ended 31 December 2009. The main reasons for the decrease in expenses were the provisions for impairment for goodwill in mining right of Abra Mining Limited, our subsidiary amounted to 212 million and the impairment for available-for-sales financial assets amounted to RMB87 million 2008.

FINANCE COSTS

The finance costs increased by RMB13 million, or 2.9% from RMB441 million for the year ended 31 December 2008 to RMB454 million for the year ended 31 December 2009. The increase was primarily due to the increase in bank loans and other loans.

INCOME TAX EXPENSES

The income tax expenses decreased by RMB66 million, or 49.6% from RMB133 million for the year ended 31 December 2008 to RMB67 million for the year ended 31 December 2009. The decrease was primarily due to the decrease in taxable operating profits therefore the income tax expenses dropped dramatically in 2009.

MINORITY INTERESTS

The minority interest decreased by RMB17million, or 20.5% from RMB83 million for the year ended 31 December 2008 to RMB66 million for the year ended 31 December 2009, primarily due to the decrease in operating profits of the Group.

LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT

The net loss attributable to the equity holders of the parent decreased by RMB382 million, or 51.6% from RMB740 million for the year ended 31 December 2008 to loss of RMB358 million for the year ended 31 December 2009, and the net loss margin decreased from 4.7% for the year ended 31 December 2008 to 2.0% for the year ended 31 December 2009. The decrease was primarily due to the drop of operating profits of the Group.

LIQUIDITY AND SOURCE OF FUNDS

For the year ended 31 December 2009, the short-term and the long-term loans were the main sources of funds. The funds of the Group were applied mainly to the operating activities, the capital expenditure and the repayment of the bank loans. As of 31 December 2009, the cash and cash equivalents of the Group amounted to RMB2,571 million. The cash and cash equivalents were primarily denominated in Renminbi ("RMB") (The amounts denominated in RMB, Australian dollar ("AUD"), United States dollar ("USD"), Hong Kong dollar ("HKD"), Canadian dollar ("CAD"), Euro and Japanese yen accounted for approximately 76.85%, 11.68%, 6.23%, 3.64%, 1.24%, 0.35% and 0.01% respectively).

For the year ended 31 December 2009, total amount of the short-term and the long-term bank loans and other borrowings is RMB10,428 million, of which loans denominated in RMB, USD, AUD and CAD accounted for approximately 89.9%, 8.1%, 1.9% and 0.1%, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2009, the proportion of purchase and sales from our major suppliers and major customers to our total purchase and sales are as follows:

Purchase

The total purchase from our largest supplier was approximately 0.86% of our total purchase value

The total purchase from our five largest suppliers was approximately 7.25% of our total purchase value

Sales

The total sales to our largest customer was approximately 3.48% of our total sales value

The total sales to our five largest customers was approximately 10.55% of our total sales value

During the year, none of the Directors or Supervisors or their respective associates, or to the best of the Directors' knowledge, any shareholder who holds more than 5% of our shares, hold any material rights in our five largest customers or our five largest suppliers.

ASSET MORTGAGE OF THE GROUP

For the year ended 31 December 2009, the assets of the Group amounting to a net book value of RMB1,308 million have been pledged for securing certain bank loans, of which the net book value of buildings and mining constructions and plant, machinery and equipment amounted to RMB1,064 million and the net book value of prepaid rent amounted to RMB244 million.

As of 31 December 2008, the assets of the Group amounting to a net book value of RMB2,075 million have been pledged for securing certain bank loans, of which the net book value of buildings and mining constructions and plant, machinery and equipment amounted to RMB1,757 million and the net book value of prepaid rent amounted to RMB318 million.

DEBT TO TOTAL ASSETS RATIO

As of 31 December 2009, the debt to total assets ratio of the Group increased from 46.9% in 2008 to 50.2% in 2009. The debt to total assets ratio is equivalent to total liabilities divided by total assets and multiplied by 100%. The debt to total assets ratio increased as the growth rate of total interest-bearing bank loans and borrowings was higher than that of total assets.

FLUCTUATION RISK IN FOREIGN EXCHANGE RATE

The Group primarily operates in China, with export to various countries in small quantities. Apart from the export sales transacted mainly in the US dollar, the sales income of the Group is denominated in RMB at present. The risk in foreign exchange of the Group primarily arises from the sales of products and the purchase of raw materials denominated in foreign currency. Currently, the Group has neither adopted any formal hedging policy nor executed any foreign exchange contract or derivative to hedge against our currency risk.

RISK IN COMMODITY PRICES

As the trading prices of nonferrous metals of the Group are calculated at the global and local prices which are subject to substantial fluctuation, the Group has to bear the risk in the fluctuation of commodity prices. The prices of nonferrous metals (as commodities) depend primarily on the market supply and demand in the long run. The Group has not taken the initiative to manage this risk, except the execution of commodity futures contracts on a limited basis.

RISK IN INTEREST RATE

The risk in the interest rate concerning the Group primarily relates to our short-term and long-term bank loans and other borrowings (amounting to RMB10,482 million as of 31 December 2009). The interest for the outstanding debts of the Group is calculated at fixed rate. Any rise in the current interest rate will increase the interest cost of our short-term loans upon extension. To date, the Group has neither executed any form of interest rate agreement or derivative to hedge against the fluctuation in interest rate.

DONATIONS

Donations decreased by RMB10 million, or 67% from RMB15 million for the year ended 31 December 2008 to RMB5 million for the year ended 31 December 2009. The main reason for the decrease in donations was 2008 Sichuan Wenchuan Earthquake increased the donations in 2008 but no such donations in 2009.

CONTINGENT LIABILITIES

As of 31 December, the Group has the following contingent liabilities:

	2009 RMB'000	2008 RMB'000
Bank guarantee granted to third party	–	7,019

HISTORICAL CAPITAL EXPENDITURE

The following table sets out the capital expenditure of each segment of the Group and their proportions to the table capital expenditure of the Group for the year ended 31 December 2009:

	2009 RMB'000	total
Nonferrous metals mine	**1,343,337**	**62.93%**
Nonferrous metals smelting	**280,431**	**13.14%**
Cemented, carbides, tungsten, molybdenum, tantalum, niobium and their compounds	**510,927**	**23.93%**
The Company and others	**–**	**0%**
Total	**2,134,965**	**100%**

EMPLOYEES

As of 31 December 2009, the Group had a total of 22,138 full-time employees, classified by functions and department as follows:

Department	**Employees**	**Percentage of the total** (%)
Management and administration	2,000	9.0%
Engineering and technical personnel	4,300	19.4%
Production personnel	12,595	56.9%
Repair and maintenance	1,880	8.5%
Inspection	813	3.7%
Sales	550	2.5%
Total	22,138	100.0%

The employees' remuneration package of the Group includes salary, bonus and allowance. The Group has participated in the social insurance contribution plans implemented by the local governments in the PRC. Pursuant to the relevant national and local labour and social welfare laws and regulations, the Group shall pay for the employees the monthly social insurance premium covering the pension insurance, the medical insurance, the unemployment insurance and the housing reserve fund. According to the current applicable local regulations, the contribution of the Group to the employees' pension insurance, medical insurance, unemployment insurance and housing reserve fund shall be equivalent to 20%, 8%, 2% and 5% to 12% respectively of the total basic monthly salary of each employee.

REPORT OF THE DIRECTORS

The Directors are pleased to present their 2009 report and the audited financial statements of the Company for the year ended 31 December 2009.

GROUP REORGANISATION

The Company was incorporated in the PRC on 1 September 2005 as a joint stock limited company as a result of a reorganisation of HNG in preparation for the listing of the Company's shares on Stock Exchange. HNG is a state-owned enterprise established in August 2004. In the opinion of the Directors, the parent and ultimate holding company of the Company is HNG.

Pursuant to an agreement for the reorganisation (the "Reorganisation Agreement"), the Company became the holding company of the subsidiaries and branches now comprising the Group with effect from 31 December 2004 (the "Group Reorganisation"). Further details of the Group Reorganisation are set out in note 1 to the financial statements and in the Company's prospectus dated 21 March 2006.

On 31 March 2006, the Company completed its initial public offering and the shares of the Company were successfully listed on the Stock Exchange.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and mining, processing and sale of nonferrous metals. Details of the principal activities of the principal subsidiaries are set out in note 20 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2009 and the financial positions of the Company and the Group as at that date are set out in the financial statements on pages 48 to 57.

Due to serious loss recorded in 2009, the Board of Directors did not recommend any final dividend for 2009.

MATERIAL SHAREHOLDING CHANGE OF HNG

During the reporting period, Hunan Nonferrous Metals Holding Group Company Limited, Minmetals Nonferrous Metals Holding Company Limited and China Minmetals entered into agreements that pursuant to the Agreements, subject to the Equity Transfer Agreement becoming effective and satisfaction (or waiver, where applicable) of the Conditions, Minmetals Nonferrous Metals Holding Company Limited, a wholly-owned subsidiary of China Minmetals, will become the registered owner of an aggregate of 51% interest in Hunan Nonferrous Metals Holding Group Company Limited by way of capital injection and equity transfer, and through Hunan Nonferrous Metals Holding Group Company Limited, which currently holds 53.08% of the issued share capital of the Company, obtain an indirect control of the Company.

Subject to Completion having occurred, China Minmetals H.K. (Holdings) Limited, a wholly-owned subsidiary of China Minmetals, will implement the possible H Share Offer, and the financial adviser to China Minmetals H.K. (Holdings) Limited, will make the possible H Share Offer on behalf of China Minmetals H.K. (Holdings) Limited for all the H Shares at the H Share Offer Price of HK$1.73 each in accordance with the requirement of Note 8 of Rule 26.1 of the Takeovers Code. There are 1,632,728,000 H Shares subject to the possible H Share Offer, representing approximately 44.51% of the issued share capital of the Company. The possible H Share Offer is valued at approximately HK$2.825 billion based on the H Share Offer Price of HK$1.73 for each H Share. Possible H Share Offer will only be made if the Equity Transfer Agreement becomes effective and Completion takes place. During the reporting period, those conditions have not been fulfilled or waived yet. China Materials will continue to maintain the listing status of the Group. A special committee mainly comprising the Independent Directors has been set up by the Board of Directors of the Group for discussing and considering such acquisition, and Evolution Securities Limited has been appointed as an independent financial advisor to the Company to provide professional advices for the shareholders to make decisions.

For details, please refer to the disclosures in the Company's announcement dated 28 December 2009.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company received an aggregate net proceed of approximately HK$2.0 billion from the issue of H shares at the time of its listing on the Stock Exchange; and an aggregate net proceed of approximately HK$1.214 billion from placing new shares on 9 July 2007. Such net proceeds were net of related issuance expenses. The Directors are of the opinion that the remaining proceeds will be applied in the coming years to their intended uses as set out in the Company's prospectus dated 21 March 2006 and the announcement of placing new shares dated 9 July 2007.

Use of Proceeds

As of 31 December 2009, the Company used the proceeds in the amount of RMB2,924.95 million mainly for the purposes as follows:

- In July 2006, the Company used the proceeds in the amount of RMB400 million for the acquisition of 80% equity interest in Zigong Cemented Carbides Company Limited ("Ziying").

- In July 2006, the Company used the proceeds in the amount of RMB184.88 million for the acquisition of approximately 9.8% equity interest in Compass Resources NL in Australia.

- In September 2006, the Company used the proceeds in the amount of RMB63.75 million and RMB80 million for the acquisition of 6.12% equity interest in Hunan Shizhuyuan Nonferrous Metals Co., Ltd., with a shareholding up to 97.35%, and to increase the capital of this company, respectively.

- In September 2006, the Company used the proceeds in the amount of RMB78.47 million and RMB87.60 million for the acquisition of 24.42% equity interest in Hsikwangshan Twinkling Star Antimony Co., Ltd., a holding subsidiary of the Company with a shareholding up to 100% and to increase the capital of the company, respectively.

- In October 2006, the Company used the proceeds in the amount of RMB214 million for acquisition of 23.77% equity interest in ZhongWu GaoXin Materials Company Limited ("ZhongWu GaoXin"), an A-Share company.

- In October 2006, the Company used the proceeds in the amount of RMB210 million for increasing the share capital of Zhuzhou Cemented Carbides Group Co., Ltd., a holding subsidiary of the Company.
- In October 2006, the Company used the proceeds in the amount of RMB40 million for increasing the capital of Huangshaping Branch of the Company.
- In April 2007, the Company used the proceeds in the amount of RMB353.98 million for acquisition of 98.33% equity interest in Hengyang Yuanjing Tungsten Company Limited.
- In June 2007, the Company used the proceeds in the amount of RMB75 million for increasing the capital of Hsikwangshan Twinkling Star Antimony Co., Ltd., a holding subsidiary of the Company.
- In October 2007, the Company used the proceeds in the amount of RMB52 million for investing in the establishment of Hunan Nonferrous Nan Ning Resources Development Company Limited, in which the Company held an equity interest of 52%.
- In January 2008, the Company used the proceeds in the amount of RMB500 million for investing in the establishment of Hunan Nonferrous Xin Tian Ling Tungsten Company Limited, in which the Company held an equity interest of 100%.
- In January 2008, the Company used the proceeds in the amount of RMB21 million for investing in the establishment of Hunan Nonferrous Xitian Mining Co., Ltd. (湖南有色錫田礦業有限公司), in which the Company held an equity interest of 70%.
- Between March and April 2008, the Company used the proceeds in the amount of RMB87.28 million for acquisition of 17.76% equity interest in Abra Mining Limited in Australia.
- In May 2008, the Company used the proceeds in the amount of RMB9 million for investing in the establishment of Gansu Jinda Mining Company Limited (甘肅金大礦業有限公司), in which the Company held an equity interest of 45%.
- In October 2008, the Company used the proceeds in the amount of RMB159.76 million for acquisition of 28.26% equity interest in Abra Mining Limited in Australia.
- In December 2008, the Company used the proceeds in the amount of RMB19.8 million for increasing the registered capital of HNC (Australia) Resources Holding PTY Ltd., a wholly-owned subsidiary of the Company.
- In February 2009, the Company used the proceeds in the amount of RMB48.48 million for investing in the joint mining project of HNC (Australia) Resources Holding PTY Ltd., a subsidiary of the Company, in Compass.
- In September 2009, the Company used the proceeds in the amount of RMB81.95 million for investing in the establishment of Hunan Nonferrous Antimony Mine Ltd., in which the Company held an equity interest of 100%.
- In September 2009, the Company used the proceeds in the amount of RMB158 million for the mining of Hunan Nonferrous Antimony Mine Ltd., a subsidiary of the Company.

REPORT OF THE DIRECTORS

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the Company's audited financial statements for the year ended 31 December 2009, if appropriate, is set out on pages 2 to 3. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the period are set out in note 37 to the financial statements.

PRE-EMPTIVE RIGHTS

For pre-emptive rights as permitted under certain circumstances under the Company's Articles of Association or the laws of the People's Republic of China, the Company is not obliged to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

The Company's shares were listed on the Stock Exchange on 31 March 2006. Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the period and as at the date of this report.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 38 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Details of distributable reserves of the Company are set out in note 38 to the financial statements.

DIRECTORS' INTEREST

Directors and Supervisors

The Directors and Supervisors of the Company during the period are:

Executive Directors:	
Mr. He Renchun	(appointed on 1 September 2005)
Mr. Li Li	(appointed on 1 September 2005)
Mr. Liao Luhai	(appointed on 1 September 2005)
Mr. Chen Zhixin	(appointed on 1 September 2005)
Non-Executive Directors:	
Mr. Cao Xiuyun	(appointed on 1 September 2005)
Mr. Wu Longyun	(appointed on 1 September 2005)
Mr. Zhang Yixian	(appointed on 1 September 2005)
Mr. Zou Jian	(appointed on 6 March 2009)
Independent Non-Executive Directors:	
Mr. Gu Desheng	(appointed on 1 September 2005)
Mr. Choi Man Chau	(appointed on 6 March 2009)
Mr. Wan Ten Lap	(appointed on 1 September 2005)
Ms. Chen Xiaohong	(appointed on 21 December 2007)
Mr. Kang Yi	(appointed on 6 March 2009)
Supervisors:	
Mr. Zeng Shaoxiong	(appointed on 1 September 2005)
Mr. He Hongsen	(appointed on 1 September 2005)
Mr. Liu Xiaochu	(appointed on 1 September 2005)
Mr. Jin Liangshou	(appointed on 1 September 2005)
Mr. Qi Xiaocun	(appointed on 19 March 2007)
Ms. Li Junli	(appointed on 1 September 2005)
Mr. Qi Yang	(appointed on 6 March 2009)
Mr. Ou Wen	(appointed on 6 March 2009)
Ms. Liu Dongrong	(appointed on 1 September 2005)

In accordance with the Company's Articles of Association, all Directors and Supervisors are elected to a term of three years and may serve consecutive terms upon re-election.

Biographies of Directors, Supervisors and Senior management

Biographical details of the Directors and Supervisors of the Company and the senior management of the Group are set out on pages 6 to 14 of the annual report.

Service Contracts of Directors and Supervisors

The Company has entered into service contracts with each of its Directors and Supervisors for a period of three years. The Company's Directors and Supervisors receive compensation in the form of salaries, bonuses, housing allowances and other benefits-in-kind, including contributions to pension plans.

Save as disclosed above, there are no service contracts that are not terminable by the Company within one year without payment of compensation (other than statutory compensation) between the Company and any of the Directors and Supervisors.

Remuneration of Directors, Supervisors and Senior Management

The fees of Directors and Supervisors are subject to the approval of shareholders at general meetings. Other emoluments are determined by the Company's Board of Directors with reference to their duties, responsibilities and performance and the results of the Group. In compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, the Company has established a remuneration committee to formulate remuneration policies and to determine and manage the compensation of the Company's senior management. Details of the remuneration of Directors and Supervisors are disclosed in note 10 to the financial statements.

Interests of Directors and Supervisors in Contracts

None of the Directors and Supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

Directors and Supervisors' interests and short positions in shares

As at 31 December 2009, none of the Directors and Supervisors and their respective associates had any interests and short positions in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which would be required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or which would be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the securities transactions by Directors. After making specific enquiries with all Directors of the Company, the Directors confirmed that they have complied with the required standard as set out in the Model Code for the period ended 31 December 2009.

REPORT OF THE DIRECTORS

Corporate Governance

The Company is committed to improve its corporate governance and enhance the transparency to shareholders. In the opinion of the Board, for the financial year ended 31 December 2009, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Listing Rules.

Rights of Directors and Supervisors to Acquire Shares or Debentures

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director and supervisors or their respective spouse or children under 18, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or Supervisors to acquire such rights in any other body corporate.

Stock Appreciation Rights Plan ("SARs")

An extraordinary shareholders' meetings was held on 25 September 2006, in which (among the others) the preliminary stock appreciation recommendations pursuant to the SARs (details of which please refer to the section "Stock Plan" in the Prospectus dated 21 March 2006) was approved. Such plan aims to attract, retain and encourage senior executives and key officers with valuable contribution to the Group and to the enhancement of profitability and value of the Group.

The grantees and the number of stock granted to them are set out as follows:

Name	Number of Stock Appreciation Rights	Note
He Renchun	1,282,051	Chairman of Board of Directors and Executive Director
Cao Xiuyun	1,025,641	Vice Chairman of Board of Directors and Non-Executive Director
Li Li	897,436	Executive Director and General Manager
Zeng Shaoxiong	769,231	Chairman of the Supervisory Committee
Liao Luhai	769,231	Executive Director
Chen Zhixin	769,231	Executive Director
Wu Longyun	641,027	Non-executive Director
He Hongsen	641,026	Supervisor
Zhang Yixian	641,026	Non-executive Director
Yang Bohua	512,820	Senior Manager of Subsidiary Company
Fu Xiaowu	512,820	Senior Manager of Subsidiary Company
Yang Lingyi	512,820	Senior Manager of Subsidiary Company
Hong Mingyang	512,820	Senior Manager of Subsidiary Company
Zhu Songzhou	512,820	Senior Manager of Subsidiary Company
Total:	10,000,000	

The initial exercise price of the stock appreciation rights, which will be determined as the higher of the closing price of the first trading day following the 30th trading day after the Company being listed on the Stock Exchange and the average closing price of the five trading days following the 30th trading day after the Company being listed on the Stock Exchange, was HKD2.8 per share.

SUBSTANTIAL SHAREHOLDERS

To the knowledge of the Directors and Supervisors, as at 31 December 2009, the persons or companies (other than the Directors or Supervisors of the Company) had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name	Number of shares held	Class of shares	Approximate percentage of all share capital (%)	Approximate percentage of H shares (%)
Hunan Nonferrous Metal Holdings Group Company Limited	1,947,074,266(L)	Domestic Share	53.08%(L)	
The Hamon Investment Group Pte Limited	81,922,000(L)	H Share		6.05(L)
The Dreyfus Corporation	81,692,000(L)	H share		5.00(L)

*Note:
(L) – long position
(S) – short position

Save as disclosed above and so far as is known to the Directors, as at 31 December 2009, no other persons (other than the Directors, Supervisors, chief executives or senior management of the Company), had an interest and/or short position in the shares or underlying shares (as the case may be) of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO, and to be recorded in the register required to be kept under Section 336 of the SFO, or is the substantial shareholders of the Company.

Connected transactions

The details of the connected transactions of the Group for the year ended 31 December 2009 is set out in note 44 to the financial report. The Independent Non-executive Directors of the Company have reviewed the connected transactions and confirmed in the annual report and the accounts of the Company:

(i) that the connected transactions were conducted in the course of ordinary and normal operation of the Company;

(ii) that the connected transactions were conducted pursuant to normal commercial terms or, if there is no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than those available to or from independent third parties;

(iii) that the connected transactions were conducted in accordance with the terms set out in the agreements governing the transactions and those terms are fair and reasonable to the Company and its shareholders as a whole; and

(iv) the total amount of the connected transactions did not exceed the annual caps as permitted by the Stock Exchange.

Save as disclosed or announced, the related party transactions disclosed in Note 44 of the financial report were not discloseable connected transactions as defined by Chapter 14A in the Listing Rules. Save for the connected transactions disclosed, there were no contracts of significance between the Company or its subsidiaries and the controlling shareholder or any of its subsidiaries during 2009.

Non-competition Agreement

As disclosed in the Prospectus, the Independent Non-executive Directors will review, on an annual basis, the exercise or non-exercise of the option to acquire CRB, and the first right options to purchase CRB's products under the Non-competition Agreement (as defined in the Prospectus). The non-competition restrictions took effect on 31 March 2006.

Sufficiency of public float

Based on public information and to the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as of the date of this report.

Directors' interests in competing business

During the year and up to the date of this report, the following Directors are considered to have interests in a business that competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules:

Mr. He Renchun and Mr. Cao Xiuyun are also the Directors of HNG and provide management services to the company.

As the Board of Directors of the Company is independent from the Board of Directors of HNG and the above Directors do not control the Board of the Company, the Group is capable of conducting its businesses independently of, and at arm's length from, the business of HNG.

Management Contracts

There was no management and administrative contract relating to the business as a whole or any principal operations of the Company entered into by the Company or subsisted as at 31 December 2009.

Post Balance Sheet Events

As at 31 December 2009, the Group had no significant post balance sheet events.

Annual General Meeting and Closure of Share Register

The Annual General Meeting of the Company will be held at 9:30 a.m. on 31 May 2010 at the conference room of the Hunan Bestride Hotel, No. 215 Labor Road West, Changsha City, Hunan, the PRC. The register of shareholders of the Company will be closed from 30 April 2010 to 31 May 2010 (both days inclusive). In order to be eligible to attend and vote on the AGM of the Company, instruments of transfer accompanied by relevant share certificates must be lodged with the Company's share registrar no later than 4:30 p.m. on 29 April 2010.

REPORT OF THE DIRECTORS

Audit Committee

An audit committee has been established by the Board. The audit committee is mainly responsible for reviewing the Company's financial reports and internal control system, considering the appointment of independent auditors and providing recommendations to the Board, approving the engagement of audit and audit-related services, and supervising the Company's internal financial reporting procedures and management policies. Members of the committee include Mr. Choi Man Chau and Mr. Wan Ten Lap, two Independent Non-executive Directors of the Company, and Mr. Zhang Yixian, an Non-executive Director. Mr. Choi Man Chau is the chairman of the committee. The audit committee shall meet at least twice every year. Two meetings were held in the reporting period with all committee members attending the meeting to review the Company's annual results for the year 2008 and interim results for the year 2009.

AUDITORS

The financial statements are audited by UHY Vocation HK CPA Limited. The auditor shall retire at the end of the period, but they are eligible to be reappointed as auditor of the Company at the next Annual General Meeting.

By order of the Board
He Renchun
Chairman

Changsha, PRC
27 March 2010

As at the date of this report, the Board of Directors of the Company comprises four executive Directors, namely, Mr. He Renchun, Mr. Li Li, Mr. Liao Luhai and Mr. Chen Zhixin, four non-executive Directors, namely, Mr. Cao Xiuyun, Mr. Wu Longyun, Mr. Zhang Yixian and Mr. Zou Jian and five independent non-executive Directors, namely, Mr. Gu Desheng, Mr. Kang Yi, Mr. Wan Ten Lap, Mr. Choi Man Chau and Ms. Chen Xiaohong.

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

On behalf of the second session of the Supervisory Committee of Hunan Nonferrous Metals Corporation Limited, I would like to submit to the Annual General Meeting a working report of this session of the Supervisory Committee during the reporting period.

The establishment of this session of the Supervisory Committee was approved at the General Meeting held on 6 March 2009. This session of the Supervisory Committee comprises 9 supervisors.

I. MEETING CONVENED DURING THE REPORTING PERIOD

During the reporting period, two conferences of the Supervisory Committee were held.

II. PRINCIPAL DUITES OF THE SUPERVISORY COMMITTEE

During the reporting period, this session of the Supervisory Committee strictly complied with the Company Law of the People's Republic of China, the applicable laws and rules of Hong Kong and the Articles of Association. The Supervisory Committee has performed its duties diligently, and protected the rights of the shareholders and the Company. The Supervisory Committee adheres to the principles of fiduciary duty, and performed its work carefully and diligently.

During the year, the Supervisory Committee carefully reviewed the operational and development plans of the Company and raised reasonable recommendations and opinions to the Board of Directors. It also stringently and effectively supervised the important decisions made at the managerial level, and ensured that the decisions made adhere to the national laws and regulations and the Articles of Association, and are in the interest of the shareholders.

During the reporting period in 2009, the Supervisory Committee mainly carried out the following work:

1. Inspection over Implementation of Resolutions of the General Meetings

The Supervisory Committee exercised supervision and inspection of the implementation of the General Meetings' resolutions by the Board, the Directors and the management through attending the General Meetings and Board Meetings. The Supervisory Committee is of the opinion that the Directors and management of the Company have diligently performed their duties in compliance with resolutions of the General Meetings. No violation of any laws or regulations or Articles of Association or any act which jeopardises the interests of the Company and shareholders has been found in the performance of the Company's Directors and the management.

2. Inspection over Legal Compliance of the Company's Operations

The Supervisory Committee exercised inspection and supervision on a regular basis over the legal compliance and rationality of the Company's operation and management. It has also supervised the work performance of the Company's Directors and senior management. The Supervisory Committee is of the opinion that the Company's operation is sound and standardized, and is in compliance with all applicable laws, regulations and rules. The members of the Board and senior management of the Company have faithfully and diligently performed their duties, and accomplished the mission entrusted to them by the shareholders.

3. **Inspection over the Company's Daily Operating Activities**

   The Supervisory Committee monitored the Company's operating activities. The Supervisory Committee is of the opinion that the Company has established a comprehensive internal control system, and has made great progress in the formulation and implementation of its internal work procedures, thus effectively managing its exposure to various operating risks. The Company's operation is in compliance with the PRC laws and regulations, the Articles of Association and its internal work procedures.

4. **Inspection over the Company's Financial Condition**

   The Supervisory Committee has carefully reviewed and agreed to the contents of the Report of the Directors, the audited financial statements and the dividend distribution plans that are to be presented to the forthcoming Annual General Meeting. The Supervisory Committee is of the opinion that the members of the Board of Directors, the general managers and other senior officers have stringently adhered to the principle of integrity, and have worked diligently and exercised their duties in the best interests of the Company pursuant to the Articles of Association. All of their work is standardized and the internal control system is improving overtime. Transactions between the Company and its related parties are strictly governed by terms that protect the rights of the shareholders as a whole, and are conducted at fair and reasonable prices. The Supervisory Committee approved the Company's financial audit report presented by UHY Vocation HK CPA Limited, the international auditors.

   The Supervisory Committee is optimistic about the prospect of the Company. In 2010, the Supervisory Committee will continue to carry out its duties in strict compliance with the Articles of Association and the relevant laws and regulations so as to protect the interests of shareholders.

Zeng Shaoxiong
Chairman of the Supervisory Committee

Changsha, PRC
27 March 2010

INDEPENDENT AUDITORS' REPORT

To the shareholders of Hunan Nonferrous Metals Corporation Limited
(A joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Hunan Nonferrous Metals Corporation Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 48 to 157, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's loss 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.

UHY VOCATION HK CPA Limited
Certified Public Accountants
DAVID TZE KIN NG, AUDITOR
Practising Certificate Number P553
27 March 2010

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
REVENUE	5,6	**18,037,253**	15,588,436
Cost of sales	8	**(16,655,166)**	(14,003,659)
Gross profit		**1,382,087**	1,584,777
Other income and gains	7	**187,562**	316,759
Selling and distribution costs		**(311,639)**	(356,567)
Administrative expenses		**(876,557)**	(1,282,889)
Other expenses, net	8	**(70,719)**	(407,118)
Impairment of property, plant and equipment	15	**(122,014)**	—
Finance income	9	**43,878**	62,530
Finance costs	9	**(454,354)**	(441,226)
Share of profits and losses of associates	21	**(3,916)**	46
LOSS BEFORE INCOME TAX	8	**(225,672)**	(523,688)
Income tax expense	11	**(67,051)**	(132,664)
LOSS FOR THE YEAR		**(292,723)**	(656,352)
Attributable to:			
Equity holders of the Company	12	**(358,483)**	(739,517)
Minority interests		**65,760**	83,165
		(292,723)	(656,352)
PROPOSED FINAL DIVIDEND – Nil (2008: Nil) PER ORDINARY SHARE	13	**—**	—
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPAMY	14		
Basic		**(9.77 cents)**	(20.16 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
Loss for the year	**(292,723)**	(656,352)
Other comprehensive income:		
Exchange realignment	**87,569**	(58,673)
Disposal of available-for-sale financial assets, net of deferred tax	**(21,422)**	(101,574)
Changes in fair value of available-for-sale financial assets, net of deferred tax	**128,619**	(661,924)
Net actuarial losses of deferred benefit retirement schemes net of deferred tax	**(15,635)**	(44,561)
Impairment of available-for-sale financial assets transferred to profit and loss	**—**	86,842
Other comprehensive income for the year, net of deferred tax	**(1,841)**	3,061
Total comprehensive loss for the year, net of deferred tax	**(115,433)**	(1,433,181)
Total comprehensive loss attributable to:		
- equity holders of the Company	**(265,933)**	(1,110,969)
- minority interests	**150,500**	(322,212)
	(115,433)	(1,433,181)

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**7,345,501**	6,679,366
Land lease prepayments	16	**932,854**	949,104
Intangible assets	17	**1,202,869**	818,501
Other assets	18	**685,591**	669,901
Goodwill	19	**79,547**	79,547
Interests in associates	21	**121,630**	125,546
Available-for-sale financial assets	22	**364,211**	207,996
Deferred tax assets	23	**91,482**	111,304
Total non-current assets		**10,823,685**	9,641,265
CURRENT ASSETS			
Inventories	24	**4,761,413**	3,559,925
Trade receivables	25	**770,573**	602,795
Bills receivable	26	**554,989**	301,568
Prepayments, deposits and other receivables	27	**1,279,485**	853,278
Tax recoverable		**44,902**	24,644
Held-to-maturity financial assets	28	**5,000**	—
Pledged deposits	29	**54,441**	63,478
Cash and cash equivalents	29	**2,570,648**	3,233,187
Total current assets		**10,041,451**	8,638,875
CURRENT LIABILITIES			
Trade payables	30	**924,835**	686,180
Bills payable	31	**385,670**	236,786
Other payables and accruals	32	**1,576,425**	1,263,307
Interest-bearing bank and other borrowings	33	**4,158,464**	4,945,372
Tax payable		**7,415**	67,351
Dividend payable		**63,047**	64,304
Total current liabilities		**7,115,856**	7,263,300
NET CURRENT ASSETS		**2,925,595**	1,375,575
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,749,280**	11,016,840

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	**6,323,144**	3,632,370
Other liabilities	34	**413,199**	409,550
Payables for mining rights	35	**122,817**	—
Government grants	36	**227,342**	174,242
Deferred tax liabilities	23	**222,160**	199,700
Total non-current liabilities		**7,308,662**	4,415,862
NET ASSETS		**6,440,618**	6,600,978
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	37	**3,668,058**	3,668,058
Reserves	38	**600,706**	850,432
		4,268,764	4,518,490
Minority interests		**2,171,854**	2,082,488
TOTAL EQUITY		**6,440,618**	6,600,978

He Renchun
Director

Chen Zhixin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

		Attributable to equity holders of the Company									
	Notes	Issued share capital RMB'000	Capital reserve* RMB'000	Statutory reserves* RMB'000	Exchange fluctuation reserve* RMB'000	Other reserves* RMB'000	Retained profits*/ (accumulated losses) profits* RMB'000	Proposed final dividend RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008		3,668,058	941,606	93,977	(506)	330,116	606,321	124,714	5,764,286	2,274,130	8,038,416
Comprehensive income											
Profit or loss		–	–	–	–	–	(739,517)	–	(739,517)	83,165	(656,352)
Other comprehensive income											
Exchange realignment		–	–	–	(58,814)	–	–	–	(58,814)	141	(58,673)
Disposal of available-for-sale financial assets, net of deferred tax		–	–	–	–	(39,368)	–	–	(39,368)	(62,206)	(101,574)
Changes in fair value of available-for- sale financial assets, net of deferred tax		–	–	–	–	(323,173)	–	–	(323,173)	(338,751)	(661,924)
Net actuarial losses of defined benefit retirement schemes, net of deferred tax	23,34(i)	–	–	–	–	–	(39,922)	–	(39,922)	(4,639)	(44,561)
Impairment of available-for-sale financial assets transferred to profit and loss	8	–	–	–	–	86,842	–	–	86,842	–	86,842
Others		–	2,983	–	–	–	–	–	2,983	78	3,061
Total other comprehensive income		–	2,983	–	(58,814)	(275,699)	(39,922)	–	(371,452)	(405,377)	(776,829)
Total comprehensive income		–	2,983	–	(58,814)	(275,699)	(779,439)	–	(1,110,969)	(322,212)	(1,433,181)
Transactions with owners											
Capital contribution from minority shareholders		–	–	–	–	–	–	–	–	104,660	104,660
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	106,440	106,440
Disposal of a subsidiary		–	–	–	–	–	–	–	–	(228)	(228)
Acquisition of minority interests		–	(10,113)	–	–	–	–	–	(10,113)	(11,360)	(21,473)
Dividend paid and payable to minority shareholders		–	–	–	–	–	–	–	–	(68,942)	(68,942)
Distribution of dividend		–	–	–	–	–	–	(124,714)	(124,714)	–	(124,714)
Total transactions with owners		–	(10,113)	–	–	–	–	(124,714)	(134,827)	130,570	(4,257)
At 31 December 2008		3,668,058	934,476	93,977	(59,320)	54,417	(173,118)	–	4,518,490	2,082,488	6,600,978

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

	Notes	Attributable to equity holders of the Company									
		Issued share capital RMB'000	Capital reserve* RMB'000	Statutory reserves* RMB'000	Exchange fluctuation reserve* RMB'000	Other reserves* RMB'000	Accumulated losses RMB'000	Proposed final dividend RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2009		3,668,058	934,476	93,977	(59,320)	54,417	(173,118)	–	4,518,490	2,082,488	6,600,978
Comprehensive income											
Profit or loss		–	–	–	–	–	(358,483)	–	(358,483)	65,760	(292,723)
Other comprehensive income											
Exchange realignment		–	–	–	78,102	–	–	–	78,102	9,467	87,569
Disposal of available-for-sale financial assets, net of deferred tax		–	–	–	–	(21,268)	–	–	(21,268)	(154)	(21,422)
Changes in fair value of available-for- sale financial assets, net of deferred tax		–	–	–	–	44,986	–	–	44,986	83,633	128,619
Net actuarial losses of defined benefit retirement schemes, net of deferred tax	23,34(i)	–	–	–	–	–	(12,025)	–	(12,025)	(3,610)	(15,635)
Others		–	2,755	–	–	–	–	–	2,755	(4,596)	(1,841)
Total other comprehensive income		–	2,755	–	78,102	23,718	(12,025)	–	92,550	84,740	177,290
Total comprehensive income		–	2,755	–	78,102	23,718	(370,508)	–	(265,933)	150,500	(115,433)
Transactions with owners											
Capital contribution from minority shareholders		–	–	–	–	–	–	–	–	36,983	36,983
Transfer to reserves		–	–	1,620	–	–	(1,620)	–	–	44	44
Disposal of a subsidiary		–	–	–	–	–	–	–	–	(1,750)	(1,750)
Acquisition of minority interests		–	16	–	–	–	–	–	16	(9,963)	(9,947)
Dividend paid and payable to minority shareholders		–	–	–	–	–	–	–	–	(88,679)	(88,679)
Incorporation of a subsidiary		–	9,746	–	–	–	–	–	9,746	–	9,746
Share options granted		–	6,445	–	–	–	–	–	6,445	2,231	8,676
Total transactions with owners		–	16,207	1,620	–	–	(1,620)	–	16,207	(61,134)	(44,927)
At 31 December 2009		3,668,058	953,438	95,597	18,782	78,135	(545,246)	–	4,268,764	2,171,854	6,440,618

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(225,672)**	(523,688)
Adjustments for:			
Finance costs	9	**454,354**	441,226
Share of profits and losses of associates	21	**3,916**	(46)
Interest income	9	**(43,878)**	(62,530)
Dividend income	7	**(2,043)**	(10,247)
Loss on disposal of property, plant and equipment	8	**7,625**	34,588
Gains on disposal of an associate	7	**—**	(9,421)
Gains on disposal of available-for-sale financial assets	7	**(59,888)**	(82,178)
Loss on disposal of a subsidiary	8	**79**	84
Net realised and unrealised gains on derivative financial instruments	7,8	**24,801**	(61,994)
Depreciation	8	**513,216**	494,453
Amortisation of land lease prepayments	8	**22,639**	19,732
Amortisation of intangible assets	8	**45,919**	44,501
Provision for impairment on trade and other receivables, net	8	**10,561**	20,355
Impairment of inventories	8	**116,874**	132,796
Provision for impairment on available-for-sale financial assets	8	**—**	86,842
Impairment of goodwill	8	**—**	212,152
Share appreciation rights	8	**9,862**	(14,427)
Cost of supplementary pension subsidies and early retirement benefits	8	**18,680**	20,630
Recognition of government grants	7	**(81,027)**	(70,068)
Impairment of property, plant and equipment	15	**122,014**	—
Impairment of other assets	8	**658**	—
Exchange (gains)/losses, net		**(130,494)**	216,382
Operating profit before working capital changes		**808,196**	889,142
(Increase)/decrease in inventories		**(1,318,362)**	646,183
Decrease in trade receivables		**12,198**	47,799
(Increase)/decrease in bills receivable		**(253,421)**	428,024
Increase in prepayments, deposits and other receivables		**(49,633)**	(233,878)
Increase/(decrease) in trade payables		**224,588**	(215,257)
Increase in bills payable		**148,884**	27,006
Increase/(decrease) in other payables and accruals		**444,122**	(478,587)
Cash generated from operations		**16,572**	1,110,432
Income tax paid		**(133,337)**	(318,980)
Net cashinflow from operating activities		**(116,765)**	791,452

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**43,321**	62,530
Dividend income		**2,043**	10,247
Additions to intangible assets		**—**	(6,107)
Additions to land lease prepayments		**(7,189)**	(6,052)
Purchases of property, plant and equipment		**(1,792,948)**	(1,853,278)
Additions to other assets		**(114,723)**	(403,111)
Proceeds from disposal of property, plant and equipment		**8,043**	22,649
Proceeds from disposal of available-for-sale financial assets		**62,427**	85,279
Proceeds from disposal of an associate		**—**	20,948
Proceeds from other financial instruments		**—**	98,268
Acquisitions of subsidiaries, net of cash acquired	39(a)	**(78,756)**	(350,604)
Disposal of a subsidiary, net of cash disposed	39(b)	**5**	1,768
Acquisition of minority interests		**(9,947)**	(12,777)
Acquisition of associates		**—**	(9,000)
Purchase of held-to-maturity financial assets		**(5,000)**	—
Receipt of government grants	36	**134,127**	94,112
Purchases of available-for-sale financial assets		**(24,060)**	(24,766)
Payment for mining rights		**(163,471)**	(150,000)
Loan to a joint venture partner		**—**	(67,098)
Decrease/(increase) in pledged deposits		**9,037**	(10,415)
Decrease in non-pledged time deposits with original maturity over three months when acquired		**94,439**	22,161
Net cash outflow from investing activities		**(1,842,652)**	(2,475,246)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**8,982,374**	7,992,407
Repayment of bank loans		**(7,107,165)**	(5,852,694)
Interest paid		**(505,008)**	(439,589)
Dividends paid		**(1,257)**	(124,714)
Capital contributions by minority shareholders		**36,983**	122,660
Dividends paid to minority shareholders		**(90,429)**	(71,221)
Payment of share issue proceeds payable to the Social Security Fund		**—**	(114,445)
Net cash inflow from financing activities		**1,315,498**	1,512,404
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(643,919)**	(171,390)
Cash and cash equivalents at beginning of year		**3,093,248**	3,473,608
Effect of foreign exchange rate changes, net		**75,819**	(208,970)
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	**2,525,148**	3,093,248

BALANCE SHEET

As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**177,932**	142,107
Land lease prepayments	16	**75,378**	77,023
Intangible assets	17	**25,163**	39,229
Other assets	18	**62,086**	39,174
Interests in subsidiaries	20	**4,346,682**	3,863,718
Interests in associates	21	**226,724**	230,450
Available-for-sale financial assets	22	**12,609**	29,998
Deferred tax assets	23	**8,770**	14,168
Total non-current assets		**4,935,344**	4,435,867
CURRENT ASSETS			
Inventories	24	**20,692**	35,602
Trade receivables	25	**79,975**	46,487
Bills receivable	26	**29,767**	29,899
Dividend receivable		**—**	22,581
Prepayments, deposits and other receivables	27	**949,584**	111,860
Cash and cash equivalents	29	**976,686**	1,423,424
Total current assets		**2,056,704**	1,669,853
CURRENT LIABILITIES			
Trade payables	30	**13,528**	48,647
Other payables and accruals	32	**185,795**	164,756
Interest-bearing bank and other borrowings	33	**60,080**	712,298
Tax payable		**742**	13,459
Total current liabilities		**260,145**	939,160
NET CURRENT ASSETS		**1,796,559**	730,693
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,731,903**	5,166,560
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	**2,742,810**	1,243,293
Other liabilities	34	**64,502**	60,560
Government grants	36	**82**	82
Total non-current liabilities		**2,807,394**	1,303,935
NET ASSETS		**3,924,509**	3,862,625

BALANCE SHEET

As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	37	**3,668,058**	3,668,058
Reserves	38	**256,451**	194,567
TOTAL EQUITY		**3,924,509**	3,862,625

He Renchun
Director

Chen Zhixin
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2009

1. CORPORATE INFORMATION

Hunan Nonferrous Metals Corporation Limited (the "Company") was established as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 1 September 2005. On 31 March 2006, the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The registered office of the Company is located at 11th Floor, Block A, Yousedasha, No. 342 Laodongxi Road, Changsha City, Hunan, PRC.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the mining and smelting of nonferrous metals and the manufacture of cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds.

According to the previous announcement of the Company, State-Owned Assets Supervision and Administration Commission of Hunan Provincial People's Government, Hunan Nonferrous Metals Holdings Group Co., Ltd. ("HNG"), China Minmetals Hong Kong (Holdings) Limited ("MNH") and the China Minmetals Corporation entered a Equity Transfer Agreement, subject to the agreement becoming effective and satisfaction (or waiver, when applicable), MNH, a wholly-owned subsidiary of China Minmetals Corporation, will become the registered owner of an aggregate of 51% interest in HNG by way of capital injection and equity transfer, and through HNG, which currently holds 53.8% of the issued share capital of the Company, obtain and indirect control of the Company. As the agreement is under the process from the respective PRC's governmental department, up to date of this financial statement, HNG is still the parent and ultimate holding company of the Company, which is a state-owned enterprise established in August 2004 in the PRC, and is under the control of the People's Government of Hunan Province.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2010.

2. SMMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basic of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). They have been prepared under historical cost convention, except for the measurement at fair value of available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2. SMMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basic of preparation (Continued)

(a) *New and amended standards adopted by the Group*

The Group has adopted the following new and amended IFRS as of 1 January 2009:

- IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- IAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group previously recognised all borrowing costs as an expense immediately. This change in accounting policy was due to the adoption of IAS 23, 'Borrowing costs' (2007) in accordance with the transaction provisions of the standard; comparative figures have not been restated. The change in accounting policy has no material impact on earnings per share. The Group has capitalised borrowing costs with respect to property, plant and equipment (see note 9).

- IFRS 8, 'Operating segments' (effective 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

2. SMMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basic of preparation (Continued)

(b) Amended standard effective in 2009 but not relevant

- IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have a material impact on the Group's financial statements.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and Company will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Group or company's financial statements.

- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with minority interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with minority interests from 1 January 2010.

- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS (revised) prospectively to all business combinations from 1 January 2010.

2. SMMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basic of preparation (Continued)

(c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)*

- IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April/May 2009 and the Group and Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group or Company's financial statements.

- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale. The amendment is part of the IASB's annual improvements project published in April/May 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group and Company will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group or Company's financial statements.

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is par of the IASB's annual improvements project published in April/May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and Company will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group or Company's financial statements.

- IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were no covered by that interpretation. The new guidance is not expected to have a material impact on the group's financial statements.

2. SMMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. 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 fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (note 2.7).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (note 2.10). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interest as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group and are recorded in the income statement. Purchases from minority interest result in goodwill, being the difference between any considerations paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2. SMMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See note 2.10 for the impairment of non-financial assets including goodwill.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses (note 2.10). The results of associated companies are accounted to by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.4 Foreign currency translation

(a) 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 consolidated financial statements are presented in Renminbi (RMB), which is the Company's functional and the Group's presentation currency.

2. SMMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred inequity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available for sale reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each balance statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all results exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2. SMMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses (see note 2.10). The cost of an item of property, plant and equipment comprises its purchase price and directly attributable costs of bringing the asset to its working condition and location for its intended use.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Construction in progress represents buildings, plant, machinery and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and capitalised interest charges on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use and depreciation will be provided at the appropriate rates specified below.

Depending on the nature of the item of property, plant and equipment, depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment over its estimated useful life, after taking into account its estimated residual value or it is calculated using the Units of Production ("UOP") basis to write off the cost of the asset proportionate to the extraction of the proven and probable mineral reserves. The estimated useful lives of property, plant and equipment are as follows:

	Estimated useful life	**Residual value**
Buildings and mining structures	Mine life for mine specific, 20 to 40 years for non-mine specific	Nil to 5%
Plant, machinery and equipment	5 to 15 years	3% to 5%

Included in property, plant and equipment are mining infrastructures located at the mining sites. Depreciation is provided to write off the cost of the mining infrastructures using the UOP method based on the proven and probable mineral reserves.

Residual value, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

Gains or losses on disposals or retirement of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2. SMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Land lease prepayments

Land lease prepayments represent the purchase cost of land use rights in the PRC's government authorities. Land lease prepayments are stated at cost less any impairment losses and are amortised on the straight-line basis over the terms of the land use rights of 50 years.

2.7 Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interests in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill arising on acquisition of subsidiaries is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than a separately identified asset in the consolidated balance sheet.

Goodwill is allocated to cash-generating units for the purpose of impairment testing (see note 2.10). The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

Any excess of the Group's interests in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of, after reassessment, is recognised immediately in the consolidated income statement. The excess for associates is included in the Group's share of the associates' profits or losses in the period in which the investments are acquired.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.8 Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each balance sheet date.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted fro prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

2. SMMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (other than goodwill) (Continued)

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses (see note 2.10). The mining rights are amortised over the estimated useful lives of the mines based on the proven and probable reserves of the mines using the units of production method.

The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

Technical know-how

Technical know-how is stated at cost less accumulated amortisation and any impairment losses. The technical know-how is amortised on the straight-line basis over a period of 10 to 20 years.

Research and development costs

Research costs are recognised as an expense in the period in which it is incurred. Development expenditure incurred on an individual project is carried forward when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and any impairment losses. Capitalised development lost is amortised over the period of expected future sales from the related project on the straight-line basis.

The carrying value of development expenditure is reviewed for impairment annually when the asset is not yet in use, or otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

2.9 Exploration and evaluation assets

Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. Exploration and evaluation assets acquired in a business combination are initially recognised at fair value. They are subsequently stated at cost less accumulated impairment (see note 2.10).

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to tangible or intangible assets according to the nature of the exploration and evaluation assets. If any project is abandoned during the exploration and evaluation stage, the related exploration and evaluation assets thereon will be written off to profit or loss.

2. SMMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.11 Financial assets

2.11.1 *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, amounts due from group companies and cash and cash equivalents in the balance sheet (notes 2.25 and 2.26).

2. SMMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets

2.11.1 *Classification*

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.11.2 *Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value pus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expenses in the consolidated income statement.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially as risks and rewards of ownership, available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'other income and gains or other expenses, net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the securing and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as other income and 'gains or other expenses, net'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income and gains. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income and gains when the Group's right to receive payments is established.

2. SMMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.13 Impairment of financial assets

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

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset of group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probably that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio;
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assess whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity financial assets has a variable interest rage, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a 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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2. SMMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

2.14 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probably that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as expenses in the consolidated income statement in the period in which they are incurred.

2. SMMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the consolidated income statement on the straight-line basis over the lease terms.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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 equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, and consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

2.18 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.19 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset by equal annual installments.

2. SMMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimated on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Revenue is recognised when the title to the goods and the related risks and rewards of ownership are passed to customers, the Group will not execute the right of supervision and control over the goods, either the proceeds are received or entitlement of proceeds is evidenced, and the cost of sale of goods can be estimated reliably. Revenue excluded value added tax or other sales tax and is after deduction of any trade discounts.

(b) Rental income from operating leases

Rental income receivable under operating leases is recognised in the consolidated income statement in equal installments over the accounting periods covered by the lease term.

(c) Service income

Revenue is recognised when the related service is rendered.

(d) Interest income

Interest income is recognised as it accrues using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(e) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

2. SMMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits

(i) Pension obligations

The Company and its subsidiaries which were established in Mainland China are required to participate in a central pension scheme operated by the relevant municipal and provincial governments in the PRC. The Group contributes on a monthly basis to various defined contribution pension schemes. The relevant municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

In addition, the Group also pays supplementary pension subsidies to its employees after they reach the normal retirement age. As detailed in note 34 below, these supplementary pension payables are assessed using the projected unit credit valuation method; the costs of providing such subsidies are charged to the consolidated income statement, in accordance with the actuarial reports which contain full valuations of plans. These benefits are unfunded.

These supplementary pension subsidy obligations are measured at the present values of the estimated future cash outflows using the interest rates of government securities which have terms to maturity approximating the terms of the related liabilities. Actuarial gains and losses are recognised directly in equity in the period in which they arise.

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2. SMMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits (Continued)

(iii) Share appreciation rights

The Company operates a share appreciation rights plan in order to attract, retain and motivate senior executives and key employees who make important contributions to the Group to enhance the profitability and value of the Group. Certain directors, supervisors and senior management members of the Group are granted share appreciation rights ("SARs"), which can only be settled in cash (cash-settled transactions).

The cost of the SARs is measured initially at fair value at the grant date using a binomial model, taking into account the terms and conditions upon which the SARs were granted (note 34). The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each balance sheet date up to and including the settlement date with changes in fair value recognised in the consolidated income statement.

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated in the basis of the tas laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises form initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probably that future taxable profit will be available against which the temporary differences can be utilised.

2. SMMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax (Continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probably that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Financial guarantee contracts

Financial guarantee contracts in the scope of IAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

2.24 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.25 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2. SMMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.27 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

Exposure to interest rate risk, foreign currency risk, credit risk, liquidity risk, commodity price risk and equity price risk. Arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities or financial products. The Group's exposure to these risks and the financial management policies and practices used by the Group to manage these risks are described below. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing bank and other borrowings. The management monitors interest rate exposures and to to obtain the most favorable interest rates available. The Group has not used any derivatives to mitigate its interest rate risk exposure.

Sensitivity analysis

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit before tax and retained profits by approximately RMB13,137,000 (2008: RMB25,005,000). Other components of consolidated equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2008.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Foreign currency risk

Except for export sales which are mainly transacted in United States dollars ("USD"), Hong Kong dollars ("HKD") and Australian dollars ("AUD"), the Group's revenue is denominated in RMB which is not freely convertible into foreign currencies. Fluctuation of exchange rates of RMB against foreign currencies can affect the Group's results of operations. The Group accepted the exposure to foreign currency risk and has not used forward currency contracts to eliminate the foreign currency exposures on individual transactions.

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated of the financial statements of foreign operations into the Group's presentation currency.

The Group

Exposure to foreign currencies (expressed in RMB)

	2009				2008		
	USD	HKD	AUD	JPY	USD	HKD	AUD
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	159,817	91,477	176,205	162	27,453	333,093	184,992
Trade and other payable	126,350	18,031	—	—	409	35,312	—
Bank Loans	752,620	—	—	5,851	925,290	4,815	—
Overall net exposure	1,038,787	109,508	176,205	6,013	953,152	373,220	184,992

The Company

Exposure to foreign currencies (expressed in RMB)

	2009				2008		
	USD	HKD	AUD	CAD	USD	HKD	AUD
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	57	90,360	175,324	—	74	332,760	184,891
Amounts due from subsidiaries	—	—	741,488	158,375	—	—	475,573
	57	90,360	916,812	158,375	74	332,760	660,464

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Foreign currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	2009		2008	
	Increase/ (decrease) in foreign exchange rates %	**Effect on profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits RMB'000
USD	**5**	**38,456**	5	55,986
JPY	**5**	**221**	N/A	N/A
HKD	**5**	**4,107**	5	16,555
AUD	**5**	**34,387**	5	54,493

Result of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations in the Group's presentation currency. The analysis is performed on the same basis for 2008.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk

The carrying amounts of cash and cash equivalents, deposits, available-for-sale financial assets, trade and other receivables, prepayments and deposits represent the Group's and the Company's maximum exposure to credit risk in relation to these financial assets. Substantially all of the Group's and the Company's cash and cash equivalents are held in major financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent.

The Group's and the Company's major customers are the metallurgical companies in the PRC, which accounted for significant amounts of the Group's and the Company's total operating revenues during the year. The Group and the Company have no significant credit risk with any of these customers since the Group and the Company maintain long-term and stable business relationships with these customers. Normally, the Group does not obtain collateral from customers.

At the balance sheet date, the Group has a certain concentration of credit risk on trade receivables as 6% and 12% of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient funding to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.

The Group closely monitors cash flow requirements and optimising its cash return. The Group prepares cash flow forecasts and ensures it has sufficient cash for the servicing of operation, financial, and capital obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

The Group

	2009 Contractual undiscounted cash outflow: Within 1 year or demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance Sheet carrying amount RMB'000	2008 Contractual undiscounted cash outflow: With 1 year or demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance Sheet carrying amount RMB'000
Bank loans	4,134,597	1,861,428	3,865,929	576,177	10,438,131	9,334,257	4,502,219	796,022	1,898,826	441,190	7,638,257	6,836,148
Entrusted loans	94,059	212,679	722,415	132,565	1,161,718	990,000	559,129	—	503,714	532,929	1,595,772	1,435,000
Other loan	—	75,256	43,919	54,505	173,680	157,351	185,725	44,170	45,157	58,123	333,175	306,594
Trade and other payables	2,294,429	—	—	—	2,294,429	2,294,429	1,647,205	—	—	—	1,647,205	1,647,205
	6,523,085	2,149,363	4,632,263	763,247	14,067,958	12,776,037	6,894,278	840,192	2,447,697	1,032,242	11,214,409	10,224,947

The Company

	2009 Contractual undiscounted cash outflow: Within 1 year or demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance Sheet carrying amount RMB'000	2008 Contractual undiscounted cash outflow: With 1 year or demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance Sheet carrying amount RMB'000
Bank loans	63,144	552,301	2,129,156	524,246	3,268,847	2,802,890	712,298	404,864	654,222	424,346	2,195,730	1,955,591
Trade and other payables	154,952	—	—	—	154,952	154,952	166,936	—	—	—	166,936	136,415
	218,096	552,301	2,129,156	524,246	3,423,799	2,957,842	879,234	404,864	654,222	424,346	2,362,666	2,092,006

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(e) Commodity price risk

The Group is exposed to commodity price risk through fluctuations of the prices of zinc, lead, silver, tungsten, antimony and other commodities sold by the Group. The Group does not actively manage this risk, except to a limited extent through commodity futures contracts, representing approximately 8% (2008: 9%) of annual production during the year.

(f) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale financial assets (note 22) as at 31 December 2009. The Group's listed investments are listed on the Shenzhen, Shanghai and Australia stock exchanges and are valued at quoted market prices at the balance sheet date.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the balance sheet date, and their respective highest and lowest points during the year were as follows:

	31 December 2009	**High/low 2009**	31 December 2008	High/low 2008
Shanghai – A share index	**3,277**	**3,478/1,844**	1,912	5,771/1,793
Shenzhen – A share index	**13,670**	**14,097/6,514**	5,820	16,600/4,800
Australia – ASX200 index	**4,890**	**4,981/3,111**	3,722	6,353/3,353

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant, based on their carrying amounts at the balance sheet date. For the purpose of this analysis, for the available-for-sale equity investments the impact is deemed to be on the available-for-sale financial assets revaluation reserve and no account is given for factors such as impairment which may have impact on the consolidated income statement.

	2009		2008	
	Carrying amount of equity investments	**Increase/ decrease in equity**	Carrying amount of equity investments	Increase/ decrease in equity
Investments listed in:				
Shanghai – Available-for-sale	**25,172**	**18,879**	107,854	9,168
Shenzhen – Available-for-sale	**4,794**	**3,595**	47,414	3,556
Australia – Available-for-sale	**1,261**	**882**	29,997	733

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, other payables, and long-term payables for mining rights, less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. The gearing ratios at 31 December 2009 and 2008 were as follows:

The Group	**2009**	2008
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**10,481,608**	8,577,742
Trade payables	**924,835**	686,180
Bills payable	**385,670**	236,786
Other payables	**1,576,425**	1,263,307
Payables for mining rights	**122,817**	—
Less: Cash and cash equivalents (exclude pledged)	**(2,570,648)**	(3,233,187)
Net debt	**10,920,707**	7,530,828
Equity attributable to equity holders of the Company	**4,268,764**	4,518,490
Capital and net debt	**15,189,471**	12,049,318
Gearing ratio	**72%**	63%

The increase in the gearing ratio during 2009 resulted primarily from increase in interest-bearing bank and other borrowings as working capital for the Group.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1	Level 2	Level 3	Total
Assets				
Held-to-maturity financial assets	5,000	—	—	5,000
Available-for-sale financial assets				
– Listed equity investments	312,269	—	—	312,269
– Unlisted equity investments	—	—	51,942	51,942
Total assets	317,269	—	51,942	369,211

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily FTSE 100 equity investments classified as trading securities or available for sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The gair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forwards foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the changes in level 3 instruments for the year ended 31 December 2009.

	Unlisted equity investments
Opening balance	22,731
Additions	29,211
Closing balance	51,942
Total gains or losses for the period including in profit or loss for assets held at the end of the reporting period	—

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

4.1 Critical accounting estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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.

4.2 Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets

The Group has to exercise judgements in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or disposal; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates and the growth rate assumptions in the cash flow projections, could materially affect the net present value result in the impairment test.

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgements in determining whether it is likely that future economic benefits will arise, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalised, information becomes available suggesting that the recovery of capitalised expenditures are unlikely, the amount capitalised is written off in the consolidated income statement in the period when the new information becomes available.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying the entity's accounting policies (Continued)

Income tax

The Group is subject to income taxes in various regions within the PRC. Since certain matters relating to the income taxes have not been confirmed by the local tax bureaus, objective estimates and judgements based on the currently enacted tax laws, regulations and other related policies are required in determining the provisions of income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax and taxes provisions in the period in which the differences realise.

Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as proven and probable. Proven and probable mine reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, price and cost levels change from year to year, the estimates of proven and probable mine reserves also change. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the related amortisation rates of mining rights.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining amortisation expenses and impairment losses of mining rights. Amortisation rates are determined based on estimated proven and probable mine reserve quantity and capitalised costs of mining rights. The capitalised costs of mining rights are amortised over the estimated useful lives of the mines based on the proven and probable reserves of the mines using the units of production method.

In addition, the estimated useful lives of the mining structures for purposes of calculating depreciation expenses and impairment losses are determined after taking into account the estimates of the proven and probable mine reserves.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying the entity's accounting policies (Continued)

Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions and, for mining related property, plant and equipment, on estimated mine lives (see further discussion above on mine reserves). Management will increase the depreciation charge where useful lives are less than previously estimated lives, and will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

The impairment loss for property, plant and equipment is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount of the assets, or, where appropriate, the cash generating unit to which they belong, is the higher of its fair value less costs to sell and value in use. The fair value less costs to sell are based on the best information available to reflect the amount obtainable at the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable and willing parties, after deducting the costs of disposal. For the estimation of value in use, the Group's management estimates future cash flows from the cash generating units and chooses a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of property, plant and equipment at 31 December 2009 was RMB7,345,501,000 (2008: RMB6,679,366,000).

Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made. The carrying amount of goodwill at 31 December 2009 was RMB79,547,000 (2008: RMB79,547,000). More details are given in note 19.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such an 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 must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying the entity's accounting policies (Continued)

Impairment of available-for-sale financial assets

The Group classifies certain financial assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the consolidated income statement. At 31 December 2009, no impairment losses have been recognised for available-for-sale financial assets (2008: RMB86,842,000). The carrying amount of available-for-sale financial assets at 31 December 2009 was RMB364,211,000 (2008: RMB207,996,000).

Impairment of receivables

The Group's policy for impairment of receivables is based on the evaluation of collectibility and the aging analysis of trade and other receivables and on judgement of management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of the customers. Management reassesses the collectability of receivables at each balance sheet date. The carrying amount of trade receivables at 31 December 2009 was RMB770,573,000 (2008: RMB602,795,000).

Impairment of inventories

Management reviews the condition of inventories of the Group at each balance sheet date and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the net realisable value for these inventories based primarily on the latest invoice prices and current market conditions. Management reassesses the estimation at each balance sheet date. The carrying amount of inventories at 31 December 2009 was RMB4,761,413,000 (2008: RMB3,559,925,000).

Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets at 31 December 2009 was approximately RMB91,482,000 (2008: RMB111,304,000).

Pension benefits

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of government securities which have terms to maturity approximating the terms of the related liabilities. The mortality rate is based on publicly available mortality tables for the specific country. The post employment benefits are not subject to future increase, and hence, no increase rate is assumed.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

a) Nonferrous metal mine site segment: mining and trading of nonferrous metals;

b) Nonferrous metal smelting segment: smelting and trading of nonferrous metals;

c) Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment: manufacture and trading of hard alloys and refractory metal compounds such as cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. SEGMENT INFORMATION (Continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2009 and 2008

Year ended 31 December 2009	Nonferrous metalmine site RMB'000	Nonferrous metal smelting RMB'000	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:						
Sales to external customers	1,943,944	11,757,050	4,428,005	—	—	18,128,999
Inter-segment sales	171,484	108,627	96,143	—	(376,254)	—
Less: Sales tax and surcharges	(35,986)	(18,094)	(37,666)	—	—	(91,746)
Total	2,079,442	11,847,583	4,486,482	—	(376,254)	18,037,253
Segment results	(193,760)	221,689	7,775	134,963	—	170,667
Dividend income and gains on disposal of available-for-sale financial assets						61,931
Finance costs						(454,354)
Share of profits and losses of associates	—	—	(3,727)	(189)	—	(3,916)
Loss before tax						(225,672)
Income tax expense						(67,051)
Loss for the year						(292,723)
Assets and liabilities:						
Segment assets	7,344,865	6,092,190	5,701,638	1,099,218	—	20,237,911
Interests in associates	—	—	—	121,630	—	121,630
Unallocated assets						505,595
Total assets						20,865,136

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Year ended 31 December 2008	Nonferrous metalmine site RMB'000	Nonferrous metal smelting RMB'000	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:						
Sales to external customers	2,020,347	8,148,533	5,566,520	—	—	15,735,400
Inter-segment sales	435,358	580	8,969	—	(444,907)	—
Less: Sales tax and surcharges	(34,125)	(56,976)	(55,863)	—	—	(146,964)
Total	2,421,580	8,092,137	5,519,626	—	(444,907)	15,588,436
Segment results	(355,941)	218,070	397,649	(434,711)	—	(174,933)
Dividend income and gains on disposal of available-for-sale financial assets						92,425
Finance costs						(441,226)
Share of profits and losses of associates	—	—	84	(38)	—	46
Loss before tax						(523,688)
Income tax expense						(132,664)
Loss for the year						(656,352)
Assets and liabilities:						
Segment assets	5,600,248	4,968,544	5,899,735	1,342,123	—	17,810,650
Interests in associates	—	—	—	125,546	—	125,546
Unallocated assets						343,944
Total assets						18,280,140

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Year ended 31 December 2009	Nonferrous metalmine site RMB'000	Nonferrous metal smelting RMB'000	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment liabilities	1,330,615	1,296,597	1,456,277	2,577	—	4,086,066
Unallocated liabilities						10,338,452
Total liabilities						14,424,518
Other segment information:						
Depreciation and amortisation	163,658	128,529	288,496	1,091	—	581,774
Impairment of inventories	15,407	16,467	85,000	—	—	116,874
Impairment of property, plant and equipment	122,014	—	—	—	—	122,014
Impairment of other assets	658	—	—	—	—	658
Write-back of provision for impairment on trade and other receivables, net	152	9,777	632	—	—	10,561
Capital expenditure	1,343,337	280,431	510,927	—	—	2,134,695

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Year ended 31 December 2008	Nonferrous metalmine site RMB'000	Nonferrous metal smelting RMB'000	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment liabilities	1,065,921	722,125	1,039,472	6,851	—	2,834,369
Unallocated liabilities						8,844,793
Total liabilities						11,679,162
Other segment information:						
Depreciation and amortisation	150,524	135,186	272,032	944	—	558,686
Impairment of inventories	43,363	71,749	17,684	—	—	132,796
Write-back of provision for impairment on trade and other receivables, net	(245)	(11,791)	(1,158)	33,549	—	20,355
Provision for impairment on available-for-sale financial assets	—	—	—	86,842	—	86,842
Impairment of goodwill	212,152	—	—	—	—	212,152
Capital expenditure	1,402,212	591,247	652,970	1,555	—	2,647,984

5. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following table's present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2009 and 2008.

Year ended 31 Decemeber 2009	Mainland China RMB'000	Other Asian Countries RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:					
Sales to external customers	16,424,802	876,615	827,582	—	18,128,999
Inter-segment sales	376,254	—	—	(376,254)	—
Less: Sales tax and surcharges	(91,746)	—	—	—	(91,746)
	16,709,310	876,615	827,582	(376,254)	18,037,253
As at 31 December 2009					
Other segment information:					
Segment assets	18,585,582	—	1,652,329	—	20,237,911
Interests in associates	121,630	—	—	—	121,630
Unallocated assets					505,595
					20,865,136
Capital expenditure	1,725,157	—	409,538	—	2,134,695

5. SEGMENT INFORMATION (Continued)

(b) Geographical segments (Continued)

Year ended 31 Decemeber 2008	Mainland China RMB'000	Other Asian Countries RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:					
Sales to external customers	13,491,627	1,152,795	1,090,978	—	15,735,400
Inter-segment sales	444,907	—	—	(444,907)	—
Less: Sales tax and surcharges	(146,964)	—	—	—	(146,964)
	13,789,570	1,152,795	1,090,978	(444,907)	15,588,436
As at 31 December 2008					
Other segment information:					
Segment assets	16,816,547	—	994,103	—	17,810,650
Interests in associates	125,546	—	—	—	125,546
Unallocated assets					343,944
					18,280,140
Capital expenditure	2,182,604	—	465,380	—	2,647,984

6. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of discounts and returns.

	2009 RMB'000	2008 RMB'000
Revenue:		
Sale of goods	**18,128,999**	15,735,400
Less: Sales tax and surcharges	**(91,746)**	(146,964)
	18,037,253	15,588,436

7. OTHER INCOME AND GAINS

	Notes	2009 RMB'000	2008 RMB'000
Dividend income		**2,043**	10,247
Profit from scrap sales		**12,608**	7,451
Profit from utilities sales		**14,187**	—
Gross rental income		**2,897**	3,361
Gains on disposal of available-for-sale financial assets		**59,888**	82,178
Recognition of government grants	(i)	**81,027**	70,068
Rendering of service		**7,006**	6,639
Gains on disposal of an associate		**—**	9,421
Net realised and unrealised gains on derivative financial instruments		**—**	61,994
Compensation income		**—**	58,111
Others		**7,906**	7,289
		187,562	316,759

(i) The Group's government grants (note 36) are as follows:

	2009 RMB'000	2008 RMB'000
Subsidies for payment of staff salaries and benefits	**20**	7,130
Subsidies for business development and recovery of accumulated losses	**59,112**	56,127
Subsidies to encourage export sales	**602**	1,795
Others	**21,293**	5,016
	81,027	70,068

Government grants received for which the related expenditures have not yet been undertaken are deferred in government grants in the balance sheet. There is no unfulfilled condition or contingency relating to these grants.

8. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging/(crediting):

	Notes	2009 RMB'000	2008 RMB'000
Cost of inventories sold		**16,655,166**	14,003,659
Staff costs (including directors' and supervisors' remuneration as set out in note 10):			
Wages, salaries and bonuses		**868,632**	1,002,456
Share appreciation rights*	34(ii)	**9,862**	(14,427)
Contributions to defined contribution pension schemes	(a)	**169,648**	170,054
Cost of supplementary pension subsidies and early retirement benefits:	34(i)		
– current service costs*		**3,009**	2,804
– interest costs*		**15,671**	17,826
		18,680	20,630
Welfare and other expenses		**324,701**	237,080
		1,391,523	1,415,793
Auditors' remuneration*		**9,870**	12,540
Depreciation	15	**513,216**	494,453
Amortisation of land lease prepayments	16	**22,639**	19,732
Amortisation of intangible assets	17		
Mining rights		**40,288**	38,286
Technical know-how and others*		**5,631**	6,215
		45,919	44,501

8. LOSS BEFORE INCOME TAX (Continued)

	Notes	2009 RMB'000	2008 RMB'000
Minimum lease payments under operating leases in respect of land:			
Lease of land from HNG	44(d)	**7,991**	15,070
Lease of land from other parties		**2,412**	1,335
		10,403	16,405
Impairment of inventories		**116,874**	132,796
Exchange (gains)/losses, net*		**(197,628)**	238,013
Research and development costs*		**109,013**	96,565
Donations*		**4,839**	15,515
Other expenses, net:			
Losses on disposal of items of property, plant and equipment		**7,625**	34,588
Provision for impairment on trade and other receivables, net		**10,561**	20,355
Provision for impairment on available-for-sale financial assets		**—**	86,842
Net realised and unrealised losses on derivative financial instruments		**24,801**	—
Impairment of goodwill	19	**—**	212,152
Impairment of other asset		**658**	—
Natural disasters loss		**14,056**	24,788
Loss from sale of utilities		**—**	1,180
Rental of property, plant and equipment		**—**	12,765
Loss from disposal of a subsidiary	39(b)	**79**	84
Others		**12,939**	14,364
		70,719	407,118

* Items classified under "Administrative expenses" on the face of the consolidated income statement.

Note:

(a) All of the Group's full-time employees in Mainland China are covered by government-regulated defined contribution pension schemes pursuant to which the Group is required to make monthly contributions to the government-regulated retirement schemes at a percentage of 20% (2008:20%) of the employees' salaries and the relevant municipal and provincial governments are responsible for the pension liabilities to the Group's current and retired employees. The related pension costs are expensed as incurred

9. FINANCE INCOME AND COSTS

	2009 RMB'000	2008 RMB'000
Interest on bank and other borrowings wholly repayable within five years	**(463,512)**	(489,834)
Interest on bank and other borrowings wholly repayable beyond five years	**(38,928)**	(18,169)
Less: Interest capitalised on qualifying assets (note 15)	**48,086**	66,777
Finance costs	**(454,354)**	(441,226)
Finance income:		
Interest income on short-term deposits	**43,878**	62,530
Net finance costs	**(410,476)**	(378,696)

The interest rates used to determine the amount of related borrowing costs for capitalisation varied from 5.76% to 7.74% (2008: from 4.19% to 7.74%) per annum.

10. EMPLOYEE BENEFIT EXPENSE

Details of directors' and supervisors' remuneration of the Group for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2009 RMB'000	2008 RMB'000
Wages, salaries and bonus	**5,017**	6,778
Share appreciation rights	**7,330**	(1,071)
Pension scheme contributions	**168**	264
	12,515	5,971

(a) Directors' and supervisors' remuneration

During the year, share appreciation rights granted to senior executives and key employees, in respect of their services to the Group, under the share appreciation rights plan of the Company, further details of which are set out in note 34 to the financial statements. The expenses/(gains) arising from these SARs are included in the above directors' and supervisors' remuneration disclosures.

The directors and supervisors were the key management personnel of the Group. The compensation to the Group's key management personnel has been disclosed as follow.

10. EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Directors' and supervisors' remuneration (Continued)

Year ended 31 December 2009

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance -related bonuses RMB'000	Share appreciation rights RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:						
He Renchun	—	210	176	1,260	14	1,660
Li Li	—	168	141	890	14	1,213
Liao Luhai	—	168	141	760	14	1,083
Chen Zhixin	—	168	141	760	14	1,083
	—	714	599	3,670	56	5,039
Non-executive directors						
Cao Xiuyun	—	210	176	1,010	14	1,410
Wu Longyun	—	170	141	630	14	955
Zhang Yixian	—	168	141	630	14	953
Zou Jian	—	104	—	—	14	118
	—	652	458	2,270	56	3,436
Independent non-executive directors:						
Gu Desheng	100	—	—	—	—	100
Chan Wai Dune	44	—	—	—	—	44
Wan Ten Lap	264	—	—	—	—	264
Chen Xiaohong	100	—	—	—	—	100
Choi Man Chau	220	—	—	—	—	220
Kang Yi	83	—	—	—	—	83
	811	—	—	—	—	811
	811	1,366	1,057	5,940	112	9,286

10. EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Directors' and supervisors' remuneration (Continued)

	Fees	Salaries allowances and benefits in kind	Performance -related bonuses	Share appreciation rights	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Supervisors:						
Zeng Shaoxiong	—	168	141	760	14	1,083
He Hongsen	—	168	141	630	14	953
Liu Xiaochu	—	50	—	—	—	50
Jin Liangshou	—	183	116	—	14	313
Li Junli	—	106	219	—	—	325
Qi Xiaocun	—	130	86	—	—	216
Qi Yang	—	147	78	—	14	239
	—	952	781	1,390	56	3,179
Independent supervisors:						
Liu Dongrong	50	—	—	—	—	50
	50	952	781	1,390	56	3,229
	861	2,318	1,838	7,330	168	12,515

10. EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Directors' and supervisors' remuneration (Continued)

Year ended 31 December 2008

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance -related bonuses RMB'000	Share appreciation rights RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:						
He Renchun	—	216	480	(185)	22	533
Li Li	—	173	384	(129)	22	450
Liao Luhai	—	173	384	(111)	22	468
Chen Zhixin	—	173	384	(111)	22	468
	—	735	1,632	(536)	88	1,919
Non-executive directors:						
Cao Xiuyun	—	216	480	(148)	22	570
Wu Longyun	—	173	384	(92)	22	487
Zhang Yixian	—	173	384	(92)	22	487
Yu Jiang	—	100	—	—	—	100
	—	662	1,248	(332)	66	1,644
Independent non-executive directors:						
Gu Desheng	100	—	—	—	—	100
Chan Wai Dune	—	—	—	—	—	—
Wan Ten Lap	213	—	—	—	—	213
Chen Xiaohong	100	—	—	—	—	100
	413	—	—	—	—	413
	413	1,397	2,880	(868)	154	3,976

10. EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Directors' and supervisors' remuneration (Continued)

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance -related bonuses RMB'000	Share appreciation rights RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Supervisors:						
Zeng Shaoxiong	—	173	384	(111)	22	468
He Hongsen	—	173	384	(92)	22	487
Liu Xiaochu	—	—	50	—	—	50
Jin Liangshou	—	132	145	—	22	299
Li Junli	—	96	123	—	—	219
Qi Xiaocun	—	81	105	—	22	208
Zhan Yijie	—	102	90	—	22	214
	—	757	1,281	(203)	110	1,945
Independent supervisors:						
Liu Dongrong	50	—	—	—	—	50
	50	757	1,281	(203)	110	1,995
	463	2,154	4,161	(1,071)	264	5,971

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year.

(b) Five highest paid employees' remuneration

The five highest paid employees during the year included five directors (2008: five directors), details of whose remuneration are set out in note 10 above. Each of the five highest paid employee's remuneration fell within Nil to HK$ 2,000,000 (equivalent to Nil to RMB1,761,000).

11. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which the Companies comprising the Group are domiciled and operated.

PRC corporate income tax ("CIT") has been provided at a rate of 25% (2008: 25%) on the taxable income as reported in the statutory accounts of the companies comprising the Group, which are prepared in accordance with the relevant PRC accounting standards (the "PRC GAAP"), as adjusted for income and expense items which are not assessable or deductible for income tax purposes, except for the following subsidiaries of the Company:

(i) Shenzhen Jinzhou Jinggong Scientific and Technological Company Limited is subject to a preferential CIT rate of 15% as it is qualified as a high technology enterprise.

(ii) Zigong Cemented Carbides Company Limited is located in the western region of Mainland China, which is subject to a preferential CIT rate of 15% according to the PRC tax regulations.

(iii) Zhuzhou Smelter Group Co., Ltd. ("Zhuye Listco") is subject to a preferential CIT rate of 15% as it is qualified as a high technology enterprise.

Major components of the Group's income tax expense are as follows:

	2009	2008
	RMB'000	RMB'000
Current tax – PRC income tax		
Current tax on profits for the year	**54,550**	77,331
Deferred tax (note 23)		
Origination and reversed of temporary difference	**12,501**	55,333
Income tax expense	**67,051**	132,664

11. INCOME TAX EXPENSE (Continued)

A reconciliation of the income tax expense applicable to loss before income tax using the statutory corporate income tax rate in the PRC in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective tax rate, and a reconciliation of the applicable rates (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2009 RMB'000	2008 RMB'000
Loss before income tax	**(225,672)**	(523,688)
Tax at the domestic income tax rate 25% (2008: 25%)	**(56,418)**	(130,922)
Tax effect of:		
Losses/(profits) attributable to associates	**979**	(11)
Income not subject to tax	**(17,763)**	(15,389)
Tax losses not recognised	**110,635**	236,345
Differential tax rates on the assessable profits and losses of certain subsidiaries	**(313)**	(17,324)
Income tax benefit on locally purchase machinery	**(3,259)**	(4,989)
Effect on opening deferred income tax due to a decrease in income tax rates	**—**	38,637
Expenses not deductible for tax and others	**33,190**	26,317
Income tax expense	**67,051**	132,664

12. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 31 December 2009 includes a profit of RMB52,912,000 (2008: loss of RMB643,058,000) which has been dealt with in the financial statements of the Company (note 38).

13. DIVIDEND

	2009 RMB'000	2008 RMB'000
Proposed final dividend– Nil (2008: Nil) per ordinary share	**—**	—

The directors do not recommend the payment of any dividend in respect of the year.

14. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2009 RMB'000	2008 RMB'000
Loss		
Loss attributable to equity holders of the Company	**(358,483)**	(739,517)
Shares		
Weighted average number of ordinary shares in issue (thousands)	**3,668,058**	3,668,058

(b) Diluted

The diluted loss per share for the current ad previous years is the same as the basic loss per share as there are no dilutive ordinary shares during the years.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings and mining structures RMB'000	Plant, machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2008				
Cost	2,630,470	4,412,865	1,321,191	8,364,526
Accumulated depreciation and impairment	(968,177)	(2,087,033)	(576)	(3,055,786)
Net book amount	1,662,293	2,325,832	1,320,615	5,308,740
Year ended 31 December 2008				
Opening net book amount	1,662,293	2,325,832	1,320,615	5,308,740
Additions	236,802	285,190	1,377,155	1,899,147
Interest capitalised (note 9)	—	—	66,777	66,777
Acquisition of subsidiaries (note 39(a))	21,141	42,045	737	63,923
Disposal of a subsidiary (note 39(b))	—	(105)	—	(105)
Disposals	(25,796)	(31,441)	—	(57,237)
Depreciation charge (note 8)	(112,718)	(381,735)	—	(494,453)
Exchange realignment	26	114	(107,566)	(107,426)
Transfers	378,264	772,636	(1,150,900)	—
Closing net book amount	2,160,012	3,012,536	1,506,818	6,679,366
At 31 December 2008				
Cost	3,242,548	5,462,244	1,507,394	10,212,186
Accumulated depreciation and impairment	(1,082,536)	(2,449,708)	(576)	(3,532,820)
Net book amount	2,160,012	3,012,536	1,506,818	6,679,366

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15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

	Buildings and mining structures RMB'000	Plant, machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2009				
Cost	3,242,548	5,462,244	1,507,394	10,212,186
Accumulated depreciation and impairment	(1,082,536)	(2,449,708)	(576)	(3,532,820)
Net book amount	2,160,012	3,012,536	1,506,818	6,679,366
Year ended 31 December 2009				
Opening net book amount	2,160,012	3,012,536	1,506,818	6,679,366
Additions	269,994	322,709	806,334	1,399,037
Interest capitalised (note 9)	—	—	48,086	48,086
Impairment	—	(122,014)	—	(122,014)
Disposals	(116,160)	(151,398)	(2,227)	(269,785)
Depreciation charge (note 8)	(153,164)	(360,052)	—	(513,216)
Exchange realignment	1,231	116,285	6,511	124,027
Transfers	205,959	1,285,376	(1,491,335)	—
Closing net book amount	2,367,872	4,103,442	874,187	7,345,501
At 31 December 2009				
Cost	3,577,007	6,986,497	874,763	11,438,267
Accumulated depreciation and impairment	(1,209,135)	(2,883,055)	(576)	(4,092,766)
Net book amount	2,367,872	4,103,442	874,187	7,345,501

As at 31 December 2009, certain of the Group's buildings and mining structures and plant, machinery and equipment, which had an aggregate net book amount of approximately RMB1,063,749,000 (2008: RMB1,756,725,000) were pledged to secure bank loans granted to the Group (note 33).

Included in property, plant and equipment of the Group are the Group's assets invested in Australian joint venture projects of RMB519,737,000 (2008: RMB350,980,000), of which RMB122,014,000 was written off during the year.

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	Buildings and mining structures RMB'000	Plant, machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2008				
Cost	126,344	109,115	21,863	257,322
Accumulated depreciation and impairment	(88,181)	(71,272)	—	(159,453)
Net book amount	38,163	37,843	21,863	97,869
Year ended 31 December 2008				
Opening net book amount	38,163	37,843	21,863	97,869
Additions	22,407	30,554	11,257	64,218
Depreciation charge	(6,897)	(10,042)	—	(16,939)
Disposals	—	(3,041)	—	(3,041)
Transfers	17,660	—	(17,660)	—
Closing net book amount	71,333	55,314	15,460	142,107
At 31 December 2008				
Cost	166,411	136,227	15,460	318,098
Accumulated depreciation and impairment	(95,078)	(80,913)	—	(175,991)
Net book amount	71,333	55,314	15,460	142,107

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company (Continued)

	Buildings and mining structures RMB'000	Plant, machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2009				
Cost	166,411	136,227	15,460	318,098
Accumulated depreciation and impairment	(95,078)	(80,913)	—	(175,991)
Net book amount	71,333	55,314	15,460	142,107
Year ended 31 December 2009				
Opening net book amount	71,333	55,314	15,460	142,107
Additions	25,437	37,707	32,264	95,408
Depreciation charge	(9,432)	(10,377)	—	(19,809)
Disposals	—	(22,801)	(16,516)	(39,317)
Transfers	—	(457)	—	(457)
Closing net book amount	87,338	59,386	31,208	177,932
At 31 December 2009				
Cost	191,848	152,516	31,208	375,572
Accumulated depreciation and impairment	(104,510)	(93,130)	—	(197,640)
Net book amount	87,338	59,386	31,208	177,932

16. LAND LEASE PREPAYMENTS

The Group

	2009 RMB'000	2008 RMB'000
Carrying amount at 1 January	**949,104**	958,770
Additions	**7,189**	6,052
Acquisition of subsidiaries (note 39(a))	**—**	4,014
Amortisation during the year (note 8)	**(22,639)**	(19,732)
Disposals	**(800)**	—
Carrying amount at 31 December	**932,854**	949,104

The Company

	2009 RMB'000	2008 RMB'000
Carrying amount at 1 January	**77,023**	76,605
Additions	**—**	2,023
Amortisation during the year	**(1,645)**	(1,605)
Carrying amount at 31 December	**75,378**	77,023

As at 31 December 2009, certain of the Group's bank loans were secured by certain of the Group's land lease prepayments, which had an aggregate net carrying amount of RMB244,471,000 (2008: RMB318,080,000) (note 33).

The leasehold land is held under a long term lease and is situated in China.

17. INTANGIBLE ASSETS

The Group	Mining rights RMB'000	Technical know-how RMB'000	Others RMB'000	Total RMB'000
At 1 January 2008				
Cost	929,088	36,866	20,047	986,001
Accumulated amortisation	(108,792)	(10,914)	(10,754)	(130,460)
Net book amount	820,296	25,952	9,293	855,541
Year ended 31 December 2008				
Opening net book amount	820,296	25,952	9,293	855,541
Additions	179	5,928	—	6,107
Acquisition of subsidiaries (note 39(a))	—	—	1,354	1,354
Amortisation (note 8)	(38,286)	(2,639)	(3,576)	(44,501)
Closing net book amount	782,189	29,241	7,071	818,501
At 31 December 2008				
Cost	929,267	42,794	22,085	994,146
Accumulated amortisation	(147,078)	(13,553)	(15,014)	(175,645)
Net book amount	782,189	29,241	7,071	818,501

17. INTANGIBLE ASSETS (Continued)

The Group	Mining rights RMB'000	Technical know-how RMB'000	Others RMB'000	Total RMB'000
At 1 January 2009				
Cost	929,267	42,794	22,085	994,146
Accumulated amortisation	(147,078)	(13,553)	(15,014)	(175,645)
Net book amount	782,189	29,241	7,071	818,501
Year ended 31 December 2009				
Opening net book amount	782,189	29,241	7,071	818,501
Additions	418,899	12,811	7,206	438,916
Disposals	—	(6,814)	(1,815)	(8,629)
Amortisation (note 8)	(40,288)	(2,920)	(2,711)	(45,919)
Closing net book amount	1,160,800	32,318	9,751	1,202,869
At 31 December 2009				
Cost	1,348,166	48,791	27,476	1,424,433
Accumulated amortisation	(187,366)	(16,473)	(17,725)	(221,564)
Net book amount	1,160,800	32,318	9,751	1,202,869

17. INTANGIBLE ASSETS (Continued)

The Company

	Mining rights RMB'000
At 1 January 2008	
Cost	100,171
Accumulated amortisation	(49,844)
Net book amount	50,327
Year ended 31 December 2008	
Opening net book amount	50,327
Amortisation	(11,098)
Closing net book amount	39,229
At 31 December 2008	
Cost	100,171
Accumulated amortisation	(60,942)
Net book amount	39,229
At 1 January 2009	
Cost	100,171
Accumulated amortisation	(60,942)
Net book amount	39,229
Year ended 31 December 2009	
Opening net book amount	39,229
Amortisation	(14,066)
Closing net book amount	25,163
At 31 December 2009	
Cost	100,171
Accumulated amortisation	(75,008)
Net book amount	25,163

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18. OTHER ASSETS

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Exploration and evaluation assets	**685,591**	524,653	**62,086**	39,174
Deferred expenditure*	**—**	145,248	**—**	—
Cost as at 31 December	**685,591**	669,901	**62,086**	39,174

* In order to obtain the mining rights in the future, the Group paid compensation to old mine owners in 2008 and capitalised in deferred expenditure.

Included in exploration and evaluation assets of the Group are the Group's assets invested in Australian joint venture projects of RMB161,400,000 (2008: RMB127,317,000).

The movements in exploration and evaluation assets during the year ended 31 December 2009 and 2008 are as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cost as at 1 January	**524,653**	—	**39,174**	—
Additions	**114,723**	257,862	**22,912**	39,174
Impairment	**(658)**	—	**—**	—
Exchange realignment	**46,873**	—	**—**	—
Acquisition of subsidiaries (note 39(a))	**—**	266,791	**—**	—
Cost as at 31 December	**685,591**	524,653	**62,086**	39,174

19. GOODWILL

The Group

	Notes	2009 RMB'000	2008 RMB'000
At 1 January, net of accumulated impairment		**79,547**	77,927
Acquisition of subsidiaries	39(a)	**—**	213,772
Impairment during the year	8	**—**	(212,152)
At 31 December		**79,547**	79,547
At 31 December			
Cost		**291,699**	291,699
Accumulated impairment		**(212,152)**	(212,152)
Net book amount		**79,547**	79,547

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating units of the respective subsidiaries.

The recoverable amount of the cash-generating unit of Abra Mining Limited ("Abra") has been determined based on its fair value less disposal costs. The fair value of Abra's exploration tenements, which are its main assets, were determined based on the "Previous Exploration Expenditure" method whereby a prospectively enhancement multiplier (PEM) factor is applied to the previous exploration expenditures incurred.

The recoverable amounts of the cash-generating units of other subsidiaries has been determined based on a value-in-use calculation using pre-tax cash flow projections based on financial budgets covering a two-year period approved by senior management. The discount rate applied to the cash flow projections is a real rate of 11%-12% and cash flow beyond the budget period is extrapolated using a growth rate of zero. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows or outflows which include budgeted sales and gross margin. This estimation is based on the CGU's past performance and management's expectations for market developments.

20. INTERESTS IN SUBSIDIARIES

The Company

	2009 RMB'000	2008 RMB'000
Unlisted investments, at cost	**3,657,923**	3,550,809
Due from subsidiaries	**900,911**	525,061
	4,558,834	4,075,870
Impairment #	**(212,152)**	(212,152)
	4,346,682	3,863,718

\# An impairment was recognised for certain investments with a carrying amount RMB3,657,923,000 (before deducting the impairment loss) (2008: RMB3,550,809,000). The recoverable amounts of the interests in Abra has been determined based on the fair value of Abra's net identifiable assets less disposal costs. The fair value of Abra's exploration tenements, which are its main assets, were determined based on the "Previous Exploration Expenditure" method (i.e. apply a PEM already defined in note 18 to the previous exploration incurred)

The amounts due from subsidiaries as at 31 December 2009 are unsecured, interest-free and have no fixed terms of repayment, except for the balances due from HNC (Australia) Resources Holding PTY Ltd., totalling RMB742,246,000 (AUD121,096,000). This balance is unsecured and payable by installments prior to year 2016. Other balances due from HNC (Australia) Resources Holding PTY Ltd. of RMB200,431,000 (AUD32,700,000), RMB258,287,000 (AUD42,139,000) and RMB283,528,000 (AUD46,257,000) bear interest at 5.67%, 0.9% above LIBOR and 1.3% above LIBOR per annum respectively.

The amounts due from subsidiaries as at 31 December 2009 are unsecured, interest-free and have no fixed terms of repayment, except for the balances due from HNC (Canada) Antimony Mine Limited totalling RMB157,172,000 (CAD24,254,000). The loan bears interest pursuant to this agreement based on the lower interest rate of 5-year and above between the People's Bank of China and Bank of Canada. The loan is repayable in full on the 9th year from the first Drawdown Date which was 29 September 2009. The interest does not become due and payable until such a time that its subsidiary, Beaver Brook Antimony Mine Inc., ("BBAM") has generated net profit. Interest will be paid from 1 January of the year when the Borrower has generated net profit. No interest on this loan has been accrued during the period.

The Company entered into a second revolving Loan Facility Agreement with HNMC in the amount of CAD6,000,000 which is non-interest bearing and is repayable in full on the 2nd year from the first Drawdown Date.

The amounts due from subsidiaries as at 31 December 2008 are unsecured, interest-free and have no fixed terms of repayment, except for the balances due from HNC (Australia) Resources Holding PTY Ltd., totalling RMB475,573,000 (AUD100,896,000). This balance is unsecured and payable by installments prior to year 2016. Other balances due from HNC (Australia) Resources Holding PTY Ltd. of RMB58,919,000 (AUD12,500,000), RMB198,622,000 (AUD42,139,000) and RMB218,032,000 (AUD46,257,000) bear interest at 5.67%, 0.9% above LIBOR and 1.3% above LIBOR per annum respectively.

20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2009 are as follows:

Name	Notes	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company		Principal activities
				Direct %	Indirect %	
Zhuzhou Cemented Carbides Group Corp., Ltd. ("Zhuying") (株州硬質合金集團)		PRC 15 November 1980	RMB 745,761	99.28	—	Manufacture of hard alloys and refractory metal compounds
Zhuzhou Smelter Group Holding Co., Ltd. ("Zhuye Holding") (株州冶煉集團有限責任公司)		PRC 6 July 1992	RMB872,888	63.31	—	Investment holding
Hengyang Yuanjing Tungsten Co., Ltd. ("Yuanjing Tungsten") (衡陽遠景鎢業有限責任公司)		PRC 23 January 2003	RMB25,840	98.33	—	Mining of nonferrous metals
Hsikwangshan Twinkling Star Antimony Co., Ltd. (錫礦山閃星銻業有限責任公司)		PRC 4 June 2001	RMB467,310	100	—	Mining and smelting of nonferrous metals
Hsikwangshan Twinkling Star Imp. & Exp.Company (湖南錫礦山閃星銻業進出口有限公司)		PRC 17 November 2006	RMB15,000	—	100	Import and export of nonferrous metals
Hunan Shizhuyuan Nonferrous Metals Co., Ltd. (湖南竹園有色金屬有限責任公司)		PRC 19 December 1981	RMB189,169	97.35	—	Mining of nonferrous metals
Hunan Bismuth Co., Ltd* (湖南鉍業有限責任公司)		PRC 18 June 2008	RMB150,000	—	49.65	Trading of bismuth and nonferrous metals

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20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2009 are as follows: (Continued)

Name	Notes	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company		Principal activities
				Direct %	Indirect %	
Zhuzhou Smelter Group Co., Ltd ("Zhuye Listco")*/# (株州冶煉集團股份有限公司)		PRC 20 December 1993	RMB527,458	3.28	28.16	Smelting of zinc products and nonferrous metals
Shanghai Jinhuoju Metals Ltd.*/& (上海金火炬金屬有限公司)		PRC 14 April 1999	RMB1,500	—	31.44	Trading of metal ingots
Foshan City Nanhai JinhuojuMetals Ltd.*/& (佛山市南海金火炬金屬有限公司)		PRC 17 November 2000	RMB3,000	—	31.44	Trading of metal ingots
Chenzhou Huoju Kuangye Ltd.*/& (郴州火炬礦業有限責任公司)		PRC 16 April 2003	RMB2,000	—	31.44	Trading of metal ingots
Hunan Zhuye Torch Metals Import and Export Company Limited*/& (湖南株冶火炬金屬進出口有限公司)		PRC 2 July 2001	RMB80,000	—	31.44	Export and import of commercial products and technology
Torch Metals Limited*/& ("Hong Kong Torch") (火炬金屬有限公司)		Hong Kong 15 December 1992	HKD5,000	—	22.01	Trading of metal ingots
Torch Zinc Limited*/& (火炬鋅業有限公司)		Hong Kong 16 April 2004	USD100	—	28.30	Trading of metal ingots
Zhuzhou Quanxin Industry Co., Ltd. ("Zhuye Quanxin")* (株州全鑫實業有限責任公司)		PRC 24 December 1999	RMB64,600	—	63.31	Manufacture of metal ingots

20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2009 are as follows: (Continued)

Name	Notes	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company Direct %	Indirect %	Principal activities
Shanghai Zhuye Nonferrous Metals Co., Ltd.*/& (上海株冶有色金屬有限公司)		PRC 4 March 2004	RMB1,000	—	28.30	Trading of metal ingots
Foshan City Nanhai ZhuyeNonferrous Metals Co., Ltd.*/& (佛山市南海株冶金屬有限公司)		PRC 4 March 2004	RMB1,000	—	28.30	Trading of metal ingots
ZCC Import and Export Company Limited ("ZCC Import and Export")* (株州硬質合金進出口公司)		PRC 29 October 1987	RMB30,000	—	99.24	Import and export of metal compounds
Shenzhen Jinzhou Jinggong Scientific and Technological Company Limited ("Shenzhen Jinggon") (深圳市金洲精工科技股份有限公司)		PRC 10 June 1986	RMB61,109	—	59.57	Manufacture of metal and alloy products
Chenzhou Diamond Tungsten Products Company Limited ("Chenzhou Diamond Tungsten")* (郴州鑽石鎢制品有限責任公司)		PRC 18 December 2001	RMB120,000	—	98.51	Manufacture of chemical products
Zhuzhou Diamond Cutting Tools Company Limited ("Zhuzhou Diamond")*/# (株州鑽石切削刀具股份有限公司)		PRC 7 June 2002	RMB250,000	—	44.38	Manufacture of metal and alloy products

20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2009 are as follows: (Continued)

Name	Notes	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company		Principal activities
				Direct %	Indirect %	
Zhuzhou Changjiang Cemented Carbides Tools Company Limited ("Zhuzhou Changjiang")* (株州長江硬質合金工具有限公司)	39(a)	PRC 20 April 1992	RMB53,469	—	60.60	Manufacture of metal and alloy products
Zigong Cemented Carbides Comp Limited ("Ziying") (自貢硬質合金有限責任公司)		PRC 28 July 1998	RMB500,000	80.00	—	Manufacture of hard alloys and refractory metal compounds
Hunan Nonferrous Nanling Resource Development Company Limited (湖南有色南岭資源開發有限公司)		PRC 9 November 2007	RMB100,000	62.00	—	Development of nonferrous metal resources
Hunan Nonferrous Xintianling Tungsten Co., Ltd (湖南有色新田岭鎢業有限公司)		PRC 10 January 2008	RMB500,000	100.00	—	Mining of nonferrous metals
Abra Mining Limited. (愛博礦業有限公司)	39(a)	Australia 27 July 2004	AUD32,949	74.28	—	Mineral exploration and project evaluation
Hunan Nonferrous Xitian Mining Co., Ltd (湖南有色錫田礦業有限公司)		PRC 2 February 2008	RMB30,000	70.00	—	Perambulation of nonferrous metal resources
Zigong Cemented Carbide Import and Export Company Limited* (自貢硬質合金進出口貿易有限責任公司)		PRC 22 September 2003	RMB3,000	—	78.40	Import and export of metal compounds

20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2009 are as follows: (Continued)

Name	Notes	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company		Principal activities
				Direct %	Indirect %	
Zigong AsiaTech High-Tech Ltd.* （自貢亞西泰克高新技術）有限責任公司		PRC 11 September 2001	RMB6,600	—	43.64	Manufacture hard alloys equipments
Zigong Keruide New Materials Co., Ltd. ("Zigong Keruide")* （自貢科瑞德新材料有限責任公司）	39(a)	PRC 24 January 2003	RMB21,454	—	47.46	Manufacture and trading of hardz alloy products
HNC (Australia) Resources Holding PTY Ltd. （湖南有色澳洲資有源有限公司）		Australia 28 March 2007	AUD41,200	100.00	—	Development of nonferrous metal resources
Chenzhou Wuling Ming Resource Perambulation Company Limited （郴州五岭礦產資源勘查有限責任公司）		PRC 25 May 2007	RMB16,000	70.00	—	Perambulation of nonferrous metal resources
HNC (Canada) Antimony Mine Limited （湖南有色（加拿大）銻礦有限公司）	39(a)	Canada 11 September 2009	CAD12,833	100.00	—	Investment holding

* These companies are controlled by the non wholly-owned subsidiaries of the Company and accordingly, they are accounted for as subsidiaries by virtue of the Group's control over them.

\# These companies are controlled by the Group by virtue of voting agreements with other shareholders, pursuant to which the Group secured more than 50% of the voting rights eligible to be casted in the shareholders' meeting of such companies.

& These companies are subsidiaries of Zhuye Listco.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year ended 31 December 2009 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.

21. INTERESTS IN ASSOCIATES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Listed shares, at cost	**—**	—	**352,308**	356,034
Unlisted shares, at cost	**—**	—	**9,000**	9,000
Share of net assets of associates	**121,630**	125,546	**—**	—
Goodwill on acquisition	**45,328**	45,328	**—**	—
	166,958	170,874	**361,308**	365,034
Provision for impairment on interests in associates	**—**	—	**(134,584)**	(134,584)
Provision for impairment on goodwill	**(45,328)**	(45,328)	**—**	—
	121,630	125,546	**226,724**	230,450
Market value of listed shares	**—**	—	**473,810**	296,820

Particulars of the principal associates as at 31 December 2009 are as follows:

Name	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (RMB'000)	Percentage of equity interests attributable to the Group Direct %	Indirect %	Principal activities
ZhongWu GaoXin Materials Company Limited ("ZhongWu GaoXin") (中鎢高新材料股份有限公司)	PRC 18 March 1993	222,575	35.28	—	Manufacture, sale, import and export of hard alloy products
Gansu Jinda Mining Corporation Limited ("Gansu Jinda") (甘肅金大礦業有限公司)	PRC 10 July 2008	20,000	45.00	—	Purchasing of metal resources

In the opinion of the directors, the above associates of the Group principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

21. INTERESTS IN ASSOCIATES (Continued)

The aggregate amounts of the assets, liabilities, revenue and (loss)/profit of the associates attributable to the Group are as follows:

	2009 RMB'000	2008 RMB'000
Assets	**170,591**	176,522
Liabilities	**48,655**	50,976
Equity	**121,936**	125,546
Revenue	**282,155**	466,946
(Loss)/profit	**(3,916)**	46

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
At 1 January	**207,996**	1,188,841	**29,998**	114,496
Additions	**29,211**	—	**—**	—
Disposals	**(31,094)**	(202,834)	**—**	(22,545)
Net gains transfer from equity	**22,556**	112,338	**—**	—
Net gains/(losses) transfer to equity	**135,542**	(890,349)	**(17,389)**	(61,953)
At 31 December	**364,211**	207,996	**12,609**	29,998

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Listed equity investments, at fair value	**312,269**	185,265	**12,609**	29,998
Unlisted equity investments, at cost	**51,942**	22,731	**—**	—
	364,211	207,996	**12,609**	29,998

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Available-for-sale financial assets are denominated in the following currencies:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**351,602**	177,998	**—**	—
AUD	**12,609**	29,998	**12,609**	29,998
	364,211	207,996	**12,609**	29,998

Available-for-sale financial assets consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

During the year, the gross loss of the Group's available-for-sale financial assets recognised directly in equity amounted to RMB180,654,000 (2008: loss of RMB323,173,000) of which RMB22,556,000 (2008: RMB86,842,000) was removed from equity and recognised in the consolidated income statement for the year.

The fair values of listed equity investments are based on quoted market prices. There has been a significant decline in the market value of the listed equity investments during the year. The directors consider that this a decline indicates that certain listed equity investments have been impaired and an impairment loss of RMB22,556,000 (2008: RMB86,842,000) has been transferred from the available-for-sale financial assets revaluation reserve and recognised in the consolidated income statement for the year.

The unlisted equity investments are stated at cost less any accumulated impairment losses because there are no quoted market prices for these equity investments. In addition, the variability in the range of reasonable fair value estimates is significant and the probabilities of the value estimates cannot be reasonably assessed. Accordingly, the directors are of the opinion that a reasonable estimate of the fair value cannot be made.

23. DEFERRED TAX

Deferred income tax – Group and Company

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred tax assets	**(91,482)**	(111,304)	**(8,770)**	(14,168)
Deferred tax liabilities	**222,160**	199,700	**—**	—
Deferred tax liabilities (net)	**130,678**	88,396	**(8,770)**	(14,168)

Deferred tax assets

The movements in deferred tax assets during the year are as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**111,304**	156,596	**14,168**	7,460
Recognition of net actuarial losses recognised in equity	**(10,222)**	10,365	**(1,516)**	2,465
Deferred tax (debited)/credited to the income statement during the year (note 11)	**(9,600)**	(55,657)	**(3,882)**	4,243
At 31 December	**91,482**	111,304	**8,770**	14,168

23. DEFERRED TAX (Continued)

Deferred tax assets (Continued)

The recognition of deferred tax assets is attributable to the following items:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Asset impairment	**28,052**	37,652	**1,169**	5,051
Property, plant and equipment with higher tax base	**19,022**	19,022	**—**	—
Recognition of actuarial losses	**31,770**	41,992	**7,601**	9,117
Other temporary differences	**12,638**	12,638	**—**	—
	91,482	111,304	**8,770**	14,168

The Group has tax losses arising in Mainland China of 1,299,885,000 (2008: RMB884,464,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company and its subsidiaries have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

23. DEFERRED TAX (Continued)

Deferred tax liabilities

The movements in deferred tax liabilities during the year are as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**199,700**	379,371	**—**	5,606
Acquisition of subsidiaries (note 39(a))	**4,962**	59,842	**—**	—
Disposal of available-for-sale financial assets	**(12,436)**	(10,764)	**—**	—
Recognition of unrealised gains/(losses) on available-for-sale financial assets	**52,035**	(228,425)	**—**	(5,606)
Deferred tax debited to the income statement during the year (note 11)	**(22,101)**	(324)	**—**	—
At 31 December	**222,160**	199,700	**—**	—

The recognition of deferred tax liabilities is attributable to the following items:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Recognition of unrealised gains/(losses) on available-for-sale financial assets	**66,161**	26,562	**—**	—
Revaluation surplus	**152,718**	169,857	**—**	—
Other temporary differences	**3,281**	3,281	**—**	—
	222,160	199,700	**—**	—

24. INVENTORIES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Raw materials	**1,475,028**	972,106	**9,445**	14,264
Work in progress	**1,332,259**	1,281,797	**949**	138
Finished goods	**2,094,163**	1,448,593	**14,977**	35,470
	4,901,450	3,702,496	**25,371**	49,872
Less: Impairment of inventories	**(140,037)**	(142,571)	**(4,679)**	(14,270)
	4,761,413	3,559,925	**20,692**	35,602

The cost of inventories recognised as expense and included in "cost of sales" amounted to RMB16,655,166,000 (2008: RMB14,003,659,000).

25. TRADE RECEIVABLES

The Group normally allows a credit period of one to three months to customers with an established trading history; otherwise, cash terms are normally required.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**745,513**	587,207	**78,934**	45,614
Over 1 year but within 2 years	**31,989**	19,426	**1,486**	1,445
Over 2 years but within 3 years	**9,018**	6,397	**—**	—
Over 3 years	**28,216**	27,333	**3,926**	3,787
	814,736	640,363	**84,346**	50,846
Less: Provision for impairment	**(44,163)**	(37,568)	**(4,371)**	(4,359)
	770,573	602,795	**79,975**	46,487

25. TRADE RECEIVABLES (Continued)

The movements in provision for impairment of trade receivables are as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**37,568**	35,193	**4,359**	5,313
Provision/(reversal) of impairment losses	**6,595**	(2,001)	**12**	(954)
Amount written off as uncollectible	**—**	(777)	**—**	—
Acquisition of subsidiaries	**—**	5,154	**—**	—
Disposal of a subsidiary	**—**	(1)	**—**	—
At 31 December	**44,163**	37,568	**4,371**	4,359

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB44,163,000 (2008 : RMB37,568,000). The individually impaired trade receivables relate to customers that were in financial difficulties and almost all of the receivables cannot be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Neither past due nor impaired	**473,268**	554,410	**48,335**	43,989
Less than 3 months past due	**33,034**	19,453	**4,259**	—
3 to 9 months past due	**239,165**	19,560	**26,341**	1,625
More than 9 months past due	**25,106**	9,372	**1,040**	873
	770,573	602,795	**79,975**	46,487

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

25. TRADE RECEIVABLES (Continued)

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, 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. The Group does not hold any collateral or other credit enhancements over these balances.

Trade receivables of the Group include trading balances due from associates of RMB175,386,000 as at 31 December 2009 (2008: RMB64,015,000). The balances due from associates are unsecured, interest-free and repayable in accordance with normal credit terms to those offered to the major customers of the Group.

Trade receivables are denominated in the following currencies:

	2009	2008
	RMB'000	RMB'000
RMB	**698,994**	537,887
USD	**50,815**	44,673
AUD	**2,000**	244
EUR	**8,988**	19,991
CAD	**9,776**	—
	770,573	602,795

26. BILLS RECEIVABLE

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 120 days	**312,652**	140,376	**14,192**	800
Over 121 days but within 1 year	**242,337**	161,192	**15,575**	29,099
	554,989	301,568	**29,767**	29,899

The bills receivable are non-interest-bearing and expected to be recovered within one year.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments to suppliers	**401,965**	335,128	**19,410**	30,073
Other receivables	**965,142**	599,556	**967,224**	117,480
	1,367,107	934,684	**986,634**	147,553
Less: Provision for impairment	**(87,622)**	(81,406)	**(37,050)**	(35,693)
	1,279,485	853,278	**949,584**	111,860

Included in the prepayments to suppliers and other receivables of the Group are receivables from HNG and its subsidiaries excluding the Group ("HNG Group") of RMB32,991,000 as at 31 December 2009 (2008: RMB49,805,000) which were unsecured, interest-free and repayable on demand.

Included in prepayments to suppliers of the Group are prepayments for the Australian joint venture project of RMB17,265,000 as at 31 December 2009 (2008: RMB17,265,000).

The other amounts with third parties are unsecured and non-interest-bearing and have no fixed terms of repayment.

Impairment allowances have been assessed individually for individual assets with significant balances. Financial assets included in the other receivables above that were past due but not impaired related to a number of independent counterparties that have a good track record with the Group. Based on past experience, 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. The Group does not hold any collateral or other credit enhancements over these balances.

28. HELD-TO-MATURITY FINANCIAL ASSETS

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Held-to-maturity financial assets, at amortised cost:				
– Unlisted investment in PRC	**5,000**	—	**—**	—

(a) The above unlisted investment with fixed interest of 2.6% per annum and maturity date on 15 October 2010 represent investments in unlisted equity securities issued by PRC Government. They are measured at amortised cost using the effective interest method less impairment at each balance sheet date.

(b) The movements in held-to-maturity financial assets during the year are as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Beginning of the year	**—**	—	**—**	—
Additions	**5,000**	—	**—**	—
End of the year	**5,000**	—	**—**	—

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**2,436,477**	2,762,449	**959,686**	1,058,121
Time deposits	**188,612**	534,216	**17,000**	365,303
	2,625,089	3,296,665	**976,686**	1,423,424
Less: Pledged cash and time deposits	**(54,441)**	(63,478)	**—**	—
Cash and cash equivalents in the balance sheets	**2,570,648**	3,233,187	**976,686**	1,423,424
Less: Non-pledged time deposits with original maturity over three months or more when acquired	**(45,500)**	(139,939)	**—**	—
Cash and cash equivalents in the cash flow statements	**2,525,148**	3,093,248	**976,686**	1,423,424

At the balance sheet date, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB2,017,460,000(2008: RMB2,587,542,000). The RMB is not freely convertible into other currencies; however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 31 December 2009, the cash and bank balances and time deposits of the Group included HKD108,579,000(2008: HKD377,738,000), USD23,866,000 (2008: USD4,994,000) and AUD50,003,000 (2008:AUD57,377,000), EUR933,000 (2008: Nil) and CAD5,035,000 (2008: Nil) and JPY2,205,000 (2008: Nil) respectively.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

30. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**901,526**	670,197	**12,258**	48,189
Over 1 year but within 2 years	**11,017**	3,437	**1,113**	346
Over 2 years but within 3 years	**2,928**	3,436	**127**	112
Over 3 years	**9,364**	9,110	**30**	—
	924,835	686,180	**13,528**	48,647

The amounts due to HNG Group, totalling RMB8,185,000 (2008: RMB48,392,000), included in the Group's trade payables were unsecured, interest-free and repayable within trade credit periods.

31. BILLS PAYABLE

An aged analysis of the bills payable as at the balance sheet date, based on the invoice date, is as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Within 120 days	**355,670**	117,286
Over 121 days but within 1 year	**30,000**	119,500
	385,670	236,786

Certain of the Group's cash and time deposits amounting to RMB22,600,000 (2008: RMB53,035,000) were pledged to banks for the issuance of bills payable.

32. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances from customers	**379,103**	246,139	**16,955**	6,441
Accrued taxes other than income tax	**90,707**	128,933	**17,734**	20,957
Accrued salaries, wages and benefits	**81,271**	128,361	**4,716**	13,957
Payables for mining rights - current portion	**365,932**	358,553	**95,921**	95,921
Accrued expenses and other payables	**659,412**	401,321	**50,469**	27,480
	1,576,425	1,263,307	**185,795**	164,756

Included in other payables and accruals of the Group are balances due to HNG Group of RMB307,791,000 (2008: RMB386,814,000).

Included in other payables and accruals of the Company are balances due to HNG Group of RMB28,855,000(2008: RMB3,744,000).

The amounts due to HNG Group were unsecured, interest-free and repayable on demand.

Other payables are non-interest-bearing and have no fixed terms of repayment (except for payables for mining rights).

Included in accrued expenses and other payables of the Group and the Company is the current portion of other payables of RMB365,932,000 (2008: RMB358,553,000) and RMB95,921,000 (2008: RMB95,921,000), respectively, in connection with the purchases of mining rights (note 35).

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group	2009 Effective interest rate(%)	2009 Maturity	2009 RMB'000	2008 Effective interest rate(%)	2008 Maturity	2008 RMB'000
Current:						
Bank loans – unsecured	1.12-8.97	2010	3,127,572	4.78-8.22	2009	1,934,032
Bank loans – secured	2.31-8.22	2010	910,892	5.05-8.37	2009	2,041,675
Bank loans – secured	5.04-6.84	2010	30,000	Libor+0.9	2009	246,046
Bank loans – secured	—	—	—	Libor+1.3	2009	10,252
Entrusted loans	4.51	2010	90,000	6.85-7.47	2009	535,000
Other borrowing – unsecured	—	—	—	7.47-8.50	2009	158,367
Other borrowing – secured	—	—	—	7.47	2009	20,000
			4,158,464			4,945,372
Non-current:						
Bank loans – unsecured	4.17-6.39	2011-2018	4,417,109	5.10-7.74	2010-2018	963,095
Bank loans – secured	4.89-6.75	2011-2014	649,389	4.42-7.74	2010-2014	1,435,002
Bank loans – secured	Libor+1.3	2011-2012	199,295	Libor+1.3	2016	246,046
Entrusted loans	5.80	2013-2018	900,000	5.80	2013-2018	900,000
Other borrowings – unsecured	2.1-4.17	2012-2023	117,233	2.55-4.17	2012-2023	48,227
Other borrowings – secured	4.23-10.63	2010-2012	40,118	5.70	2010-2012	40,000
			6,323,144			3,632,370
			10,481,608			8,577,742
The Company						
Current:						
Bank loans – unsecured	—	—	—	4.78-6.72	2009	420,000
Bank loans – secured	4.86	2010	60,080	5.67	2009	36,000
Bank loans – secured	—	—	—	Libor+0.9	2009	246,046
Bank loans – secured	—	—	—	Libor+1.3	2009	10,252
			60,080			712,298
Non-current:						
Bank loans – unsecured	4.32-.5.40	2011-2013	2,334,000	5.13-6.80	2011	550,100
Bank loans – secured	Libor+1.3	2016	245,815	Libor+1.3	2016	246,046
Bank loans – secured	Libor+2.6	2018	162,995	5.67-6.80	2018	447,147
			2,742,810			1,243,293
			2,802,890			1,955,591

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year	**4,068,464**	4,232,005	**60,080**	712,298
In the second year	**1,538,382**	703,338	**500,000**	363,338
In the third to fifth years, inclusive	**3,287,601**	1,617,045	**1,834,000**	556,195
Beyond five years	**439,810**	323,760	**408,810**	323,760
	9,334,257	6,876,148	**2,802,890**	1,955,591
Entrusted loans repayable:				
Within one year	**90,000**	535,000	**—**	—
In the second year	**190,000**	—	**—**	—
In the third to fifth years, inclusive	**610,000**	450,000	**—**	—
Beyond five years	**100,000**	450,000	**—**	—
	990,000	1,435,000	**—**	—
Other borrowings repayable:				
Within one year	**—**	178,367	**—**	—
In the second year	**70,709**	40,740	**—**	—
In the third to fifth years, inclusive	**40,000**	—	**—**	—
Beyond five years	**46,642**	47,487	**—**	—
	157,351	266,594	**—**	—
	10,481,608	8,577,742	**2,802,890**	1,955,591

Note:

As at 31 December 2009, certain of the Group's bank loans are secured by mortgages over certain of the Group's property, plant and equipment and land lease prepayments, which had an aggregate carrying value of approximately RMB1,308,220,000 (2008: RMB2,074,805,000);

The entrusted loans amounting to RMB950,000,000 were granted by HNG to the Group (2008: RMB1,350,000,000) as at 31 December 2009.

As at 31 December 2009, HNG guaranteed certain of the Group's bank loans to the extent of RMB1,748,437,000 (2008: RMB999,445,000).

Other than certain of the bank loans in the aggregate amount of USD153,472,000, CAD912,000 and AUD74,000 as at 31 December 2009 (2008: USD202,155,000 and EUR4,430,000), all of the Group's bank loans are denominated in RMB.

34. OTHER LIABILITIES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Provision for supplementary pension subsidies and early retirement benefits (note (i))	**417,792**	442,821	**57,245**	63,310
Share appreciation rights plan (note (ii))	**12,224**	2,362	**12,224**	2,362
Provision for reclamation and rehabilitation	**24,604**	—	**—**	—
Balance as at 31 December	**454,620**	445,183	**69,469**	65,672
Represented by:				
Current portion included in other payables and accruals	**41,421**	35,633	**4,967**	5,112
Long term liabilities	**413,199**	409,550	**64,502**	60,560
	454,620	445,183	**69,469**	65,672

Notes:

(i) Provisions for supplementary pension subsidies and early retirement benefits

Changes in the present value of the above defined benefit obligations are as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Defined benefit obligations at 1 January	**442,821**	413,530
Interests cost recognised in administrative expenses (note 8)	**15,671**	17,826
Current service costs recognised in administrative expenses (note 8)	**3,009**	2,804
Net actuarial loss recognised in equity	**5,413**	54,926
Amounts paid	**(49,122)**	(46,265)
Defined benefit obligations at 31 December	**417,792**	442,821

34. OTHER LIABILITIES (Continued)

Notes: (Continued)

(i) Provisions for supplementary pension subsidies and early retirement benefits

The principal assumptions used by the actuary in determining the above defined benefit obligations are shown below:

	2009	2008
	%	%
Discount rate:	**4.0**	3.5
Future salary increases:	**—**	—
Future pension increases:	**—**	—

Prior to the Reorganisation, the Group paid certain supplementary pension subsidies to its employees. These supplementary pension subsidies mainly included living allowances which were payable to employees on a monthly basis after they reached the normal retirement age. The amount of monthly allowances to be paid to the employees depended on the number of years of service and the policy of the local subsidiaries concerned. The costs of providing these supplementary pension subsidies were charged to the then consolidated income statement of the Group so as to spread the service costs over the average service lives of the employees.

The Group also implemented early retirement plans (the "Early Retirement Plans") for certain employees in addition to the benefits under the government-regulated defined contribution scheme and the supplementary pension subsidy scheme. The benefits of the Early Retirement Plans were calculated based on the factors including the number of years from the date of early retirement to the date of normal retirement and the salary on the date of early retirement of an employee. The costs of early retirement benefits were recognised in the period when employees opted for early retirement.

34. OTHER LIABILITIES (Continued)

Notes: (Continued)

(ii) Share appreciation rights plan

In order to attract, retain and motivate senior executives and key employees who make important contributions to the Group to enhance the profitability and value of the Group, the Company operates a share appreciation rights plan with effect on 25 September 2006. The following directors, supervisors and senior management members of the Group are granted share appreciation rights ("SARs"), which can only be settled in cash.

Name	Share Appreciation Rights (Number of Shares)	Note
He Renchun	1,282,051	Chairman of the board of directors and executive director
Cao Xiuyun	1,025,641	Vice Chairman of the board of directors and non-executive director
Li Li	897,436	Executive director and general manager
Zeng Shaoxiong	769,231	Chairman of the supervisory committee and supervisor
Liao Luhai	769,231	Executive director
Chen Zhixin	769,231	Executive director
Wu Longyun	641,027	Non-executive director
He Hongsen	641,026	Supervisor
Zhang Yixian	641,026	Non-executive director
Yang Bohua	512,820	Senior management member
Fu Shaowu	512,820	Senior management member
Yang Lingyi	512,820	Senior management member
Hong Mingyang	512,820	Senior management member
Zhu Chongzhou	512,820	Senior management member
Total	10,000,000	

The SARs can vest zero shares in the first year from the grant date, and no more than one-third of the shares in the second and third year from the grant date, respectively. From the fourth year from the grant date, all SARs can freely vest. The exercise price of the SARs as approved by the board of directors is HK$2.80. The SARs which are not exercised on 25 September 2014 shall not be exercised and shall lapse upon their expiry.

The cost of the SARs is measured initially at fair value at the grant date using a binomial model. The services received and the liability to pay for these services is recognised over the expected vesting periods. Until the liability is settled, it is remeasured at each reporting date with changes in fair value recognised in the consolidated income statement.

The expense arising from the SARs during the year is RMB9,862,000 (2008: gain of RMB14,427,000) and the carrying amount of the liability relating to the SARs as at 31 December 2009 is RMB12,224,000 (2008: RMB2,362,000). No SARs were exercised during the year ended 31 December 2009 and 2008.

34. OTHER LIABILITIES (Continued)

Notes: (Continued)

(ii) Share appreciation rights plan (Continued)

The following table lists the inputs to the model used for the SAR plan as at 31 December:

	The Group	
	2009	2008
	RMB'000	RMB'000
Dividend yield (%)	**1**	1
Expected volatility (%)	**60**	60
Risk–free interest rate (%)	**1.49**	1.19
Expected life of option (years)	**3.9**	5.5
Weighted average share price (RMB)	**1.2224**	0.2916
Model used	**Binomial**	Binomial

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

The SARs are cash-settled and the fair value is remeasured at the reporting date.

35. PAYABLES FOR MINING RIGHTS

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Payables in connection with the purchases of mining rights	**488,749**	358,553	**95,921**	95,921
Less: Portion classified as current liabilities (note 32)	**(365,932)**	(358,553)	**(95,921)**	(95,921)
Long term liabilities	**122,817**	—	**—**	—

According to the arrangement entered into in 2005, the consideration for purchases of the mining rights are payable to the relevant government authorities over six years by annual installments commencing from September 2005. The payables are unsecured and non-interest-bearing.

In 2008, according to a resolution of the Hunan Government, the balance of the receivables for purchases of the mining rights was contributed to HNG by the government. Accordingly, the payables for mining rights were due to HNG at 31 December 2008, which were unsecured, non-interest-bearing and had no fixed terms of repayment.

36. GOVERNMENT GRANTS

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
At beginning of year	**174,242**	150,196	**82**	82
Received during the year	**134,127**	94,112	**22,938**	8,390
Acquisition of subsidiaries (note 39(a))	**—**	2	**—**	—
Recognised as other income during the year (note 7)	**(81,027)**	(70,068)	**(22,938)**	(8,390)
At end of year	**227,342**	174,242	**82**	82

37. ISSUED SHARE CAPITAL

	2009	2008
	RMB'000	RMB'000
Registered, issued and fully paid		
– Domestic shares of RMB1.00 each	**2,035,330**	2,035,330
– H shares of RMB1.00 each	**1,632,728**	1,632,728
	3,668,058	3,668,058

38. RESERVES

The Group

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

The Company

	Capital reserve RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Retained profits/ (accumulated losses) RMB'000	Proposed final dividend RMB'000	Total RMB'000
At January 2008	461,711	93,977	16,817	289,332	124,714	986,551
Loss for the year	—	—	—	(643,058)	—	(643,058)
Changes in fair value of available-for-sale financial assets, net of deferred tax	—	—	(103,659)	—	—	(103,659)
Impairment of available-for-sale financial assets	—	—	86,842	—	—	86,842
Net actuarial gains of defined benefit retirement schemes, net of deferred tax	—	—	—	(7,395)	—	(7,395)
Final dividend paid	—	—	—	—	(124,714)	(124,714)
At 31 December 2008	461,711	93,977	—	(361,121)	—	194,567
Profit for the year	—	—	—	52,912	—	52,912
Changes in fair value of available-for-sale financial assets, net of deferred tax	5,279	—	—	—	—	5,279
Net actuarial gains of defined benefit retirement schemes, net of deferred tax	—	—	—	3,693	—	3,693
At 31 December 2009	**466,990**	**93,977**	**—**	**(304,516)**	**—**	**256,451**

38. RESERVES (Continued)

The Company (Continued)

Notes:

(a) In accordance with the articles of association of the Company approved by the relevant government authorities on 30 September 2005, the net profit after tax of the Company for the purpose of dividend distribution is deemed to be the lesser of (i) the net profit determined in accordance with PRC GAAP and (ii) the net profit determined in accordance with IFRSs Under the PRC Company Law and the Company's articles of association, net profit after tax can only be distributed as dividends after an allowance has been made for the following:

(i) Making up prior years' cumulative losses, if any.

(ii) Allocations to the statutory common reserve fund of at least 10% of net profit after tax, until the fund reaches 50% of the Company's share capital. For the purpose of calculating the transfer to the reserve fund, the net profit after tax shall be the amount determined under PRC GAAP.

The statutory common reserve fund can be used to offset prior years' losses, if any, and part of the statutory common reserve fund can be capitalised as the Company's share capital provided that the amount of the reserve remaining after the capitalisation shall not be less than 25% of the Company's share capital.

(iii) Allocations to the discretionary common reserve if approved by the shareholders.

The above reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

For dividend distribution purposes, the amounts which the Company's subsidiaries can legally distribute by way of a dividend are determined with reference to their profits available for distribution as reflected in their respective PRC statutory financial statements which are prepared in accordance with PRC GAAP. These profits differ from those reflected in the financial statements which are prepared in accordance with IFRSs.

39. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

The fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries acquired by the Group and dealt with in the consolidated financial statements as at the dates of acquisition were as follows:

		2009		2008	
		Fair value recognised on acquisition	Previous carrying amount	Fair value recognised on acquisition	Previous carrying amount
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	15	—	—	63,923	53,479
Land lease prepayments	16	—	—	4,014	2,799
Intangible assets	17	—	—	1,354	1,354
Available-for-sale financial assets		—	—	178	178
Other assets	18	—	—	266,791	73,964
Inventories		—	—	141,602	141,904
Trade receivables		190,537	61,905	47,554	47,554
Bills receivable		—	—	4,679	4,679
Prepayments, deposits and other receivables		91,136	89,000	22,767	22,816
Tax recoverable		1,487	1,487	171	171
Cash and cash equivalents		3,192	3,192	81,205	81,205
Trade payables		(14,068)	(13,502)	(54,239)	(54,239)
Other payables and accruals		(65,866)	(9,565)	(50,556)	(50,556)
Government grants	36	—	—	(2)	(2)
Dividend payable		—	—	(6,510)	(6,510)
Interest-bearing bank and other borrowings		—	—	(101,000)	(101,000)
Tax payable		—	—	(241)	(241)
Deferred tax liabilities	23	(4,962)	(4,962)	(59,842)	—
Minority interests		—	—	(106,440)	(68,023)
Fair value/carrying amount of the net assets at the dates of acquisition		201,456	127,555	255,408	149,532
Goodwill on acquisition	19	—		213,772	
		201,456		469,180	

39. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(a) Acquisition of subsidiaries (Continued)

	2009 RMB'000	2008 RMB'000
Satisfied by:		
Cash	**81,948**	431,809
Interests in associates	**—**	37,371
Other receivables	**119,508**	—
	201,456	469,180

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2009 RMB'000	2008 RMB'000
Cash and bank balances acquired	**3,192**	81,205
Less: Cash consideration	**(81,948)**	(431,809)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries in the consolidated cash flow statement	**(78,756)**	(350,604)

Notes:

(i) Effective on 13 October 2009, the Company completed the acquisition of a 100% equity interest in Beaver Brook Antimony Mine Inc. through its wholly-owned subsidiary, HNC (Canada) Antimony Mine Limited, which is newly incorporated in Canada on 11 September 2009. Beaver Brook Antimony Mine Inc. is a development stage company and is engaged in the exploration and development of the antimony mine.

At the date of the acquisition, the details of the fair value and carrying amount of assets and liabilities of Beaver Brook Antimony Mine Inc. were shown in note 39(a).

Since the date of the acquisition, Beaver Brook Antimony Mine Inc. contributed loss of RMB2,053,000 to the Group's loss attributable to equity holders of the Company and revenue of RMB29,747,000 for the year ended 31 December 2009.

(ii) Zhuzhou Changjiang was accounted for as an associate as at 31 December 2007 when the Group held a 46.02% equity interest. In 2008, the Group injected RMB20,000,000 to acquire additional equity interest in Zhuzhou Changjiang. As a result, the Group held a 60.60% equity interest in Zhuzhou Changjiang and incorporated it in the consolidated financial statements starting from January 2008. Zhuzhou Changjiang is principally engaged in the manufacture of metal and alloy products.

Since the date of the acquisition, Zhuzhou Changjiang contributed a loss of RMB8,721,000 to the Group's loss attributable to equity holders of the Company and RMB221,236,000 to the Group's revenue for the year ended 31 December 2008.

39. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(a) Acquisition of subsidiaries (Continued)

Notes: (Continued)

(ii) Zigong Keruide was accounted for as an associate as at 31 December 2007 when Ziying, a subsidiary of the Company, held a 47% equity interest of Zigong Keruide. In January 2008, Ziying acquired additional equity interest of Zigong Keruide for a cash consideration of RMB1,703,000, and increased its ownership therein to 59.33%. As a result, Zigong Keruide was consolidated into the consolidated financial statements of the Group. Zigong Keruide is principally engaged in the manufacture and trading of hard alloy products.

Since the date of the acquisition, Zigong Keruide contributed a loss of RMB1,416,000 to the Group's loss attributable to equity holders of the parent and revenue of RMB86,639,000 for the year ended 31 December 2008.

Effective on 10 October 2008, the Company completed the acquisition of a 74.28% equity interest in Abra Mining Limited for a cash consideration of RMB410,105,000, a company incorporated in Australia and whose shares are listed on the Australian Securities Exchange Limited. The excess of the cost of acquisition of RMB212,152,000 over the acquired interests in the net fair value of the identifiable assets, liabilities and contingent liabilities assessed as at the date of acquisition is capitalised as goodwill in the Group's consolidated balance sheet. Abra Mining Limited is principally engaged in mineral exploration and project evaluation.

At the date of the acquisition, the fair value and carrying amount of exploration assets of Abra Mining Limited were RMB266,792,000 and RMB73,964,000 respectively; the fair value/carrying amount of cash, other assets, and liabilities were RMB55,470,000, RMB4,092,000 and RMB2,009,000 respectively.

39. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(b) Disposal of a subsidiary

	Notes	2009 RMB'000	2008 RMB'000
Property, plant and equipment	15	—	105
Inventories		—	1,215
Bills receivable		—	509
Trade receivables		—	274
Prepayments, deposits and other receivables		5	598
Cash and cash equivalents		—	1,335
Trade payables		(1)	(322)
Other payables and accruals		—	(298)
Tax payable		80	(1)
Minority interests		—	(228)
Carrying value of the net assets at the dates of disposal		84	3,187
Loss from disposal of a subsidiary	8	(79)	(84)
		5	3,103
Satisfied by:			
Cash		5	3,103

During the year ended 31 December 2009, the Group disposed of its 80% equity interest in Zigong Cemented Carbides Company Limited Guangzhou Sales Center for a consideration of RMB 5,000.

The net inflow of cash and cash equivalents in respect of the disposal is RMB5,000 (2008: RMB1,768,000).

40. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Except for certain transactions mentioned in note 39 to the financial statements, the Group had no major non-cash transactions during the years ended 31 December 2009 and 2008.

41. CONTINGENT LIABILITIES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Guarantees given to banks in respect of bank loans granted to third parties	**—**	7,019	**—**	—

The above guarantees have not been recognised in the financial statements because the fair values of these guarantees are immaterial.

42. OPERATING LEASE ARRANGEMENTS

As a lessee, the Group leases certain property, plant and equipment under operating lease arrangements, with lease terms negotiated for one to twenty years.

As at 31 December 2009, the Group had total future minimum lease payments under such non-cancellable operating leases falling due as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**8,095**	23,822	**1,860**	8,197
In the second to fifth year, inclusive	**22,624**	90,321	**—**	16,394
After five years	**58,481**	166,231	**—**	—
	89,200	280,374	**1,860**	24,591

43. COMMITMENTS

In addition to the operating lease commitments detailed in note 42 to the financial statements, the Group and the Company had the following capital commitments at the balance sheet date:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Contracted, but not provided for:				
Property, plant and equipment	**178,842**	434,254	**—**	259,243
Authorised, but not contracted for:				
Property, plant and equipment	**—**	1,160,060	**—**	321,871

44. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

a) Transactions with the HNG Group

Nature of transactions	2009 RMB'000	2008 RMB'000
Sales of raw materials and products	131,589	300,847
Sales of property, plant and equipment	—	115
Provision of electricity and water	4,917	3,244
Subcontracting income	582	4,126
Rental income	201	216
Purchases of raw materials and products	199,009	367,448
Transportation service fees	26,653	32,030
Repairs and maintenance fees	34,907	27,801
Construction service fees	23,108	33,876
Subcontracting fees	17,802	21,167
Rental fees	9,235	1,550
Property management service fees	7,284	7,059
Interests expense	—	38,119

These transactions were conducted in accordance with prices and terms mutually agreed between the parties.

44. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with associates

Nature of transactions	2009 RMB'000	2008 RMB'000
Sales of raw materials and products	717,637	841,863
Sales of property, plant and equipment	—	3,445
Rental income	—	300
Provision of electricity and water	220	29,770
Purchases of raw materials and products	808,740	1,269,977
Purchases of property, plant and equipment	2,032	21
Other service fees	2,821	5,034

These transactions were conducted in accordance with prices and terms mutually agreed between the parties.

(c) Guarantee granted by HNG to the Group (note 33)

Nature of transactions	2009 RMB'000	2008 RMB'000
Corporate guarantee	1,748,437	999,445

Guarantees granted by HNG for securing the Group's bank loans are disclosed in note 33 to the financial statements. These guarantees were provided free of charge.

(d) Lease of land use right from HNG

Nature of transactions	2009 RMB'000	2008 RMB'000
Lease of land use right	7,991	15,070

The Group has entered into property lease agreements on 35 pieces of lands with HNG for terms of one to twenty years. The total annual rental fee was around RMB8,000,000 (2008: around RMB15,000,000).

45. FINANCIAL INSTRUMENT BY CATEGORY

The Group

Financial assets	**2009**			
	Loans and receivables RMB'000	**Available-for-sale financial assets RMB'000**	**Held-to-maturity financial assets RMB'000**	**Total RMB'000**
Held-to-maturity financial assets	—	—	5,000	5,000
Available-for-sale financial assets	—	364,211	—	364,211
Trade receivables	770,573	—	—	770,573
Bills receivable	554,989	—	—	554,989
Financial assets included in prepayments, deposits and other receivables	316,603	—	—	316,603
Pledged deposits	54,441	—	—	54,441
Cash and cash equivalents	2,570,648	—	—	2,570,648
	4,267,254	364,211	5,000	4,636,465

Financial liabilities	**2009 Financial liabilities at amortised cost RMB'000**
Trade payables	924,835
Bills payable	385,670
Financial liabilities included in other payables and accruals	983,924
Interest-bearing bank and other borrowings (note 33)	10,481,608
	12,776,037

45. FINANCIAL INSTRUMENT BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

The Group

Financial assets

	2008		
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale financial assets	—	207,996	207,996
Trade receivables	602,795	—	602,795
Bills receivable	301,568	—	301,568
Financial assets included in prepayments, deposits and other receivables	211,140	—	211,140
Pledged deposits	63,478	—	63,478
Cash and cash equivalents	3,233,187	—	3,233,187
	4,412,168	207,996	4,620,164

Financial liabilities

	2008 Financial liabilities at amortised cost RMB'000
Trade payables	686,180
Bills payable	236,786
Financial liabilities included in other payables and accruals	724,239
Interest-bearing bank and other borrowings (note 33)	8,577,742
	10,224,947

45. FINANCIAL INSTRUMENT BY CATEGORY (Continued)

The Company

Financial assets

	2009 Loans and receivables RMB'000	2009 Available-for-sale financial assets RMB'000	2009 Total RMB'000
Interests in subsidiaries (note 20)	900,911	—	900,911
Available-for-sale financial assets	—	12,609	12,609
Trade receivables	79,975	—	79,975
Bills receivable	29,767	—	29,767
Financial assets included in prepayments, deposits and other receivables	619,501	—	619,501
Cash and cash equivalents	976,686	—	976,686
	2,606,840	12,609	2,619,449

Financial liabilities

	2009 Financial liabilities at amortised cost RMB'000
Trade payables	13,528
Financial liabilities included in other payables and accruals	141,424
Interest-bearing bank and other borrowings (note 33)	2,802,890
	2,957,842

45. FINANCIAL INSTRUMENT BY CATEGORY (Continued)

The Company

Financial assets

	2008		
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Interests in subsidiaries (note 20)	525,061	—	525,061
Available-for-sale financial assets	—	29,998	29,998
Trade receivables	46,487	—	46,487
Bills receivable	29,899	—	29,899
Financial assets included in prepayments, deposits and other receivables	68,756	—	68,756
Cash and cash equivalents	1,423,424	—	1,423,424
	2,093,627	29,998	2,123,625

Financial liabilities

	2008
	Financial liabilities at amortised cost RMB'000
Trade payables	48,647
Financial liabilities included in other payables and accruals	118,289
Interest-bearing bank and other borrowings (note 33)	1,955,591
	2,122,527

46. APPROVAL OF THE FINANCIAL STATEMENT

The financial statements were approved and authorised for issue by the board of directors on 27 March 2010.

NOTICE OF ANNUAL GENERAL MEETING FOR 2009

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hunan Nonferrous Metals Corporation Limited (the "Company") will be held at 9:30 a.m. on 31 May 2010 at Hunan Bestride Hotel, No.215, Labor Road West, Changsha City, Hunan, the People's Republic of China to consider and, if thought fit, to pass the following matters:

ORDINARY RESOLUTIONS

1. To consider and approve the Report of the Board of the Company for the year 2009;

2. To consider and approve the Report of the Supervisory Committee of the Company for the year 2009;

3. To consider and approve the Audited Financial Statements of the Company for the year 2009;

4. To consider and approve the appointment of international and domestic auditors of the Company and to authorise the Board to determine their remuneration;

SPECIAL RESOLUTIONS

5. To grant to the board of directors (the "Board") of the Company an unconditional general mandate to allot, issue and deal with new domestic shares ("Domestic Shares") and overseas listed foreign shares ("H Shares"):

   5.1 Subject to resolutions numbered 5.3 and 5.4 and pursuant to the Company Law (the "Company Law") of the People's Republic of China (the "PRC") and the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") (as amended from time to time), the exercise by the Board of all the powers of the Company granted by the general and unconditional mandate to allot, issue and deal with shares during the Relevant Period (as defined below) and to determine the terms and conditions for the allotment and issue of new shares including the following terms:

   (1) class and number of new shares to be issued;

   (2) price determination method of new shares and/or issue price (including price range);

   (3) the starting and closing dates for the issue; and

   (4) the making or granting of offers, agreements and options which might require the exercise of such powers.

   5.2 The approval in resolution numbered 5.1 shall authorise the Board during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period.

   5.3 the aggregate nominal amount of new Domestic Shares and new H Shares allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with (whether pursuant to an option or otherwise) by the Board pursuant to the approval in resolution numbered 5.1, other than pursuant to issue of shares by conversion of the surplus reserve into share capital in accordance with the Company Law of the PRC and the articles of association of the Company, shall not exceed 20% of each class of the existing Domestic Shares and H Shares.

   5.4 In exercising the powers granted under resolution numbered 5.1, the Board must (1) comply with the Company Law of the PRC and other applicable laws and regulations (as amended from time to time); and (2) obtain approval from the China Securities Regulatory Commission and other relevant PRC government departments.

5.5 For the purpose of this resolution:

"Relevant Period" means the period from the date of passing this resolution until whichever is the earliest of:

(i) twelve months from the date of passing this resolution;

(ii) the conclusion of the next general meeting of the Company; and

(iii) the revocation or variation of the mandate granted under this resolution by special resolution of the shareholders in general meeting.

5.6 The Board, subject to the approval of the relevant authorities of the PRC and in accordance with the Company Law of the PRC, be and is hereby authorised to increase the registered share capital of the Company to the required amount upon the exercise of the powers pursuant to resolution numbered 5.1 above.

5.7 The Board be authorised to sign the necessary documents, complete the necessary formalities and take other necessary steps to complete the allotment and issue and listing of new shares, provided the same do not violate the relevant laws, administrative regulations, listing rules of the relevant stock exchange and the articles of association.

5.8 Subject to the approval of the relevant PRC authorities, the Board be and is hereby authorized to make appropriate and necessary amendments to the articles of association after completion of the allotment and issue of new shares to reflect the alternative in the share capital structure and registered capital of the Company pursuant to the exercise of this mandate."

6. To consider and approve other matters, if any.

BY ORDER OF THE BOARD
He Renchun
Chairman

27 March 2010, Changsha, PRC

NOTICE OF ANNUAL GENERAL MEETING FOR 2009

Notes:

(1) Holders of the Company's overseas listed foreign shares (in the form of H Shares) ("H Shares") whose names appear on the Company's register of members maintained by Computershare Hong Kong Investor Services Limited on 30 April 2010 and representative holders of domestic shares are entitled to attend and vote at the Annual General Meeting.

(2) Shareholders who intend to attend the Annual General Meeting must complete and return the written replies for attending the Annual General Meeting to the Company's registered office by facsimile or post, for the attention of the Finance and Securities Department, no later than 11 May 2010: Details of the Finance and Securities Department of the Company are as follows:

Address: Room 1116, 11/F, Block A, Yousedasha, No. 342, Laodongxi Road, Changsha, Hunan Province, the PRC.

Tel: (86) 731-8538-5556
Fax: (86) 731-8552-9468

(3) Each holder of Shares who has the right to attend and vote at the Annual General Meeting is entitled to appoint in writing one or more proxies, whether a shareholder nor not, to attend and vote on his behalf of the Annual General Meeting. Where a shareholder has appointed more than one proxy to attend the Annual General Meeting, such proxies may only vote on a poll or a ballot. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. In case that an appointer is a legal person, the power of attorney must be either under the common seal of the legal person or under the hand of its director or other person, duly authorised. If the instrument appointing a proxy is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified. For holders of H Shares, the power of attorney or other documents of authorisation and proxy forms must be delivered to the Company's H Share Registrar at Computershare Hong Kong Investor Services at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no less than 24 hours before the time appointed for the holding of the Annual General Meeting in order for such documents to be valid.

(4) The Company's register of member will be closed from 30 April 2010 to 31 May 2010 (both days inclusive), during which time no transfer of shares will be registered. Transferees of H Shares who wish to attend the Annual General Meeting must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to Computershare Hong Kong Investor Services Limited by no later than 4:30 p.m. on 29 April 2010 for completion of the registration of the relevant transfer in accordance with the Articles of Association of the Company. Computershare Hong Kong Investor Services Limited's address is as follows:

17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

(5) Shareholders or their proxies must present proof of their identities upon attending the Annual General Meeting. Should a proxy be appointed, the proxy must also present copies of his/her Proxy Form, copies of appointing instrument and power of attorney, if applicable.

(6) The Annual General Meeting is expected to last not more than one day. Shareholders or proxies attending the Annual General Meeting are responsible for their own transportation and accommodation expenses.