HUNAN NONFERROUS METALS CORP., LTD.

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

(Stock Code: 02626)

2010 annual report

annual report 2010

CONTENTS

SUMMARY OF FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December				
	2006	2007	2008	2009 (Restated)	**2010**
			(RMB'000)		
REVENUE	17,765,129	21,493,689	15,588,436	18,038,741	**21,594,348**
Cost of sales	(15,152,177)	(19,412,091)	(14,003,659)	(16,661,431)	**(19,345,755)**
Gross profit	2,612,952	2,081,598	1,584,777	1,377,320	**2,248,593**
Other revenue and gains	186,560	358,132	379,289	199,638	**321,799**
Selling and distribution costs	(234,905)	(311,318)	(356,567)	(311,670)	**(403,236)**
Administrative expenses	(896,408)	(970,601)	(1,282,889)	(1,014,684)	**(1,297,595)**
Other operating expenses, net	(249,466)	(27,829)	(407,118)	(38,045)	**(48,267)**
Finance costs	(245,022)	(343,731)	(441,226)	(454,354)	**(586,451)**
Share of profits and losses of associates	(8,608)	(70,689)	46	(3,916)	**(2,597)**
PROFIT BEFORE TAX	1,165,103	715,562	(523,688)	(245,711)	**(237,440)**
Income tax expense	(290,461)	(239,362)	(132,664)	(67,051)	**(95,572)**
NET PROFIT FOR THE YEAR	874,642	476,200	(656,352)	(312,762)	**(141,868)**
Attributable to:					
Owners of the Company	451,409	314,896	(739,517)	(378,522)	**(12,239)**
Non-controlling interests	423,233	161,304	83,165	65,760	**129,629**
	874,642	476,200	(656,352)	(312,762)	**(141,868)**

SUMMARY OF FINANCIAL INFORMATION

EXTRACTS FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2006	2007	2008 (Restated)	2009 (Restated)	**2010**
			(RMB'000)		
Total non-current assets	6,381,662	8,711,387	9,724,774	10,905,096	**11,485,668**
Total current assets	8,272,793	9,886,861	8,648,631	10,038,664	**10,255,346**
Total assets	14,654,455	18,598,248	18,373,405	20,943,760	**21,741,014**
Total current liabilities	7,175,389	7,476,243	7,295,300	7,153,254	**10,358,956**
Total non-current liabilities	1,708,978	3,083,589	4,415,862	7,308,662	**4,879,425**
Equity attributable to the owners of the Company	4,225,395	5,764,286	4,579,755	4,309,990	**4,268,632**
Non-controlling interests	1,544,693	2,274,130	2,082,488	2,171,854	**2,234,001**
Total equity	5,770,088	8,038,416	6,662,243	6,481,844	**6,502,633**

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

Li Fuli

AUTHORISED REPRESENTATIVES

Liao Luhai
Lam Kai Yeung

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

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

02626

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:
Baker Tilly Hong Kong Limited

Mainland China:
Baker Tilly China 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.

EXECUTIVE DIRECTORS

He Renchun（何仁春）, aged 53, is the former Chairman of the Company and the chairman of HNG. He is a professor and a senior engineer. He has resigned as the Chairman of the Board and an executive director of the Company with effect on 23 August 2010.

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.

Mr. Li Fuli（李福利）, aged 44, is appointed to replace Mr. He Renchun as the executive director of the Company and the Chairman of the Board of the Company and the HNG on 23 August 2010. He graduated from the Financial Accounting Department of Renmin University of China in 1988, and obtained an EMBA degree from Cheung Kong Graduate School of Business in June 2006.

Mr. Li joined China Minmetals Corporation in 1988 and had been subsequently assigned to a number of its subsidiaries. From December 1994 to April 1997, Mr. Li was the Vice General Manager of Minmetals Finance Co. Ltd. of Minmetals Corp.. From April 1997 to January 2008, Mr. Li was the General Manager of Minmetals Finance Co. Ltd. He was also the Vice General Manager of the Finance Branch of Minmetals Corp. from October 2001 to March 2002. From March 2002 to July 2005, Mr. Li was the Vice General Manager of Minmetals Investment & Development Co. Ltd. of Minmetals Corp. (renamed as China Minmetals Corporation in January 2004) and was the General Manager from July 2005 to April 2009. From June 2007 to October 2008, he was the assistant to President of China Minmetals Corporation. Mr. Li has been the Vice President of China Minmetals Corporation since October 2008. Mr. Li has extensive experience in corporate finance, financial management and strategic investment.

Li Li（李立）, aged 47, 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 ("CNNC") 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.

Liao Luhuai（廖魯海）, aged 40, 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)(中國石油大學(北京))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 55, 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. He has been re-designated from an executive director to a non-executive director of the Company with effect from November 2010.

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 September 2005 to November 2010, Mr. Chen has been our Executive Director, deputy general manager and financial controller. He is Executive Director, deputy general manager and financial controller HNG from November 2010.

Guo Wenzhong（郭文忠）, aged 48, is our Executive Director and financial controller with effect from November 2010. He graduated from Zhejiang Zhijin Economic Professional School (now renamed as Jiaxing University) in 1985 with a major in Finance and Accounting, and graduated from Hunan Administration Institute with a bachelor degree in Laws in December 2004. He is a senior accountant, a member of the Chinese Institute of Certified Public Accountants and a Senior International Finance Manager.

Prior to joining the Company, Mr. Guo worked in the financial department of the China Nonferrous Metals Industry Corporation from August 1985 to April 1988. From April 1988 to October 1997, he was the manager of the financial department of the China Nonferrous Metals Import and Export Company, in which from June 1989 to September 1989 and from January 1995 to July 1996, he was assigned to be the financial manager of Hunan Metals Company Limited in Hong Kong twice. From October 1997 to April 2002, Mr. Guo was the general manager of Hunan Nonferrous Metals Enterprise Finance Company ("HNME Finance"). From April 2002 to September 2004, Mr. Guo was the general manager of Hunan Nonferrous Investment Company Limited. From October 2002 to September 2004, Mr. Guo also acted as the researcher of Hunan Nonferrous Metals Industry Company ("HNMC"). Mr. Guo was the manager of the audit and legal department of Hunan Nonferrous Metals Holding Group Company Limited. from September 2004 to September 2005. From September 2005 to July 2006, Mr. Guo was the manager of the financial department of the Company. Since July 2006, Mr. Guo is the deputy financial controller and manager of the financial department of the Company.

NON-EXECUTIVE DIRECTORS

Cao Xiuyun（曹修運）, aged 49, is 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.

Huang Guoping（黃國平）, aged 48, is our Non-executive Director with effect from November 2010. He graduated from Central South Institute of Mining and Metallurgy in July 1983 with a major in Nonferrous Metals Metallurgy. He is the Executive Director and the Secretary of the party committee of HNG, and the Deputy General Manager of HNG responsible for General Affairs.

Mr. Huang joined the workforce in 1983. From August 1983 to January 1993, he had worked in production department of the head office of China National Nonferrous Metals Industrial Corporation and Lead and Zinc Bureau of China Nonferrous Metals Industry Corporation before he joined China Minmentals Corporation. From January 1993 to January 1997, Mr. Huang was the Department Manager of Department One of Jinpeng Nonferrous Metals Mining Development Corporation. From January 1997 to January 1998, Mr. Huang was the head of the lead and zinc department of China National Nonferrous Metals Industry Trading Group Corporation. From January 1998 to December 2000, Mr. Huang was the deputy division head of China National Nonferrous Metals Industry Trading Group Corporation. In December 2000, Mr. Huang joined the head office of China Minmentals Corporation, and he was the deputy general manager of the zinc and lead department China National Nonferrous Metals Industry Trading Group Corporation of the head office of China Minmentals Corporation from December 2000 to April 2002. From October 2002 to October 2004, Mr. Huang was the general manager of the aluminum department of China Minmetals Non-Ferrous Metals Co. Ltd. as well as the person in charge of the project in Nandan county of Guangxi province. Since August 2010, Mr. Huang act as the director and the deputy secretary of the party committee of Hunan Nonferrous Metals Holding Group Company Limited ("HNG"), and the Deputy General Manager of General Affairs of HNG. Mr. Huang act as the Executive Director and the Secretary of the party committee of Hunan Nonferrous Metals Holding Group Company Limited ("HNG"), and the Deputy General Manager of HNG responsible for General Affairs with effect from December 2010.

Chen Zhixin（陳志新）, aged 55. He has been re-designated from an executive director to a non-executive director of the Company with effect from November 2010. Please refer to above for Mr. Chen's profile in the executive directors' section.

Wu Longyun（吳龍雲）, aged 59, is our Non-executive Director. He is a professor and senior administrator（高級政工師 . He has resigned as a non-executive director of the Company with effect from November 2010.

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. For age reason, Mr. Wu has quit all posts in HNG from November 2010.

Zhang Yixian（張一憲）, aged 56, has been our Non-executive Director, and a deputy general manager at HNG since December 2005. He is a senior economist. He has resigned as a non-executive director with effect from November 2010.

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. At present, Mr. Zhang is consultant 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(中國銀行紳未分行）. 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紳未辦事處）. 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 73, 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.

Wan Ten Lap（溫天納）, aged 41, 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 47, 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 71, 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）.

Choi Man Chau, Michael（蔡文洲）, aged 53, 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 an independent nonexecutive director of Oriental Watch Holdings Limited and Simsen International Corporation 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), Dynamic Energy Holdings Limited, and Nam Tai Electronic & Electrical Products Limited.

SUPERVISORS

Zeng Shaoxiong （曾少雄）, aged 51, is presently a deputy general manager of HNG and the chairman of our supervisory standing committee ("Supervisory Standing Committee"). He is a senior engineer. He has resigned as the chairman of supervisory standing committee with effect from November 2010.

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 Mr. Zeng has been redesigned to China Minmentals Corporation from November 2010.

Jin Liangshou（金良壽）, aged 53, is the chairman of our supervisory standing committee with effect from November 2010. He is a senior accountant, a member of the Chinese Institute of Certified Public Accountants, and a Certified Public Valuer in the People's Republic of China.

Mr. Jin graduated from Zhuzhou Metallurgy Industrial School in July 1981. Mr. Jin studied in the Acconting Department of Cental China Finance University from May 1984 to September 1989 and obtained a bachelor degee. From July 1981 to July 1986, Mr. Jin worked in various positions at Zhuzhou Cemented Carbides Group Co., Ltd. ("Zhuzhou") including the capital department manager, assistant to the manager (at deputy level), the deputy manager and the manager of the department of finance. From July 1994 to July 1998, Mr. Jin was the manager of the department of finance of Zhuzhou. Between 1998 and 2004, Mr. Jin was a researcher at HNMC and the deputy general manager and general manager of HNME Finance. Mr. Jin joined HNG in August 2004.

He Hongsen（賀洪森）, aged 50, 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.

Chen Hui（陳輝）, aged 41, is one of the Supervisors with effect from November 2010. Mr. Chen is a member of the Chinese Institute of Certified Public Accountants. He graduated from The University of International Business & Economics in July 1992 with a major in International Finance.

Mr. Chen Hui jointed the workforce in 1992. From August 1992 to October 1997, he worked in Minmetals Corp. From October 1997 to July 1999, Mr. Chen was the deputy manager of financial department of Minmetals Corp. From July 1999 to April 2000, Mr. Chen was the department manager of financial department of Minmetals Corp. From April 2000 to May 2001, Mr. Chen was the department manager of financial department of China Minmetals Corporation. From May 2001 to November 2002, he was the assistant of general manager of Minmetals Development Co., Ltd. From November 2002 to November 2010, he was the deputy general manager of financial department of China Minmetals Corporation. Mr. Chen is the deputy financial controller of HNG since November 2010.

Liu Xiaochu(劉曉初), aged 65, 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.

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 is our Supervisor since March 2007. Mr. Qi has resigned as a supervisor from December 2010.

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 33, 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. has resigned as a supervisor from December 2010.

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 43, 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.

Kang Weihua （康衛華）, aged 40, a Supervisor of the Company. He holds a doctorate degree in economics, and is a post-doctoral researcher in business administration, a senior economist and a visiting scholar of Cambridge University.

Mr. Kang first joined the Group in May 2008. From May 2008 and November 2010, he was the director of the Secretariat Office. He is currently the head of the Finance and Securities Department of the Group.

Mr. Kang graduated from Xiantan University in 1992 with a bachelor degree of arts and a minor major in economics. He obtained a master degree in science from Nankai University in 1995 and obtained a doctorate degree in economics from the Faculty of Finance of Nankai University in July 2003. He completed the post-doctoral research program in business administration from Nankai University in November 2007. Prior to joining the Group, Mr. Kang worked for Tianjin Jinwan Media Group（天津今晚傳媒集團）and had served as various positions including the director of the administration office at department level of Jinwan Media Group（今晚傳媒集團）, general manager of Jinwan Media Investment Company Ltd（今晚傳媒投資有限公司）, and vice general manager of Jinwan Newspaper Group Holdings Ltd （今晚報業集團控股有限公司）.

Hou Xiaohong （侯曉鴻）, aged 40, a Supervisor representing staff. He is a senior engineer.

Mr.侯graduated from Central South University with a major in geological and mining exploration and obtained a bachelor degree of engineering. He was a candidate of MBA advanced studies in Central South University from February 1993 to March 1995. He graduated from Central South University and obtained a master degree of engineering with a major of geophysical prospecting research in May 1995 and a doctorate degree of management with a major of business administration in July 1999. He graduated from Fudan University with a major of applied economics and obtained a post-doctoral certificate of applied economics in 2004. Prior to joining the Company, he worked as a marketing manager and assistant of general manager in a subsidiary of Hunan foreign construction Group Company （湖南對外建設闂公司)from July 1995 to August 1996. He worked for the General Office of Hunan Provincial Committee from August 1999 to July, and worked for Shanghai Futures Exchange in August 2002. He served as chief analyst in Tai Yang Future Agent Company（泰陽期貨經紀公司）in 2005 and vice general chairman of Hunan Tali Engineering Machinery Co., Ltd（湖南天立工程機械公司）in 2006. He joined the Company in July 2009 and worked for the Finance and Securities Department of Hunan Nonferrous Metals Corporation Limited as senior officer from July 2009 to November 2010. He works as the vice director of the Secretariat Office and is in charge of the Secretariat Office of Hunan Nonferrous Metals Corporation Limited since November 2010.

INDEPENDENT SUPERVISORS

Ou Wen(歐文), aged 43, has been our Supervisor since March 2009. Mr.Ou has resigned as a Supervisor with effect from November 2010.

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.

Xiao Yinong(籥亦農), aged 43, has been our Supervisor since December 2010. Mr.Xiao graduated from East China Normal University in July 1990 with a major in Mathematics and Statistics, and acquired a Master's Degree in Public Administration from National University of Defense Technology.

Mr. Xiao joined the workforce in July 1990. From July 1990 to December 1990, he was an assistant accountant in Hengyang Steel Tube Company Limited. From December 1990 to December 1991, he was a member of the teaching team of the rural community of the Hengyang Municipal Party Committee. From December 1991 to May 1997, he was an officer of the quality office, corporate management department, quality inspection department, technology department of Hengyang Steel Tube Company Limited. From May 1997 to March 2005, Mr. Xiao was an officer, deputy supervisor officer and department head of the economic operation department, as well as a department head of corporate department. From March 2005 to May 2008, Mr. Xiao was the deputy supervisor and a member of the Party Committee of the State-owned Assets Supervision and Administration Commission of Hengyang city. From May 2007 to March 2008, he was a researcher of the State-owned Assets Supervision and Administration Commission of Hengyang city. From March 2008 to August 2010, Mr. Xiao was the deputy director and researcher of the State-owned Assets Supervision and Administration Commission of Hunan province. Mr. Xiao is appointed to be the specialist supervisor (Leading roles of divisions or equivalents) of HNG of China Minmetals Corporation by the provincial government since September 2010.

Liu Dongrong(劉冬榮), aged 69, 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.

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. Mr.Zhou has resigned as the deputy general manager of the Company on 10 November 2010 and has been re-designated to HNG as Deputy Secretary of the party committee of HNG.

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. Mrs. Deng has resigned the deputy general manager of our Company on 10 November 2010 and has been re-designated to HNG as Secretary to Board of Directors of HNG.

Hong Mingyang(洪明洋), aged 53, 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(郴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.

Sheng Zhongjie(盛忠傑), aged 49. 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 42, has been the company secretary and qualified accountant of the Company since joining the Group in July 2006, he also served as the Chief Financial Officer of a Hong Kong subsidiary of HNG. 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 holds a bachelor degree of Accounting from Xiamen University and a Master Degree in Business Administration from Oxford Brookes University in the United Kingdom.

Dear Shareholders,

I hereby present the report of Hunan Nonferrous Metals Corporation Limited ("HNC" or the "Company") for the period from 1 January 2010 to 31 December 2010 and the report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010. 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 2010, the turnover of the Group was RMB21,594 million, representing an increase of 19.71% as compared to 2009. The profit attributable to equity holders of the parent was RMB12 million (2009: loss of RMB379 million). The basic earnings per share of the Group was RMB0.33 cents. The Board of Directors does not recommend the payment of any dividend for the year ended 31 December 2010 (2009: nil).

BUSINESS REVIEW

In 2010, the production and operation environment were improved and the Group has recorded a steady growth in its operating results. In light of the global economy recovery and increase of metal demands, the Group was focusing on two issues: first, cost control and revenue and efficiency improvements; secondly, cash flow control. The non-ferrous metal product market was improved that the prices of tungsten, zinc, lead and antimony were increased sharply. The Group has enhanced its market research, improved the product structures, strengthened its production capability at appropriate timing and monitored the sales strategy. As such, the operation performance and efficiency of the Company have been greatly improved since the financial crisis.

- During the reporting period of 2010, as compared to 2009, the Group's production of zinc was 542,691 tons, representing an increase of 13.06%; production of lead was 103,035 tons, representing a decrease of 1.49%; production of cemented carbides was 8,118 tons, representing an increase of 20.23%;production of antimony was 32,496 tons, representing an increase of 11.78%; production of zinc concentrates was 22,064 tons, representing a decrease of 2.89%; production of lead concentrates was 9,908 tons, representing a decrease of 4.10%; production of tungsten concentrates was 6,994 tons, representing an increase of 22.06%.

- During the reporting period of 2010, the Group focused on its output and sales by strengthening its production and operation synergy. The Group has enhanced its guidance and coordination in relation to the production capacity of its member companies and improved the structures of products. As such, the Group was able to achieve several tungsten production targets relating to the major operation issue of the member companies and ensured the overall efficiency of the production system of the Group. Each subsidiary has grasped the market opportunity to improve its production capacity efficiently and achieved a rapid growth of operation scale as a result.

- In 2010, the Group focused on products sales and budget managements to limit the cost strictly and improve its operation performance continuously. By implementing a number of cost reduction measures, including monthly analysis of financial condition and assessment of controllable costs. The Group has comprehensively implemented the budget management strengthened the control process and minimised,the operation cost. Moreover, in relation to the market change, the Group has strengthened its product structures and price anticipations research to increase the price of the products, business efficacy and products sales by every means. As a result, the business performance has improved continuously.

- In 2010, apart from integrating existing investment projects, the Group has focused on developing new profitable source and improving investment structures. New projects such as Atmospheric Direct Leaching System with Oxygen (常壓富氧直接浸出系統專案), Kivcet Lead Refinery Project with Zinc Leach Residue (搭配鋅浸出渣直接煉鉛項目) of Zhuye Listco, Technological Improvement Project in Production Lines of High Performance Ultra-fine grained Hard Metals (高性能超細晶硬質合金生產綫技術改造項目) of Zhuying Group and Technological Improvement Project of Tungsten and Molybdenum Wires (鎢絲鉬絲技改專案) of Ziying Company. In respect of resources allocation, both the Xintianling Project (新田嶺專案) and the Canadian Antimony Mine Project (加拿大銻礦項目) achieved their production targets. Canadian Antimony Mine Inc. (加拿大銻礦公司) met the production and operation targets in July 2010 with a total antimony production volume of 5,598 tons, which became a new profitable source to the Group in 2010. The completion of the construction of the Xintianling Project in relation to tungsten concentrates productions is expected to become another profitable source to the Group in 2011. Based on the principle of risk control and flexible operation, the Group took steps to minimise the resources exploration risks and withdraw from long-term and high-risk investment projects such as King Island Scheelite Mine Project of Australia (澳大利亞皇島鎢礦專案). As such, the Group was able to control investment risks and improve its investment structures.

- In 2010, the Group introduced various measures to improve safety, environmental protection, energy saving and emission reduction. Though the activity of"Year of Safe Production", the Group has implemented various safe production measures and emphasised on safe production accountability and emission reduction. These initiatives ensured effective performance in safe production energy saving and emission reductions.

- In 2010, the endeavours of the Group in technological innovation were proven successful. The Company submitted 110 patents and was granted 70 patents. It also received one first class and three third class Technology Advancement Awards from Hunan Province. "The Preparation Technology of High Performance Tungsten Composite Materials and Its Application" (高性能鎢基複合材料製備技術與應用) of Zhuying Company received the first class "Technology Advancement Award of China Nonferrous Metal Industry" (中國有色金屬工業科技進步獎). Moreover, technological achievements are becoming more significant to the economy efficacy.

- In 2010, the Company strengthened its internal control system and improved its core business process to enhance the standard of corporate governance. Significant rules and systems were introduced and improved so as to enhance the operation standard of the Company.

MARKET REVIEW

After the drastic drop of metal price during the financial crisis, the market of non-ferrous metals in China has begun to fully recover in 2010. It is estimated that in 2011 the market of non-ferrous metals in China will continue its previous year performance, which may lead to substantial expenses growth, further enhancement of production capacity and significant price increase.

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

Tungsten Market

There was an overall upward trend in the price of tungsten in 2010 despite a few adjustments. Owing to the growth of the global economy from January to July, the recovery of demands and the increase of export volume facilitated the continuous rebound of tungsten price. The price of China's tungsten increased from RMB70,000-72,000 per ton to RMB84,000-85,000 per ton during the period. The price of tungsten concretes has dropped since mid July as the amount of overseas purchase reduced during the long vacation. Nonetheless the decrease was little which was only about RMB5,000 per ton. The demands began to rebound from mid and late August. Coupled with the decrease in production of domestic tungsten concretes due to heavy rainfall, the shortage of supply boosted the increase in the tungsten price. The shortage of supply was further aggravated by the government's energy saving and emission reduction policies which limited the use of electricity by enterprises in September. The price of tungsten concretes soared from RMB83,500-85,000 per ton to RMB115,000-116,000 per ton.

In 2010, the average price of tungsten concretes was RMB86,000-88,000 per ton in China, representing an increase of 36.24% as compared to last year. The highest and lowest prices were RMB115,000-116,000 per ton and RMB70,000-72,000 per ton respectively. The average price of APT was RMB133,000-135,000 per ton, representing an increase of 35.84% as compared to last year. The highest and lowest prices were RMB174,000-178,000 per ton and RMB107,000-110,000 per ton respectively.

The average price of APT in the Europe market was US$240-246 per ton in 2010, representing an increase of 26%. The highest and lowest prices were US$330-340 per ton and US$185-210 per ton respectively. The average price of Ferro-tungsten was US$30.9-32.1 per kg, representing an increase of 18% as compared to last year.

Affected by factors such as RMB appreciation, steady supply and rapidly-growing demands, the average price of tungsten concretes is expected to be maintained at a high level with approximately RMB100,000 per ton in 2011.

Lead Market

The trends of domestic and overseas lead prices were basically similar and featured a V-shaped recovery in 2010.

In the international market, the price of three-month lead futures quoted on LME decreased from US$2,392 per ton in January to US$1,728 per ton in June, representing a decrease of 27.8%. It dramatically rebounded by over 39% to US$2,408 per ton in December. The average spot price quoted on LME was US$2,150 per ton in 2010, representing an increase of 24.9% as compared with last year.

In the domestic market, the average market price of lead concentrates decreased from RMB16,480 per ton in January to RMB14,519 per ton in June, representing a decrease of 11.9%, which was far lower than that of the overseas market. It surged by 18.4% to RMB17,184 per ton in December. According to the statistics of China Nonferrous Metals Industry Association, the domestic production of refined lead amounted to 4.199 million tons in aggregate in 2010, representing an increase of 13.25% as compared with the previous year.

It is expected that the price of lead quoted on LME will be highly volatile and maintained a rising momentum in 2011 while the price of lead in China may fluctuate between RMB15,000 and RMB20,000.

Zinc Market

In general, the price of zinc fluctuated within a wide band with high volatility in 2010.

For international market, the highest and lowest prices of three-month zinc futures quoted on LME were US$2,730 per ton and US$1,580 per ton, respectively, during the year. The annual average price was US$2,185 per ton, representing an increase of 30% as compared with 2009.

For the domestic market, the highest price and the lowest price of zinc futures on the Shanghai Stock Exchange in 2010 were RMB21,785 per ton and RMB13,480 per ton respectively, while the closing price was RMB19,695 per ton. The annual average price was RMB16,690 per ton, representing an increase of 21.5% as compare with last year.

The global production of zinc was 12.21 million tons in 2010, representing an increase of 9.4% as compared with last year.

It is estimated that the domestic zinc market in 2011 will continue to follow the trend as in 2010. Due to inflation, the price hike of zinc is expected to continue in 2011. It is also expected that the annual average price of zinc in 2011 will be slightly higher than that of 2010. The price of three-month zinc futures quoted on LME will fluctuate between USD2,100 and RMB2,600 per ton, while the domestic spot price is estimated to fluctuate between RMB16,000 and RMB22,000 per ton.

Antimony Market

In 2010, China's antimony market was best known for the ever-rising record high prices of antimony. The price of antinomy remains at a high level at present.

The annual average price of 2# antinomy in the domestic market in 2010 was RMB60,838 per ton, representing an increase of 72.7% as compared to last year. The annual average price of antinomy (Class II) in the overseas market was USD8,999 per ton, which was 74.4% higher as compared to last year.

In respect of the domestic market, the antimony market in 2010 has been robust since the beginning of the year. The price of antimony was on the rise and the first round of price hike ended at a new record high of RMB65,000 per ton in early May. The price of antimony slumped since mid-May and bottomed out at the end of June. In July, the prices of antinomy ingots and antimony oxide kept rising for nearly a month. After a slight downward adjustment in August, the prices rebounded with a continuous surge until the end of the year. In December 2010, the ex-factory price of 2#antinomy ingots reached RMB83,500-85,500 per ton, which was a new record high and represented an increase of 100% as compared to the price of RMB42,000-42,500 per ton at the beginning of the year.

The change of the international antimony market was in line with that of the domestic market in general. Hence, the price movement of the international antimony market was similar to that of the domestic market except for a lag in price reflection.

It is estimated that China will continue to lead the market trend of antimony in 2011. Due to the prolonged problems of severe supply shortage triggered by scarce antimony concentrate, the price hike of the antimony market will continue with fluctuations, the average price is estimated to be RMB70,000 per ton or above.

BUSINESS PROSPECTS AND OUTLOOK

The year 2011 is the first year of the "Twelfth Five-Year Plan". It is estimated that the demand for metals from the real economy will continue to rise and consumption of metals will grow further. Adhering to its development strategies, the Group will fully capitalise on the favourable conditions and positive factors to further strengthen its strong development momentum through sound operation. The Group will increase the resources reserves and the proportion of internal supply. Management resources will be further consolidated to improve the capital structure of the Company and to optimise the structure of production chain. It will step up effort to strengthen the management on capital chain and cost. The Company will also speed up the transformation of its development in order to realise a healthy growth in operating results in 2011.

- The Company will accelerate the integration of internal and external resources and optimise resources allocation to strengthen the principle business and the business chain of each business segment. 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 tighten its control on cost and expenses and endeavour to establish the financial information system. The management and control system of the Company will also be optimised. 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 for the effective control of finance, human resources and operations. The Company will also reinforce the control and the decision implementation of its subsidiaries. It will also unify the material procurement and product sales of its subsidiaries so as to achieve synergy and improve operating efficiency as well as resources sharing between the parent company and its subsidiaries.

- The Company will continue to identify potential acquisition targets and explore the domestic and overseas mineral resources. The Company will also explore local, domestic and overseas strategic resources such as tungsten, antimony, lead, zinc, copper, gold, silver and tin. 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 in order to achieve a leapfrog growth.

- The Company will further develop its key projects and endeavour to commence the operation of the newly invested projects. The Company will develop a new management model to strengthen the supervision over investment projects. For existing domestic and overseas projects that are in line with the development strategies of the Group and are of great potential to enhance its core competitiveness, the Company will enhance its management of bid and tender, economise their investment and enhance their subsequent management to accelerate the commencement of the projects. Regarding high risk project, the Company will keep feasibility study, make decision cautiously so as to strictly control investment risk.

- 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 support for management and control, as well as decision-making of the Group.

- The Company will strive to implement the safety and environment protection measures and fulfil its responsibilities in these aspects. It will also facilitate the standardisation of safe operation procedures and strive for energy saving and emission reduction. It will continuously enhance the investment in safety and to promote the safe and green development of the Company.

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. Committed to preserving the limited natural resources and striving for continuous innovation, we will welcome the new era of full economic recovery of the world.

Li Fuli
Chairman

Changsha, PRC
18 March 2011

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 2010. 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. Li Fuli (replacement of Mr. He Renchun), Mr. Li Li, Mr. Liao Luhai and Mr. Guo Wenzhong (replacement of Mr. Chen Zhixin); another four of whom are non-executive directors including Mr. Cao Xiuyun, Mr. Huang Guoping (replacement of Mr. Wu Longyun), Mr. Chen Zhixin (replacement of 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. Li Fuli 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. Li Fuli 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 2010, the Company held ten regular Board meetings, attendance rates of them are follows:

Mr. Li Fuli	100%
Mr. He Renchun	90%
Mr. Li Li	100%
Mr. Liao Luhai	100%
Mr. Guo Wenzhong	100%
Mr. Chen Zhixin	90%
Mr. Cao Xiuyun	90%
Mr. Huang Guoping	100%
Mr. Wu Longyun	100%
Mr. Zhang Yixian	70%
Mr. Zou Jian	90%
Mr. Kang Yi	80%
Mr. Gu Desheng	90%
Ms. Chen Xiaohong	90%
Mr. Wan Ten Lap	80%
Mr. Choi Man Chau	100%

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 2010 were as follows:

1. Resolution in relation to the election of Mr. Li Fuli as the Chairman of the Company;
2. Resolution in relation to termination of the co-operation with KIS regarding redevelopment of King Island Scheelite mine;
3. Resolution in relation to the adjustment and extension of appointment of senior management; and
4. Resolution in relation to the renewal of existing continuing connected transactions and new continuing connected transactions for 2010 to 2012.

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 2010 to 31 December 2010 (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 Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee

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

STRATEGY COMMITTEE

A strategy committee has also been established by the Board. The Committee consists of four executive directors Mr. Li Fuli (replacement of Mr. He Renchun), Mr. Li Li, Mr. Liao Luhai, Mr. Guo Wenzhong, 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. Li Fuli 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.

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. Chen Zhixin (replacement of 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 2009 and the interim results for 2010.

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. Cao Xiuyun (replacement of 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 Huang Guoping (replacement of 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.

SUPERVISORY COMMITTEE

The Company's supervisory committee consists of nine Supervisors. Mr. Jin Liangshou (replacement of Mr. 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. Three meetings were held by the Supervisory Committee during the reporting period in 2010. 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 2010, three Shareholders' Meetings were conducted at which, among other things, the following matters were considered and passed:

1. In the annual shareholders'general meeting held on 31 May 2010, resolutions regarding the audited consolidated financial statements of the Company for the year ended 31 December 2009 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 2010 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 were approved;

2. In the extraordinary general meeting held on 20 July 2010, resolution regarding the renewal of existing continuing connected transactions and new continuing connected transactions for 2010 to 2012 was partial approved;

3. In the extraordinary general meeting held on 29 December 2010, resolution regarding extension of the term of Mr. Li Fuli as an executive director of the Company, extension of the term of Mr. Guo Wenzhong as an executive director of the Company, extension of the term of Mr. Huang Guoping as an non-executive director of the Company, extension the term of Mr. Chen Zhixin as an non-executive director of the Company, consideration and election of Mr. Chen Hui and Mr. Xiao Yinong as a supervisor on behalf of the shareholders of the Supervisory Standing Committee of the Company were 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 2010, an internal compliance review committee was established to review the internal control system of the Company under the supervision of Mr. Lam Kai Yeung 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 2010, 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 2010 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.

OVERVIEW

Profit before income tax amounted to RMB237 million for the year ended 31 December 2010, representing an increase of RMB483 million, or 196.34%, from the loss of RMB246 million for the year ended 31 December 2009. The profit attributable to equity holders of the parent was RMB12 million, from loss of RMB379 million for the year ended 31 December 2009.

The following is the comparison of the two years ended 31 December 2010 and 31 December 2009:

TURNOVER

Turnover increased to RMB21,594 million for the year ended 31 December 2010, from RMB18,037 million for the year ended 31 December 2009, representing an increased of RMB3,555 million, or 19.71%, primarily due to the increases in turnover before sales tax and surcharge of RMB1,236 million or 63.55% for the nonferrous metals mine segment, the increase of RMB778 million or 6.62% for the nonferrous metals smelting segment , and the increase of RMB1,571 million or 35.48% for the cemented carbides, tungsten, molybdenum, tantalum, niobium and their compounds segment.

Our gross profit increased by RMB872 million or 63.33% from RMB1,377 million for the year ended 31 December 2009 to RMB2,249 million for the year ended 31 December 2010. The gross profit margins increased from 7.64% for the year ended 31 December 2009 to 10.41% for the year ended 31 December 2010.

NONFERROUS METALS MINE SEGMENT

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

	2010		2009	
	Sales volume (ton)	**Average selling price (RMB/ton)**	Sales volume (ton)	Average selling price (RMB/ton)
Shizhuyuan				
Tungsten concentrates	**4,177**	**68,697**	3,900	50,922
Oxidized molybdenum	**997**	**97,026**	1,054	85,146
Huangshaping Branch				
Zinc concentrates	**6,201**	**9,462**	5,024	7,598
Lead concentrates	**5,186**	**16,633**	4,027	12,506
Hsikwangshan				
Antimony products	**30,473**	**44,256**	28,811	26,410
Zinc products	**30,115**	**15,304**	36,671	12,151
Xin Tianling				
Tungsten concentrates	**863**	**86,091**	—	—

Turnover before sales tax and surcharge of the nonferrous metals mine segment increased by RMB1,236 million, or 63.55%, from RMB1,945 million for the year ended 31 December 2009 to RMB3,181 million for the year ended 31 December 2010. The increase of turnover is primarily due to the observably increase of average selling prices of the main nonferrous metals mine products compared to 2009.

Gross profit from our nonferrous metals mine segment increased by 244.60% from RMB193 million for the year ended 31 December 2009 to RMB665 million for the year ended 31 December 2010. Gross profit margin for the year ended 31 December 2010 increased to 20.89% from 9.92% for the year ended 31 December 2009. The increase in gross profit margin of this segment was attributable to the increase 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:

	2010		2009	
	Sales volume (ton)	**Average selling price (RMB/ton)**	Sales volume (ton)	Average selling price (RMB/ton)
Zinc products	**508,680**	**15,360**	442,103	12,088
Lead products	**98,489**	**14,281**	103,489	12,070
Precious metal - indium	**160**	**3,695,720**	0.2	2,564,115
Precious metal - silver	**99**	**3,893,215**	98	2,813,912

Turnover before sales tax and surcharge of the nonferrous metals smelting segment increased by RMB778 million, or 6.62%, from RMB11,757 million for the year ended 31 December 2009 to RMB12,535 million for the year ended 31 December 2010. The increase in turnover is primarily due to the increase of sales volume of the zinc products as compared with 2009 as well as the increase of sales volumes of lead products.

Gross profit from our nonferrous metals smelting segment decreased by RMB92 Million or 12.53% from RMB734 million for the year ended 31 December 2009 to RMB642 million for the year ended 31 December 2010. The gross profit margin decreased by 1.12%, from 6.24% for the year ended 31 December 2009 to 5.12% for the year ended 31 December 2010. The gross profit margin was lightly affected because the decrease of the gross profit of zinc product and Lead product are approximately equal with the increase of the gross profit of indium product.

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:

	2010		2009	
	Sales volume (ton)	Average selling price (RMB/ton)	Sales volume (ton)	Average selling price (RMB/ton)
Cemented carbides	**13,475**	**278,100**	11,003	249,630
Tungsten and compounds	**11,065**	**142,661**	9,620	119,079
Molybdenum and compounds	**649**	**323,499**	587	286,796
Tantalum, niobium and their compounds	**195**	**915,266**	166	569,663

Turnover before sales tax and surcharge of the cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment increased by RMB1,571 million, or 35.48%, from RMB4,428 million for the year ended 31 December 2009 to RMB5,999 million for the year ended 31 December 2010. The increase of turnover is primarily due to the increase in average sales price of the cemented carbide, tungsten and its compounds as well as the increase in average sales price of molybdenum and its compounds.

Gross profit from the cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment increased by RMB492 million or 109.33% from RMB450 million for the year ended 31 December 2009 to RMB942 million for the year ended 31 December 2010. Gross profit margin for the year ended 31 December 2010 increased to 15.71% from 10.17% for the year ended 31 December 2009. The increase is primarily due to increase in the average selling prices of the cemented carbides products, the tungsten and its compounds higher than the increase in the average cost of the cemented carbides products, the tungsten and its compounds segment.

OTHER INCOME AND GAINS

Other income and gains increased by RMB111 million, or 71.61% from RMB155 million for the year ended 31 December 2009 to RMB266 million for the year ended 31 December 2010. The increase was primarily due to the government granted and the sales of scrapped.

SELLING AND DISTRIBUTION COSTS

The selling and distribution costs increased by RMB91 million, or 29.17% from RMB312 million for the year ended 31 December 2009 to RMB403 million for the year ended 31 December 2010. The increase was primarily due to the cost control policy. The increase was due to the increase of sales volume of the cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds.

ADMINISTRATIVE EXPENSES

The administrative expenses increased by RMB138 million, or 15.65% from RMB882 million for the year ended 31 December 2009 to RMB1,020 million for the year ended 31 December 2010. The increase was primarily due to the cost control policy and the increase of the business activities. Compared with the last year, research and development increased by RMB50 million. Repair and Maintenance increased by RMB18 million. Exchange gain decreased by 57 million.

OTHER EXPENSES, NET

Other expenses, net increased by RMB10 million, or 26.32% from RMB38 million for the year ended 31 December 2009 to RMB48 million for the year ended 31 December 2010. The main reasons were due to the decreased on the extraordinary loss and the loss on the fair value of tradable financial assets. The main reason was due to the? balance payment for RMB25.08 Million paid to its' former shareholder(s)? by Canada Beaver Brook Antimony Mine Limited (加拿大水獺溪銻礦有限公司).

FINANCE COSTS

The finance costs increased by RMB132 million, or 29.07% from RMB454 million for the year ended 31 December 2009 to RMB586 million for the year ended 31 December 2010. The increase was primarily due to the increase in bank loans and other loans.

INCOME TAX EXPENSES

The income tax expenses increased by RMB29 million, or 43.28% from RMB67 million for the year ended 31 December 2009 to RMB96 million for the year ended 31 December 2010. The increase was primarily due to the increase in the volume of sales and the average selling price of the product. Most of the subsidiary companies recorded operating profits and therefore the income tax expenses increased in 2010.

MINORITY INTERESTS

The minority interest increased by RMB64million, or 96.97% from RMB66 million for the year ended 31 December 2009 to RMB130 million for the year ended 31 December 2010, primarily due to the increase in operating profits of the Group.

PROFIT/(LOSS) ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT

The net profit attributable to the equity holders of the parent increased by RMB391 million, or 103.17% from the loss of RMB379 million for the year ended 31 December 2009 to the profit of RMB12 million for the year ended 31 December 2010, and the net profit margin increased from -1.73% for the year ended 31 December 2009 to +0.66% for the year ended 31 December 2010. The increase was primarily due to the increase of operating profits of the Group.

LIQUIDITY AND SOURCE OF FUNDS

For the year ended 31 December 2010, 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 and the capital expenditure. As of 31 December 2010, the cash and cash equivalents of the Group amounted to RMB1,806 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 ("EUR") and Others accounted for approximately 72.69%, 13.10%, 4.42%, 5.05%, 2.89%, 1.55% and 0.30% respectively).

For the year ended 31 December 2010, total amount of the short-term and the long-term bank loans and other borrowings denominated in RMB, USD, AUD, EUR and Swiss Franc (CHF) accounted for approximately 84.70%%, 13.70%, 1.43%, 0.14% and 0.03%, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2010, 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 2.98% of our total purchase value

The total purchase from our five largest suppliers was approximately 6.88% of our total purchase value

Sales

The total sales to our largest customer was approximately 3.00% of our total sales value

The total sales to our five largest customers was approximately 9.82% 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 2010, the assets of the Group amounting to a net book value of RMB871 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 RMB633 million and the net book value of prepaid rent amounted to RMB238 million.

As of 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.

DEBT TO TOTAL ASSETS RATIO

As of 31 December 2010, the debt to total assets ratio of the Group increased from 69.05% in 2009 to 70.09% in 2010. 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 managed this risk by 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 RMB11,327 million as of 31 December 2010). The interest charged on the outstanding RMB debts of the Group are calculated at fixed rate and the foreign currency loan are charged at floating rates. 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 for the year ended 31 December 2010 remained unchanged by RMB5 million, same for the year ended 31 December 2009. The main reason for the donations were given to the local village(s) and the projects development by the local government.

CONTINGENT LIABILITIES

As of 31 December 2010, the Group has not contingent liabilities:

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 2010:

	2010 (RMB/k)	Percentage of the total (%)	2009 (RMB/k)	percentage of the total (%)
Nonferrous metals mine	**643,057**	**44.34%**	980,465	55.34%
Nonferrous metals smelting	**372,660**	**25.69%**	280,431	15.83%
Cemented, carbides, tungsten, molybdenum, Tantalum, niobium and their compounds	**432,753**	**29.84%**	510,927	28.83%
The Company and others	**1,871**	**0.13%**	—	—
Total	**1,450,347**	**100.00%**	2,134,695	100.00%

EMPLOYEES

As of 31 December 2010, the Group had a total of 27,370 full-time employees, classified by functions and department as follows:

Department	**Employees**	**Percentage of the total** (%)
Management and administration	2,130	7.8%
Engineering and technical personnel	4,370	16.0%
Production personnel	17,560	64.1%
Repair and maintenance	1,880	6.9%
Inspection	820	3.0%
Sales	610	2.2%
Total	27,370	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 2010 report and the audited financial statements of the Company for the year ended 31 December 2010.

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 2010 and the financial positions of the Company and the Group as at that date are set out in the financial statements on pages 54 to 177.

Due to the Company just recorded profit from suffering loss in 2010, and the Company need to further strengthen its foundation for further development, the Board of Directors did not recommend any final dividend for 2010.

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 that pursuant to the Agreements, Minmetals Nonferrous Metals Holding Company Limited, a wholly-owned subsidiary of China Minmetals, became 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

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.
- In August 2010, the Company used the proceeds in the amount of RMB22.88 million for increasing the registered capital of HNC (Australia) Resources Holding PTY Ltd., a wholly-owned subsidiary of the Company (King Island Scheelite Mine Project).

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	(resigned on 23 August 2010))
Mr. Li Fuli	(appointed on 23 August 2010)
Mr. Li Li	(appointed on 1 September 2005)
Mr. Liao Luhai	(appointed on 1 September 2005)
Mr. Chen Zhixin	(re-designated 10 November 2010)
Mr. Guo Wenzhong	(appointed on 10 November 2010)

Non-Executive Directors:

Mr. Cao Xiuyun	(appointed on 1 September 2005)
Mr. Wu Longyun	(resigned on 10 November 2010)
Mr. Huang Guoping	(appointed on 10 November 2010)
Mr. Zhang Yixian	(resigned on 10 November 2010)
Mr. Chen Zhixin	(appointed on 10 November 2010)
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 2010)
Mr. Wan Ten Lap	(appointed on 1 September 2005)
Ms. Chen Xiaohong	(appointed on 21 December 2007)
Mr. Kang Yi	(appointed on 6 March 2010)

Supervisors:

Mr. Zeng Shaoxiong	(resigned on 10 November 2010)
Mr. Jin Liangshou	(appointed on 1 September 2005)
Mr. He Hongsen	(appointed on 1 September 2005)
Mr. Chen Hui	(appointed on 10 November 2010)
Mr. Liu Xiaochu	(appointed on 1 September 2005)
Mr. Qi Xiaocun	(resigned on 10 November 2010)
Ms. Li Junli	(resigned on 10 November 2010)
Mr. Qi Yang	(appointed on 6 March 2010)
Mr. Kang Weihua	(appointed on 10 November 2010)
Mr. Hou Xiaohong	(appointed on 10 November 2010)
Mr. Ou Wen	(resigned on 10 November 2010)
Mr. Xiao Yinong	(appointed on 29 December 2010)
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 17 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 2010, 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 2010.

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 2010, 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 (Resigned on August 2010)
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 (Resigned on November 2010)
Liao Luhai	769,231	Executive Director
Chen Zhixin	769,231	Non-Executive Director
Wu Longyun	641,027	Non-executive Director (Resigned on November 2010)
He Hongsen	641,026	Supervisor
Zhang Yixian	641,026	Non-executive Director (Resigned on November 2010)
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 (Resigned on December 2009)
Hong Mingyang	512,820	Deputy General Manager
Zhu Songzhou	512,820	Senior Manager of Subsidiary Company (Resigned on May 2010)
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. The exercise period for the Stock Appreciation Rights Plan scheme would expiry after eight years from the date of issued.

SUBSTANTIAL SHAREHOLDERS

To the knowledge of the Directors and Supervisors, as at 31 December 2010, 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 (%)
China Minmetals Corporation	1,947,074,266(L)	Domestic Share	53.08%(L)	
China Minmetals Corporation Limited	1,947,074,266(L)	Domestic Share	53.08%(L)	
China Minmetals Non-ferrous Metals Company Limited	1,947,074,266(L)	Domestic Share	53.08%(L)	
Hunan Nonferrous Metal Holdings Group Company Limited	1,947,074,266(L)	Domestic Share	53.08%(L)	
The Hamon Investment Group Pte Limited	163,502,000 (L)	H Share		10.01(L)
The Dreyfus Corporation	98,514,000 (L)	H share		6.03(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 2010, 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 2010 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 2010.

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. Li Fuli, Mr. Cao Xiuyun, Mr. LiLi, Mr. Huang Guoping and Mr. Chen Zhixin 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 2010.

Post Balance Sheet Events

As at 31 December 2010, the Group had no significant post balance sheet events.

Dividend and Closure of Register of Members

The Directors do not recommend the payment of a dividend for the year end 31 December 2010. The register of Members in Hong Kong will be closed from 15 April 2011 to 18 May 2011, both days inclusive, during which period no transfer of H shares of the Company will be effected. For the identification of qualification, all transfer document accompanied by the relevant share certificates must be lodged with the Company's H share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 14 April 2011.

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. Chen Zhixin (replace Mr. Zhangyixian from November 2010), 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 2009 and interim results for the year 2010.

AUDITORS

The financial statements are audited by Baker Tilly Hong Kong 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
Li Fuli
Chairman

Changsha, PRC
18 March 2011

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. Li Fuli, Li li, Liao Luhai, and Guo Wenzhong as executive directors; Messrs. Cao Xiuyun, Huang Guoping, Chen Zhixin, and Zou Jian as non-executive directors; and Messrs. Kang Yi, Gu Desheng, Ms. Chen Xiaohong, Messrs. Wan Tenlap and Choi Man Chau, Michael as independent non-executive directors.

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 1 September 2005. This session of the Supervisory Committee comprises 9 supervisors.

I. MEETING CONVENED DURING THE REPORTING PERIOD

During the reporting period, three 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 2010, 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 is optimistic about the prospect of the Company. In 2011, 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.

Jin Liangshou
Chairman of the Supervisory Committee

Changsha, PRC
18 March 2011

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
天職香港會計師事務所有限公司

12th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
香港干諾道中168-200號信德中心招商局大廈12樓

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 (together, the "Group") set out on pages 54 to 177, which comprise the consolidated and company's statement of financial position as at 31 December 2010, 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 CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BAKER TILLY HONG KONG LIMITED
Certified Public Accountants
HONG KONG,
LO WING SEE
Practising Certificate Number P04607

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 (Restated)
REVENUE	5	**21,594,348**	18,038,751
Cost of sales	8	**(19,345,755)**	(16,661,431)
Gross profit		**2,248,593**	1,377,320
Other income	6	**265,834**	155,266
Other (expenses)/gains	7	**(1,743)**	489
Selling and distribution costs		**(403,236)**	(311,670)
Administrative expenses		**(1,019,583)**	(882,115)
Other expenses, net		**(48,267)**	(38,045)
Impairment of property, plant and equipment	15	**(209,316)**	(122,014)
Impairment of trade and other receivables		**(66,953)**	(10,555)
Finance income	9	**55,965**	43,883
Finance costs	9	**(586,451)**	(454,354)
Share of profits/(losses) of associates	21	**2,597**	(3,916)
PROFIT/(LOSS) BEFORE INCOME TAX	8	**237,440**	(245,711)
Income tax expense	11	**(95,572)**	(67,051)
PROFIT/(LOSS) FOR THE YEAR		**141,868**	(312,762)
Attributable to:			
Owners of the Company		**12,239**	(378,522)
Non-controlling interests		**129,629**	65,760
		141,868	(312,762)
PROPOSED FINAL DIVIDEND -Nil (2009: Nil) PER ORDINARY SHARE	13	**—**	—
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY DURING THE YEAR	14		
Basic		**0.33 cents**	(10.32) cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010 RMB'000	2009 RMB'000 (Restated)
Profit/(loss) for the year	**141,868**	(312,762)
Other comprehensive income/(loss):		
Exchange differences arising on translation of foreign operations	**11,235**	87,569
Reversal of prior years' changes in fair value of available-for-sale financial assets, net of tax	**(456)**	(21,422)
Changes in fair value of available-for-sale financial assets, net of tax	**59,812**	128,619
Net actuarial losses of deferred benefit retirement schemes,net of tax	**(17,425)**	(15,635)
Impact of change in tax rate on deferred tax	**4,661**	—
Other comprehensive lossfor the year, net of tax	**—**	(1,841)
Total comprehensive income/(loss) for the year, net of tax	**199,695**	(135,472)
Total comprehensive income/(loss) attributableto:		
Owners of the Company	**27,950**	(285,972)
Non-controlling interests	**171,745**	150,500
	199,695	(135,472)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 (Restated)	2008 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	15	**7,822,027**	7,415,187	6,750,883
Land lease prepayments	16	**922,664**	944,524	961,041
Intangible assets	17	**1,208,036**	1,202,869	818,501
Other assets	18	**806,307**	685,591	669,901
Goodwill	19	**79,547**	79,547	79,547
Interests in associates	21	**124,227**	121,630	125,546
Available-for-sale financial assets	22	**436,336**	364,211	207,996
Deferred tax assets	23	**86,524**	91,537	111,359
Total non-current assets		**11,485,668**	10,905,096	9,724,774
CURRENT ASSETS				
Inventories	24	**5,337,050**	4,765,649	3,563,965
Trade receivables	25	**679,707**	770,573	602,795
Bills receivable	26	**628,313**	554,989	301,568
Prepayments, deposits and other receivables	27	**1,708,971**	1,270,329	855,605
Tax recoverable		**81,995**	45,568	25,282
Held-to-maturity financial assets	28	**—**	5,000	—
Pledged deposits	29	**13,711**	54,441	63,478
Cash and cash equivalents	29	**1,805,599**	2,572,115	3,235,938
Total current assets		**10,255,346**	10,038,664	8,648,631
CURRENT LIABILITIES				
Trade payables	30	**931,295**	929,854	690,458
Bills payable	31	**20,000**	385,670	236,786
Other payables and accruals	32	**1,844,030**	1,608,804	1,291,029
Interest-bearing bank and other borrowings	33	**7,464,288**	4,158,464	4,945,372
Tax payable		**36,296**	7,415	67,351
Dividend payable		**63,047**	63,047	64,304
Total current liabilities		**10,358,956**	7,153,254	7,295,300
NET CURRENT (LIABILITIES)/ASSETS		**(103,610)**	2,885,410	1,353,331
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,382,058**	13,790,506	11,078,105

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 (Restated)	2008 RMB'000 (Restated)
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	33	**3,862,962**	6,323,144	3,632,370
Other liabilities	34	**413,276**	413,199	409,550
Payables for mining rights	35	**113,293**	122,817	—
Government grants	36	**258,919**	227,342	174,242
Deferred tax liabilities	23	**230,975**	222,160	199,700
Total non-current liabilities		**4,879,425**	7,308,662	4,415,862
NET ASSETS		**6,502,633**	6,481,844	6,662,243
EQUITY				
Equity attributable to the owners of the Company				
Share capital	37	**3,668,058**	3,668,058	3,668,058
Reserves		**600,574**	641,932	911,697
		4,268,632	4,309,990	4,579,755
Non-controlling interests		**2,234,001**	2,171,854	2,082,488
TOTAL EQUITY		**6,502,633**	6,481,844	6,662,243

Li Fuli
Director

Guo Wenzhong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

		Attributable to the owners of the Company								
	Note	Issued share capital RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Exchange fluctuation reserve RMB'000	Other reserves RMB'000	Retained earnings/ (Accumulated loss) RMB'000	Total RMB'000	Non-controlling 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
Effect of common control combination	40(i)	–	54,980	1,846	–	–	4,439	61,265	–	61,265
At 1 January 2009 (Restated)		3,668,058	989,456	95,823	(59,320)	54,417	(168,679)	4,579,755	2,082,488	6,662,243
Comprehensive income										
(Loss)/profit for the year		–	–	–	–	–	(378,522)	(378,522)	65,760	(312,762)
Other comprehensive income/(loss)										
Exchange differences arising on translation of foreign operations		–	–	–	78,102	–	–	78,102	9,467	87,569
Reversal of prior years' changes in fair value of available-for-sale financial assets, net of tax		–	–	–	–	(21,268)	–	(21,268)	(154)	(21,422)
Changes in fair value of available- for-sale financial assets, net of tax		–	–	–	–	44,986	–	44,986	83,633	128,619
Net actuarial losses of defined benefit retirement schemes, net of tax	23, 34(i)	–	–	–	–	–	(12,025)	(12,025)	(3,610)	(15,635)
Others comprehensive income/(loss) for the year, net of tax		–	2,755	–	–	–	–	2,755	(4,596)	(1,841)
Total other comprehensive income/(loss)		–	2,755	–	78,102	23,718	(12,025)	92,550	84,740	177,290
Total comprehensive income/(loss)		–	2,755	–	78,102	23,718	(390,547)	(285,972)	150,500	(135,472)
Transactions with owners										
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	36,983	36,983
Transfer to reserves		–	–	1,620	–	–	(1,620)	–	44	44
Disposal of a subsidiary		–	–	–	–	–	–	–	(1,750)	(1,750)
Acquisition of non-controlling interests		–	16	–	–	–	–	16	(9,963)	(9,947)
Dividend paid and payable to non-controlling interests		–	–	–	–	–	–	–	(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 (Restated)		3,668,058	1,008,418	97,443	18,782	78,135	(560,846)	4,309,990	2,171,854	6,481,844

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Note	Attributable to the owners of the Company								
	Note	Issued share capital RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Exchange fluctuation reserve RMB'000	Other reserves RMB'000	Retained earnings/ (Accumulated loss) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010		3,668,058	953,438	95,597	18,782	78,135	(545,246)	4,268,764	2,171,854	6,440,618
Effect of common control combination	40(i)	–	54,980	1,846	–	–	(15,600)	41,226	–	41,226
At 1 January 2010 (Restated)		3,668,058	1,008,418	97,443	18,782	78,135	(560,846)	4,309,990	2,171,854	6,481,844
Comprehensive income										
Profit for the year		–	–	–	–	–	12,239	12,239	129,629	141,868
Other comprehensive income/(loss)										
Exchange differences arising on translation of foreign operations		–	–	–	7,336	–	–	7,336	3,899	11,235
Reversal of prior years' change in fair value of available-for-sale financial assets, net of tax		–	–	–	–	(456)	–	(456)	–	(456)
Changes in fair value of available- for-sale financial assets, net of tax		–	–	–	–	18,925	–	18,925	40,887	59,812
Net actuarial losses of defined benefit retirement schemes, net of tax	23, 34(i)	–	–	–	–	–	(14,755)	(14,755)	(2,670)	(17,425)
Effect of change in tax rule on deferred tax		–	–	–	–	4,661	–	4,661	–	4,661
Total other comprehensive income/(loss)		–	–	–	7,336	23,130	(14,755)	15,711	42,116	57,827
Total comprehensive income/(loss)		–	–	–	7,336	23,130	(2,516)	27,950	171,745	199,695
Transactions with owners										
Deemed disposal of a subsidiary		–	–	–	–	–	–	–	16,239	16.239
Deregistration of a subsidiary		–	–	–	–	–	–	–	(185)	(185)
Deregistration of a subsidiary under common control		–	(21,478)	(1,846)	–	–	23,324	–	–	–
Acquisition of non-controlling interests	41	–	(4,511)	–	–	–	–	(4,511)	(6,491)	(11,002)
Dividend paid and payable to non-controlling interests		–	–	–	–	–	–	–	(120,231)	(120,231)
Transfer to reserves		–	(190)	–	–	–	190	–	–	–
Incorporation of a subsidiary		–	2,489	–	–	–	–	2,489	1,070	3,559
Acquisition of a subsidiary under common control		–	(67,286)	–	–	–	–	(67,286)	–	(67,286)
At 31 December 2010		3,668,058	917,442	95,597	26,118	101,265	(539,848)	4,268,632	2,234,001	6,502,633

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 (Restated)
OPERATING ACTIVITIES			
Profit/(loss) before income tax		**237,440**	(245,711)
Adjustments for:			
Finance costs	9	**586,451**	454,354
Share of (profits)/losses from associates	21	**(2,597)**	3,916
Interest income	9	**(55,965)**	(43,883)
Dividend income	6	**(4,065)**	(2,043)
Loss on disposal of property, plant and equipment	8	**1,607**	7,618
Gains on disposal of available-for-sale financial assets	6	**(527)**	(33,132)
Loss on disposal of intangible assets	8	**246**	—
Loss on disposal of a subsidiary	8	**—**	79
Net unrealised loss/(gain) on financial instruments	7	**1,743**	(489)
Realised gains from financial instruments	6	**(10,967)**	(1,466)
Depreciation of property, plant and equipment	8	**631,954**	517,253
Amortisation of land lease prepayments	8	**28,069**	22,906
Amortisation of intangible assets	8	**50,964**	45,919
Amortisation of other assets	8	**30,723**	—
Impairment of trade and other receivables		**66,953**	10,555
Write down value of inventories, net	8	**126,041**	117,735
Stock appreciation rights	8	**557**	9,862
Cost of supplementary pension subsidies and early retirement benefits	8	**21,931**	18,680
Recognition of government grants	6	**(160,392)**	(81,027)
Impairment of property, plant and equipment	8,15	**209,316**	122,014
Impairment of other assets	8	**1,624**	658
Exchange gains, net		**(77,670)**	(101,388)
Operating cash flows before changes in working capital		**1,683,436**	822,410
Increase in inventories		**(696,119)**	(1,307,316)
Decrease/(increase) in trade receivables		**29,009**	(178,339)
Increase in bills receivable		**(73,324)**	(253,421)
Increase in prepayments, deposits and other receivables		**(272,774)**	(136,811)
Increase in trade payables		**1,441**	228,087
(Decrease)/increase in bills payable		**(365,670)**	148,884
Increase in other payables and accruals		**141,869**	544,499
Cash generated from/(used in) operations		**447,868**	(132,007)
Income tax paid		**(93,315)**	(133,357)
Net cash generated from/(used in) operating activities		**354,553**	(265,364)

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 (Restated)
INVESTING ACTIVITIES			
Interest received		**55,965**	43,883
Dividend income		**4,065**	2,043
Additions to other intangible assets		**(4,225)**	(20,017)
Additions to land lease prepayments		**(6,134)**	(7,189)
Purchases of property, plant and equipment and other assets		**(1,306,776)**	(1,794,680)
Proceeds from disposal of other intangible assets		**200**	—
Proceeds from disposal of property, plant, equipment and other assets		**33,089**	62,422
Proceeds from disposal of available-for-sale financial assets		**542**	62,427
Proceeds from matured of held-to-maturity financial assets		**5,000**	—
Receipt of financial instruments deposits		**13,267**	—
Proceeds from financial instruments		**10,967**	—
Acquisition of a subsidiary, net of cash acquired	39(a)	**—**	(67,869)
Disposal of a subsidiary, net of cash disposed	39(b)	**—**	5
Acquisition of non-controlling interests		**(11,002)**	(9,947)
Deposit for purchase additional interest of a subsidiary		**(213,825)**	—
Purchase of held-to-maturity financial assets		**—**	(5,000)
Receipt of government grants	36	**191,969**	134,127
Purchases of available-for-sale financial assets		**(1,626)**	(30,063)
Payment for mining rights		**(69,255)**	(163,471)
Acquisition of a subsidiary under common control	40(i)	**(67,286)**	—
Decrease in pledged deposits		**40,730**	9,037
Decrease in non-pledged time deposits with original maturity over three months when acquired		**37,500**	94,439
Net cash used in investing activities		**(1,286,835)**	(1,689,853)
FINANCING ACTIVITIES			
New bank and other borrowings		**10,145,121**	8,976,890
Repayment of bank loans		**(9,170,882)**	(7,107,165)
Repayment of immediate holding company loans		**(150,000)**	—
Interest paid		**(577,720)**	(506,758)
Dividend paid		**—**	(1,257)
Capital contributions by non-controlling interests		**19,798**	36,983
Dividend paid to non-controlling interests		**(120,231)**	(88,679)
Net cash generated from financing activities		**146,086**	1,310,014
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(786,196)**	(645,203)
Cash and cash equivalents at beginning of year		**2,526,615**	3,095,999
Effect of foreign exchange rate changes, net		**57,180**	75,819
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	**1,797,599**	2,526,615

Note:

Details of restatements on the consolidated cash flow statement in relation to the business combinations under common control and acquisition of a subsidiary, as detailed in notes 40 and 39(a) respectively, are summarised as follows:

	2009 RMB'000 (As previously reported)	Business combinations under common control RMB'000	Acquisition of a subsidiary RMB'000	2009 RMB'000 (Restated)
Net cash (used in)/generated from operating activities	(116,765)	910	(149,509)	(265,364)
Net cash (used in)/generated from investing activities	(1,842,652)	(2,194)	154,993	(1,689,853)
Net cash generated from/(used in) financing activities	1,315,498	—	(5,484)	1,310,014
NET DECREASE IN CASH AND CASH EQUIVALENTS	(643,919)	(1,284)	—	(645,203)
Cash and cash equivalents at beginning of year	3,093,248	2,751	—	3,095,999
Effect of foreign exchange rate changes, net	75,819	—	—	75,819
CCASH AND CASH EQUIVALENTS AT END OF YEAR	2,525,148	1,467	—	2,526,615

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 (Restated)	2008 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	15	**289,891**	182,806	142,107
Land lease prepayments	16	**84,893**	75,378	77,023
Intangible assets	17	**12,235**	25,163	39,229
Other assets	18	**112,008**	62,086	39,174
Interests in subsidiaries	20	**4,243,884**	4,346,682	3,863,718
Interests in associates	21	**230,450**	230,450	230,450
Available-for-sale financial assets	22	**11,719**	12,609	29,998
Deferred tax assets	23	**9,721**	8,770	14,168
Total non-current assets		**4,994,801**	4,943,944	4,435,867
CURRENT ASSETS				
Inventories	24	**33,021**	20,692	35,602
Trade receivables	25	**12,911**	79,975	46,487
Bills receivable	26	**34,438**	29,767	29,899
Dividend receivable		**—**	—	22,581
Prepayments, deposits and other receivables	27	**858,654**	949,584	111,860
Cash and cash equivalents	29	**510,908**	976,686	1,423,424
Total current assets		**1,449,932**	2,056,704	1,669,853
CURRENT LIABILITIES				
Trade payables	30	**22,668**	13,528	48,647
Other payables and accruals	32	**204,127**	185,795	164,756
Interest-bearing bank and other borrowings	33	**1,378,491**	60,080	712,298
Tax payable		**7,543**	742	13,459
Total current liabilities		**1,612,829**	260,145	939,160
NET CURRENT (LIABILITIES)/ASSETS		**(162,897)**	1,796,559	730,693
TOTAL ASSETS LESS CURRENT		**4,831,904**	6,740,503	5,166,560
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	33	**1,033,525**	2,742,810	1,243,293
Other liabilities	34	**71,879**	64,502	60,560
Government grants	36	**10,282**	82	82
Total non-current liabilities		**1,115,686**	2,807,394	1,303,935
NET ASSETS		**3,716,218**	3,933,109	3,862,625

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 (Restated)	2008 RMB'000
EQUITY				
Equity attributable to owners of the Company				
Share capital	37	**3,668,058**	3,668,058	3,668,058
Reserves	38	**48,160**	265,051	194,567
TOTAL EQUITY		**3,716,218**	3,933,109	3,862,625

Li Fuli
Director

Guo Wenzhong
Director

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 principal place of business and the registered office of the Company are located at 6th Floor, Block A, Hunan Yousedasha, No. 290 Laodongxi Road, Changsha City, Hunan, PRC.

The Company and its subsidiaries (together, 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.

At 28 December 2009, 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 ("CMHK") and the China Minmetals Corporation entered into an equity transfer agreement, subject to the agreement becoming effective and satisfaction (or waiver, when applicable), Minmetals Nonferrous Metals Holding Company Limited ("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. At 2 August 2010, the equity transfer at the relevant administration authority of industry and commerce has been completed in accordance with the applicable PRC laws and regulations and all the related conditions have thus been satisfied and completed. In consequence, HNG is the parent company of the Group while the China Minmetals Corporation is the ultimate holding company.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company, unless otherwise stated. The consolidated financial statements have been approved for issue by the Board of Directors on 18 March 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the 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 Hunan Nonferrous Metals Corporation Limited have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("the IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under historical cost convention, except for certain financial assets measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basic of preparation (Continued)

(a) New and revised IFRSs applied in the current year

In the current year, the Group has applied the following new and revised IFRSs issued.

IFRS 1 (Revised)	First-time Adoption of IFRSs
IFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (as revised in 2008)	Business Combinations
IAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
IAS 39 (Amendments)	Eligible Hedged Items
IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRIC - Int 17	Distributions of Non-cash Assets to Owners
IFRIC - Int 18	Transfer of Assets from Customers

Except as described below, the adoption of the new and revised IFRSs had no material effect on the amounts reported and disclosures set out in the consolidated financial statements of the Group for the current or prior accounting periods.

- IAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

  The application of IAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

  Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under IAS 27 (as revised in 2008), all such increases or decreases are dealt within equity, with no impact on goodwill or profit or loss.

  When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

  Required by IAS 27 para 41(e), a schedule that shows the effects of any changes in a parent's ownership interest in a subsidiary that do not result in a loss of control.These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basic of preparation (Continued)

(a) New and revised IFRSs applied in the current year (Continued)

The application of the revised Standard has affected the accounting for the Group's acquisition of additional interests in subsidiaries, as disclosed in note 41, that do not result in a change in control in the current year. For the acquisition of additional interests in subsidiaries, the change in policy has resulted in the difference of RMB4,511,000 between the consideration received of RMB11,002,000 and the non-controlling interests recognised of RMB6,491,000 being recognised directly in equity, instead of in profit or loss. Therefore, the change in accounting policy has resulted in an increase in the profit for the year of RMB4,511,000. In addition, the cash consideration received in the current year of RMB11,002,000 has been included in cash flows from investing activities.

In addition, under IAS 27 (as revised in 2008), the definition of non-controlling interests has been changed. Specifically, under the revised Standard, non-controlling interests is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

(b) New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs issued in 2010 (except for the amendments to IFRS 3(as revised in 2008))[1]
IFRS 1 (Amendments	Limited Exemption from Comparative IFRS 7 disclosures for First-Time Adopters[3]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
IFRS 9	Financial Instruments[7]
IAS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets[6]
IAS 24 (Revised)	Related Party Disclosures[4]
IAS 32 (Amendments)	Classification of Rights Issues[2]
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2012.
7 Effective for annual periods beginning on or after 1 January 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basic of preparation (Continued)

(b) New and revised IFRSs issued but not yet effective (Continued)

The amendments to IFRS 7 titled "Disclosures - Transfers of Financial Assets" increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The directors do not anticipate that the application of these amendments to IFRS 7 will have a significant effect on the Group's disclosures.

IFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and it is impracticable to estimate the impact of the application of the new Standard may have on amounts reported in respect of the Groups' financial assets and financial liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basic of preparation (Continued)

(b) New and revised IFRSs issued but not yet effective (Continued)

The amendments to IAS 12 titled "Deferred Tax: Recovery of Underlying Assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors do not anticipate that the application of the amendments to IAS 12 will have any impact on deferred tax recognised as the Group does not own any investment property.

IAS 24 "Related Party Disclosures" (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in IAS 24 (as revised in 2009) provide relief from disclosure of information by the Group in report of transactions with the government to which the Group is related, or transactions with other entities related to the same government. Disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because the Group and its parent need to disclose any transactions between its subsidiaries and its associates.

The amendments to IAS 32 titled "Classification of Rights Issues" address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

IFRIC 14 (Amendments) clarifies the accounting treatment for prepayments under a minimum funding requirement. Such a prepayment would be recognised as an asset, on the basis that the entity has a future economic benefit from the prepayment in the form of reduced future minimum funding requirement contributions relating to future service.

IFRIC 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basic of preparation (Continued)

(c) Comparative figure

As explained in note 39(a), 40 and 46, certain comparative figures have been reclassified to confirm to the current year's presentation.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to extent that the non-controlling interests has a binding obligations and were able to make an additional investment to cover the losses.

(a) Business combination

(i) Merger accounting for business combination under common control

The consolidated financial statements have been accounted for the business combinations under common control, which is not dealt with by IFRS 3 Business Combinations, in accordance with the principles set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In applying merger accounting, financial statements items of the combining entities or businesses for the reporting period are presented in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party. Accordingly, the financial information of the Group has been prepared as if the acquired companies have always been the subsidiaries of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(a) Business combination (Continued)

(i) Merger accounting for business combination under common control (Continued)

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

(ii) Purchase method for business combination under non-common control that took place prior to 1 January 2010

The purchase method of accounting is used to account for the acquisition of subsidiaries under non-common control by the Group, other than business combination under the common control combinations (note 2.2(a)(i)). The cost of an acquisition is measured as the fair values at the date of exchange value of the assets given, equity instruments issued and liabilities incurred in or assumed at the date of exchange for control of the subsidiaries, 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 non-controlling minority interest. The excess of the cost of acquisition over the fairvalue 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 of the subsidiary acquired, the difference is recognised directly in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) Subsidiaries (Continued)

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 non-controlling interests. 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 (note 2.7). 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 consolidated income statement.

In the Company's financial position 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(c) Transactions with non-controlling interests

(i) Transactions with non-controlling interests taken place on or after 1 January 2010

The Group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other consolidated comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(ii) Transactions with non-controlling interests taken place prior to 1 January 2010

Increase in interests in existing subsidiaries were treated in the same manner as the acquisition as the acquisition of subsidiaries with goodwill or a bargain purchase gain being recognised where appropriate. For decrease in interests in subsidiaries, regardless of whether the disposals would result in the Group costing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(d) 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 consolidated 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, the Group discontinues recognising its share of further losses.

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.

In the Company's financial position, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation

(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 in equity 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 other comprehensive income.

(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 financial position presented are translated at the closing rate at the end of reporting date;

(ii) income and expenses for each income 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 in other comprehensive income and accumulated separately in equity in the exchange reserve.

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 consolidated 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. SUMMARY 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. SUMMARY 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 (see note 2.10) 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 financial position 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 statement of financial position.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or infinite. 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 the end of each reporting period.

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 infinite 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 infinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

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 (see note 2.10). The technical know-how is amortised on the straight-line basis over a period of 10 to 20 years.

Other intangible assets

Other intangible assets that are acquired are stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2.10). The other intangible assets are amortised on the straight-line basis over a period of 10 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 cost is amortised over the period of expected future sales from the related project on the straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (other than goodwill) (Continued)

Research and development costs (Continued)

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 (presented as other assets in the consolidated and the Company's statements of financial position) 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 and accumulated amortisation (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 and evaluation assets thereon will be written off to profit or loss.

The cost of the mineral property and related exploration costs are deferred until the property is brought into production, sold or abandoned. These deferred costs will be amortised on the units-of-production basis over the estimated useful life of the property or will be written off if the property is sold, allowed to lapse or abandoned. The units-of-production amortisation is calculated based on indicated reserves.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets. 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. These are included in current assets except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables comprise trade, bills and other receivables, pledged deposits and cash and cash equivalents.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(d) 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets

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. Financial assets are initially recognised at fair value plus transaction costs for all financial assets but 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 expensed in the consolidated income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership, or has not transferred substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which income is included in other income.

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 (expenses)/gains', 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 financial assets are analysed between translationdifferences 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 forsale financial assets are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

2.11.2 Recognition and measurement (Continued)

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 (expenses)/gains'.

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

2.11.3 Impairment of financial assets

(a) Financial assets carried at amortised cost

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11.3 Impairment of financial assets (Continued)

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

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 assetshas a variable interest range, 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.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a Group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Other financial liabilities including trade, bills and other payables, borrowings, dividend payable, other liabilities and government grants are subsequently measured at amortised cost, using the effective interest method.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities. Equity instruments issued by the Company as recorded at the proceeds received, net of direct issue costs.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or , where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

2.13 Financial guarantee contracts

Financial guarantee contracts 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 end of reporting date accordance with IAS 37, Provisions, Contingent, Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.16 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 owners 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 owners.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.20 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. SUMMARY 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits (Continued)

(iii) Stock appreciation rights

The Company operates a stock 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 stock 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 financial reporting 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 tax laws enacted or substantively enacted at the end of reporting 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 from 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 end of reporting 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax (Continued)

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 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.

2.24 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 (see note 2.11.3(a)).

2.25 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 consolidated financial position.

2.26 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 and commodity price risk arise 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 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 2010, 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 RMB23,872,000 (2009: loss of RMB13,137,000).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 end of reporting 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 end of reporting 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 2009.

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"), Australian dollars ("AUD"), European dollars ("EUR"), Canadian dollars ("CAD') and Japanese dollars ("JPY"), 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 end of reporting 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)

	2010						2009					
	USD	HKD	AUD	EUR	CAD	JPY	USD	HKD	AUD	EUR	CAD	JPY
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	79,836	91,177	172,605	27,999	39,646	803	159,817	91,477	176,205	1,272	–	162
Trade receivable	62,926	–	–	–	–	–	18,784	1,409	–	–	–	–
Other payables and accruals	88,774	29	–	5	–	652	126,350	18,031	–	35	–	–
Bank loans	1,713,456	–	–	16,269	–	3,921	752,620	–	–	–	–	5,851
Overall net exposure	1,944,992	91,206	172,605	44,273	39,646	5,376	1,057,571	110,917	176,205	1,307	–	6,013

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Foreign currency risk *(Continued)*

(i) Exposure to currency risk (Continued)

The Company

	Exposure to foreign currencies (expressed in RMB)							
	2010				2009			
	USD	**HKD**	**AUD**	**CAD**	USD	HKD	AUD	CAD
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	**56**	**84,639**	**172,208**	**39,646**	57	90,360	175,324	—
Amounts due from subsidiaries	**—**	**—**	**802,280**	**115,897**	—	—	741,488	158,375
Overall net exposure	**56**	**84,639**	**974,488**	**155,543**	57	90,360	916,812	158,375

(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 end of reporting date had changed at that date, assuming all other risk variables remained constant.

	2010		2009	
	(decrease) in foreign exchange rates	**profit after tax and retained profits**	(decrease) in foreign exchange rates	profit after tax and retained profits
	%	**RMB'000**	%	RMB'000 (Restated)
USD	**5**	**71,984**	5	39,190
JPY	**5**	**229**	5	221
HKD	**5**	**3,448**	5	4,159
AUD	**5**	**6,475**	5	34,387
EUR	**5**	**1,814**	5	58
CAD	**5**	**1,487**	5	—

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Foreign currency risk *(Continued)*

(ii) Sensitivity analysis (Continued)

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 end of reporting 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 end of reporting 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 2009.

(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 end of reporting date, the Group has a certain concentration of credit risk on trade receivables as 3% (2009: 10%) and 10% (2009: 12%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(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 end of reporting 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 end of reporting date) and the earliest date the Group and the Company can be required to pay:

The Group

	2010 Contractual undiscounted cash outflow						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	Carrying amount RMB'000	With 1 year or demand RMB'000 (Restated)	More than 1 year but less than 2 years RMB'000 (Restated)	More than 2 years but less than 5 years RMB'000 (Restated)	More than 5 years RMB'000 (Restated)	Total RMB'000 (Restated)	Carrying amount RMB'000 (Restated)
Bank loans	5,044,170	1,013,158	1,613,921	343,525	8,014,774	7,837,067	4,068,464	1,927,561	3,865,929	576,177	10,438,131	9,334,257
Entrusted loans	2,120,000	–	–	309,894	2,429,894	2,320,000	90,000	216,738	722,415	132,565	1,161,718	990,000
Other loans	300,118	233,951	341,315	532,193	1,407,577	1,170,183	–	75,256	43,919	54,505	173,680	157,351
Trade and other payables	1,890,449	–	–	–	1,890,449	1,890,449	2,394,687	–	–	–	2,394,687	2,394,687
	9,354,737	1,247,109	1,955,236	1,185,612	13,742,694	13,217,699	6,553,151	2,219,555	4,632,263	763,247	14,168,216	12,876,295

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk *(Continued)*

The company

	2010 Contractual undiscounted cash outflow						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	Carrying amount RMB'000	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	Carrying amount RMB'000
Bank loans	148,491	593,171	153,936	343,525	1,239,123	1,182,016	60,080	555,365	2,129,156	524,246	3,268,847	2,802,890
Entrusted loans	1,230,000	–	–	–	1,230,000	1,230,000	–	–	–	–	–	–
Trade and other payables	184,657	–	–	–	184,657	184,657	154,952	–	–	–	154,952	154,952
	1,563,148	593,171	153,936	343,525	2,653,780	2,596,673	215,032	555,365	2,129,156	524,246	3,423,799	2,957,842

(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 6% (2009: 8%) of annual production during the year.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(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 2010. The Group's listed investments are listed on the Shenzhen, Shanghai and Australia stock exchanges and are valued at quoted market prices at the date of financial position.

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

	31 December 2010	**High/low 2010**	31 December 2009	High/low 2009
Shanghai – A share index	**2,808**	**3,307/2,319**	3,277	3,478/1,844
Shenzhen – A share index	**12,459**	**13,937/8,945**	13,670	14,097/6,514
Australia – ASX200 index	**4,727**	**5,037/4,164**	4,890	4,981/3,111

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 end of reporting 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.

	2010		2009	
	Carrying amount of equity investments RMB'000	**Increase/ decrease in equity RMB'000**	Carrying amount of equity investments RMB'000	Increase/ decrease in equity RMB'000
Investments listed in:				
Shanghai – Available-for-sale	**321,508**	**24,113**	251,727	18,879
Shenzhen – Available-for-sale	**49,145**	**3,686**	47,939	3,595
Australia – Available-for-sale	**11,719**	**820**	12,608	882

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 financial position plus net debt. The gearing ratios at 31 December 2010 and 2009 were as follows:

The Group	**2010** **RMB'000**	2009 RMB'000 (Restated)
Interest-bearing bank and other borrowings	**11,327,250**	10,481,608
Trade payables	**931,295**	929,854
Bills payable	**20,000**	385,670
Other payables and accruals	**1,844,030**	1,608,804
Payables for mining rights	**113,293**	122,817
Less: Cash and cash equivalents (excluding pledged deposits)	**(1,805,599)**	(2,572,115)
Net debt	**12,430,269**	10,956,638
Equity attributable to the owner of the Company	**4,268,632**	4,309,990
Capital and net debt	**16,698,901**	15,266,628
Gearing ratio	**74%**	72%

The increase in the gearing ratio during 2010 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 2010, the Group adopted the amendment to IFRS 7 for financial instruments that are measured at the end of reporting date 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 2010.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets				
– Listed equity investments	382,372	—	—	382,372
– Unlisted equity investments	—	—	53,964	53,964
Total assets	382,372	—	53,964	436,336

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting 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) are 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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair 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 end of reporting 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 2010.

	Unlisted equity investments RMB'000
Opening balance	51,942
Exchange differences	(110)
Gain or loss recognised in profit or loss	2,132
Closing balance	53,964
Total gains or losses for the period including in profit or loss for assets held at the end of the reporting period	2,132

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 end of reporting 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 are realised.

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 end of reporting 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 2010 was RMB7,822,027,000 (2009: RMB7,415,187,000).

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 2010 was RMB79,547,000 (2009: 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 assetsas 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 2010, no impairment losses have been recognised for available-for-sale financial assets (2009: Nil). The carrying amount of available-for-sale financial assets at 31 December 2010 was RMB436,336,000 (2009: RMB364,211,000).

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 end of reporting date. The carrying amount of trade receivables at 31 December 2010 was RMB679,707,000 (2009: RMB770,573,000).

Impairment of inventories

Management reviews the condition of inventories of the Group at each end of reporting 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 end of reporting date. The carrying amount of inventories at 31 December 2010 was RMB5,337,050,000 (2009: RMB4,765,649,000).

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 2010 was approximately RMB86,524,000 (2009: RMB91,537,000).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

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

The chief operating decision-maker has been identified as the board of directors. The board of directors consists of the chairman, non-executive directors, independent non-executive directors and the financial controller. This board of directors review the Group's internal reporting in order to assess performance, financial budget and allocate resources. Management has determined the business segments based on the reports reviewed by the board of directors that are need to make strategic decisions.

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.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit/(loss) represents the profit/(loss) before income tax of each segment without allocation of dividend income and gains on disposal of available-for-sale financial assets, finance costs and share of profits/(loss) of associates. This is the measure reported to the board of directors of the Company for the purposes of resource allocation and performance assessment.

For the purpose of monitoring segment performances and allocating resources between segments:

— all assets are allocated to reportable segments other than interests in associates and unallocated corporate assets (if any). Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments, and

— all liabilities are allocated to reportable segments other than unallocated corporate liabilities (if any).

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 segment information provided to the board of directors for the reportable segments for the year ended 31 December 2010 and 2009 is as follows:

Year ended 31 December 2010	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	3,181,496	12,534,813	5,999,258	—	—	21,715,567
Inter-segment sales	559,563	398	64,740	—	(624,701)	—
Less: Sales tax and surcharges	(40,897)	(36,149)	(44,173)	—	—	(121,219)
Revenue from external customers	3,700,162	12,499,062	6,019,825	—	(624,701)	21,594,348
Segment results	135,371	235,709	372,544	73,078	—	816,702
Dividend income and gains on disposal of available-for-sale financial assets	—	—	—	—	—	4,592
Finance costs	—	—	—	—	—	(586,451)
Share of profits of associates	—	—	—	—	—	2,597
Profit before income tax						237,440
Income tax expense	—	—	—	—	—	(95,572)
Profit for the year						141,868
Assets and liabilities:						
Segment assets	7,136,615	6,423,231	6,381,023	1,071,064	—	21,011,933
Interests in associates	—	—	—	—	—	124,227
Unallocated assets	—	—	—	—	—	604,854
Total assets						21,741,014

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Year ended 31 December 2010	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	1,520,889	1,019,566	1,088,930	14,474	—	3,643,859
Unallocated liabilities						11,594,522
Total liabilities						15,238,381
Other segment information						
Depreciation and amortisation	160,722	192,062	356,849	1,354	—	710,987
(Reversal)/write down value of inventories, net	(126,718)	55,426	197,333	—	—	126,041
Impairment of property, plant and equipment	209,316	—	—	—	—	209,316
Impairment of other assets	1,624	—	—	—	—	1,624
Impairment of trade and other receivables, net	24,455	2,959	5,990	33,549	—	66,953
Capital expenditure	643,057	372,660	432,753	1,871	—	1,450,341

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 revenue:						
Sales to external customers	1,945,442	11,757,050	4,428,005	—	—	18,130,497
Inter-segment sales	171,484	108,627	96,143	—	(376,254)	—
Less: Sales tax and surcharges	(35,986)	(18,094)	(37,666)	—	—	(91,746)
Revenue from external customers	2,080,940	11,847,583	4,486,482	—	(376,254)	18,038,751
Segment results	(213,799)	248,444	7,775	134,964	—	177,384
Dividend income and gains on disposal of available-for-sale financial assets	—	—	—	—	—	35,175
Finance costs	—	—	—	—	—	(454,354)
Share of profits and losses of associates	—	—	—	—	—	(3,916)
Loss before income tax						(245,711)
Income tax expense					—	(67,051)
Loss for the year					—	(312,762)
Assets and Liabilities						
Segment assets	7,422,768	6,092,189	5,701,638	1,099,218	—	20,315,813
Interests in associates	—	—	—	—	—	121,630
Unallocated assets					—	506,317
Total assets					—	20,943,760

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	1,371,986	1,296,597	1,456,277	2,578	—	4,127,438
Unallocated liabilities						10,334,478
Total liabilities						14,461,916
Other segment information						
Depreciation and amortisation	167,963	128,529	288,496	1,090	—	586,078
Write down value of inventories, net	16,267	16,467	85,000	—	—	117,734
Impairment of property, plant and equipment	122,014	—	—	—	—	122,014
Impairment of other assets	658	—	—	—	—	658
Reversal of provision for impairment of trade and other receivable, net	146	9,777	632	—	—	10,555
Capital expenditure	1,003,377	280,431	510,927	—	—	1,794,735

(b) The Group's operation and assets are principally carried out and located in the PRC, thus no geographical segment analysis is presented.

(c) No single customer accounted for 10% or more of the total revenue for the year ended 31 December 2010 and 2009.

6. OTHER INCOME

	Note	2010 RMB'000	2009 RMB'000 (Restated)
Dividend income		**4,065**	2,043
Income from scrap sales		**58,234**	12,608
Income from utilities sales		**—**	14,187
Rental income		**9,140**	2,897
Gains on disposal of available-for-sale financial assets		**527**	33,132
Recognition of government grants	(i)	**160,392**	81,027
Rendering of services		**3,384**	—
Realised gains from financial instruments		**10,967**	1,466
Trade and other payable and accruals waived		**5,760**	—
Others		**13,365**	7,906
		265,834	155,266

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

	2010 RMB'000	2009 RMB'000 (Restated)
Subsidies for payment of staff salaries and benefits	**3,758**	20
Subsidies for business development and recovery of accumulated losses	**88,392**	59,112
Subsidies to encourage export sales	**39,412**	602
Others	**28,830**	21,293
	160,392	81,027

Government grants received for which the related expenditures have not yet been undertaken are accounted for non-current liabilities in the consolidated and Company's statement of financial position. There is no unfulfilled condition or contingency relating to these grants.

7. OTHER (EXPENSES)/GAINS

	2010 RMB'000	2009 RMB'000 (Restated)
Financial instruments		
– Fair value losses	**(1,751)**	(193)
– Fair value gains	**8**	682
	(1,743)	489

8. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Note	2010 RMB'000	2009 RMB'000 (Restated)
Cost of inventories sold	24	**19,345,755**	16,661,431
Staff costs (including directors' and supervisors' remuneration as set out in note 10):			
Wages, salaries and bonuses		**1,014,745**	873,861
Stock appreciation rights*	34(ii)	**557**	9,862
Contributions to defined contribution pension schemes	8(a)	**202,315**	169,648
Cost of supplementary pension subsidies and early retirement benefits:	34(i)		
– current service costs*		**3,029**	3,009
– prior service costs*		**3,019**	—
– interest costs*		**15,883**	15,671
		21,931	18,680
Welfare and other expenses		**303,640**	326,600
		1,543,188	1,398,651
Auditor's remuneration*		**12,133**	9,914
Depreciation of property, plant and equipment	15	**631,954**	517,253
Amortisation of land lease prepayments	16	**28,069**	22,906
Amortisation of intangible assets	17		
Mining rights		**44,644**	40,288
Technical know-how and others*		**6,320**	5,631
		50,964	45,919

8. PROFIT/(LOSS) BEFORE INCOME TAX (Continued)

	Note	2010 RMB'000	2009 RMB'000 (Restated)
Amortisation of other assets	18	**30,723**	—
Minimum lease payments under operating leases in respect of land:			
Lease of land from HNG	44(e)	**11,267**	11,907
Lease of land from other parties		**4,521**	4,360
		15,788	16,267
Write down value of inventories, net		**126,041**	117,735
Impairment of property, plant and equipment	15	**209,316**	122,014
Impairment of trade and other receivables		**66,953**	10,555
Exchange gains, net*		**(140,506)**	(197,628)
Research and development costs*		**159,114**	109,013
Donations*		**4,660**	4,839
Other expenses, net:			
Loss on disposal of property, plant and equipment		**1,607**	7,618
Cost of service, net		**—**	9,344
Loss on disposal of intangible assets		**246**	—
Management fee paid to ex-owner of a subsidiary		**25,084**	—
Impairment of other assets		**1,624**	658
Repairs and maintenance for natural disaster		**5,468**	14,056
Cost of sale of utilities		**4,716**	—
Loss on disposal of a subsidiary	39(b)	**—**	79
Others		**9,522**	6,290
		48,267	38,045

* 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% (2009:20%) 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

	2010 RMB'000	2009 RMB'000 (Restated)
Interest on bank and other borrowings wholly repayable within five years	(577,188)	(463,512)
Interest on bank and other borrowings wholly repayable beyond five years	(27,297)	(38,928)
Less: Interest capitalised on qualifying assets (notes 15 &18)	18,034	48,086
Finance costs	(586,451)	(454,354)
Finance income:		
Interest income on short-term deposits	55,965	43,883
Net finance costs	(530,486)	(410,471)

The interest rates used to determine the amount of related borrowing costs for capitalisation varied from 4.78% to 5.76% (2009: from 5.76% 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:

	2010 RMB'000	2009 RMB'000 (Restated)
Wages, salaries and bonus	7,803	5,017
Stock appreciation rights	415	7,330
Pension scheme contributions	188	168
	8,406	12,515

(a) Directors' and supervisors' remuneration

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

10. EMPLOYEE BENEFIT EXPENSE (Continued)

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

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 follows:

Year ended 31 December 2010

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance -related bonuses RMB'000	Stock appreciation rights RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:						
(a) He Renchun	—	144	562	71	11	788
(b) Li Fuli	—	—	—	—	—	—
Li Li	—	173	502	50	16	741
Liao Luhai	—	173	502	43	16	734
(c) Chen Zhixin	—	144	418	36	14	612
(d) Guo Wenzhong	—	29	32	—	3	64
	—	663	2,016	200	60	2,939
Non-executive directors:						
Cao Xiuyun	—	216	636	57	16	925
(c) Chen Zhixin	—	29	84	7	3	123
(e) Wu Longyun	—	146	418	36	14	614
(e) Zhang Yixian	—	149	425	36	14	624
(d) Huang Guoping	—	36	37	—	3	76
Zou Jian	—	100	—	—	16	116
	—	676	1,600	136	66	2,478
Independent non-executive directors:						
Gu Desheng	100	—	—	—	—	100
Wan Ten Lap	240	—	—	—	—	240
Chen Xiaohong	100	—	—	—	—	100
Choi Man Chau	240	—	—	—	—	240
Kang Yi	100	—	—	—	—	100
	780	—	—	—	—	780
	780	1,339	3,616	336	126	6,197

10. EMPLOYEE BENEFIT EXPENSE (Continued)

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

Year ended 31 December 2010

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance -related bonuses RMB'000	Stock appreciation rights RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Supervisors:						
(e) Zeng Shaoxiong	—	144	472	43	14	673
He Hongsen	—	173	502	36	16	727
Liu Xiaochu	—	50	—	—	—	50
Jin Liangshou	—	173	204	—	16	393
Li Junli	—	10	—	—	—	10
Qi Xiaocun	—	10	—	—	—	10
Qi Yang	—	137	143	—	16	296
	—	697	1,321	79	62	2,159
Independent supervisors:						
Liu Dongrong	50	—	—	—	—	50
	50	697	1,321	79	62	2,209
	830	2,036	4,937	415	188	8,406

Note

(a) Resigned on 23/8/2010

(b) Appointed on 23/8/2010

(c) Resigned as Executive Director on 10/11/2010 and appointed as Non-Executive Director on the same day

(d) Appointed on 10/11/2010

(e) Resigned on 10/11/2010

10. EMPLOYEE BENEFIT EXPENSE (Continued)

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

Year ended 31 December 2009

	Fees RMB'000 (Restated)	Salaries allowances and benefits in kind RMB'000 (Restated)	Performance -related bonuses RMB'000 (Restated)	Stock appreciation rights RMB'000 (Restated)	Pension scheme contributions RMB'000 (Restated)	Total RMB'000 (Restated)
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)

Year ended 31 December 2009 (Continued)

	Fees RMB'000 (Restated)	Salaries allowances and benefits in kind RMB'000 (Restated)	Performance -related bonuses RMB'000 (Restated)	Stock appreciation rights RMB'000 (Restated)	Pension scheme contributions RMB'000 (Restated)	Total RMB'000 (Restated)
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

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 (2009: 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$ 1,088,000 (equivalent to Nil to RMB 925,000).

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% (2009: 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"), Zhuzhou Cemented Carbides Group Corp.,Ltd. ("Zhuying"), Hunan Shizhuyuan Nonferrous Metals Co., Ltd., ("Shizhuyuan") Zhuzhou Diamond Cutting Tools Company Limited ("Zhuzhou Diamond"), Chenzhou Diamond Tungsten Products Company Limited ("Chenzhou Diamond Tungsten") and Hsikwangshan Twinkling Star Antimony Co., Ltd. ("Hsikwangshan") are subject to a preferential CIT rate of 15% as they are qualified as high technology enterprises.

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

	2010 **RMB'000**	2009 RMB'000 (Restated)
Current tax – PRC income tax		
Current tax on profits for the year	**85,848**	54,550
Current tax (note 23)		
Temporary differences	**1,984**	12,501
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**7,740**	—
Income tax expense	**95,572**	67,051

11. INCOME TAX EXPENSE (Continued)

A reconciliation of income tax expense applicable to profit/(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 tax rates (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2010 **RMB'000**	2009 RMB'000 (Restated)
Profit/(loss) before income tax	**237,440**	(245,711)
Tax at the applicable income tax rate 25% (2009:25%)	**59,360**	(61,428)
Tax effect of:		
Results attributable (from)/ to associates	**(649)**	980
Income not subject to tax	**(64,480)**	(17,763)
Tax losses not recognised	**39,037**	115,958
Differential tax rates on the assessable profits and losses of certain subsidiaries	**(7,874)**	(313)
Income tax benefit on locally purchase a machinery	**(108)**	(3,259)
Effect on opening deferred income tax due to a decrease in income tax rates	**7,740**	—
Expenses not deductible for tax and others	**62,546**	32,876
Income tax expense	**95,572**	67,051

Income tax recognised in other comprehensive income

	2010 **RMB'000**	2009 RMB'000 (Restated)
Deferred tax		
Arising from income and expense recognised in other comprehensive income:		
Net actuarial losses of defined benefit retirement scheme	**2,029**	(10,222)
Revaluations of available-for sale financial assets	**(5,971)**	(39,599)
	(3,942)	(49,821)

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

The loss attributable to owners of the companyis dealt with in the financial statements of the Company to the extent of RMB175,281,000 (2009: profit of RMB84,464,000)(note 38).

13. DIVIDENDS

	2010 **RMB'000**	2009 RMB'000 (Restated)
Proposed final dividend-Nil (2009:Nil) per ordinary share	**—**	—

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

14. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares issued during the year.

	2010 **RMB'000**	2009 RMB'000 (Restated)
Profit/(loss)		
Profit/(loss) attributable to owners of the Company	**12,239**	(378,522)
Shares		
Weighted average number of ordinary shares in issue (thousands)	**3,668,058**	3,668,058

(b) Diluted

The diluted earnings/(loss) loss per share for the current and previous years are the same as the basic earnings/(loss) per share as there are no dilutive ordinary shares for two financial 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 2009 (Restated)				
Cost	3,293,496	5,488,052	1,510,230	10,291,778
Accumulated depreciation and impairment	(1,086,642)	(2,453,677)	(576)	(3,540,895)
Net book amount	2,206,854	3,034,375	1,509,654	6,750,883
Year ended 31 December 2009 (Restated)				
Opening net book amount	2,206,854	3,034,375	1,509,654	6,750,883
Additions	258,700	260,683	806,335	1,325,718
Acquisition of subsidiaries (note 39(a))	12,246	63,279	—	75,525
Interest capitalised (note 9)	—	—	48,086	48,086
Impairment charge (note 8)	—	(122,014)	—	(122,014)
Disposals	(116,160)	(151,398)	(2,227)	(269,785)
Depreciation charge (note 8)	(155,188)	(362,065)	—	(517,253)
Exchange differences	1,231	116,285	6,511	124,027
Transfers	208,796	1,285,376	(1,494,172)	—
Closing net book amount	2,416,479	4,124,521	874,187	7,415,187
At 31 December 2009 (Restated)				
Cost	3,631,743	7,013,558	874,763	11,520,064
Accumulated depreciation and impairment	(1,215,264)	(2,889,037)	(576)	(4,104,877)
Net book amount	2,416,479	4,124,521	874,187	7,415,187

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 2010				
Cost	3,631,743	7,013,558	874,763	11,520,064
Accumulated depreciation and impairment	(1,215,264)	(2,889,037)	(576)	(4,104,877)
Net book amount	2,416,479	4,124,521	874,187	7,415,187
Year ended 31 December 2010				
Opening net book amount	2,416,479	4,124,521	874,187	7,415,187
Additions	111,083	205,088	951,641	1,267,812
Interest capitalised (note 9)	—	—	14,230	14,230
Impairment charge (note 8)	(209,316)	—	—	(209,316)
Disposals	(1,532)	(31,348)	—	(32,880)
Depreciation charge (note 8)	(139,418)	(492,536)	—	(631,954)
Exchange differences	(3,663)	1,452	1,159	(1,052)
Transfers	391,467	426,527	(817,994)	—
Closing net book amount	2,565,100	4,233,704	1,023,223	7,822,027
At 31 December 2010				
Cost	4,121,610	7,556,399	1,023,223	12,701,232
Accumulated depreciation and impairment	(1,556,510)	(3,322,695)	—	(4,879,205)
Net book amount	2,565,100	4,233,704	1,023,223	7,822,027

As at 31 December 2010, certain of the Group's buildings and mining structures and plant, machinery and equipment with an aggregate net book amountof approximately RMB630,316,000 (2009: RMB1,063,749,000) 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 used in projects of RMB406,318,000(2009: RMB519,737,000),of which RMB196,316,000 was impaired and provided for 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 2009 (Restated)				
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 (Restated)				
Opening net book amount	71,333	55,314	15,460	142,107
Additions	8,821	17,881	32,264	58,966
Depreciation charge	(7,432)	(10,727)	—	(18,159)
Disposals	—	(108)	—	(108)
Transfers	16,516	—	(16,516)	—
Closing net book amount	89,238	62,360	31,208	182,806
At 31 December 2009 (Restated)				
Cost	191,748	152,616	31,208	375,572
Accumulated depreciation and impairment	(102,510)	(90,256)	—	(192,766)
Net book amount	89,238	62,360	31,208	182,806

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 2010 (Restated)				
Cost	191,748	152,616	31,208	375,572
Accumulated depreciation and impairment	(102,510)	(90,256)	—	(192,766)
Net book amount	89,238	62,360	31,208	182,806
Year ended 31 December 2010				
Opening net book amount	89,238	62,360	31,208	182,806
Additions	53,554	31,497	41,110	126,161
Depreciation charge	(7,592)	(11,484)	—	(19,076)
Transfers	1,520	—	(1,520)	—
Closing net book amount	136,720	82,373	70,798	289,891
At 31 December 2010				
Cost	246,822	184,113	70,798	501,733
Accumulated depreciation and impairment	(110,102)	(101,740)	—	(211,842)
Net book amount	136,720	82,373	70,798	289,891

16. LAND LEASE PREPAYMENTS

The Group

	2010 **RMB'000**	2009 RMB'000 (Restated)
Carrying amount at 1 January	**944,524**	961,041
Additions	**6,134**	7,189
Amortisation charge (note 8)	**(28,069)**	(22,906)
Disposals	**—**	(800)
Exchange differences	**75**	—
Carrying amount at 31 December	**922,664**	944,524

The Company

	2010 **RMB'000**	2009 RMB'000 (Restated)
Carrying amount at 1 January	**75,378**	77,023
Additions	**11,182**	—
Amortisation charge	**(1,667)**	(1,645)
Carrying amount at 31 December	**84,893**	75,378

At 31 December 2010, the Group's bank loans were secured by certain of the Group's land lease prepayments, with an aggregate net carrying amount of RMB238,365,000 (2009: RMB244,471,000) (note33).

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 2009 (Restated)				
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 (Restated)				
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 charge (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 (Restated)				
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 Group (Continued)	Mining rights RMB'000	Technical know-how RMB'000	Others RMB'000	Total RMB'000
At 1 January 2010 (Restated)				
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
Year ended 31 December 2010				
Opening net book amount	1,160,800	32,318	9,751	1,202,869
Additions	52,352	—	4,225	56,577
Disposals	—	—	(446)	(446)
Amortisation charge (note 8)	(44,644)	(2,920)	(3,400)	(50,964)
Closing net book amount	1,168,508	29,398	10,130	1,208,036
At 31 December 2010				
Cost	1,400,518	48,791	31,237	1,480,546
Accumulated amortisation	(232,010)	(19,393)	(21,107)	(272,510)
Net book amount	1,168,508	29,398	10,130	1,208,036

17. INTANGIBLE ASSETS (Continued)

The Company	Mining rights RMB'000	Others RMB'000	Total RMB'000
At 1 January 2009			
Cost	100,171	—	100,171
Accumulated amortisation	(60,942)	—	(60,942)
Net book amount	39,229	—	39,229
Year ended 31 December 2009			
Opening net book amount	39,229	—	39,229
Amortisation charge	(14,066)	—	(14,066)
Closing net book amount	25,163	—	25,163
At 31 December 2009			
Cost	100,171	—	100,171
Accumulated amortisation	(75,008)	—	(75,008)
Net book amount	25,163	—	25,163
At 1 January 2010			
Cost	**100,171**	**—**	**100,171**
Accumulated amortisation	**(75,008)**	**—**	**(75,008)**
Net book amount	**25,163**	**—**	**25,163**
Year ended 31 December 2010			
Opening net book amount	**25,163**	**—**	**25,163**
Addition	**—**	**1,108**	**1,108**
Amortisation charge	**(13,540)**	**(496)**	**(14,036)**
Closing net book amount	**11,623**	**612**	**12,235**
At 31 December 2010			
Cost	**100,171**	**1,108**	**101,279**
Accumulated amortisation	**(88,548)**	**(496)**	**(89,044)**
Net book amount	**11,623**	**612**	**12,235**

18. OTHER ASSETS

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Exploration and evaluation assets	**806,307**	685,591	**112,008**	62,086

Included in exploration and evaluation assets of the Group are the Group's assets used in projects of RMB5,160,000 (2009: RMB161,400,000).

The movements in exploration and evaluation assets during the year ended 31 December 2010 and 2009 are as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
At 1 January	**685,591**	524,653	**62,086**	39,174
Acquisition of subsidiaries (note 39(a))	**—**	143,830	**—**	—
Additions	**119,818**	22,912	**49,922**	22,912
Impairment charge	**(1,624)**	(658)	**—**	—
Interest capitalised (note 9)	**3,804**	—	**—**	
Amortisation	**(30,723)**	—	**—**	—
Disposals	**—**	(15,412)	**—**	—
Exchange differences	**29,441**	10,266	**—**	—
At 31 December	**806,307**	685,591	**112,008**	62,086

19. GOODWILL

The Group

	Note	2010 RMB'000	2009 RMB'000 (Restated)
At 1 January and 31 December		**79,547**	79,547
Cost		**291,699**	291,699
Accumulated impairment		**(212,152)**	(212,152)
Carrying value		**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 amount 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 9%-10% 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 cash-generating unit's past performance and management's expectations for market developments.

20. INTERESTS IN SUBSIDIARIES

The Company

	2010 RMB'000	2009 RMB'000 (Restated)
Unlisted investments, at cost	**3,691,283**	3,645,557
Due from subsidiaries (note 45)	**921,404**	913,277
	4,612,687	4,558,834
Impairment #	**(368,803)**	(212,152)
	4,243,884	4,346,682

An impairment was recognised for certain investments with a carrying amount RMB3,691,283,000 (before deducting the impairment loss) (2009: RMB3,645,557,000). The recoverable amount of the interests in Abra Mining Limited ("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 19 to the previous exploration incurred)

Besides the balance due from HNC (Australia) Resources Holding Pty Ltd. totaling RMB745,218,000 (AUD110,996,000) which are unsecured, interest free and payable by installments before 2016, remaining amounts due from subsidiaries are unsecured, interest free and have no terms of repayments.

Pursuant to the agreement, the balance due from HNC (Canada) Antimony Mine Limited totaling RMB115,897,000(CAD17,500,000) bears interest based on the lower of the interest rate of 5-year and above quoted by the People's Bank of China and Bank of Canada. The loan will be settled in full in the ninth year from the first drawdown date which was 29 September 2010. 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 accrued from 1 January of the year when the borrower has generated net profit.

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. totaling 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 Company entered into a second revolving loan facility agreement with HNG amounting to CAD6,000,000 in 2009 which is non-interest bearing and is repayable in full in the second year from the first drawdown date.

20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at year ended 31 December 2010 and 2009 are as follows:

Name	Note	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company				Principal activities
				2010		2009		
				Direct %	Indirect %	Direct %	Indirect %	
Zhuzhou Cemented Carbides Group Corp., Ltd. ("Zhuying") (株州硬質合金集團有限公司)	(1)	PRC 15 November 1980	RMB745,761	100.00	—	99.28	—	Manufacturing of hard alloys and refractory metal compounds
Zhuzhou Smelter Group Holding Co., Ltd. (株州冶煉集團有限責任公司)		PRC 6 July 1992	RMB872,888	63.31	—	63.31	—	Investment holding
Hengyang Yuanjing Tungsten Co., Ltd. (衡陽遠景鎢業有限責任公司)		PRC 23 January 2003	RMB25,840	98.33	—	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	100.00	—	100.00	—	Mining and smelting of nonferrous metals
Hsikwangshan Twinkling Star Imp. & Exp. Company Limited (湖南錫礦山閃星銻業進出口有限責任公司)		PRC 17 November 2006	RMB15,000	—	100.00	—	100.00	Trading of nonferrous metals
Hunan Shizhuyuan Nonferrous Metals Co., Ltd. (湖南柿竹園有色金屬有限責任公司)		PRC 19 December 1981	RMB307,631	97.35	—	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	—	49.65	Trading of bismuth and nonferrous metals

20. INTERESTS IN SUBSIDIARIES (Continued)

Name	Note	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company				Principal activities
				2010		2009		
				Direct %	Indirect %	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	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	—	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	—	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	—	31.44	Trading of metal ingots
Hunan Zhuye Torch Metals Importand 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	—	31.44	Trading 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	—	22.01	Trading of metal ingots

20. INTERESTS IN SUBSIDIARIES (Continued)

Name	Note	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company				Principal activities
				2010		2009		
				Direct %	Indirect %	Direct %	Indirect %	
Torch Zinc Limited*/& (火炬鋅業有限公司)		Hong Kong 16 April 2004	USD100	—	28.30	—	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)	(2)	PRC 14 December 1999	RMB64,600	—	—	—	63.31	Manufacture of metal ingots
Shanghai Zhuye Nonferrous Metals Co., Ltd.*/& ("Shanghai Zhuye") (上海株冶有色金屬有限公司)	(3)	PRC 4 March 2004	RMB1,000	—	—	—	28.30	Trading of metal ingots
Foshan City Nanhai ZhuyeNonferrous Metals Co., Ltd.*/& ("Nanhai Zhuye") (佛山市南海株冶金屬有限公司)	(3)	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)	(6)	PRC 29 October 1987	RMB30,000	—	100.00	—	99.24	Trading of metal compounds
Shenzhen Jinzhou Jinggong Scientific and Technological Company Limited ("Shenzhen Jinzhou")* (深圳市金洲精工科技股份有限公司)	(1)	PRC 10 June 1986	RMB61,109	—	60.08	—	59.57	Manufacturing of metal and alloy products

20. INTERESTS IN SUBSIDIARIES (Continued)

Name	Note	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company 2010 Direct %	2010 Indirect %	2009 Direct %	2009 Indirect %	Principal activities
Chenzhou Diamond Tungsten Products Company Limited ("Chenzhou Diamond Tungsten")* (郴州鑽石鎢製品有限責任公司)	(6)	PRC 18 December 2001	RMB120,000	—	98.94	—	98.51	Manufacturing 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)	(1)	PRC 7 June 2002	RMB250,000	—	44.75	—	44.38	Manufacturing of metal and alloy products
Zhuzhou Changjiang Cemented Carbides Tools Company Limited ("Zhuzhou Changjiang")* (株州長江硬質合金工具有限公司)	(6)	PRC 20 April 1992	RMB59,764	—	65.14	—	60.60	Manufacturing of metal and alloy products
Zigong Cemented Carbides CompanyLimited (自貢硬質合金有限責任公司)		PRC 28 July 1998	RMB500,000	80.00	—	80.00	—	Manufacturing of hard alloys and refractory metal compounds
Hunan Nonferrous Nanling Resource Development Company Limited (湖南有色南嶺資源開發有限公司)		PRC 9 November 2007	RMB100,000	62.00	—	62.00	—	Developing of nonferrous metal resources
Hunan Nonferrous Xintianling Tungsten Co., Ltd.* ("Xintianling") (湖南有色新田嶺鎢業有限公司)	(4)	PRC 10 January 2008	RMB518,000 (2009: RMB500,000)	96.53	—	100.00	—	Mining of nonferrous metals

20. INTERESTS IN SUBSIDIARIES (Continued)

Name	Note	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company 2010 Direct %	2010 Indirect %	2009 Direct %	2009 Indirect %	Principal activities
Abra Mining Limited (愛博礦業有限公司)		Australia 27 July 2004	AUD32,949	74.28	—	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	—	70.00	—	Perambulating 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	—	78.40	Trading of metal compounds
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	—	43.64	Manufacturing hard alloys equipments
Zigong Keruide New Materials Co., Ltd. (自貢科瑞德新材料有限責任公司)		PRC 24 January 2003	RMB21,454	—	47.46	—	47.46	Manufacturing and trading of hard alloys products
HNC (Australia) Resources Holding Pty Ltd. ("HNC (Australia)") (湖南有色澳洲資源投資有限公司)	(5)	Australia 28 March 2007	AUD47,000 (2009: AUD41,200)	100.00	—	100.00	—	Developing of nonferrous metal resources
Chenzhou Wuling Ming Resource Perambulation Company Limited (郴州五嶺礦產資源勘查有限責任公司)		PRC 25 May 2007	RMB20,000	70.00	—	70.00	—	Perambulating of nonferrous metal resources

20. INTERESTS IN SUBSIDIARIES (Continued)

Name	Note	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company				Principal activities
				2010		2009		
				Direct %	Indirect %	Direct %	Indirect %	
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	—	100.00	—	Investment holding

Notes:

(1) During 2010, the Company has acquired a further interest in Zhuying, Zhuzhou Diamond, Shenzhen Jinzhou from their non-controlling shareholders. Upon the completion of the further acquisition, the Company held 100%, 44.75% and 60.08% equity interest in the above entities. Please refer to note 41 for details.

(2) During 2010, Zhuye Quanxin was deregistered.

(3) During 2009, Nanhai Zhuye and Shanghai Zhuye were deregistered.

(4) In 10 January 2010, Xintianling has issued a further RMB18,000,000 share capital to non-controlling shareholders upon the completion, representing 3.47% of the equity interests to its non-controlling interests, so that the equity interests held by the non-controlling interests increased from 0% to 3.47%.

(5) During 2010, HNC (Australia) has issued a further AUD5,800,000 share capital to the Company.

(6) Chenzhou Diamond Tungsten, ZCC Import and Export and Zhuzhou Changjiang are the subsidiaries of Zhuying, the Company has further acquired 0.72% equity interest of Zhuying from its controlling shareholders. Upon the completion of further acquisition, the equity interest of Chenzhou Diamond Tungsten, ZCC Import and Export and Zhuzhou Changjiang attributable to the Company increased to 98.94%, 100% and 65.14% respectively.

* 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 2010 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	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)
Listed shares, at cost	**—**	—	**356,034**	356,034
Unlisted shares, at cost	**—**	—	**9,000**	9,000
Share of net assets of associates	**124,227**	121,630	**—**	—
Goodwill on acquisition	**45,328**	45,328	**—**	—
	169,555	166,958	**365,034**	365,034
Provision for impairment on interests in associates	**—**	—	**(134,584)**	(134,584)
Provision for impairment on goodwill	**(45,328)**	(45,328)	**—**	—
Carrying value of unlisted shares	**124,227**	121,630	**230,450**	230,450
Market value of listed shares			**777,387**	473,810

Particulars of the associates as at 31 December 2010 and 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 and the Company**		**Principal activities**
			2010 Direct %	**2009 Direct %**	
ZhongWu GaoXin Materials Company Limited 中鎢高新材料股份有限公司	PRC 18 March 1993	222,575	35.28	35.28	Manufacturing and trading of hard alloy products
Gansu Jinda Mining Corporation Limited 甘肅金大礦業有限公司	PRC 10 July 2008	20,000	45.00	45.00	Purchasing of metal resources

21. INTERESTS IN ASSOCIATES (Continued)

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

	2010 RMB'000	2009 RMB'000 (Restated)
Assets	**140,734**	170,591
Liabilities	**16,430**	48,655
Equity	**124,304**	121,936
Revenue	**408,435**	282,155
Profit /(loss)	**2,597**	(3,916)

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group		**The Company**	
	2010 RMB'000	2009 RMB'000 (Restated)	**2010 RMB'000**	2009 RMB'000
At 1 January	**364,211**	207,996	**12,609**	29,998
Additions	**1,626**	30,063	**—**	—
Cost of disposals	**(15)**	(31,094)	**—**	—
Exchange differences	**526**	284	**526**	284
Net realised (gains)/losses transfer from equity	**(536)**	22,556	**—**	—
Net unrealised gains/(losses) transfer toequity	**70,524**	134,406	**(1,416)**	(17,673)
At 31 December	**436,336**	364,211	**11,719**	12,609

	The Group		**The Company**	
	2010 RMB'000	2009 RMB'000 (Restated)	**2010 RMB'000**	2009 RMB'000
Listed equity investments, at fair value	**382,372**	312,269	**11,719**	12,609
Unlisted equity investments, at cost	**53,964**	51,942	**—**	—
	436,336	364,211	**11,719**	12,609

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

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

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
RMB	**424,617**	351,602	**—**	—
AUD	**11,719**	12,609	**11,719**	12,609
	436,336	364,211	**11,719**	12,609

During the year, the gain of the Group's available-for-sale financial assetsrecognised directly in equity amounted to RMB70,524,000 (2009: RMB134,406,000) of which profit of RMB536,000 (2009: loss of RMB22,556,000) was removed from equity and recognised in the consolidated income statement for the year.

The fair value of listed equity investments are based on quoted market prices. There has been no significant decline in their value below cost and adverse changes in the market value of the listed equity investments during the year. The directors consider that no impairment indication was noted on the listed equity investments.

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 are as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Deferred tax assets	**(86,524)**	(91,537)	**(9,721)**	(8,770)
Deferred tax liabilities	**230,975**	222,160	**—**	—
Deferred tax liabilities/(assets), net	**144,451**	130,623	**(9,721)**	(8,770)

Deferred tax assets

The following are the major deferred tax balances recognised and movements thereon during the current and prior year:

The Group

	Asset impairment	Property, plant and equipment with higher tax base	Recognition of actuarial losses	Other temporary differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009 (Restated)	37,652	19,022	41,992	12,693	111,359
Charged to consolidated income statement (note 11)	(9,600)	—	—	—	(9,600)
Charged to other comprehensive income	—	—	(10,222)	—	(10,222)
At 31 December 2009 and 1 January 2010 (Restated)	28,052	19,022	31,770	12,693	91,537
Credited/(Charged) to consolidated income statement (note 11)	1,307	(659)	(2,557)	1,579	(330)
Credited to other comprehensive income	—	—	2,029	—	2,029
Recognition of effect on change in tax rate in consolidated income statement (note 11)	(782)	—	(5,793)	—	(6,575)
Exchange differences	—	—	—	(137)	(137)
At 31 December 2010	**28,577**	**18,363**	**25,449**	**14,135**	**86,524**

23. DEFERRED TAX (Continued)

Deferred tax assets (Continued)

The Company

	Assets Impairment RMB'000	Recognition of actuarial losses RMB'000	Total RMB'000
At 1 January 2009	5,051	9,117	14,168
Charged to income statement	—	(1,516)	(1,516)
Charged to reserve	(3,882)	—	(3,882)
At 31 December 2009 and 1 January 2010	1,169	7,601	8,770
Credited to income statement	—	1,819	1,819
Charged to reserve	(868)	—	(868)
At 31 December 2010	301	9,420	9,721

The Group has tax losses arising in Mainland China of RMB734,764,000 (2009: RMB1,299,885,000) 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. The tax losses will expire in 2 years under certain tax legislation.

23. DEFERRED TAX (Continued)

Deferred tax liabilities

The following are the major deferred tax balances recognised and movements thereon during the current and prior year:

The Group

	Revaluation surplus RMB'000	Recognition of unrealised gains on available-for sale financial assets RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2009	169,857	26,562	3,281	199,700
Acquisition of subsidiaries (note 39(a))	5,023	—	—	5,023
Credited to consolidated income statement (note 11)	(22,101)	—	—	(22,101)
Charged to other comprehensive income	—	39,599	—	39,599
Exchange differences	(61)	—	—	(61)
At 31 December 2009 and 1 January 2010	152,718	66,161	3,281	222,160
(Credited)/Charged to consolidated income statement (note 11)	(1,431)	—	3,085	1,654
Charged to other comprehensive income	—	1,310	—	1,310
Recognition of effect on change in tax rate in consolidated income statement (note 11)	—	—	1,165	1,165
Recognition of effect on change in tax rate in other comprehensive income	—	4,661	—	4,661
Exchange differences	—	—	25	25
At 31 December 2010	151,287	72,132	7,556	230,975

23. DEFERRED TAX (Continued)

Deferred tax liabilities (Continued)

The Company

	Recognition of unrealised gains/(losses) on available -for sale financial assets RMB'000
At 1 January 2009	5,606
Credit to reserve	(5,606)
At 31 December 2009 and 31December 2010	—

24. INVENTORIES

	The Group		The Company	
	2010 RMB'000	2009 RMB'000 (Restated)	**2010 RMB'000**	2009 RMB'000
Raw materials	**2,218,656**	1,478,883	**15,990**	9,445
Work in progress	**1,800,134**	1,333,499	**1,723**	949
Finished goods	**1,487,717**	2,094,164	**16,507**	14,977
	5,506,507	4,906,546	**34,220**	25,371
Less: write down value of inventories	**(169,457)**	(140,897)	**(1,199)**	(4,679)
	5,337,050	4,765,649	**33,021**	20,692

The cost of inventories recognised as expense and included in "cost of sales" amounted to RMB19,345,755,000 (2009: RMB16,661,431,000).

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 end of reporting date, based on the invoice date, is as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Within 1 year	**672,121**	745,513	**12,465**	78,934
Over 1 year but within 2 years	**13,394**	31,989	**—**	1,486
Over 2 years but within 3 years	**14,051**	9,018	**1,486**	—
Over 3 years	**29,311**	28,216	**3,926**	3,926
	728,877	814,736	**17,877**	84,346
Less: Provision for impairment	**(49,170)**	(44,163)	**(4,966)**	(4,371)
	679,707	770,573	**12,911**	79,975

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

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
At 1 January	**44,163**	37,568	**4,371**	4,359
Provision for impairment	**5,007**	6,595	**595**	12
At 31 December	**49,170**	44,163	**4,966**	4,371

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB49,170,000 (2009: RMB44,163,000). 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.

25. TRADE RECEIVABLES (Continued)

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

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Neither past due nor impaired	**493,202**	473,268	**12,465**	48,335
Less than 3 months past due	**148,548**	33,034	**—**	4,259
3 to 9 months past due	**27,308**	239,165	**—**	26,341
More than 9 months past due	**10,649**	25,106	**446**	1,040
	679,707	770,573	**12,911**	79,975

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.

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 included trading balances due from associates of RMB11,958,000 as at 31 December 2010 (2009: RMB92,699,000). 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:

	The Group	
	2010	2009
	RMB'000	RMB'000
		(Restated)
RMB	**528,555**	698,994
USD	**131,142**	50,815
AUD	**446**	2,000
EUR	**15,467**	8,988
CAD	**4,097**	9,776
	679,707	770,573

26. BILLS RECEIVABLE

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Within 120 days	**312,279**	312,652	**20,212**	14,192
Over 121 days but within 1 year	**316,034**	242,337	**14,226**	15,575
	628,313	554,989	**34,438**	29,767

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	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)
Prepayments to suppliers	**659,182**	402,112	**43,508**	37,189
Deposit for purchase additional interest for a subsidiary	**213,825**	—	**—**	—
Other receivables	**918,496**	955,845	**885,146**	949,445
	1,791,503	1,357,957	**928,654**	986,634
Less: Provision for impairment	**(82,532)**	(87,628)	**(70,000)**	(37,050)
	1,708,971	1,270,329	**858,654**	949,584

Included in the prepaymentsto suppliers and other receivables are receivables from HNG and its subsidiaries (together, "HNG Group") of RMB101,565,000 as at 31 December 2010 (2009: RMB32,991,000) which were unsecured, interest-free and receivable on demand.

Included in the prepayments to suppliers of the Group are prepayments for the projects of RMB8,975,000 (2009: RMB17,265,000).

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

28. HELD-TO-MATURITY FINANCIAL ASSETS

	The Group	
	2010	2009
	RMB'000	RMB'000
		(Restated)
Held-to-maturity debt securities, 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 debt securities issued by PRC Government. It was measured at amortised cost using the effective interest method less impairment at the end of reporting period.

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

	The Group	
	2010	2009
	RMB'000	RMB'000
		(Restated)
Beginning of the year	**5,000**	—
Additions	**—**	5,000
Matured	**(5,000)**	—
End of the year	**—**	5,000

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Cash and bank balances	**1,671,522**	2,437,944	**487,148**	959,686
Time deposits	**147,788**	188,612	**23,760**	17,000
	1,819,310	2,626,556	**510,908**	976,686
Less: pledged cash and time deposits	**(13,711)**	(54,441)	**—**	—
Cash and cash equivalents in the statement of financial position	**1,805,599**	2,572,115	**510,908**	976,686
Less: non-pledged time deposits with original maturity over three months or more when acquired	**(8,000)**	(45,500)		
Cash and cash equivalents in the consolidated cash flow statement	**1,797,599**	2,526,615		

At the end of reporting date, the cash and bank balances and time deposits denominated in RMB amounted to RMB1,325,400,000 (2009: RMB2,018,927,000). 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 2010, the cash and bank balances and time deposits included HKD107,151,000 (2009: HKD108,579,000), USD12,052,000 (2009: USD23,866,000), AUD35,331,000 (2009: AUD50,003,000), EUR3, 180,000 (2009: EUR933,000), CAD7,909,000 (2009: CAD5,035,000) and JPY 9,888,000 (2009: JPY2,205,000).

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.

30. TRADE PAYABLES

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

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Within 1 year	**906,088**	906,545	**21,156**	12,258
Over 1 year but within 2 years	**10,770**	11,017	**366**	1,113
Over 2 years but within 3 years	**5,862**	2,928	**992**	127
Over 3 years	**8,575**	9,364	**154**	30
	931,295	929,854	**22,668**	13,528

The amounts due to HNG Group, amounted to RMB17,534,000 (2009: RMB8,185,000), included in the Group's trade payables were unsecured, interest-free and repayable within trade credit periods.

The Group was normally allowed a credit period of one to three months by suppliers, otherwise cash terms are normally required.

31. BILLS PAYABLE

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

	The Group	
	2010	2009
	RMB'000	RMB'000
		(Restated)
Within 120 days	**20,000**	355,670
Over 121 days but within 1 year	**—**	30,000
	20,000	385,670

Cash and time deposits amounting to RMB9,000,000 (2009: RMB22,600,000) were pledged to banks for the issuance of bills payable.

32. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)
Advances from customers	**775,022**	379,289	**8,159**	15,837
Accrued taxes other than income tax	**57,553**	91,241	**16,696**	17,734
Accrued salaries, wages and benefits	**92,224**	81,272	**6,426**	4,716
Payables for mining rights - current portion (note 35)	**358,553**	365,932	**95,921**	95,921
Accrued expenses and other payables	**560,678**	691,070	**76,925**	51,587
	1,844,030	1,608,804	**204,127**	185,795

Included in other payables and accruals of the Group and the Company are balances due to HNG Group of RMB92,757,000 (2009: RMB307,791,000) and RMB2,545,000 (2009: RMB28,855,000) respectively which were unsecured, interest-free and repayable on demand.

Included in accrued expense and other payables of the Group are the financing arrangement with the Bank of China of RMB26,033,000 was unsecured, interest-free and repayable on 20 June 2011.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group	2010 Effective interest rate (%)	2010 Maturity	2010 RMB'000	2009 Effective interest rate (%)	2009 Maturity	2009 RMB'000 (Restated)
Current:						
Bank loans – unsecured	1.46 - 6.80	2011	3,445,068	1.12-8.97	2010	3,127,572
Bank loans – unsecured	Prime rate - 10%	2011	190,000	—	—	—
Bank loans – unsecured	Prime rate - 5%	2011	20,000	—	—	—
Bank loans – unsecured	Export seller's credit interest rate of the People's Bank of China	2011	250,000	—	—	—
Bank loans – unsecured	Libor+1.3%	2011	26,491	—	—	—
Bank loans – secured	3.83 - 5.31	2011	990,611	2.31-8.22	2010	910,892
Bank loans – secured	Prime rate - 10%	2011	122,000	5.04-6.84	2010	30,000
Entrusted loans	4.78 - 5.04	2011	2,120,000	4.51	2010	90,000
Other borrowing – unsecured	5.04 - 8.22	2011	300,118	—	—	—
			7,464,288			4,158,464
Non-current:						
Bank loans – unsecured	3.51 - 6.39	2012-2014	1,701,472	4.17-6.39	2011-2018	4,417,109
Bank loans – unsecured	Prime rate - 10%	2013-2015	196,900	—	—	—
Bank loans – unsecured	Prime rate - 10%	2012-2015	221,000	—	—	—
Bank loans – unsecured	Export seller's credit interest rate of the People's Bank of China	2013	80,000	—	—	—
Bank loans – unsecured	Libor+1.3%	2016	185,436	—	—	—
Bank loans – unsecured	Libor+2.6%	2018	158,089	—	—	—
Bank loans – secured	4.86 – 5.40	2012-2013	70,000	4.89-6.75	2011-2014	649,389
Bank loans – secured	Prime rate - 5%	2012	180,000	Libor+1.3%	2011-2012	199,295
Entrusted loans	5.80	2018	200,000	5.80	2013-2018	900,000
Other borrowings – unsecured	2.10 - 5.80	2012-2023	869,758	2.10-4.17	2012-2023	117,233
Other borrowings – secured	2.90 - 5.21	2012-2014	307	4.23-10.63	2010-2012	40,118
			3,862,962			6,323,144
			11,327,250			10,481,608

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

	2010			2009		
The Company	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000 (Restated)
Current:						
Bank loans – unsecured	3.51 – 4.86	2011	122,000	—	—	—
Bank loans – secured	—	—	—	4.86	2010	60,080
Bank loans – unsecured	Libor+1.3%	2011	26,491	—	—	—
Entrusted loans	5.04	2011	1,230,000	—	—	—
			1,378,491			60,080
Non-current:						
Bank loans – unsecured	3.51 – 5.13	2012-2013	690,000	4.32 -.5.40	2011-2013	2,334,000
Bank loans – unsecured	Libor+1.3%	2016	185,436	Libor+1.3%	2016	245,815
Bank loans – unsecured	Libor+2.6%	2018	158,089	Libor+2.6%	2018	162,995
			1,033,525			2,742,810
			2,412,016			2,802,890

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

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Analysed into:				
Bank loans repayable:				
Within one year	**5,044,170**	4,068,464	**148,491**	60,080
In the second year	**1,441,472**	1,538,382	**550,000**	500,000
In the third to fifth years, inclusive	**912,900**	3,287,601	**140,000**	1,834,000
Beyond five years	**438,525**	439,810	**343,525**	408,810
	7,837,067	9,334,257	**1,182,016**	2,802,890
Entrusted loans repayable:				
Within one year	**2,120,000**	90,000	**1,230,000**	—
In the second year	**—**	190,000	**—**	—
In the third to fifth years, inclusive	**—**	610,000	**—**	—
Beyond five years	**200,000**	100,000	**—**	—
	2,320,000	990,000	**1,230,000**	—
Other borrowings repayable:				
Within one year	**300,118**	—	**—**	—
In the second year	**324,112**	70,709	**—**	—
In the third to fifth years, inclusive	**200,195**	40,000	**—**	—
Beyond five years	**345,758**	46,642	**—**	—
	1,170,183	157,351	**—**	—
	11,327,250	10,481,608	**2,412,016**	2,802,890

Note:

As at 31 December 2010, 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 with an aggregate carrying value of approximately RMB868,681,000 (2009: RMB1,308,220,000).

The entrusted loans amounting to RMB2,320,000,000 were granted by HNG to the Group (2009: RMB990,000,000) as at 31 December 2010.

As at 31 December 2010, HNG guaranteed certain of the Group's bank loans to the extent of RMB1,024,916,000(2009:RMB1,748,437,000) (note 44(d)).

Other than certain of the bank loans in the aggregate amount of USD258,536,000,CAD38,000 and AUD26,000 as at 31 December 2010 (2009: USD153,472,000,CAD912,000 and AUD74,000), all of the Group's bank loans are denominated in RMB.

34. OTHER LIABILITIES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Provision for supplementary pension subsidies and early retirement benefits (note (i))	**417,756**	417,792	**64,526**	57,245
Stock appreciation rights plan (note (ii))	**12,781**	12,224	**12,781**	12,224
Provision for reclamation and rehabilitation	**25,861**	24,604	**—**	—
Balance as at 31 December	**456,398**	454,620	**77,307**	69,469
Represented by:				
Current portion included in other payables and accruals	**43,122**	41,421	**5,428**	4,967
Long term liabilities	**413,276**	413,199	**71,879**	64,502
	456,398	454,620	**77,307**	69,469

Notes:

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

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

	The Group	
	2010	2009
	RMB'000	RMB'000
		(Restated)
Defined benefit obligations at 1 January	**417,792**	442,821
Interest cost recognised in administrative expenses (note 8)	**15,883**	15,671
Current service cost recognised in administrative expenses (note 8)	**3,029**	3,009
Prior service cost recognised in administrative expenses(note 8)	**3,019**	—
Net actuarial loss recognised in equity	**19,454**	5,413
Benefits paid	**(41,421)**	(49,122)
Defined benefit obligations at 31 December	**417,756**	417,792

34. OTHER LIABILITIES (Continued)

Notes: (Continued)

(i) Provision for supplementary pension subsidies and early retirement benefits (Continued)

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

	2010 %	2009 % (Restated)
Discount rate:	**4.0**	4.0

Prior to 1 Sepember 2005, 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) Stock 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 stock appreciation rights plan with effect on 25 September 2006. The following directors, supervisors and senior management members of the Group are granted stock appreciation rights ("SARs"), which can only be settled in cash.

Name	Stock Appreciation Rights (Number of Shares)	Note
He Renchun	1,282,051	Chairman of Board of Directors and Executive Director (Resignedon 23 August 2010)
Cao Xiuyun	1,025,641	Vice Chairman of the Board of Directors and Non-Executive Director
Li Li	897,436	Executive Direct or and General Manager
Zeng Shaoxiong	769,231	Chairman of the Supervisory Committee (Resigned on 10 November 2010)
Liao Luhai	769,231	Executive director
Chen Zhixin	769,231	Non-Executive director
Wu Longyun	641,027	Non-executive director (Resigned on 10 November 2010)
He Hongsen	641,026	Supervisor
Zhang Yixian	641,026	Non-executive director (Resigned on 10 November 2010)
Yang Bohua	512,820	Senior Manager of Subsidiary Company
Fu Shaowu	512,820	Senior Manager of Subsidiary Company
Yang Lingyi	512,820	Senior Manager of Subsidiary Company (Resigned on December 2009)
Hong Mingyang	512,820	Deputy General Manager
Zhu Chongzhou	512,820	Senior Manager of Subsidiary Company (Resigned on May 2010)
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 are 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 RMB557,000 (2009: RMB9,862,000) and the carrying amount of the liability relating to the SARs at 31 December 2010 is RMB12,781,000 (2009: RMB12,224,000). No SARs were exercised during the year ended 31 December 2010 and 2009.

34. OTHER LIABILITIES (Continued)

Notes: (Continued)

(ii) Share appreciation rights plan (Continued)

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

	The Group and the Company	
	2010	2009
	RMB'000	RMB'000
		(Restated)
Dividend yield (%)	**1**	1
Expected volatility (%)	**60**	60
Risk–free interest rate (%)	**0.97**	1.49
Expected life of option (years)	**3.0**	3.9
Weighted average share price (RMB)	**1.2781**	1.2224
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 end of reporting period.

35. PAYABLES FOR MINING RIGHTS

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Payables in connection with the purchases of mining rights	**471,846**	488,749	**95,921**	95,921
Less: Portion classified as current liabilities (note 32)	**(358,553)**	(365,932)	**(95,921)**	(95,921)
Long term liabilities	**113,293**	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 government of Hunan province,certain payables for purchasing the mining rights amounting of RMB358,553,000 and RMB95,921,000 respectively were transferred to HNG by the government. Accordingly, the payables for mining rights of the Group was unsecured, non-interest-bearing and had no fixed terms of repayment.

36. GOVERNMENT GRANTS

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
At beginning of year	**227,342**	174,242	**82**	82
Received during the year	**191,969**	134,127	**53,823**	22,938
Recognised as other income during the year (note 6)	**(160,392)**	(81,027)	**(43,623)**	(22,938)
At end of year	**258,919**	227,342	**10,282**	82

37. ISSUED SHARE CAPITAL

	2010	2009
	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 reserve RMB'000	Other reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2009	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 tax	5,279	—	—	5,279	
Net actuarial gains of defined benefit retirement schemes, net of tax	—	—	—	3,693	3,693
At 31 December 2009 and 1 January 2010 (As previously reported)	466,990	93,977	—	(304,516)	256,451
Prior year adjustments: (note b)					
Reclassification of changes in fair value of available-for-sale financial assets, net of tax (note b(i))	(5,279)	—	(17,673)	22,952	—
Reversal of depreciation recognised on the revaluation surplus of property, plant and equipment (note b(ii))	—	—	—	4,874	4,874
Reversal of share of losses of associates (note b(iii))	—	—	—	3,915	3,915
Recognition of the custody fee of listed share (note b(iv))	—	—	—	(189)	(189)
At 31 December 2009 and 1 January 2010 (As restated)	461,711	93,977	(17,673)	(272,964)	265,051
Loss for the year	—	—	—	(175,281)	(175,281)
Changes in fair value of available-for-sale financial assets, net of tax	—	—	(1,416)	—	(1,416)
Net actuarial gains of defined benefit retirement schemes, net of tax	—	—	—	(6,928)	(6,928)
Deregistration of a subsidiary under common control	(33,784)	—	—	—	(33,784)
Other	—	—	518	—	518
At 31 December 2010	**427,927**	**93,977**	**(18,571)**	**(455,173)**	**48,160**

38. RESERVES (Continued)

The Company (Continued)

Note:

(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 consolidated financial statements which are prepared in accordance with IFRSs.

(b) During the year, the Company's management found errors in the Company's financial statements for the year ended 31 December 2009. As such, prior year adjustments have been made to restate the Company's financial statements for the year ended 31 December 2009. Effects on these restatements of the Company's financial statements for the year ended 31 December 2009 are summarised as below:

(i) In 2009, the changes in fair value of available-for-sales financial assets were charged to the profit or loss of RMB22,952,000 and credited to capital reserve of RMB5,279,000. The adjustment is to reverse such entries in capital reserve and profit or loss, and recognise the net decrease in fair value of available-for-sale financial assets of RMB17,673,000 in other reserve.

(ii) Pursuant to the Group reorganisation in prior years, an IFRS adjustment has to be made to reverse the additional depreciation in respect of the revalued property, plant and equipment of the Company in the Company's financial statements and consolidated financial statements. In 2009, such reversal of depreciation was made in the consolidated financial statements only but, not in the Company's financial statements. This prior year adjustment is to reverse such additional depreciation in the Company's profit or loss.

(iii) In 2009, share of loss of associates was charged to profit or loss using equity method in the Company's financial statements. This adjustment is to reverse the share of loss of associates and state the associates at cost less impairment.

(iv) In 2009, the handling charges and stamp duties incurred in relation to the listed shares of an associate of the Company was capitalised as investment cost of associates. The adjustment is to expense off these handling charges and stamp duties into profit or loss.

These adjustments were related to the financial period of the year ended 31 December 2009, and there were no financial impacts in prior years period.

38. RESERVES (Continued)

(b) (Continued)

	As previously reported 2009 RMB'000	As restated 2009 RMB'000	Adjustments 2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	177,932	182,806	4,874
Land lease prepayments	75,378	75,378	—
Intangible assets	25,163	25,163	—
Other assets	62,086	62,086	—
Interests in subsidiaries	4,346,682	4,346,682	—
Interests in associates	226,724	230,450	3,726
Available-for-sale financial assets	12,609	12,609	—
Deferred tax assets	8,770	8,770	—
Total non-current assets	4,935,344	4,943,944	8,600
CURRENT ASSETS			
Inventories	20,692	20,692	—
Trade receivables	79,975	79,975	—
Bills receivable	29,767	29,767	—
Prepayments, deposits and other receivables	949,584	949,584	—
Cash and cash equivalents	976,686	976,686	—
Total current assets	2,056,704	2,056,704	—
CURRENT LIABILITIES			
Trade payables	13,528	13,528	—
Other payables and accruals	185,795	185,795	—
Interest-bearing bank and other borrowings	60,080	60,080	—
Tax payable	742	742	—
Total current liabilities	260,145	260,145	—
NET CURRENT ASSETS	1,796,559	1,796,559	—
TOTAL ASSETS LESS CURRENT LIABILITIES	6,731,903	6,740,503	8,600

38. RESERVES (Continued)

(b) (Continued)

	As previously reported 2009 RMB'000	As restated 2009 RMB'000	Adjustments 2009 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	2,742,810	2,742,810	—
Other liabilities	64,502	64,502	—
Government grants	82	82	—
Total non-current liabilities	2,807,394	2,807,394	—
NET ASSETS	3,924,509	3,933,109	8,600
EQUITY			
Equity attributable to owners of the Company			
Share capital	3,668,058	3,668,058	—
Reserves	256,451	265,051	8,600
TOTAL EQUITY	3,924,509	3,933,109	8,600

39. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

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

	2009 Fair value recognised on acquisition RMB'000 (Restated)
Property, plant and equipment	75,525
Other assets	143,830
Inventories	12,102
Prepayments, deposits and other receivables	4,434
Tax recoverable	1,494
Cash and cash equivalents	6,110
Trade payables	(11,310)
Other payables and accruals	(147,699)
Interest-bearing bank and other borrowings	(5,484)
Deferred tax liabilities	(5,023)
Fair value amount of the net assets at the dates of acquisition	73,979

39. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(a) Acquisition of a subsidiary (Continued)

	Previously reported 2009 Fair value ecognised on acquisition RMB'000	Adjustment on fair value recognised on acquisition RMB'000	Revised 2009 Fair value recognised on acquisition RMB'000
Property, plant and equipment	—	75,525	75,525
Other assets	—	143,830	143,830
Trade receivable	190,537	(190,537)	—
Inventories	—	12,102	12,102
Prepayments, deposits and other receivable	91,136	(86,702)	4,434
Tax recoverable	1,487	7	1,494
Cash and cash equivalents	3,192	2,918	6,110
Trade payables	(14,068)	2,758	(11,310)
Other payables and accruals	(65,866)	(81,833)	(147,699)
Interest-bearing bank and other borrowings	—	(5,484)	(5,484)
Deferred tax liabilities	(4,962)	(61)	(5,023)
Fairvalue of the net assets at the date of acquisition	201,456	(127,477)	73,979

	2009 RMB'000 (Restated)
Satisfied by:	
Cash	73,979

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

	2009 RMB'000 (Restated)
Cash and bank balances acquired	6,110
Less: Cash consideration	(73,979)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries in the consolidated cash flow statement	(67,869)

39. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(a) Acquisition of a subsidiary (Continued)

Note:

(i) Effective on 13 October 2009, the Company completed the acquisition of enitre equity interest in Beaver Brook Antimony Mine Inc. through its wholly-owned subsidiary, HNC (Canada) Antimony Mine Limited, which was 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 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 owners of the Company and revenue of RMB29,747,000 for the year ended 31 December 2009.

(ii) Because of the time limit for the preparation of the initial accounting for this acquisition taken place in 2009, the initial accounting for the acquisition of particular assets, liabilities, items of consideration and the amounts disclosed above, were based on the management's financial statements. Upon the availability of the audited financial statements in 2010, the figures are restated to reflect the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired by the Group.

(b) Disposal of a subsidiary

	Note	2009 RMB'000
Prepayments, deposits and other receivables		5
Trade payable		(1)
Tax receivable		80
Carrying value of the net assets at the date of disposal		84
Loss on disposal of a subsidiary	8	(79)
		5
Satisfied by:		
Cash		5

During the year ended 31 December 2009, the Group disposed of its 78.4% equity interest in Zigong Cemented Carbides Company Limited Guangzhou Sales Center for a consideration of RMB5,000.

The net inflow of cash and cash equivalents in respect of the disposal is RMB5,000.

40. BUSINESS COMBINATIONS UNDER COMMON CONTROL

(i) On 16 August 2010, the Company entered into an equity transfer agreement with Nonferrous Metals Corporation to acquire the entire equity interest of Chenzhou City Huangshaping Iron Ore Processing Co., Limited("Huangshaping Iron Ore") at an aggregate consideration of RMB67,285,900.

The Group and Huangshaping Iron Ore are ultimately controlled by Nonferrous Metals Corporation before and after the business combinations and that control is not transitory. The Group and Huangshaping Iron Ore are regarded as continuing entities as at the date of business combination and have the acquisitions been accounted for as business combination under common control by applying the principles of merger accounting.

In accordance with the business valuation report on Huangshaping Iron Ore, the fair value of Huangshaping Iron Ore as at 31 March 2010 was RMB67,285,900, which was the basis for the consideration set. The consideration has been paid up in September 2010.

The Group regarded the date of acquisition of Huangshaping Iron Ore to be on 31 August 2010 at which the Group obtained the control on HuangshapingIron Ore.

The assets and liabilities of Huangshaping Iron Ore as at 31 August 2010, the date of acquisition areas follows:

	(Date of acquisition) 31 August 2010 RMB'000
Land lease prepayments	**11,670**
Property, plant and equipment	**69,686**
Deferred income tax assets	**55**
Inventories	**4,235**
Prepayment, deposits and other receivables	**1,000**
Cash and cash equivalents	**1,467**
Trade payables	**(5,020)**
Accruals and other payables	**(41,867)**
Net assets	**41,226**

Such acquisition is regarded as a business acquisition under common control. The assets and liabilities acquired by the Company in the merger of enterprises shall be measured at book value of the merger party on the merger date.

40. BUSINESS COMBINATIONS UNDER COMMON CONTROL (Continued)

(i) (Continued)

The financial effects of the business combination under common control are as follows:

	As previously reported RMB'000	Combined subsidiaries RMB'000	Adjustments RMB'000	As restated RMB'000
At 31 December 2008				
ASSETS				
Non-current assets	9,641,265	83,509	—	9,724,774
Current assets	8,638,875	9,779	(23)	8,648,631
Total Assets	18,280,140	93,288	(23)	18,373,405
EQUITY				
Share capital	3,668,058	8,000	(8,000)	3,668,058
Reserves	850,432	53,265	8,000	911,697
Non controlling interests	2,082,488	—	—	2,082,488
Total equity	6,600,978	61,265	—	6,662,243

40. BUSINESS COMBINATIONS UNDER COMMON CONTROL (Continued)

(i) (Continued)

LIABILITIES				
Non-current liabilities	4,415,862	—	—	4,415,862
Current liabilities	7,263,300	32,023	(23)	7,295,300
Total liabilities	11,679,162	32,023	(23)	11,711,162
Total equity and liabilities	18,280,140	93,288	(23)	18,373,405
At 31 December 2009				
ASSETS				
Non-current assets	10,823,685	81,411	—	10,905,096
Current assets	10,041,451	9,200	(11,988)	10,038,663
Total assets	20,865,136	90,611	(11,988)	20,943,759
Share capital	3,668,058	8,000	(8,000)	3,668,058
Reserves	600,706	33,226	8,000	641,932
Non-controlling interests	2,171,854	—	—	2,171,854
Total Equity	6,440,618	41,226	—	6,481,844
LIABILITIES				
Non-current liabilities	7,308,662	—	—	7,308,662
Current liabilities	7,115,856	49,385	(11,988)	7,153,253
Total liabilities	14,424,518	49,385	(11,988)	14,461,915
Total equity and liabilities	20,865,136	90,611	(11,988)	20,943,759

Note: No other significant adjustments were made to the net assets and net profit of any entities or businesses as a result of the common control combinations to achieve consistency of accounting policies.

40. BUSINESS COMBINATIONS UNDER COMMON CONTROL (Continued)

(ii) The effect of business combination of entities under common control described above on the Group's basic and diluted loss per share for the year ended 31 December 2009 is as follows:

	Impact on loss basic and diluted RMB (cents)
Reported figures before restatement	9.77
Restatement arising from business combination of entities under common control	0.55
Restated	10.32

41. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 18 August 2010, the Company acquired an additional 0.08% of the issued shares of Shenzhen Jinzhou for a purchase consideration of RMB81,000. The carrying amount of the non-controlling interests in Shenzhen Jinzhou on the date of acquisition was RMB72,500,000. The Group recognised a decrease in non-controlling interest of RMB145,000 and an increase in equity attributable to owners of the Company of RMB64,000.

On 6 September 2010, the Company acquired an additional 0.72% of the issued shares of Zhuying for a purchase consideration of RMB10,682,000. The carrying amount of the non-controlling interests in Zhuying on the date of acquisition was RMB6,071,000. The Group recognised a decrease in non-controlling interest of RMB6,071,000 and a decrease in equity attributable to owners of the Company of RMB4,611,000.

On 21 September 2010, the Company acquired an additional 0.05% of the issued shares of Zhuzhou Diamond for a purchase consideration of RMB239,000. The carrying amount of the non-controlling interests in Zhuzhou Diamond on the date of acquisition was RMB304,150,000. The Group recognised a decrease in non-controlling interest of RMB275,000 and an increase in equity attributable to owners of the Company of RMB36,000.

The effect of changes in the ownership interest of Zhuying, Zhuzhou Diamond, and Shenzhen Jinzhou on the equity attributable to the owners of the Company during the year is summarised as follows:

	Zhuying RMB'000	Zhuzhou Diamond RMB'000	Shenzhen Jinzhou RMB'000	Total RMB'000
Carrying amount of non-controlling interests acquired	6,071	275	145	6,491
Consideration paid to non-controlling interests	(10,682)	(239)	(81)	(11,002)
Excess of consideration paid recognised in capital reserve within equity	(4,611)	36	64	(4,511)

42. OPERATING LEASE COMMITMENTS

As a lessee, the Group and the Company lease certain land, plant and equipment under operating lease commitment, with lease terms negotiated for one to twenty years.

As at 31 December 2010, the Group and the Company had total future minimum lease payments under such non-cancellable operating leases falling due as follows:

	The Group		The Company	
	2010 RMB'000	2009 RMB'000 (Restated)	**2010 RMB'000**	2009 RMB'000
Less than 1 year	**20,064**	17,547	**1,979**	1,860
More than 1 year and less than 5 years	**67,498**	61,026	**—**	—
More than 5 years	**146,207**	161,331	**—**	—
	233,769	239,904	**1,979**	1,860

None of the leases includes contingent rentals.

43. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 42 to the consolidated financial statements, the Group and the Company had the following capital commitments at the end of reporting date:

	The Group		The Company	
	2010 RMB'000	2009 RMB'000 (Restated)	**2010 RMB'000**	2009 RMB'000
Contracted, but not provided for:				
Purchase additional interest of a subsidiary (note)	**195,210**	—	—	—
Property, plant and equipment	**456,624**	178,842	**—**	—
Others	**1,800**	—	**—**	—
	653,634	178,842	**—**	—
Authorised, but not contracted for:				
Property, plant and equipment	**88,179**	—	**—**	—

Note :

On 30 September 2010, the Group signed a share transfer agreement with Xiangjiang Industrial Investment Co. Ltd. to acquire a further 19.4% equity interest in a subsidiary, Zhuzhou Diamond, for a consideration of RMB195,210,000.

44. RELATED PARTY TRANSACTIONS

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

(a) Transactions with the HNG Group

Nature of transactions	**2010 RMB'000**	2009 RMB'000 (Restated)
Sales of raw materials and products	**262,044**	131,589
Provision of electricity and water	**841**	4,917
Subcontracting income	**239**	582
Rental income	**—**	201
Purchases of raw materials and products	**100,352**	199,009
Transportation service fees	**2,528**	26,653
Repairs and maintenance fees	**15,705**	34,907
Construction service fees	**1,863**	23,108
Subcontracting fees	**16,709**	17,802
Rental fees	**2,299**	9,235
Property management service fees	**4,276**	7,284

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

(b) Transaction with Minmetals Group

Nature of transactions	**2010 RMB'000**	2009 RMB'000 (Restated)
Sales of raw materials and products	**524,609**	—
Purchases of raw materials and products	**285,509**	—

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

44. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with associates

Nature of transactions	2010 RMB'000	2009 RMB'000 (Restated)
Sales of raw materials and products	858,146	717,637
Provision of electricity and water	45,152	220
Rental income	3,040	—
Purchases of raw materials and products	1,117,583	808,740
Purchases of property, plant and equipment	157	2,032
Other service fees	5,524	2,821

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

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

Nature of transactions	2010 RMB'000	2009 RMB'000 (Restated)
Corporate guarantees	1,024,916	1,748,437

Guarantees granted by HNG for securing the Group's bank loans are disclosed in note 33 to the consolidated financial statements. These guarantees were provided without any charges.

(e) Lease of land use right from HNG

Nature of transactions	2010 RMB'000	2009 RMB'000 (Restated)
Lease of land use right	11,267	11,907

The Group has entered into property lease agreements on 35 pieces of land with HNG for terms of one to twenty years. The total annual rental fees were approximate RMB11 million (2009: approximate RMB12 million).

45. FINANCIAL INSTRUMENT BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of reporting date are as follows:

The Group

Financial assets	2010 Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale financial assets	—	436,336	436,336
Trade receivables	679,707	—	679,707
Bills receivable	628,313	—	628,313
Financial assets included in prepayments, deposits and other receivables	844,204	—	844,204
Pledged deposits	13,711	—	13,711
Cash and cash equivalents	1,805,599	—	1,805,599
	3,971,534	436,336	4,407,870

Financial liabilities	2010 Financial liabilities at amortised cost RMB'000
Trade payables	931,295
Bills payable	20,000
Financial liabilities included in other payables and accruals	939,154
Interest-bearing bank and other borrowings (note 33)	11,327,250
	13,217,699

45. FINANCIAL INSTRUMENT BY CATEGORY (Continued)

The Group (Continued)

Financial assets	2009			
	Loans and receivables RMB'000 (Restated)	Available-for-sale financial assets RMB'000 (Restated)	Held-to-maturity financial assets RMB'000 (Restated)	Total RMB'000 (Restated)
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	759,799	—	—	759,799
Pledged deposits	54,441	—	—	54,441
Cash and cash equivalents	2,572,115	—	—	2,572,115
	4,711,917	364,211	5,000	5,081,128

Financial liabilities	2009
	Financial liabilities at amortised cost RMB'000 (Restated)
Trade payables	929,854
Bills payable	385,670
Financial liabilities included in other payables and accruals	1,079,163
Interest-bearing bank and other borrowings (note 33)	10,481,608
	12,876,295

45. FINANCIAL INSTRUMENT BY CATEGORY (Continued)

The Company

Financial assets	**2010** **Loans and receivables** **RMB'000**	**Available-for-sale financial assets** **RMB'000**	**Total** **RMB'000**
Due from subsidiaries (note 20)	921,404	—	921,404
Available-for-sale financial assets	—	11,719	11,719
Trade receivables	12,911	—	12,911
Bills receivable	34,438	—	34,438
Financial assets included in prepayments, deposits and other receivables	822,224	—	822,224
Cash and cash equivalents	510,908	—	510,908
	2,301,885	11,719	2,313,604

Financial liabilities	**2010** **Financial liabilities at amortised cost** **RMB'000**
Trade payables	22,668
Financial liabilities included in other payables and accruals	161,989
Interest-bearing bank and other borrowings (note 33)	2,412,016
	2,596,673

45. FINANCIAL INSTRUMENT BY CATEGORY (Continued)

The Company (Continued)

Financial assets

	2009		
	Loans and receivables RMB'000 (Restated)	Available-for-sale financial assets RMB'000 (Restated)	Total RMB'000 (Restated)
Due from subsidiaries (note 20)	913,277	—	913,277
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
	2,619,206	12,609	2,631,815

Financial liabilities

	2009
	Financial liabilities at amortised cost RMB'000 (Restated)
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

46. COMPARATIVE FIGURES

The Group

During the year 2010, the Company has business combinations acquired under common control as detailed in note 40. The Group and the acquired unit are regarding as continuing entities as at the date of business combination and have been accounted for by applying the principles of merger accounting. The resulting changes which lead to the restatements on the consolidated statement of financial position and consolidated cash flow statement are detailed in note 40 and the consolidated cash flow statement.

The Company

During the year 2010, the Company's management found errors in the Company's financial statements for the year ended 31 December 2009, as detailed in note 38(b).

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR 2010

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hunan Nonferrous Metals Corporation Limited (the "Company") will be held at 10.00 a.m. on 18 May 2011 at 3/F, No. 290 Laodongxi Road, Tianxin District, Changsha City, Hunan Province, 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 2010;

2. To consider and approve the Report of the Supervisory Committee of the Company for the year 2010;

3. To consider and approve the Audited Financial Statements of the Company for the year 2010;

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

SPECIAL RESOLUTIONS

5. To grant to the Board 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
Hunan Nonferrous Metals Corporation Limited
Li Fuli
Chairman

Changsha, the PRC, 18 March 2011

Notes:

1. In order to determine the list of shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from 15 April 2011 to 18 May 2011 (both days inclusive), during which period no transfer of H shares will be effected. Holders of the Company's H Shares whose names appear on the register of members of the Company before the close of business hours on 14 April 2011 are entitled to attend the AGM and to vote in the meeting. In order to qualify to attend and vote in the AGM, the instruments of transfer of the holders of H Shares of the Company must be delivered to the H Share Registrar of the Company no later than 4:30 p.m. on 14 April 2011. The address of the Hong Kong H Share Registrar of the Company is:
   Computershare Hong Kong Investor Services Limited
   Shops 1712-1716
   17th Floor, Hopewell Centre
   183 Queen's Road East
   Wanchai
   Hong Kong

2. Holders of the H Shares of the Company who intend to attend the AGM are asked to send the completed and signed reply slip for attendance to the Finance and Securities Department of the Company at least 20 days before the AGM. Details of the Finance and Securities Department of the Company is as follows:
   Room 602, 6/F
   No. 290 Laodongxi Road
   Tianxin District
   Changsha City, Hunan Province
   PRC
   Tel: (86) 731 8538 5556
   Facsimile: (86) 731 8552 9468

3. Holders of the H Shares and Domestic Shares of the Company entitled to attend and vote at the AGM may appoint one or more proxies (whether the person is a shareholder of the Company or not) to attend and vote on his/her behalf at the AGM. When a shareholder appoints more than one proxy, such proxies may only vote on his/her behalf at the AGM. When a shareholder appoints more than one proxy, such proxies may only vote on a poll.

4. Shareholders of the Company must appoint a proxy or proxies in writing which shall be signed by the person appointing the proxy or proxies or by his/her duly authorised attorney. If the form of proxy is signed by an attorney, the document appointing the attorney must be certified by a notary public.

5. To be valid, a power of attorney or other authority (if any) certified by a notary public and the form of proxy must be received by the Company's H Share Registrar - Computershare Hong Kong Investor Services Limited 24 hours prior to the commencement of the AGM. The address is: 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

6. Holders of Domestic Shares entitled to attend the AGM and to vote in the meeting are entitled to appoint one or more than one proxies in writing (whether such person is a shareholder) to be his/her proxy and to attend the AGM and to vote on his/her behalf. Notes 3 and 4 are also applicable to holders of Domestic shares provided that the relevant form of proxies or other documents must be lodged at the Finance and Securities Department (the address of which is stated in Note 2) of the Company at least 24 hours before the commencement of the AGM in order that to be valid.

7. If a proxy attends the AGM on behalf of a Shareholder, he should produce his ID card and the instruments signed by the proxy or his legal representative, which specifies the date of its issuance. If the legal representative of a legal person share shareholder attends the AGM, such legal representative should produce his ID card and valid documents evidencing his capacity as such legal representative. If a legal person share shareholder appoints a representative of the company other than its legal representative to attend the AGM, such representative should produce his ID card and an authorization instrument affixed with the seal of the legal person share shareholder and duly signed by its legal representative.

8. The AGM is expected to last half a day. Shareholders (in person or by proxy) who attend the AGM shall be responsible for their own traveling and accommodation expenses. Shareholders or their proxies attending the meeting shall produce their identity documents.