HUNAN NONFERROUS METALS CORP., LTD.

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

(Stock Code: 02626)

ANNUAL REPORT 2011

CONTENTS

SUMMARY OF FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December				
	2007 (RMB'000)	2008 (RMB'000)	2009 (RMB'000) (Restated)	2010 (RMB'000)	**2011 (RMB'000)**
CONTINUING OPERATIONS					
REVENUE	21,493,689	15,588,436	18,038,751	21,594,348	**24,546,146**
Cost of sales	(19,412,091)	(14,003,659)	(16,661,431)	(19,345,755)	**(22,032,228)**
Gross profit	2,081,598	1,584,777	1,377,320	2,248,593	**2,513,918**
Other income	285,485	316,759	155,755	264,091	**321,996**
Selling and distribution costs	(311,318)	(356,567)	(311,670)	(403,236)	**(437,233)**
Administrative expenses	(970,601)	(1,282,889)	(882,115)	(1,019,583)	**(1,373,058)**
Other expenses, net	(26,393)	(386,763)	(38,045)	(48,267)	**(87,311)**
Impairment of intangible assets	—	—	—	—	**(10,000)**
Impairment of property, plant and equipment	—	—	(122,014)	(209,316)	**(154,499)**
Impairment of trade and other receivables	(1,436)	(20,355)	(10,555)	(66,953)	**(38,580)**
Finance income	72,647	62,530	43,883	55,965	**88,883**
Finance costs	(343,731)	(441,226)	(454,354)	(586,451)	**(684,295)**
Share of profits/(losses) of associates	(70,689)	46	(3,916)	2,597	**12,344**
PROFIT/(LOSS) BEFORE TAX	715,562	(523,688)	(245,711)	237,440	**152,165**
Income tax expense	(239,362)	(132,664)	(67,051)	(95,572)	**(193,228)**
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	476,200	(656,352)	(312,762)	141,868	**(41,063)**
DISCONTINUING OPERATIONS					
Profit for the year from discontinuing operations	—	—	—	—	**—**
NET PROFIT/(LOSS) FOR THE YEAR	476,200	(656,352)	(312,762)	141,868	**(41,063)**
Attributable to:					
Owners of the Company	314,896	(739,517)	(378,522)	12,239	**293,399**
Non-controlling interests	161,304	83,165	65,760	129,629	**(334,462)**
	476,200	(656,352)	(312,762)	141,868	**(41,063)**

SUMMARY OF FINANCIAL INFORMATION

EXTRACTS FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2007 (RMB'000)	2008 (RMB'000) (Restated)	2009 (RMB'000) (Restated)	2010 (RMB'000)	**2011** **(RMB'000)**
Total non-current assets	8,711,387	9,724,774	10,905,096	11,485,668	**12,096,736**
Total current assets	9,886,861	8,648,631	10,038,664	10,255,346	**11,522,600**
Total assets	18,598,248	18,373,405	20,943,760	21,741,014	**23,619,336**
Total current liabilities	7,476,243	7,295,300	7,153,254	10,358,956	**13,686,559**
Total non-current liabilities	3,083,589	4,415,862	7,308,662	4,879,425	**4,051,058**
Equity attributable to owners of the Company	5,764,286	4,579,755	4,309,990	4,268,632	**4,319,386**
Non-controlling interests	2,274,130	2,082,488	2,171,854	2,234,001	**1,562,333**
Total equity	8,038,416	6,662,243	6,481,844	6,502,633	**5,881,719**

CORPORATION INFORMATION

REGISTERED OFFICE AND PRNICIAPL PLACE OF BUSINESS IN THE PRC

Hunan Nonferrous Building
No. 290 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:
DLA Piper

As to PRC law:
Jia Yuan 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

Mr. Li Fuli（李福利）, aged 46, is the chairman of the board of the company and HNG. 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.

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 48, is an executive director and general manager of the Company. 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 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. Since September 2005, Mr. Li has been an executive director and general manager of the Company.

Liao Luhuai（廖魯海）, aged 41, 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 and successively engaged in credit, project evaluation, the central enterprise group comprehensive financial services, etc. From March 2005 to August 2005, Mr. Liao served as a member of party committee and the deputy general manager of HNG.

Guo Wenzhong (郭文忠), aged 49, is our executive director and financial controller. 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 accountant in charge and 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 deputy general manager and 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 HNG from September 2004 to September 2005. From September 2005 to July 2006, Mr. Guo was the manager of the financial department of the Company. From July 2006 to November 2010, Mr. Guo was the deputy financial controller and manager of the financial department of the Company. From November 2010 to February 2012, Mr. Guo is the financial controller and manager of finance department of the Company. Since February 2012, Mr. Guo is the financial controller of the Company.

NON-EXECUTIVE DIRECTORS

Cao Xiuyun (曹修運), aged 50, is our vice chairman and non-executive director of the company as well as a director and the general manager of HNG. He is a senior engineer (professor level).

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 49, is our non-executive Director with effect from November 2010. He is a director and the secretary of the party committee of HNG, and the deputy general manager of HNG. Mr. Huang graduated from Central South Institute of Mining and Metallurgy in July 1983 with a major in Nonferrous Metals Metallurgy. In 1997, Mr. Huang graduated from Renmin University of China with a major in Political Economy and obtains a post graduate Certificate of Education.

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 head of the lead and zinc division 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 October 2004, Mr. Huang has been the deputy general manager of China Minmetals Non-Ferrous Metals Co. Ltd. From August 2010 to November 2010, Mr. Huang acted as the director and the deputy secretary of the party committee of HNG. Mr. Huang has acted as the director and the Secretary of the party committee of HNG and the deputy general manager of HNG with effect from December 2010.

Chen Zhixin（陳志新）, aged 56. He has been a non-executive director of the Company with effect from November 2010. He is a senior accountant and a member of the Chinese Institute of Certified Public Accountants.

Mr. Chen graduated from Hubei University of Finance and Economics with a major in industrial accounting. Prior to joining HNG in August 2004, Mr. Chen served as head of the finance departments of Hunan Nonferrous Labor Protection Research Institute and CNNCCS. From January 2001 to August 2004, Mr. Chen was the deputy chief accountant and head of the finance division of HNMC. He was primarily responsible for the financial and accounting matters concerning the entities under the management of HNMC, which include our five operating centers. From September 2004 to August 2005, Mr. Chen joined HNG as a member of party committee and chief accountant. He was in charge of financial matters and supervised areas such as asset management, accounting and fund raising activities. Since the establishment of HNC on September 2005 to November 2010, Mr. Chen has been our executive director, deputy general manager and financial controller. He is the director, deputy general manager and financial controller of HNG since November 2010.

Zou Jian（鄒健）, aged 40, has been our non-executive Director since March 2009.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Gu Desheng(古德生), aged 74, has been an independent non-executive director of the Company 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 published more than 130 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 42, 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 48, was an independent supervisor of the Company 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 Honorary Dean of Business School at Central South University, and is also the Dean of institute of two-style Social Sciences Research(兩型社會研究院) of Central South University, chairman of the academic professor's committee(學術(教授)委員會), and the vice president of the Society of Management of China (中國管理學會). 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 grant from the "National Outstanding Young Scientist Fund" (國家傑出青年科學基金), the "Outstanding Social Scientist of China" (中國傑出社會科學家), the "National Outstanding Teacher" (全國優秀教師) and the "Award of Outstanding Teacher of High Education" (高校青年教師獎) and the "Fok Ying Tung Education Fund - National Outstanding Young Teachers (Research)" , "Outstanding Individual of Younger Generation in Hunan Province" and "Outstanding Economists in Hunan Province". The State Council of the PRC has granted Ms. Chen a special allowance based on her expertise in her field.

Kang Yi (康義), aged 72, 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 honorary chairman of the China Nonferrous Metals Industry Association (中國有色金屬工業協會). He also serves as a council member of the Nonferrous Metals Society of China (中國有色金屬學會) and independent non-executive director for 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 55, 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 non-executive 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), China CBM Group Limited, and Nam Tai Electronic & Electrical Products Limited.

SUPERVISORS

Jin Liangshou (金良壽), aged 54, 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 January 2003 and August 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. From October 2004 to July 2006, Mr. Jin is the department head of the finance department of HNG. From July 2006 to November 2010, Mr Jin was the deputy finance controller and the manager of Finance department of HNG. Mr Jin has been the assistant to the general manager of HNG from November 2011 until now.

He Hongsen(賀洪森), aged 51, 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. From March 1993 to August 1997, Mr. He was the office assistant director of working committee of Hunan Province, business department vice-minister, the assistant department head of Industry Department of Hunan provincial planning department. From September 1997 to July 2004, Mr. He was the deputy secretary and later deputy chairman (office level) of labor organization of Hunan Province, the department head of organization and propaganda department of industrial working committee of Hunan provincial party, poverty relief work team group leader, department head of propaganda and public working department of the Hunan Provincial State-owned Assets Supervision and Administration Commission and was granted class two merit citation one time. Since August 2004, Mr. He has been a member of the Party Committee, secretary of the discipline inspection commission and the chairman of the labour union of HNG, as well as the secretary to the Party Committee, Deputy Chairman and the head of the liquidation team of Shuikoushan Group (水口山集團). Currently he is a member of the party committee and a deputy general manager of HNG.

Chen Hui(陳輝), aged 42, is one of the supervisors with effect from December 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 the accounting department under the financial department of China Minmetals Corporation. From May 2001 to November 2002, he was the assistant of general manager of the financial department 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 and department head of Financial and Assets Department of HNG since November 2010.

Liu Xiaochu(劉曉初), aged 66, 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 Yang(祁楊), aged 44, has been our supervisor since March 2009.

Mr. Qi is a lawyer with post-graduate qualifications. Mr. Qi graduated from 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 affair 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 senior officer and manager and head of legal affairs department. He is currently the head of the Office of HNG.

Kang Weihua(康衛華), aged 41, has been one of the supervisors of the Company since December 2010 and resigned in May 2011. 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 to November 2010, he was the director of the Secretariat Office. He was the head of the Finance and Securities Department of the Group from December 2010 to May 2011.

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 41, has been our supervisor since December, 2010. He is a senior engineer and senior economist.

Mr. Hou 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(湖南對外建設總公司) from June 1995 to August 1996. He worked for the General Office of Hunan Provincial Committee from August 1999 to July 2002, and worked for Shanghai Futures Exchange in August 2002. He served as a 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 the Company as senior officer from July 2009 to November 2010. He worked as the vice director of the Secretariat Office and was in charge of the Secretariat Office of the Company from November 2010 to November 2011. He has been the head of the Finance and Securities Department of the Company since November 2011.

INDEPENDENT SUPERVISORS

Xiao Yinong(肖亦農), aged 44, 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 in June 2004.

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 people's government since September 2010.

Liu Dongrong（劉冬榮）, aged 70, 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

Hong Mingyang（洪明洋）, aged 54, is a deputy general manager of the company. He joined the workforce in August 1980 after tertiary education. Mr. Hong is a senior engineer, a senior economist, a 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 50, is a deputy general manager of the company. 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 HNG. 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 43, 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 Hunan Nonferrous Metals Jinsheng Development Co., Ltd which is a Hong Kong subsidiary of HNG. Mr. Lam is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. Mr. Lam holds 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 year ended 31 December 2011 and the report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011. 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 2011, the turnover of the Group was RMB24,546 million, representing an increase of 13.67% as compared to 2010. The profit attributable to equity holders of the parent was RMB293 million (2010: profit of RMB12 million), which increased by 2,341.67%. The basic earnings per share of the Group was RMB8.00 cents (2010: RMB0.33 cents). The board of directors does not recommend the payment of any dividend for the year ended 31 December 2011 (2010: RMB Nil).

BUSINESS REVIEW

In 2011, the prices of the major products of the Group experienced fluctuations under various impacts of the global economy. In the first half of the year, the price hikes of lead and zinc products lingered with fluctuations within a wide band, while the prices of tungsten and antimony products rose to a record high. In the second half of the year, the prices of lead and zinc products dropped drastically due to the European debt crisis and remained at a low level after reaching a record low of the year. The prices of tungsten, antimony and cemented carbides products decreased gradually along with the trend of non-ferrous metals, and their prices of the products returned to the year's average price level at the end of the year after a temporary rebound in October. In the face of the complicated external business environment, the Group aimed to improve its operation efficiency and development quality. By transforming its management mode and enhancing its management quality, the Group grasped the market opportunities in order to realize the continuous and fast growth of efficient production and operation.

During the reporting period of 2011, as compared to 2010, the Group's production of zinc was 533,700 tons, representing a decrease of 1.65%; production of lead was 78,600 tons, representing a decrease of 23.70% as compared with the corresponding period last year; production of cemented carbides was 8,800 tons, representing an increase of 7.91% as compared with the corresponding period last year; production of antimony was 34,000 tons, representing an increase of 4.68% as compared with the corresponding period last year; production of zinc concentrates was 21,500 tons, representing a decrease of 2.51% as compared with the corresponding period last year; production of lead concentrates was 10,000 tons, representing an increase of 0.93% as compared with the corresponding period last year; production of tungsten concentrates was 8,700 tons, representing an increase of 23.69% as compared with the corresponding period last year; production of antimony concentrates was 15,800 tons, representing a decrease of 2.64% as compared with the corresponding period last year.

CHAIRMAN'S STATEMENT

During the reporting period of 2011, the Group operated its business in line with the changing environment. In the first half of the year, the Group's products had a better performance. By strengthening production and expanding production and sales scale, the economy of scale was maximised. In the second half of the year, as the prices of the major products decreased, the Group adjusted its operation strategy in a timely manner by adopting a steady approach. It implemented specific measures for different business sectors in accordance with their market characteristics to further consolidate and expand operating results.

During the reporting period of 2011, the Group strengthened its internal control and performance assessment. To facilitate the business cooperation between subsidiaries, the Group carried out an overall supervision mechanism which comprised comprehensive supervision, auditing and risk control. Businesses with high risk were under special supervision. These measures enabled the Group to achieve its various operation goals.

During the reporting period of 2011, the Group further improved its overall budget management by optimising its budget management system and measures. It has established a budget management system integrating the efforts of different departments such as the strategy planning department and the financial department. The Group adopted stringent cost control measures and closely monitored major financial indicators to control three major expense items. Assets with poor performance were disinvested. The regular analysis of its operational scheduling allowed the Group to significantly enhance the quality of asset operation.

During the reporting period of 2011, the Group strived to develop in a safe and clean manner by improving the management system on safety, environmental protection, energy saving and emission reduction. By emphasising on key operations, procedures, prevention of potential material problems and control over potential causes of significant dangers, the Group implemented the safety standard of mines and established HSE system, "6+1" system and an emergency relief base. The Group's efforts in safety, environmental protection, energy saving and emission reduction were proven a successful trend.

During the reporting period of 2011, the Group optimised its product portfolio through technical reformation. The accumulated investment in technical reformation for the year amounted to RMB1.7 billion. In addition, the Group proactively push to obtain subsidies in relation to the development and application of important technology and projects in safety, environmental protection, energy saving and emission reduction and etc. for subsidiaries in order to upgrading the Group's product quality.

During the reporting period of 2011, the Group carefully planned and promoted for technology innovation. By launching several key technology platforms and technological development projects, the Group developed its own key technologies with intellectual property rights. The Group applied for 171 patents, of which 93 were invention patents. The Group has undertaken 53 provincial research projects and has won 27 technology awards of provincial level or above. In 2011, the Group's technical reformation resulted in substantial improvement in its efficiency.

MARKET REVIEW

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

Tungsten Market

The price hike of tungsten continued with fluctuations in 2011 at a high level and set a record high. The economy of scale of the industry was also significantly improved. The tungsten market performed best in 2011 among other non-ferrous metals as the price of tungsten remained high even under the dampened economy.

In 2011, the average price of tungsten concretes was RMB139,000 per ton in China, representing an increase of 65% as compared to the corresponding period last year. Due to the environmental protection policies, continued power supply shortage, certain speculations and restrained sales in the first five months, the price of tungsten concretes surged to a record high of RMB158,000 per ton in mid-May. At the end of June, the price of tungsten concretes fell to RMB130,000 per ton. The price of tungsten concretes rebounded at the beginning of July and reached RMB157,000 per ton again at the beginning of August. As the downturn of the global economy continued in the fourth quarter of the year, the economic growth of China slowed down. The downstream consumption demand for tungsten began to decrease drastically with the price of tungsten dropping to RMB130,000 per ton in November. The price increased slightly in December and closed at to RMB136,000 - 138,000 per ton at the end of the year.

The price of Ammonium Paratungstate products ("APT") in Europe vacillated within a small range along with the price fluctuation in the domestic market price in 2011. The average price of APT in the Europe was US$429 per ton for the year, representing an increase of 80% as compared to the corresponding period last year. The highest price was US$485 per ton in mid-June.

Due to China's economic slowdown and the lingering European debt crisis, the Group expects that the average price of tungsten in China will be approximately RMB125,000 per ton and the average price of APT in Europe will be US$410 per ton in 2012.

Antimony Market

The antimony market was on an upward trend and reached record highs at the beginning of the first half of the 2011 but took a downward turn later and it remained volatile in the second half of the year with the price of antimony fluctuating at a high level.

The annual average price of 2# antimony in the domestic market in 2011 was RMB93,000 per ton, representing an increase of 52.9% as compared to the corresponding period last year. The annual average price of antinomy (Class II) in the overseas market was US$14,600 per ton, which was 62.2% higher as compared to the corresponding period last year.

In respect of the domestic market, the market price of antimony kept rising at the beginning of 2011. The price of 2# antinomy exceeded RMB110,000 per ton at the beginning of April. However, the increasing price of antinomy posed a significant effect on the downstream consumption and led to a material curtailment in market transactions during May and June. As a result, the price of antimony further decreased to RMB88,000 per ton. The price of antimony adjusted slightly in July and August. Affected by the suspension of private antimony enterprises in Lengshuijiang in September, the price of antimony surged to RMB100,000 per ton and began to drop at the end of the month till the end of the year. Although the average price of antimony decreased by 16% in December 2011 to RMB78,000 per ton as compared with the beginning of the year, it represented an increase of 27% as compared with the average price of RMB61,000 per ton in 2010.

The change of the international antimony market was in line with that of the domestic market in general. The price of the international antimony market decreased due to the lowering price of the domestic antinomy market since mid-April.

It is estimated that the future price of antimony will be subject to the antimony supply of China which will continue to lead the market trend of antimony. In 2012, the price hike of the antimony market will continue with fluctuations at the high level. The domestic annual average price of antimony will be approximately RMB75,000 per ton, while the international annual average price of antimony will fluctuate in line with the domestic price and amounted to approximately US$11,000 per ton.

Lead Market

The trends of domestic and overseas lead prices fluctuated significantly from the upward track at the beginning to the downward track at the end of 2011.

In the international market, the price of three-month lead futures quoted on LME reached the year's record high of over US$2,900 per ton at the beginning of the second quarter of the year, amounting to US$2,904 per ton. Starting from the end of July, the price of three-month lead futures quoted on LME dropped drastically below the bottom price of US$1,800 per ton at the end of October, amounting to US$1,772 per ton. The average spot price quoted on LME was US$2,397 per ton in 2011, representing an increase of 11.6% as compared with the corresponding period last year. The growth rate was approximately 12 percentage points lower than that of the first half of the year.

In the domestic market, the performance of lead concentrates was mainly influenced by the trend of the international market, but lagged behind that of the overseas market in general. The average price of lead concentrates of domestic market was RMB16,337 per ton in 2011, representing an increase of 1.5% as compared with the corresponding period last year. The growth rate was lower than that of the overseas market by over 10 percentage points.

With their weakened profitability in 2011, the lead and zinc smelting enterprises remained inactive in production. However, following the commencement of operation of projects established in the previous years, the production capacity of refined lead and zinc will continue and intensify the imbalance in supply and demand.

The Group expects that the prices of lead in domestic and foreign markets will fluctuate drastically in 2012. The price of three-month lead futures quoted on LME will fluctuate between US$1,800 and US$2,300 per ton. The domestic dominant contract price and spot price of Shanghai lead will mainly fluctuate between RMB13,500 and RMB17,000 per ton.

Zinc Market

The price of zinc continued to fluctuate with fluctuations within a wide band in 2011. Starting from the end of the third quarter, the price of zinc began to plunge and reached the lowest price of the year during the fourth quarter.

As for the overseas market, the highest and lowest prices of three-month zinc futures quoted on LME were US$2,596 per ton and US$1,740 per ton, respectively, during the year. The annual average price was US$2,212 per ton, representing an increase of 1.2% as compared with last year. As for the domestic market, the highest price and the lowest price of zinc futures on the Shanghai Futures Exchange in 2011 were RMB20,115 per ton and RMB13,830 per ton respectively, while the average price was RMB16,876 per ton, representing a decrease of 15% as compared with the corresponding period last year.

It is estimated that the price of zinc in 2012 will continue to vacillate within a wide band. The price of three-month zinc futures quoted on LME will fluctuate between US$1,800 and US$2,300 per ton, while the domestic price will fluctuate between RMB13,000 and RMB16,000 per ton.

BUSINESS PROSPECTS AND OUTLOOK

In 2012, the risk of economic downturn lingered against the backdrop of the challenging global economic environment. However, as the economies of the US and certain European countries have begun to stabilise along with the adjustments adopted by many countries for the prevention of the double-dip recession, it is expected that the global economy will recover gradually. The Group will endeavour to adjust its operation strategy by adopting a moderate approach. Through reformation and adjustment of structure, the Group will ensure the robust growth of its production and operation.

The Group will strengthen the safety and environmental protection for key operation and procedures. By further enhancing its efforts on environmental protection, energy saving and emission reduction, the Group will expedite the launch of its major projects for safety and environmental protection and management of potential material problems. With the set-up and usage of information platforms for safety and environmental protection as well as the innovative safety and environmental protection management measures, the level of safety, environmental protection, energy saving and emission reduction will be able to meet the Group's target standards.

The Group will focus on budget management and strengthen its cost control. By enhancing the management of current assets, particularly the usage of three major expense items, the Group will improve the efficiency and effectiveness of financial resources in line with its production and operation arrangement.

The Group will put efforts to its projects under construction to meet its targets of commencement of operation and production capacity. In particular, it will strive for the commencement of operation of Kivcet Lead Refinery Project of Zhuye（株冶基夫賽特直接煉鉛項目）through introduction of technologies and trial operation. Efforts will also be made to ensure production capacity of projects which have commenced operation, such as Atmospheric Direct Leaching System with Oxygen for Zinc Refinery of Zhuye(株冶常壓氧浸直接煉鋅), Technological Improvement Project in Cutting Tools and Drilling Tools for the Production Lines of High Performance Ultra-fine grained Hard Metals of Zhuying（株硬高性能超細晶硬質合金、切削工具擴能改造、鑽具生產線技術改造）, Technological Improvement Project in Tungsten, Molybdenum Wires, Hard-surface Materials and Perspective.

The Group will further strengthen the management of mining subsidiaries through controlling the effectiveness indicators on the balance between mine investment, exploration and profits and the mining and processing technologies of its subsidiaries, in order to enbance the economic efficiency of its mining subsidiaries. In addition, the Group will be committed to the exploration of mines of the outskirt areas and integration of non-ferrous resources from Hunan and elsewhere. It will also seek the chance to integrate overseas resources of tungsten, antimony and tin.

By further enhancing internal business coordination of the Group and broadening the coordination of marketing, the Group will enhance the synergies for the prioritised and reasonable internal transfer of upstream and downstream production materials in its production chain. The synergies and supervision will also be extended to other business of the Group.

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 is well positioned to benefit from the economic recovery of the world.

Li Fuli
Chairman

Hong Kong
27 March 2012

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 code 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 2011. 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, Mr. Li Li, Mr. Liao Luhai and Mr. Guo Wenzhong; another four of whom are non-executive directors including Mr. Cao Xiuyun, Mr. Huang Guoping, Mr. Chen Zhixin 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 nonferrous metals, accounting and finance and higher education. They provide professional advice on the healthy operation and development of the Company faithfully. 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 2011, the Company held 12 regular Board meetings, attendance rates of them are follows:

Li Fuli	85%
Li Li	100%
Liao Luhai	100%
Guo Wenzhong	100%
Cao Xiuyun	92%
Huang Guoping	75%
Chen Zhixin	92%
Zou Jian	75%
Kang Yi	85%
Gu Desheng	100%
Chen Xiaohong	92%
Wan Ten Lap	100%
Choi Man Chau	92%

Directors 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 and were recorded and filed in accordance with relevant laws and regulations. The principal activities of the Board in 2011 were as follows:

1. Resolution in relation to the acquisition of minority interest of Abra Mining Limited and its privatization

2. Resolution in relation to injection of capital to Zhuzhou Cemented Carbide Group Co., Ltd

3. Resolution in relation to review of the audited consolidated financial statements of the Company as at 31 December 2010

4. Resolution in relation to authorization given to Chairman to sign the contract with relevant banks regarding credit facilities, bank loan according to approved cap by the Board, loan-enstrust and guarantee for subsidiaries of 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 of the Board 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 rules 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 directors' remuneration are disclosed in note 9 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.

The 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. Once reviewed the candidates' qualification, the nomination committee shall give its recommendations to the board for the board's further decision. The new directors appointed shall retire and shall be re-elected by shareholders of the Company at the next shareholders' general meeting.

Capacities and responsibilities of the directors

The 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 regular 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. 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 applicable times during the period from 1 January 2011 to 31 December 2011 (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 duties and responsibilities as directors. Our Company has in place a procedure for directors to seek independent professional advice on matters in relation to the Company at the expense of the Company. In addition, all directors are entitled to direct contact the senior management of our Company.

Committees of the board of directors and their functions

The board of directors has four committees: the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee.

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

STRATEGY COMMITTEE

A strategy committee has also been established by the Board. The duties of the Committee are to evaluate and provide suggestions to the Company for its long-term strategic development and substantial investments. The Committee consists of four executive directors Mr. Li Fuli, 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.

AUDIT COMMITTEE

An audit committee has been established by the Board. The audit committee's duties are mainly to give suggestions for nomination and replacement of external auditors, monitor the internal audit system of the Company and its execution, communication with external and internal auditors, review financial reports and its disclosure and review internal control system. 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. 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 2010 and the interim results for 2011. One meeting was held on 27 March 2012 with all committee member attending the meeting to review the Company's annual results for the year ended 31 December 2011.

REMUNERATION COMMITTEE

A remuneration committee has been established by the Board. The duties of the remuneration committee include: to evaluate the standard for assess the performance of directors and managers, conduct assess and provide recommendation, evaluate and review the remuneration policy and plan of directors and senior management. The committee consists of one non-executive director Mr. Cao Xiuyun and one executive director Mr. Liao Luhai, three independent non-executive 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 doubt the directors and their connected persons 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 duties of the nomination committee include: to make recommendation for the structure of the board, the standard and procedure for selection of directors and senior management as well as the appointment and re-appointment of directors, nominate and review the qualification of directors and senior management and evaluate the independence of independent non-executive directors. The committee consists of Ms. Chen Xiaohong, Mr. Gu Desheng and Mr. Huang Guoping. 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. Two meetings were held by the committee during the reporting period. All members attended the meetings.

The duties of the committee are governed by its terms of reference.

EXTERNAL AUDITORS

Baker Tilly Hong Kong Limited and Baker Tilly China Limited are the Company's external auditors. The Audit Committee is responsible for making recommendations to the Board on the appointment, re-appointment, removal and remuneration of the external auditors. The external auditors' independence and objectivity are also reviewed and monitored by the Audit Committee on a regular basis.

SUPERVISORY COMMITTEE

The Company's supervisory committee consists of nine Supervisors. Mr. Jin Liangshou 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 2011. During the meetings, the committee reviewed the financial position and operation of the Company according to rules of law as well as the review of due diligence, integrity and pro-activity of the senior management. All supervisors attended the meetings.

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. Therefore, the Company attaches great importance to such meetings. During the reporting period in 2011, two 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 18 May 2011, resolutions regarding reports of the Board and Supervisors in 2010 and the audited consolidated financial statements of the Company for the year ended 31 December 2010 were approved; the appointment of the international and domestic auditors of the Company and the Board of the Company 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 considered and approved;

2. In the extraordinary general meeting held on 6 August 2011, reviewing the resolution in relation to issue of domestic shares to specific target and approve the change of registered address in the articles of association.

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 of the Company is responsible for investor relationship and has formulated the "Investor Relations Policy" to regulate its operation. 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 of the Company 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 which include but not limit of corporate governance, financial, operation and risk management. In 2011, an annual review was conducted by Shinewing Risk Services Limited to review the internal control system of the Company.

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 for making decisions. 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 by the Company to the Executive Meeting for consideration and approval. All discrepancies between the monthly results, monthly performance and annual operation budget shall be submitted to the Executive 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 of the Company acknowledged that they have the responsibility to ensure the accuracy of the accounts prepared by our Company. As at 31 December 2011, 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 2011 financial statements 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 RMB152 million for the year ended 31 December 2011, representing a decrease of RMB85 million, or 35.87%, from RMB237 million for the year ended 31 December 2010. The profit attributable to owners of the company was RMB293 million, representing an increase of RMB281 million, or 2,341.67%, from RMB12 million for the year ended 31 December 2010.

The following is the comparison of the two years ended 31 December 2011 and 31 December 2010:

TURNOVER

Turnover increased to RMB24,546 million for the year ended 31 December 2011, from RMB21,594 million for the year ended 31 December 2010, representing an increase of RMB2,952 million, or 13.67%, primarily due to the increase in turnover before sales tax and surcharge of RMB2,142 million or 67.34% for the nonferrous metals mine segment, the decrease of RMB880 million or 7.02% for the nonferrous metals smelting segment , and the increase of RMB1,700 million or 28.34% for the cemented carbides, tungsten, molybdenum, tantalum, niobium and their compounds segment.

Our gross profit increased by RMB265 million or 11.78% from RMB2,249 million for the year ended 31 December 2010 to RMB2,514 million for the year ended 31 December 2011. The gross profit margins were 10.41% and 10.24% for the years ended 31 December 2010 and 2011 respectively.

NONFERROUS METALS MINE SEGMENT

The sales volume and average selling price of our nonferrous metals mine segment products are as follows:

	2011		2010	
	Sales volume (ton)	**Average selling price (RMB/ton)**	Sales volume (ton)	Average selling price (RMB/ton)
Shizhuyuan				
Tungsten concentrates	**3,954**	**112,673**	4,177	68,697
Oxidized molybdenum	**751**	**96,259**	997	97,026
Bismuth products	**1,184**	**131,478**	1,076	113,322
Huangshaping Branch				
Zinc concentrates	**6,435**	**9,665**	6,201	9,462
Lead concentrates	**4,722**	**20,814**	5,186	16,633
Hsikwangshan				
Antimony products	**31,977**	**68,807**	30,473	44,256
Zinc products	**33,831**	**14,943**	30,115	15,304
Xin Tianling				
Tungsten concentrates	**1,517**	**118,553**	863	86,091

Turnover before sales tax and surcharge of the nonferrous metals mine segment increased by RMB2,142 million, or 67.34%, from RMB3,181 million for the year ended 31 December 2010 to RMB5,323 million for the year ended 31 December 2011. The increase in turnover is primarily due to increase of average selling price and sales volume of the nonferrous metals mine products such as tungsten concentrates, bismuth products and antimony products, and the increase of average selling price of lead concentrates (containing silver) in 2011 as compared to 2010.

Gross profit from nonferrous metals mine segment increased by RMB465 million or 69.42% from RMB665 million for the year ended 31 December 2010 to RMB1,130 million for the year ended 31 December 2011. Gross profit margin for the year ended 31 December 2011 increased to 21.23% from 20.89% for the year ended 31 December 2010. The slight increase by 0.34% in gross profit margin of this segment was attributable to the increase in gross profit margin of antimony products, and tungsten concentrates, which offset the decrease of gross profit margin of Hsikwangshan's zinc smelted products and increase of sales portion in low gross profit margin products.

NONFERROUS METALS SMELTING SEGMENT

The sales volume and average selling price of our nonferrous metals smelting segment products are as follows:

	2011		2010	
	Sales volume (ton)	**Average selling price (RMB/ton)**	Sales volume (ton)	Average selling price (RMB/ton)
Zinc products	**505,433**	**15,151**	508,680	15,360
Lead products	**73,883**	**15,009**	98,489	14,281
Precious metal - indium	**0.2**	**3,572,753**	160	3,695,720
Precious metal - silver	**98**	**6,297,809**	99	3,893,215

Turnover before sales tax and surcharge of the nonferrous metals smelting segment decreased by RMB880 million, or 7.02%, from RMB12,535 million for the year ended 31 December 2010 to RMB11,655 million for the year ended 31 December 2011. The decrease in turnover is primarily due to a drop of sales volume and average selling price of zinc products, and drop of sales volume of lead products and precious metal-indium.

Gross profit from nonferrous metals smelting segment decreased by RMB619 million or 96.42% from RMB642 million for the year ended 31 December 2010 to RMB23 million for the year ended 31 December 2011. The gross profit margin decreased by 4.92%, from 5.12% for the year ended 31 December 2010 to 0.20% for the year ended 31 December 2011. The gross profit margin significantly decreased because of the severe price fluctuations of lead and zinc products and the write down of value of inventories, the processing charges for zinc products was narrowed, and the increase of prices for electricity, fuel and etc., which drove up the processing costs caused gross loss in zinc products.

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

The sales volume and average selling price of our cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds as follows:

	2011		2010	
	Sales volume (ton)	**Average selling price (RMB/ton)**	Sales volume (ton)	Average selling price (RMB/ton)
Cemented carbides	**12,000**	**371,742**	13,475	278,100
Tungsten and compounds	**9,218**	**275,399**	11,065	142,661
Molybdenum and compounds	**580**	**327,128**	649	323,499
Tantalum, niobium and their compounds	**177**	**823,091**	195	915,266

Turnover before sales tax and surcharge of the cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment increased by RMB1,700 million, or 28.34%, from RMB5,999 million for the year ended 31 December 2010 to RMB7,699 million for the year ended 31 December 2011. The increase of turnover is primarily due to the increase in average sales price of the cemented carbide as well as tungsten, molybdenum and its compounds.

Gross profit from the cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment increased by RMB419 million or 44.48% from RMB942 million for the year ended 31 December 2010 to RMB1,361 million for the year ended 31 December 2011. Gross profit margin for the year ended 31 December 2011 increased to 17.68% from 15.71% for the year ended 31 December 2010. The increase is primarily due to increase in the average selling prices of the cemented carbides products higher than the increase in cost.

OTHER INCOME

Other income increased by RMB58 million, or 21.97% from RMB264 million for the year ended 31 December 2010 to RMB322 million for the year ended 31 December 2011. The increase was primarily due to the net realized and unrealized gains on derivative financial instruments and gains on disposal of available-for-sales financial assets.

SELLING AND DISTRIBUTION COSTS

The selling and distribution costs increased by RMB34 million, or 8.43% from RMB403 million for the year ended 31 December 2010 to RMB437 million for the year ended 31 December 2011. The increase was due to the increase of the cost of employees as compared with last year. The cost of employees in related 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 RMB353 million, or 34.61% from RMB1,020 million for the year ended 31 December 2010 to RMB1,373 million for the year ended 31 December 2011. The increase was primarily due to increase of the research and development costs, and decrease of exchange gains. Among these, the research and development costs increased by RMB181 million, or 113.84%, from RMB159 million for the year ended 31 December 2010 to RMB340 million for the year ended 31 December 2011; the exchange gains decreased by RMB84 million, or 59.57%, from RMB141 million for the year ended 31 December 2010 to RMB57 million for the year ended 31 December 2011.

OTHER EXPENSES, NET

Other expenses, net increased by RMB39 million, or 81.25% from RMB48 million for the year ended 31 December 2010 to RMB87 million for the year ended 31 December 2011. The main reasons were due to increase in price participation payment to ex-owner of a subsidiary, Beaver Brook Antimony Mine Inc., from RMB25 million for the year ended 31 December 2010, by RMB42 million, or 168.00%, to RMB67 million for the year ended 31 December 2011.

FINANCE COSTS

The finance costs increased by RMB98 million, or 16.72% from RMB586 million for the year ended 31 December 2010 to RMB684 million for the year ended 31 December 2011. The increase was primarily due to the increase in bank loans and other loans, as well as increase in loan interest rate.

INCOME TAX EXPENSE

The income tax expenses increased by RMB97 million, or 101.04% from RMB96 million for the year ended 31 December 2010 to RMB193 million for the year ended 31 December 2011. The income tax expense increase was primarily due to the increase in the volume of sales and average selling price of the several products in 2011 compared with 2010, and thus the operating profits of most of the subsidiary companies increased.

NON-CONTROLLING INTERESTS

The non-controlling interests decreased by RMB464 million, or 356.92% from profit of RMB130 million for the year ended 31 December 2010 to loss of RMB334 million for the year ended 31 December 2011, primarily due to Zhuzhou Smelter Group Holding Co., Ltd. suffered operating losses during the year.

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The net profit attributable to the owners of the Company increased by RMB281 million, or 2,341.67% from RMB12 million for the year ended 31 December 2010 to the profit of RMB293 million for the year ended 31 December 2011. The increase was primarily due to the increase of profits of the subsidiaries in which the Group held a large share proportion.

LIQUIDITY AND SOURCE OF FUNDS

As at 31 December 2011, 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 2011, the cash and cash equivalents of the Group amounted to RMB1,896 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 77.33%, 14.78%, 5.49%, 0.67%, 0.47%, 1.23% and 0.03% respectively).

As at 31 December 2011, total amount of the short-term and the long-term bank loans and other borrowings were RMB12,825 million which denominated in RMB, USD, HKD and CAD accounted for approximately 87.61%, 12.13%, 0.24% and 0.02% respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2011, 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 3.39% of our total purchase value

The total purchase from our five largest suppliers was approximately 8.15% of our total purchase value

Sales

The total sales to our largest customer was approximately 4.14% of our total sales value

The total sales to our five largest customers was approximately 9.37% 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

As of 31 December 2011, the assets of the Group amounting to a net book value of RMB1,621 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 RMB580 million, net book value of land lease prepayments amounted to RMB231 million, net book value of inventories amounted to RMB137 million, net book value of trade receivables amounted to RMB465 million, net book value of bills receivables amounted to RMB208 million.

As of 31 December 2010, the assets of the Group amounting to a net book value of RMB1,640 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 RMB631 million, net book value of land lease prepayments amounted to RMB238 million, net book value of inventories amounted to RMB Nil, net book value of trade receivables amounted to RMB531 million, net book value of bills receivables amounted to RMB240 million.

ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 28 February 2011, Zhuzhou Smelter Group Holdings Co., Ltd., a 63.31% owned subsidiary of the Group, acquired an additional 30% of the issued shares of Torch Metal Limited for a purchase consideration of HKD1.6 million (equivalent to RMB1.3 million).

On 11 March 2011, Zhuzhou Cemented Carbides Group Corp., Ltd., a wholly owned subsidiary of the Group, acquired an additional 36.6% of the issued shares of Zhuzhou Diamond for a purchase consideration of RMB368.3 million.

On 29 March 2011, Zigong Cemented Carbides Company Limited, a 80% owned subsidiary of the Group acquired an additional 10% of the issued shares of Wangqing Haichuang Mining Co., Ltd. ("Wangqing Haichuang")for a purchase consideration of RMB6.7 million.

On 4 November 2011, the Company acquired an additional 26.09% of the issued shares of Abra Mining Limited for a purchase consideration of AUD15.8 million (equivalent to RMB110.5 million) through compulsory acquisition.

Except for the above, there is no other material acquisition or disposal of subsidiaries and associates during the year 2011.

DEBT TO TOTAL ASSETS RATIO

As of 31 December 2011, the debt to total assets ratio of the Group increased from 70.09% in 2010 to 75.10% in 2011. 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 other 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 investments in Australia and Canada, of which 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 RMB12,825 million as of 31 December 2011). 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 2011 remained unchanged at approximately RMB5 million, similar to the year ended 31 December 2010. The donations were mainly given to the local villages and the projects development by the local government.

CONTINGENT LIABILITIES

As of 31 December 2011 and 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 2011:

	2011 (RMB'000)	**Percentage of the total (%)**	2010 (RMB'000)	percentage of the total (%)
Nonferrous metals mine	**669,052**	**39.34%**	643,057	44.34%
Nonferrous metals smelting	**434,073**	**25.53%**	372,660	25.69%
Cemented, carbides, tungsten, molybdenum, tantalum, niobium and their compounds	**587,917**	**34.57%**	432,753	29.84%
The Company and others	**9,489**	**0.56%**	1,871	0.13%
Total	**1,700,531**	**100.00%**	1,450,341	100.00%

EMPLOYEES

As of 31 December 2011, the Group had a total of about 26,456 full-time employees, classified by functions and department as follows:

Department	Employees	Percentage of the total
Management and administration	3,095	11.7%
Engineering and technical personnel	4,259	16.1%
Production personnel	14,842	56.1%
Repair and maintenance	1,561	5.9%
Inspection	1,614	6.1%
Sales	1,085	4.1%
Total	26,456	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, injury 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, injury insurance, unemployment insurance, maternity insurance and housing reserve fund shall be equivalent to 20%, 8%, 3%, 2%, 0.7% and 12% respectively of the total basic monthly salary of each employee.

TREASURY POLICIES

The Group adopts a conservative approach towards treasury policies. For trade receivables, the standard credit period given to customers with established trading history is one to three other customers, sales on cash terms are required. For bills receivables, the standard credit term is within 120 days. In certain circumstance, the credit period may be extended to appropriate level after relevant due diligence investigation. In determining the length of the credit term extended to any specific customer, the Group will consider the reputation of the customer, the length of business relationship with the customer and its past payment record. The Group's management also puts endeavors on credit control on its customers by closely monitoring the outstanding balance owed by them. The actions taken by the Group include conducting monthly reviews on accounts receivable, following up each debtor overdue and enforcing the collection of outstanding balance of accounts receivable. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of financial condition of its customers. For trade payables, the standard credit period granted by suppliers is one month. Depending on the urgency of our supply needs and trading terms granted by certain suppliers for rush orders, purchases on cash terms may be required. For bills payables, the standard credit term is within 120 days. To manage liquidity risk, management closely monitors the liquidity position to ensure that the liquidity restructure of the Group can meet its funding requirements.

The directors are pleased to present their 2011 report and the audited financial statements of the Company for the year ended 31 December 2011.

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 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 result for the year ended 31 December 2011 and the financial positions of the Company and the Group as at that date are set out in the financial statements on pages 52 to 174.

The board of directors did not recommend any final dividend for 2011.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the Company's audited financial statements for the year ended 31 December 2011, if appropriate, is set out on pages 2 to 3. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 35 to the financial statements.

PRE-EMPTIVE RIGHTS

For pre-emptive rights as permitted under certain circumstances under the Company's Articles of Association and 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 reporting 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 36 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 36 to the financial statements.

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 2011, 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.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

Directors and Supervisors

The directors and supervisors of the Company during the year are:

Executive Directors:	
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. Guo Wenzhong	(appointed on 10 November 2010)
Non-Executive Directors:	
Mr. Cao Xiuyun	(appointed on 1 September 2005)
Mr. Huang Guoping	(appointed 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 2009)
Supervisors:	
Mr. Jin Liangshou	(appointed on 1 September 2005)
Mr. He Hongsen	(appointed on 1 September 2005)
Mr. Chen Hui	(appointed on 29 December 2010)
Mr. Liu Xiaochu	(appointed on 1 September 2005)
Mr. Kang Weihua	(resigned on 16 May 2011)
Mr. Qi Yang	(appointed on 6 March 2009)
Mr. Hou Xiaohong	(appointed in December 2010)
Ms. Liu Dongrong	(appointed on 1 September 2005)
Mr. Xiao Yinong	(appointed on 29 December 2010)

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

Biographies of Directors, Supervisors and Senior management

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

Service Contracts of Directors and Supervisors

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

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

Remuneration of Directors, Supervisors and Senior Management

The fees of directors and supervisors are subject to the approval of shareholders at general meetings. Other emoluments are determined by the Company's board of directors with reference to their duties, responsibilities and performance and the results of the Group. In compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, the Company has established a remuneration committee to formulate remuneration policies and to determine and manage the compensation of the Company's senior management. Details of the remuneration of directors and supervisors are disclosed in note 9 to the financial statements.

Interests of Directors, Supervisors and Chief Executive in Contracts

None of the directors, supervisors and chief executive 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 or fellow subsidiaries was a party during the year.

Directors, Supervisors and Chief Executive's interests and short positions in shares

As at 31 December 2011, none of the directors, supervisors, chief executive and their respective associates had interests nor short positions in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which would be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or (b) interest or short positions which would be required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein or (c) 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, Supervisors and Chief Executive

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 directors', supervisors' and chief executive's securities transactions. Based on specific enquiries with all the directors, supervisors or chief executive of the Company, the directors, supervisors or chief executive confirmed that they had complied with the required standards as set out in the Model Code for the whole financial year ended 31 December 2011.

Rights of Directors, Supervisors and Chief Executive's 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 directors, supervisors, chief executive or their respective spouse or minor children, 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, supervisors or chief executive 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	Former Chairman of board of directors and Executive Director (Resigned on 23 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	Former 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	Former Non-executive Director (Resigned on 10 November 2010)
He Hongsen	641,026	Supervisor
Zhang Yixian	641,026	Former Non-executive Director (Resigned on 10 November 2010)
Yang Bohua	512,820	Senior Manager of a Subsidiary
Fu Shaowu	512,820	Senior Manager of a Subsidiary
Yang Lingyi	512,820	Former Senior Manager of a Subsidiary (Resigned in December 2009)
Hong Mingyang	512,820	Deputy General Manager
Zhu Chongzhou	512,820	Former Senior Manager of Subsidiary (Resigned in 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 and the average closing price of the five trading days following the 30th trading day after the Company being listed, was HK$2.8 per share. The stock appreciation rights would expiry after eight years from the date of issued. No SARs were exercised during the year ended 31 December 2011 and 2010.

Directors' interests in a competing business

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

Mr. Li Fuli, Mr. Cao Xiuyun, Mr. Li Li, Mr. Huang Guoping and Mr. Chen Zhixin are also the directors of HNG, and provide the 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 carrying on its businesses independently of, and at arm's length from, the business of HNG.

SUBSTANTIAL SHAREHOLDERS

To the knowledge of the directors and supervisors, as at 31 December 2011, the persons or companies (other than the Directors or Supervisors of the Company) who had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name	Number of shares held	Class of shares	Approximate percentage of all share capital (%)	Approximate percentage of H shares (%)
Hunan Nonferrous Metal Holdings Group Company Limited ("HNG")	1,947,074,266(L)	Domestic Share	53.08%(L)	
Hunan Nonferrous Metals Jinsheng Development Co., Ltd. (wholly subsidiary of HNG)	152,932,000(L)	H Share		9.37% (L)
The Hamon Investment Group Pte Limited	97,656,000(L)	H Share		5.98% (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 2011, 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 and continuing connected transactions

The details of the connected transactions of the Group for the year ended 31 December 2011 is set out in note 6 and note 45 to the financial report. The details of the above transactions are set out in the announcement dated 29 December 2011 and the announcement dated 31 December 2011 respectively. The details of the continuing connected transactions of the Group for the year ended 31 December 2011 are set out below:

Mutual Supply Agreement entered into with HNG

The Company and HNG renewed the mutual supply agreement on 3 June 2010. Pursuant to which, HNG has agreed to provide the Group production supplies, transportation and loading services and supporting and ancillary production services and the Group has agreed to provide HNG production supplies and supporting and ancillary production services. Details of the transactions were set out in an announcement published on the website of the Stock Exchange and the Company dated 3 June 2010. The mutual supply agreement has a term of three years commencing from 1 January 2010 and ending on 31 on 31 December 2012. HNG is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules.

During the reporting period, the amount paid by the Group to HNG under the mutual supply agreement was RMB352.98 million and the amount paid by HNG to the Group under the mutual supply agreement was RMB309.82 million. Such amounts did not exceed the approved annual caps of RMB1,275 million and RMB1,382 million respectively.

Comprehensive Services Agreement entered into with HNG

The Company and HNG renewed the comprehensive services agreement on 3 June 2010. Pursuant to which, HNG has agreed to provide the Group supporting services including security and fire services, public safety, property management, environmental hygiene and accommodations. Details of the transactions were set out in an announcement published on the website of the Stock Exchange and the Company dated 3 June 2010. The comprehensive services agreement has a term of three years commencing from 1 January 2010 and ending on 31 December 2012. HNG is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules.

During the reporting period, the amount paid by the Group to HNG under the comprehensive services agreement was RMB11.69 million and did not exceed the approved annual cap of RMB22 million.

Land Leasing Agreement entered into with HNG

Commencing on 1 September 2005, the Company has leased from HNG certain parcels of land for general commercial use. Pursuant to the land leasing agreement, the Company and HNG have agreed that HNG would lease to the Company 35 parcels of land in Hunan of approximately 2.09 million square meters in aggregate for the Company's production facilities. The lease has a term of 20 years commencing from 1 September 2005 and ending on 31 August 2025. On 3 June 2010, the Company and HNG entered into the rental arrangement under the land leasing agreement to determine the annual caps of rentals for the three years ending 31 December 2012. Details of the transactions were set out in an announcement published on the website of the Stock Exchange and the Company dated 3 June 2010. HNG is the controlling shareholder of the Company and is therefore an connected person of the Company under the Listing Rules.

During the reporting period, the rentals paid by the Group to HNG under the land leasing agreement were RMB15.12 million and did not exceed the approved annual cap of RMB15.12 million.

Mutual Supply Agreement entered into with China Minmetals

The Company and China Minmetals Corporation ("China Minmetals") entered into the mutual supply agreement on 3 June 2010. Pursuant to which, China Minmetals has agreed to provide the Group production supplies and supporting and ancilliary production services and the Group has agreed to provide China Minmetals production supplies and supporting and ancillary production services. Details of the transactions were set out in an announcement published on the website of the Stock Exchange and the Company dated 3 June 2010. The mutual supply agreement has a term of three years commencing from 1 January 2010 and ending on 31 December 2012. China Minmetals is an associate of HNC, which is the controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules.

During the reporting period, the amount paid by the Group to China Minmetals under the mutual supply agreement was RMB616.40 million and the amount paid by China Minmetals to the Group under the Mutual Supply Agreement was RMB535.81 million. Such amounts did not exceed the approved annual cap of RMB2,450 million and RMB768 million respectively.

The independent non-executive directors of the Company have reviewed the continuing connected transactions and confirmed in the annual report and the accounts of the Company:

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

(ii) that the continuing 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 continuing 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 continuing 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 42 of the financial report were not discloseable continuing 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 2011.

The Board has received a letter from the auditors which has confirmed that the continuing connected transactions of the Group for the year ended 31 December 2011 has complied with the requirement under Rule 14A.38 of the Listing Rules. For details of the annual cap and respective agreement, please refer to the Circular of the Company dated 24 June 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. The Company compiled with the restrictions.

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.

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 2011.

Event after the reporting date

The Company and HNG entered into the Equity Transfer Agreement on 31 December 2011, whereby the Company has agreed to sell a 62% equity interest in Nanling to HNG for a cash consideration in the amount of RMB61,788,600. Upon completion of the Equity Transfer Agreement, Nanling will be owned as to 62% and 38% by HNG and other shareholders, respectively, and will cease to be a subsidiary of the Company. Up to the date of approval of these consolidated financial statements, the transaction was completed on 5 January 2012.

Annual General Meeting and Closure of Share Register

The Annual General Meeting of the Company will be held at 10:00 a.m. on 29 May 2012 at No. 290 Labor Road West, Changsha City, Hunan, the PRC. The register of shareholders of the Company will be closed from 28 April 2012 to 29 May 2012 (both days inclusive). In order to be eligible to attend the AGM of the Company as directors, instruments of transfer accompanied by relevant share certificates must be lodged with the Company's share registrar no later than 4:30 p.m. on 27 April 2012.

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, 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 2010 and interim results for the year 2011. One meeting was held on 27 March 2012 with all committee members attending the meeting to review the Company's annual results for the year ended 31 December 2011.

AUDITORS

The financial statements are audited by Baker Tilly Hong Kong Limited who retire and being eligible to be reappointed as auditor of the Company at the next Annual General Meeting.

By order of the Board
Li Fuli
Chairman

Hong Kong
27 March 2012

As at the date of this report, the board of directors of the Company comprises Mr. Li Fuli, Mr. Li Li, Mr. Liao Luhai, and Mr. Guo Wenzhong as executive directors; Mr. Cao Xiuyun, Mr. Huang Guoping, Mr. Chen Zhixin, and Mr. Zou Jian as non-executive directors; and Mr. Kang Yi, Mr. Gu Desheng, Ms. Chen Xiaohong, Mr. Wan Ten Lap and Mr. Choi Man Chau as independent non-executive directors.

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

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

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 2011, the Supervisory Committee mainly carried out the following work:

1. Inspection over Implementation of Resolutions of the General Meetings

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

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

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

3. Inspection over the Company's Daily Operating Activities

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

4. Inspection over the Company's Financial Condition

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

The Supervisory Committee is optimistic about the prospect of the Company. In 2012, 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

Hong Kong
27 March 2012

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
天職香港會計師事務所有限公司
2nd Floor, 625 King's Road
North Point, Hong Kong
香港北角英皇道625號2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 52 to 174, which comprise the consolidated and company's statement of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 auditor's 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 2011 and of the Group's result 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
Andrew David Ross
Practising Certificate Number P01183

Hong Kong, 27 March 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Revenue	5	**24,546,146**	21,594,348
Cost of sales	7	**(22,032,228)**	(19,345,755)
Gross profit		**2,513,918**	2,248,593
Other income	6	**321,996**	264,091
Selling and distribution costs		**(437,233)**	(403,236)
Administrative expenses		**(1,373,058)**	(1,019,583)
Other expenses, net	7	**(87,311)**	(48,267)
Impairment of intangible assets	16	**(10,000)**	—
Impairment of property, plant and equipment	14	**(154,499)**	(209,316)
Impairment of trade and other receivables		**(38,580)**	(66,953)
Finance income	8	**88,883**	55,965
Finance costs	8	**(684,295)**	(586,451)
Share of profits of associates	20	**12,344**	2,597
Profit before income tax	7	**152,165**	237,440
Income tax expense	10	**(193,228)**	(95,572)
(Loss)/profit for the year		**(41,063)**	141,868
Attributable to:			
Owners of the Company		**293,399**	12,239
Non-controlling interests		**(334,462)**	129,629
(Loss)/profit for the year		**(41,063)**	141,868
Earnings per share attributable to the owners of the company	13		
Basic and diluted		**8.00 cents**	0.33 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
(Loss)/profit for the year	**(41,063)**	141,868
Other comprehensive (loss)/income:		
Exchange differences arising on translation of foreign operations	**51,277**	11,235
Disposal of available-for-sale financial assets, net of tax	**(8,484)**	(456)
Changes in fair value of available-for-sale financial assets, net of tax	**(156,460)**	59,812
Net actuarial losses of deferred benefit retirement schemes, net of tax	**(45,714)**	(17,425)
Impact of change in tax rate on deferred tax	**—**	4,661
Total comprehensive (loss)/ income for the year, net of tax	**(200,444)**	199,695
Attributable to:		
Owners of the Company	**215,317**	27,950
Non-controlling interests	**(415,761)**	171,745
	(200,444)	199,695

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**8,457,345**	7,822,027
Land lease prepayments	15	**977,488**	922,664
Intangible assets	16	**1,291,380**	1,208,036
Other assets	17	**801,588**	806,307
Goodwill	18	**79,547**	79,547
Interests in associates	20	**172,896**	124,227
Available-for-sale financial assets	21	**218,419**	436,336
Deferred tax assets	22	**98,073**	86,524
Total non-current assets		**12,096,736**	11,485,668
CURRENT ASSETS			
Inventories	23	**6,037,335**	5,337,050
Trade receivables	24	**759,085**	679,707
Bills receivable	25	**1,338,075**	628,313
Prepayments, deposits and other receivables	26	**1,368,453**	1,708,971
Tax recoverable		**63,799**	81,995
Pledged deposits	27	**55,093**	13,711
Non-pledged time deposits with maturity over three months from date of deposits	27	**5,000**	8,000
Cash and cash equivalents	27	**1,895,760**	1,797,599
Total current assets		**11,522,600**	10,255,346
CURRENT LIABILITIES			
Trade payables	28	**1,197,207**	931,295
Bills payable	29	**87,518**	20,000
Other payables and accruals	30	**2,068,529**	1,844,030
Interest-bearing bank and other borrowings	31	**10,182,461**	7,464,288
Tax payable		**89,638**	36,296
Dividend payable		**61,206**	63,047
Total current liabilities		**13,686,559**	10,358,956
NET CURRENT LIABILITIES		**(2,163,959)**	(103,610)
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,932,777**	11,382,058

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	**2,642,093**	3,862,962
Other liabilities	32	**721,994**	413,276
Payables for mining rights	33	**105,320**	113,293
Government grants	34	**332,913**	258,919
Deferred tax liabilities	22	**248,738**	230,975
Total non-current liabilities		**4,051,058**	4,879,425
NET ASSETS		**5,881,719**	6,502,633
EQUITY			
Equity attributable to the owners of the Company			
Share capital	35	**3,668,058**	3,668,058
Reserves		**651,328**	600,574
		4,319,386	4,268,632
Non-controlling interests		**1,562,333**	2,234,001
TOTAL EQUITY		**5,881,719**	6,502,633

Li Fuli
Director

Guo Wenzhong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Note	Attributable to the owners of the Company								
		Issued share capital RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Exchange fluctuation reserve RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	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	38	—	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/(loss)										
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
Disposal 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	22, 32(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	37(b)	—	(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)
Total transactions with owners		—	(90,976)	(1,846)	—	—	23,514	(69,308)	(109,598)	(178,906)
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 STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

		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	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011		3,668,058	917,442	95,597	26,118	101,265	(539,848)	4,268,632	2,234,001	6,502,633
Comprehensive income/(loss)										
(Loss)/profit for the year		–	–	–	–	–	293,399	293,399	(334,462)	(41,063)
Other comprehensive (loss)/income										
Exchange differences arising on translation of foreign operations		–	–	–	32,659	–	–	32,659	18,618	51,277
Disposal of available-for-sale financial assets, net of tax		–	–	–	–	(8,484)	–	(8,484)	–	(8,484)
Changes in fair value of available-for-sale financial assets, net of tax		–	–	–	–	(62,610)	–	(62,610)	(93,850)	(156,460)
Net actuarial losses of defined benefit retirement schemes, net of tax	22, 32(i)	–	–	–	–	–	(39,647)	(39,647)	(6,067)	(45,714)
Total other comprehensive income/(loss)		–	–	–	32,659	(71,094)	(39,647)	(78,082)	(81,299)	(159,381)
Total comprehensive income/(loss)		–	–	–	32,659	(71,094)	253,752	215,317	(415,761)	(200,444)
Transactions with owners										
Capital contributions from non-controlling interests		–	–	–	–	–	–	–	99,431	99,431
Acquisition of non-controlling interests	37(a)	–	(164,563)	–	–	–	–	(164,563)	(322,200)	(486,763)
Dividend paid and payable to non-controlling interests		–	–	–	–	–	–	–	(35,825)	(35,825)
Recognition of equity-settled share-based payments of a subsidiary	39	–	–	–	–	–	–	–	2,687	2,687
Total transactions with owners		–	(164,563)	–	–	–	–	(164,563)	(255,907)	(420,470)
At 31 December 2011		3,668,058	752,879	95,597	58,777	30,171	(286,096)	4,319,386	1,562,333	5,881,719

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES			
Profit before income tax		**152,165**	237,440
Adjustments for:			
Finance costs	8	**684,295**	586,451
Share of profits from associates	20	**(12,344)**	(2,597)
Interest income	8	**(88,883)**	(55,965)
Dividend income	6	**(7,922)**	(4,065)
Loss on deregistration of an associate	7	**282**	—
Gains on disposal of land lease prepayments	6	**(132)**	—
Net losses on disposal of property, plant and equipment	7	**8,898**	1,607
Gains on disposal of available-for-sale financial assets	6	**(73,714)**	(527)
Net losses on disposal of intangible assets	7	**—**	246
Net realised and unrealised gains on derivative financial instruments	6	**(44,836)**	(9,224)
Depreciation of property, plant and equipment	7, 14	**712,577**	631,954
Amortisation of land lease prepayments	7, 15	**21,376**	28,069
Amortisation of intangible assets	7, 16	**56,669**	50,964
Amortisation of other assets	7, 17	**20,961**	30,723
Write off of other assets	7, 17	**5,796**	—
Impairment of trade and other receivables	7	**38,580**	66,953
Write down of value of inventories, net	7	**445,777**	126,041
Stock appreciation rights	7, 32(ii)	**(7,062)**	557
Share-based payments	7, 39	**2,953**	—
Cost of supplementary pension subsidies and early retirement benefits	7, 32(i)	**(1,917)**	21,931
Recognition of government grants	6, 34	**(85,246)**	(160,392)
Impairment of intangible assets	7, 16	**10,000**	—
Impairment of property, plant and equipment	7, 14	**154,499**	209,316
Impairment of other assets	7, 17	**—**	1,624
Exchange gains, net		**(6,828)**	(77,670)
Operating cash flows before changes in working capital		**1,985,944**	1,683,436
Increase in inventories		**(1,147,934)**	(696,119)
(Increase)/decrease in trade receivables		**(89,334)**	29,009
Increase in bills receivable		**(709,762)**	(73,324)
Decrease/(increase) in prepayments, deposits and other receivables		**215,327**	(272,774)
Increase in trade payables		**265,912**	1,441
Increase/(decrease) in bills payable		**67,518**	(365,670)
(Decrease)/ increase in other payables and accruals		**(19,722)**	141,869

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Cash generated from operations		**567,949**	447,868
Income tax paid		**(102,767)**	(93,315)
Net cash generated from operating activities		**465,182**	354,553
INVESTING ACTIVITIES			
Interest received		**88,883**	55,965
Dividend income		**7,922**	4,065
Additions to other intangible assets		**(9,691)**	(4,225)
Additions to land lease prepayments		**(81,596)**	(6,134)
Purchase of property, plant and equipment and other assets		**(1,663,914)**	(1,306,776)
Proceeds from disposal of other intangible assets		**—**	200
Proceeds from disposal of property, plant, equipment		**18,786**	33,089
Proceeds from disposal of land lease prepayments		**2,000**	—
Proceeds from disposal of available-for-sale financial assets		**77,989**	542
Proceeds from matured held-to-maturity financial assets		**—**	5,000
Proceeds from deregistration of an associate		**8,373**	—
Receipt of financial instruments deposits		**—**	13,267
Proceeds from disposal of financial instruments		**44,217**	10,967
Deposit for purchase of additional interest of a subsidiary	26	**(44,403)**	(213,825)
Receipt of government grants	34	**159,240**	191,969
Receipt of special fiscal funds	32	**302,780**	—
Purchase of available-for-sale financial assets		**—**	(1,626)
Payment for mining rights		**(30,669)**	(69,255)
Acquisition of an associate	20	**(26,400)**	—
Acquisition of a subsidiary under common control	38	**—**	(67,286)
(Increase)/decrease in pledged deposits		**(41,382)**	40,730
Decrease in non-pledged time deposits with maturity over three months from date of deposits		**3,000**	37,500
Net cash used in investing activities		**(1,184,865)**	(1,275,833)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
FINANCING ACTIVITIES			
New bank and other borrowings		**11,936,062**	10,145,121
Repayment of bank loans		**(10,373,476)**	(9,170,882)
Receipt/ (repayment) of loans from immediate holding company		**190,000**	(150,000)
Interest paid		**(702,073)**	(577,720)
Acquisition of non-controlling interests	37	**(272,938)**	(11,002)
Capital contributions by non-controlling interests		**99,431**	19,798
Dividend paid to non-controlling interests		**(37,666)**	(120,231)
Net cash generated from financing activities		**839,340**	135,084
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**119,657**	(786,196)
Cash and cash equivalents at beginning of year		**1,797,599**	2,526,615
Effect of foreign exchange rate changes, net		**(21,496)**	57,180
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	**1,895,760**	1,797,599

STATEMENT OF FINANCIAL POSITION

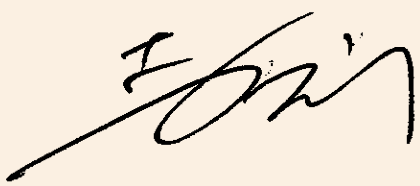
As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**366,777**	289,891
Land lease prepayments	15	**85,701**	84,893
Intangible assets	16	**111,984**	12,235
Other assets	17	**41,852**	112,008
Interests in subsidiaries	19	**5,072,421**	4,243,884
Interests in associates	20	**221,450**	230,450
Available-for-sale financial assets	21	**10,047**	11,719
Deferred tax assets	22	**10,798**	9,721
Total non-current assets		**5,921,030**	4,994,801
CURRENT ASSETS			
Inventories	23	**32,460**	33,021
Trade receivables	24	**58,694**	12,911
Bills receivable	25	**23,595**	34,438
Prepayments, deposits and other receivables	26	**1,413,848**	858,654
Cash and cash equivalents	27	**472,081**	510,908
Total current assets		**2,000,678**	1,449,932
CURRENT LIABILITIES			
Trade payables	28	**26,074**	22,668
Other payables and accruals	30	**813,482**	204,127
Interest-bearing bank and other borrowings	31	**2,737,188**	1,378,491
Tax payable		**10,188**	7,543
Total current liabilities		**3,586,932**	1,612,829
NET CURRENT LIABILITIES		**(1,586,254)**	(162,897)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,334,776**	4,831,904
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	**469,629**	1,033,525
Other liabilities	32	**369,568**	71,879
Government grants	34	**10,282**	10,282
Total non-current liabilities		**849,479**	1,115,686
NET ASSETS		**3,485,297**	3,716,218

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	35	**3,668,058**	3,668,058
Reserves	36	**(182,761)**	48,160
TOTAL EQUITY		**3,485,297**	3,716,218



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 is No. 290 Laodongxi Road, Changsha City, Hunan, PRC.

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

At 28 December 2009, the Company, State-Owned Assets Supervision and Administration Commission of Hunan Provincial People's Government ("SASAC") , Hunan Nonferrous Metals Holdings Group Co., Ltd. ("HNG"), China Minmetals Hong Kong (Holdings) Limited and the China Minmetals Corporation ("CMC") 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 CMC, 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% and indirectly holds 4.17% of the issued share capital of the Company through Hunan Nonferrous Metals Jinsheng Development Co., Ltd., a wholly owned subsidiary, 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.

At 9 December 2011, SASAC and China Minmetals Corporation Limited ("CM") entered into an equity transfer agreement, of which CMC and SASAC will increase their investments in CM by way of capital injection. CMC agreed to contribute its 100% equity interests in MNH and cash consideration, while SASAC will contribute its 49% equity interests in HNG, 20% equity interest in Ershisanye Construction Group Company Limited ("ECG") and cash consideration. At 13 December 2011, after the capital injection of CM was completed, CM and MNH entered into an equity transfer agreement, of which CM will increase its investment in MNH by way of capital injection. CM agreed to contribute its 91.57% equity interests in China Minmetals Nonferrous Metals Company Limited, 49% equity interests in HNG and cash consideration. In consequence, CM holds 100% shareholdings in MNH and 57.25% indirect shareholdings of the Group.

HNG is the parent company of the Group while the CMC 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 27 March 2012.

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 Basis of preparation

The consolidated financial statements 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.

(a) New and amended standards adopted by the Group

The following new and revised standards, amendments and interpretations are mandatory for the first time for the financial year beginning 1 January 2011:

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IAS 24 (Revised)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

Except as described below, the adoption of the new and amended standards 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 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of IAS 24 (Revised) for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

  - The name of the government and the nature of their relationship;
  - The nature and amount of any individually significant transactions; and
  - The extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party. See note 42 for disclosures of transactions among government related entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) *The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:*

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

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

IFRS 7 (Amendments) require an entity to disclose both quantitative and qualitative information for the derecognition of financial assets where the entity has a continuing involvement in the derecognised assets. The Group expects to adopt IFRS 7 (Amendments) from 1 January 2012. As the Group does not have continuing involvement in the derecognised assets, the amendments will not have any financial impact on the Group.

IFRS 7 (Amendments) issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The Group expects to adopt the amendments from 1 January 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted: (Continued)

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 "Financial Instruments: Recognition and Measurement". This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In November 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions"). The changes only affect the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income will create or enlarge an accounting mismatch in profit or loss. All other requirements in IAS 39 in respect of liabilities are carried forward into IFRS 9. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting, derecognition and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 "Consolidated and Separate Financial Statements" and SIC - Int 12 "Consolidation - Special Purpose Entities". IFRS 10 replaces the portion of IAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC - Int 12. The application of this new standard is unlikely to have any material financial impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted: (Continued)

IFRS 11 replaces IAS 31 “Interests in Joint Ventures” and SIC - Int 13 “Jointly Controlled Entities - Non-Monetary Contributions by Venturers”. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e. joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The application of this new standard is unlikely to have any material financial impact on the Group.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in IAS 27 “Consolidated and Separate Financial Statements”, IAS 31 “Interests in Joint Ventures” and IAS 28 “Investments in Associates”. It also introduces a number of new disclosure requirements for these entities. Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12, and the consequential amendments to IAS 27 and IAS 28 from 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use has already been required or permitted under other IFRSs. The Group expects to adopt the standard from 1 January 2013. The application of this new standard is unlikely to have any material financial impact on the Group.

IAS 1 (Amendments) change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013. The amendments affect presentation only and have no impact on the Group’s financial position or performance.

IAS 12 (Amendments) clarifies the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in SIC - Int 21 “Income Taxes – Recovery of Revalued Non-Depreciable Assets” that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. The Group expects to adopt IAS 12 (Amendments) from 1 January 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted: (Continued)

IAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt IAS 19 (2011) from 1 January 2013. The application of this new standard is unlikely to have any material financial impact on the Group.

IAS 32 (Amendments) clarifies the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalent to net settlements. The Group expects to adopt the amendments from 1 January 2014. The application of these amendments is unlikely to have any material financial impact on the Group.

IFRIC - Int 20 addresses the recognition of waste removal costs that are incurred in surface mining activity during the production phase of a mine as an asset, as well as the initial measurement and subsequent measurement of the stripping activity asset. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred are accounted for in accordance with IAS 2 "Inventories". To the extent that the benefit is improved access to ore and when criteria set out in the interpretation are met, the waste removal costs are recognised as a stripping activity asset under non-current assets. The interpretation has no financial impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

(a) Business combination

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 are always been the subsidiaries of the Group.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the purchase method of accounting to account for business combinations other than common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (note 2.7). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the interests 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) Changes in ownership interests in subsidiaries without change of control

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.

(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 statement of 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, which is the Company's functional and the Group's presentation currency.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(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 resulting 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 (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 (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 statement of 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 (note 2.10). The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

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

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

2.8 Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (other than goodwill) (Continued)

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses (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 (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 (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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (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 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 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, 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) Available-for-sale financial assets

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

2.11.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

2.11.2 Recognition and measurement (Continued)

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 income", 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 translation differences resulting from changes in amortised cost of the securing and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available for sale financial assets are recognised in other comprehensive income.

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

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;

The Group first assess whether objective evidence of impairment exists.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

2.11.3 Impairment of financial assets (Continued)

(a) Financial assets carried at amortised cost (Continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity financial assets has a variable interest 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 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 32 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits (Continued)

(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.

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

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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 2011, 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 loss after tax and accumulated losses increase/decrease by approximately RMB96,184,000 (2010: profit after tax decrease/increase and accumulated losses increase/decrease of RMB84,954,000). 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 loss after tax (and accumulated losses) 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 loss after tax (and accumulated losses) 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 2010.

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)											
	2011						2010					
	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	101,937	12,393	275,276	22,825	8,641	674	79,836	91,177	172,605	27,999	39,646	803
Trade receivables	187,451	728	622	41,217	2,273	–	62,926	–	–	–	–	–
Other payables and accruals	(56,391)	(24,850)	(12,165)	(31,032)	–	–	(88,774)	(29)	–	(5)	–	(652)
Bank loans	(1,555,519)	(30,590)	(108)	–	(2,948)	–	(1,713,456)	–	–	(16,269)	(3,921)	–
	(1,322,522)	(42,319)	263,625	33,010	7,966	674	(1,659,468)	91,148	172,605	11,725	35,725	151

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)

	2011				2010			
	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	7,338	177,736	—	56	84,639	172,208	39,646
Amounts due from subsidiaries	—	—	839,057	35,007	—	—	802,280	115,897
	56	7,338	1,016,793	35,007	56	84,639	974,488	155,543

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) 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.

	2011		2010	
	Increase/ decrease in foreign exchange rates	Effect on loss after tax and accumulated losses	Increase/ decrease in foreign exchange rates	Effect on profit after tax and accumulated losses
	%	RMB'000	%	RMB'000
USD	5	49,562	5	62,981
JPY	5	29	5	6
HKD	5	1,837	5	3,446
AUD	5	9,811	5	6,475
EUR	5	1,403	5	431
CAD	5	299	5	1,320

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' loss 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 2010.

(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 the Mainland China, Hong Kong, Canada, Australia and etc., 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 11% (2010: 4%) and 18% (2010: 13%) 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

	2011						2010					
	Contractual undiscounted cash outflow						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	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
Bank loans	8,392,102	702,725	1,029,034	183,735	10,307,596	10,083,687	5,044,170	1,013,158	1,613,921	343,525	8,014,774	7,837,067
Entrusted loans	1,750,000	501,631	–	680,263	2,931,894	2,650,000	2,120,000	–	–	309,894	2,429,894	2,320,000
Other loans	43,403	3,335	2,262	55,703	104,703	90,867	300,118	233,951	341,315	532,193	1,407,577	1,170,183
Trade and other payables	3,378,490	–	–	–	3,378,490	3,378,490	1,890,449	–	–	–	1,890,449	1,890,449
	13,563,995	1,207,691	1,031,296	919,701	16,722,683	16,203,044	9,354,737	1,247,109	1,955,236	1,185,612	13,742,694	13,217,699

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

The Company

	2011						2010					
	Contractual undiscounted cash outflow						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	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
Bank loans	1,441,383	181,685	167,092	183,836	1,973,996	1,906,817	148,491	593,171	153,936	343,525	1,239,123	1,182,016
Entrusted loans	1,300,000	–	–	–	1,300,000	1,300,000	1,230,000	–	–	–	1,230,000	1,230,000
Trade and other payables	832,614	–	–	–	832,614	832,614	184,657	–	–	–	184,657	184,657
	3,573,997	181,685	167,092	183,836	4,106,610	4,039,431	1,563,148	593,171	153,936	343,525	2,653,780	2,596,673

(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.

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 21) as at 31 December 2011. 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 2011	**High/low 2011**	31 December 2010	High/low 2010
Shanghai – A share index	**2,601**	**3,067/2,134**	2,808	3,307/2,319
Shenzhen – A share index	**10,894**	**13,233/8,555**	12,459	13,937/8,945
Australia – ASX200 index	**4,371**	**4,976/3,766**	4,727	5,037/4,164

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.

	2011		2010	
	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	**160,294**	**12,022**	321,508	24,113
Shenzhen – Available-for-sale	**18,007**	**1,351**	49,145	3,686
Australia – Available-for-sale	**10,047**	**753**	11,719	879

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 2011 and 2010 were as follows:

The Group	**2011** **RMB'000**	2010 RMB'000
Interest-bearing bank and other borrowings	**12,824,554**	11,327,250
Trade payables	**1,197,207**	931,295
Bills payable	**87,518**	20,000
Other payables and accruals	**2,068,529**	1,844,030
Payables for mining rights	**105,320**	113,293
Less: Cash and cash equivalents	**(1,895,760)**	(1,797,599)
Net debt	**14,387,368**	12,438,269
Equity attributable to the owner of the Company	**4,319,386**	4,268,632
Capital and net debt	**18,706,754**	16,706,901
Gearing ratio	**77%**	74%

The increase in the gearing ratio during 2011 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

(a) Financial instruments carried at fair value

The fair value measurements of financial instruments that are measured in the consolidated statement of financial position at fair value by level of the fair value measurement hierarchy are disclosed as follows:

- 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 that are measured at fair value at 31 December 2011:

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Available-for-sale financial assets				
- Listed equity investments	**188,348**	**—**	**—**	**188,348**
Derivative financial instruments	**711**	**—**	**—**	**711**
Total assets	**189,059**	**—**	**—**	**189,059**

The following table presents the Group's assets 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
Total assets	382,372	—	—	382,372

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial instruments carried at fair value (Continued)

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.

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.

There were no transfers of financial instruments between level 1 and level 2 fair value hierarchy classifications.

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

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.

(b) Financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost were not materially different from their fair value.

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 based on 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 2011 was RMB8,457,345,000 (2010: RMB7,822,027,000).

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 2011 was RMB79,547,000 (2010: RMB79,547,000). More details are given in note 18.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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.

Impairment of available-for-sale financial assets

The Group classifies certain financial assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the consolidated income statement. At 31 December 2011, no impairment losses have been recognised for available-for-sale financial assets (2010: RMBNil). The carrying amount of available-for-sale financial assets at 31 December 2011 was RMB218,419,000 (2010: RMB436,336,000).

Impairment of receivables

The Group's policy for impairment of receivables is based on the evaluation of collectability 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 2011 was RMB759,085,000 (2010: RMB679,707,000).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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 2011 was RMB6,037,335,000 (2010: RMB5,337,050,000).

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 2011 was approximately RMB98,073,000 (2010: RMB86,524,000).

Pension benefits

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

5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of directors. The board of directors consists of the executive directors, non-executive directors and independent non-executive directors. 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 needed to make strategic decisions.

Summary details of the business segments are as follows:

a) Nonferrous metal mine sites 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 represents the profit 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 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. 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 2011 and 2010 is as follows:

Year ended 31 December 2011	Nonferrous metal mine sites 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	5,323,174	11,655,358	7,698,484	—	—	24,677,016
Inter-segment sales	534,668	877	—	—	(535,545)	—
Less: Sales tax and surcharges	(66,168)	(3,022)	(61,680)	—	—	(130,870)
Total	5,791,674	11,653,213	7,636,804	—	(535,545)	24,546,146
Segment results	122,079	(116,149)	807,189	(70,639)	—	742,480
Dividend income and gains on disposal of available-for-sale financial assets	—	—	—	—	—	81,636
Finance costs	—	—	—	—	—	(684,295)
Share of profits of associates	—	—	—	—	—	12,344
Profit before income tax						152,165
Income tax expense	—	—	—	—	—	(193,228)
Loss for the year						(41,063)
Assets and liabilities:						
Segment assets	8,204,853	6,639,566	7,793,854	427,877	—	23,066,150
Interests in associates	—	—	—	—	—	172,896
Unallocated assets	—	—	—	—	—	380,290
Total assets						23,619,336

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Year ended 31 December 2011	Nonferrous metal mine sites 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	1,718,589	960,687	1,259,254	636,158	—	4,574,688
Unallocated liabilities	—	—	—	—	—	13,162,929
Total liabilities						17,737,617
Other segment information:						
Depreciation and amortisation	286,565	197,107	325,035	2,876	—	811,583
Write down of value of inventories	98,890	310,370	36,517	—	—	445,777
Impairment of property, plant and equipment	154,062	—	437	—	—	154,499
Impairment of intangible assets	10,000	—	—	—	—	10,000
Write off of other assets	5,796	—	—	—	—	5,796
Impairment of trade and other receivables, net	1,710	3,136	9,916	23,818	—	38,580
Capital expenditure	669,052	434,073	587,917	9,489	—	1,700,531

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Year ended 31 December 2010	Nonferrous metal mine sites 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)
Total	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 metal mine sites 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	191,445	192,062	356,849	1,354	—	741,710
(Reversal)/write down of value of inventories	(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

(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 2011 and 2010.

6. OTHER INCOME

	Note	2011 RMB'000	2010 RMB'000
Dividend income		**7,922**	4,065
Profit from scrap sales		**64,501**	58,234
Gains on disposal of land lease prepayments		**132**	—
Rental income		**16,652**	9,140
Penalty income		**6,576**	853
Gains on disposal of available-for-sale financial assets	(i)	**73,714**	527
Recognition of government grants	(ii)	**85,246**	160,392
Rendering of services		**1,506**	3,384
Net realised and unrealised gains on derivative financial instruments		**44,836**	9,224
Trade and other payables and accruals waived		**150**	5,760
Others		**20,761**	12,512
		321,996	264,091

(i) During 2011, gains on disposal of available-for-sale financial assets include the gains of RMB63,037,000 arising from the disposal of 0.18% of issued shares of China Minmetals Non-ferrous Metals Co., Ltd. by Zigong Cemented Carbides Company Limited ("Zigong"), a 80% owned subsidiary of the Group, to MNH.

(ii) The Group's government grants (note 34) are as follows:

	2011 RMB'000	2010 RMB'000
Subsidies for payment of staff salaries and benefits	**1,030**	3,758
Subsidies for business development and recovery of accumulated losses	**62,580**	88,392
Subsidies to encourage export sales	**1,591**	39,412
Others	**20,045**	28,830
	85,246	160,392

Government grants received for which the related expenditures have not yet been undertaken are accounted for under 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. PROFIT BEFORE INCOME TAX

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

	Note	2011 RMB'000	2010 RMB'000
Cost of inventories sold	23	**22,032,228**	19,345,755
Staff costs (including directors' and supervisors' remuneration as set out in note 9):			
Wages, salaries and bonuses		**1,370,750**	1,014,745
Share-based payments	39	**2,953**	—
Stock appreciation rights*	32(ii)	**(7,062)**	557
Contributions to defined contribution pension schemes	7(a)	**368,362**	202,315
Cost of supplementary pension subsidies and early retirement benefits:	32(i)		
– current service costs*		**3,312**	3,029
– (amortisation of) prior service costs*		**(21,435)**	3,019
– interest costs*		**16,206**	15,883
		(1,917)	21,931
Welfare and other expenses		**270,589**	303,640
		2,003,675	1,543,188
Auditor's remuneration*		**12,743**	12,133
Depreciation of property, plant and equipment	14	**712,577**	631,954
Amortisation of land lease prepayments	15	**21,376**	28,069
Amortisation of intangible assets:	16		
Mining rights		**47,573**	44,644
Technical know-how and others*		**9,096**	6,320
		56,669	50,964

7. PROFIT BEFORE INCOME TAX (Continued)

	Note	2011 RMB'000	2010 RMB'000
Amortisation of other assets	17	**20,961**	30,723
Minimum lease payments under operating leases in respect of land:			
Lease of land from HNG	42 (e)	**15,120**	11,267
Lease of land from other parties		**8,825**	4,521
		23,945	15,788
Write down of value of inventories		**445,777**	126,041
Impairment of property, plant and equipment	14	**154,499**	209,316
Impairment of intangible assets	16	**10,000**	—
Impairment of trade and other receivables		**38,580**	66,953
Exchange gains, net*		**(57,202)**	(140,506)
Research and development costs*		**340,993**	159,114
Donations*		**5,123**	4,660
Gains on disposal of land lease prepayments		**(132)**	—
Other expenses, net:			
Loss on deregistration of an associate		**282**	—
Net losses on disposal of property, plant and equipment		**8,898**	1,607
Net losses on disposal of intangible assets		**—**	246
Price participation payment to ex-owner of a subsidiary		**66,793**	25,084
Impairment of other assets	17	**—**	1,624
Repairs and maintenance for natural disaster		**1,000**	5,468
Net losses on disposal of utilities		**3,677**	4,716
Write off of other assets	17	**5,796**	—
Others		**865**	9,522
		87,311	48,267

* 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% (2010: 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.

8. FINANCE INCOME AND COSTS

	2011 RMB'000	2010 RMB'000
Interest on bank and other borrowings wholly repayable within five years	(545,448)	(577,188)
Interest on bank and other borrowings wholly repayable beyond five years	(177,789)	(27,297)
Less: Interest capitalised on qualifying assets (notes 14 & 17)	38,942	18,034
Finance costs	(684,295)	(586,451)
Finance income:		
Interest income on short-term deposits	88,883	55,965
Net finance costs	(595,412)	(530,486)

The interest rates used to determine the amount of related borrowing costs for capitalisation varied from 4.01% to 8.00% (2010: from 4.78% to 5.76%) per annum.

9. 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:

	2011 RMB'000	2010 RMB'000
Wages, salaries and bonus	5,127	7,803
Stock appreciation rights	(2,897)	415
Pension scheme contributions	815	188
	3,045	8,406

(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 32(ii) to the financial statements. The (gains)/expenses arising from these SARs are included in the above directors' and supervisors' remuneration disclosures.

9. 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 2011

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance -related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000	Stock appreciation rights RMB'000
Executive directors:						
Li Fuli	—	—	—	—	—	—
Li Li	—	188	221	82	491	(634)
Liao Luhai	—	188	221	82	491	(543)
Guo Wenzhong	—	197	298	98	593	—
	—	573	740	262	1,575	(1,177)
Non-executive directors:						
Cao Xiuyun	—	234	277	102	613	(724)
Huang Guoping	—	234	220	91	545	—
Chen Zhixin	—	187	221	82	490	(543)
Zou Jian	126	—	—	—	126	—
	126	655	718	275	1,774	(1,267)
Independent non-executive directors:						
Kang Yi	100	—	—	—	100	—
Gu Desheng	100	—	—	—	100	—
Chen Xiaohong	100	—	—	—	100	—
Wan Ten Lap	250	—	—	—	250	—
Choi Man Chau	250	—	—	—	250	—
	800	—	—	—	800	—
	926	1,228	1,458	537	4,149	(2,444)

9. EMPLOYEE BENEFIT EXPENSE (Continued)

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

Year ended 31 December 2011 (Continued)

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance -related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000	Stock appreciation rights RMB'000
Supervisors:						
Jin Liangshou	—	196	341	107	644	—
He Hongsen	—	187	222	82	491	(453)
Chen Hui	—	—	—	—	—	—
Liu Xiaochu	50	—	—	—	50	—
(a) Kang Weihua	—	56	87	29	172	—
Qi Yang	—	—	—	—	—	—
Hou Xiaohong	—	120	181	60	361	—
	50	559	831	278	1,718	(453)
Independent supervisors:						
Liu Dongrong	50	—	—	—	50	—
Xiao Yinong	25	—	—	—	25	—
	75	—	—	—	75	—
	125	559	831	278	1,793	(453)
	1,051	1,787	2,289	815	5,942	(2,897)

9. 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	Pension scheme contributions RMB'000	Total RMB'000	Stock appreciation rights RMB'000
Executive directors:							
(b)	He Renchun	—	144	562	11	717	71
	Li Fuli	—	—	—	—	—	—
	Li Li	—	173	502	16	691	50
	Liao Luhai	—	173	502	16	691	43
(c)	Chen Zhixin	—	144	418	14	576	36
	Guo Wenzhong	—	29	32	3	64	—
		—	663	2,016	60	2,739	200
Non-executive directors:							
	Cao Xiuyun	—	216	636	16	868	57
	Huang Guoping	—	36	37	3	76	—
(c)	Chen Zhixin	—	29	84	3	116	7
	Zou Jian	—	100	—	16	116	—
	Wu Longyun	—	146	418	14	578	36
(d)	Zhang Yixian	—	149	425	14	588	36
		—	676	1,600	66	2,342	136
Independent non-executive directors:							
	Kang Yi	100	—	—	—	100	—
	Gu Desheng	100	—	—	—	100	—
	Chen Xiaohong	100	—	—	—	100	—
	Wan Ten Lap	240	—	—	—	240	—
	Choi Man Chau	240	—	—	—	240	—
		780	—	—	—	780	—
		780	1,339	3,616	126	5,861	336

9. EMPLOYEE BENEFIT EXPENSE (Continued)

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

Year ended 31 December 2010 (Continued)

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance -related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000	Stock appreciation rights RMB'000
Supervisors:						
(d) Zeng Shaoxiong	—	144	472	14	630	43
He Hongsen	—	173	502	16	691	36
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	62	2,080	79
Independent supervisors:						
Liu Dongrong	50	—	—	—	50	—
	50	697	1,321	62	2,130	79
	830	2,036	4,937	188	7,991	415

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

Note

(a) Resigned on 16 May 2011

(b) Resigned on 23 August 2010

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

(d) Resigned on 10 November 2010

9. EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Five highest paid employees' remuneration

The five highest paid employees during the year included nil director (2010: five directors), details of whose remuneration are set out in note 9 above. Each of the five highest paid employee's remuneration fell within HK$Nil to HK$1,000,000 (equivalent to RMB Nil to RMB830,000).

10. 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% (2010: 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 which are qualified as high and new technology enterprises and subject to a preferential CIT rate of 15%:

(i) Zhuzhou Smelter Group Co., Ltd. ("Zhuye")

(ii) Zhuzhou Cemented Carbides Group Corp., Ltd. ("Zhuying")

(iii) Hunan Shizhuyuan Nonferrous Metals Co., Ltd. ("Shizhuyuan")

(iv) Zhuzhou Diamond Cutting Tools Company Limited ("Zhuzhou Diamond")

(v) Chenzhou Diamond Tungsten Products Company Limited

(vi) Hsikwangshan Twinkling Star Antimony Co., Ltd

(vii) Shenzhen Jinzhou Jinggong Scientific and Technological Company Limited ("Shenzhen Jinzhou")

(viii) Zigong Cemented Carbides Company Limited

(ix) Chengdu Keruide High-Tech New Materials Co., Ltd.

(x) Zigong Tungsten Carbide Co., Ltd.

(xi) Zigong AsiaTech High-Tech Ltd.

10. INCOME TAX EXPENSE (Continued)

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

	2011 RMB'000	2010 RMB'000
Current tax – PRC income tax		
Current tax on profits for the year	**174,315**	85,848
Deferred tax (note 22)		
Temporary differences	**18,925**	1,984
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**(12)**	7,740
Income tax expense	**193,228**	95,572

A reconciliation of income tax expense applicable to profit 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:

	2011 RMB'000	2010 RMB'000
Profit before income tax	**152,165**	237,440
Tax at the applicable income tax rate 25% (2010: 25%)	**38,041**	59,360
Tax effect of:		
Share of profits from associates	**(3,086)**	(649)
Income not subject to tax	**(31,571)**	(64,480)
Tax losses not recognised	**94,096**	39,037
Differential tax rates on the assessable profits and losses of certain subsidiaries	**(16,856)**	(7,874)
Income tax benefit from purchase of local machinery	**(120)**	(108)
Effect on opening deferred income tax due to a decrease in income tax rates	**(12)**	7,740
Expenses not deductible for tax and others	**137,069**	62,546
Utilisation of tax losses previously not recognised	**(24,333)**	—
Income tax expense	**193,228**	95,572

10. INCOME TAX EXPENSE (Continued)

Income tax recognised in other comprehensive income

	2011 RMB'000	2010 RMB'000
Deferred tax		
Arising from recognition of other comprehensive income:		
Net actuarial losses of defined benefit retirement scheme	**5,805**	2,029
Revaluations of available-for sale financial assets	**28,812**	(5,971)
	34,617	(3,942)

11. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the company is dealt with in the financial statements of the Company to the extent of RMB221,960,000 (2010: RMB175,281,000)(note 36).

12. DIVIDEND

	2011 RMB'000	2010 RMB'000
Proposed final dividend – RMBNil (2010: RMBNil) per ordinary share	**—**	—

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

13. EARNINGS PER SHARE

(a) Basic

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

	2011 RMB'000	2010 RMB'000
Profit		
Profit attributable to owners of the Company	**293,399**	12,239
Shares		
Weighted average number of ordinary shares in issue (thousands)	**3,668,058**	3,668,058

13. EARNINGS PER SHARE (Continued)

(b) Diluted

The diluted earnings per share for the current and previous years are the same as the basic earnings per share as there are no dilutive ordinary shares for two financial years.

14. 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 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 8)	—	—	14,230	14,230
Disposals	(1,532)	(31,348)	—	(32,880)
Depreciation charge (note 7)	(139,418)	(492,536)	—	(631,954)
Impairment charge (note 7)	(209,316)	—	—	(209,316)
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

14. 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 2011				
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
Year ended 31 December 2011				
Opening net book amount	2,565,100	4,233,704	1,023,223	7,822,027
Additions	102,112	232,152	1,174,258	1,508,522
Interest capitalised (note 8)	—	—	33,620	33,620
Disposals	(710)	(21,909)	(5,066)	(27,685)
Depreciation charge (note 7)	(197,221)	(515,356)	—	(712,577)
Impairment charge (note 7)	(8,791)	(145,708)	—	(154,499)
Exchange differences	(72,566)	65,241	(3,669)	(10,994)
Reclassified to intangible assets (note 16)	—	—	(755)	(755)
Reclassified to other assets (note 17)	—	—	(314)	(314)
Transfers	497,624	97,798	(595,422)	—
Closing net book amount	2,885,548	3,945,922	1,625,875	8,457,345
At 31 December 2011				
Cost	4,553,266	7,498,907	1,625,875	13,678,048
Accumulated depreciation and impairment	(1,667,718)	(3,552,985)	—	(5,220,703)
Net book amount	2,885,548	3,945,922	1,625,875	8,457,345

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2011, certain of the Group's buildings and mining structures and plant, machinery and equipment with an aggregate net book amount of approximately RMB579,732,000 (2010: RMB630,316,000) were pledged to secure bank loans granted to the Group (note 31).

Included in property, plant and equipment of the Group are the Group's assets used in projects with an aggregate carrying value of RMB260,805,000 (2010: RMB406,318,000), of which RMB145,263,000 (2010: RMB196,316,000) was impaired and provided for during the year.

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 2010				
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

14. 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 2011				
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
Year ended 31 December 2011				
Opening net book amount	136,720	82,373	70,798	289,891
Additions	8,294	27,091	67,739	103,124
Disposals	—	(504)	—	(504)
Depreciation charge	(5,462)	(20,272)	—	(25,734)
Transfers	—	24,242	(24,242)	—
Closing net book amount	139,552	112,930	114,295	366,777
At 31 December 2011				
Cost	255,117	230,193	114,295	599,605
Accumulated depreciation and impairment	(115,565)	(117,263)	—	(232,828)
Net book amount	139,552	112,930	114,295	366,777

15. LAND LEASE PREPAYMENTS

The Group

	2011 RMB'000	2010 RMB'000
Carrying amount at 1 January	**922,664**	944,524
Additions	**81,596**	6,134
Amortisation charge (note 7)	**(21,376)**	(28,069)
Disposals	**(5,328)**	—
Exchange differences	**(68)**	75
Carrying amount at 31 December	**977,488**	922,664

The Company

	2011 RMB'000	2010 RMB'000
Carrying amount at 1 January	**84,893**	75,378
Additions	**2,840**	11,182
Amortisation charge	**(2,032)**	(1,667)
Carrying amount at 31 December	**85,701**	84,893

At 31 December 2011, the Group's bank loans were secured by certain of the Group's land lease prepayments, with an aggregate net carrying amount of RMB231,173,000 (2010: RMB238,365,000) (note 31).

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

16. INTANGIBLE ASSETS

The Group	Mining rights RMB'000	Technical know-how RMB'000	Others RMB'000	Total RMB'000
At 1 January 2010				
Cost	1,348,166	48,791	27,476	1,424,433
Accumulated amortisation and impairment	(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 7)	(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 and impairment	(232,010)	(19,393)	(21,107)	(272,510)
Net book amount	1,168,508	29,398	10,130	1,208,036

16. INTANGIBLE ASSETS (Continued)

The Group	Mining rights RMB'000	Technical know-how RMB'000	Others RMB'000	Total RMB'000
At 1 January 2011				
Cost	1,400,518	48,791	31,237	1,480,546
Accumulated amortisation and impairment	(232,010)	(19,393)	(21,107)	(272,510)
Net book amount	1,168,508	29,398	10,130	1,208,036
Year ended 31 December 2011				
Opening net book amount	1,168,508	29,398	10,130	1,208,036
Additions	23,959	482	12,809	37,250
Reclassified from other assets (note 17)	112,008	—	—	112,008
Reclassified from construction in progress (note 14)	—	—	755	755
Impairment charge (note 7)	(10,000)	—	—	(10,000)
Amortisation charge (note 7)	(47,573)	(1,539)	(7,557)	(56,669)
Closing net book amount	1,246,902	28,341	16,137	1,291,380
At 31 December 2011				
Cost	1,536,485	49,273	44,801	1,630,559
Accumulated amortisation and impairment	(289,583)	(20,932)	(28,664)	(339,179)
Net book amount	1,246,902	28,341	16,137	1,291,380

16. INTANGIBLE ASSETS (Continued)

The Company	Mining rights RMB'000	Others RMB'000	Total RMB'000
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
Additions	—	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
At 1 January 2011			
Cost	**100,171**	**1,108**	**101,279**
Accumulated amortisation	**(88,548)**	**(496)**	**(89,044)**
Net book amount	**11,623**	**612**	**12,235**
Year ended 31 December 2011			
Opening net book amount	**11,623**	**612**	**12,235**
Additions	**1,375**	**290**	**1,665**
Reclassified from other assets (note 17)	**112,008**	**—**	**112,008**
Amortisation charge	**(13,185)**	**(739)**	**(13,924)**
Closing net book amount	**111,821**	**163**	**111,984**
At 31 December 2011			
Cost	**213,554**	**1,398**	**214,952**
Accumulated amortisation	**(101,733)**	**(1,235)**	**(102,968)**
Net book amount	**111,821**	**163**	**111,984**

17. OTHER ASSETS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Exploration and evaluation assets	**801,588**	806,307	**41,852**	112,008

Included in exploration and evaluation assets of the Group are the Group's net assets used in projects of RMB168,263,000 (2010: RMB172,194,000).

The movements in exploration and evaluation assets during the year ended 31 December 2011 and 2010 are as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**806,307**	685,591	**112,008**	62,086
Additions	**73,163**	119,818	**41,852**	49,922
Interest capitalised (note 8)	**5,322**	3,804	**—**	—
Reclassified from construction in progress (note 14)	**314**	—	**—**	—
Reclassified to intangible assets (note 16)	**(112,008)**	—	**(112,008)**	—
Amortisation charge	**(20,961)**	(30,723)	**—**	—
Impairment charge	**—**	(1,624)	**—**	—
Write off	**(5,796)**	—	**—**	—
Exchange differences	**55,247**	29,441	**—**	—
At 31 December	**801,588**	806,307	**41,852**	112,008

18. GOODWILL

The Group

	2011 RMB'000	2010 RMB'000
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.

19. INTERESTS IN SUBSIDIARIES

The Company

	2011 RMB'000	2010 RMB'000
Unlisted investments, at cost	**4,701,756**	3,691,283
Due from subsidiaries (note 43)	**874,891**	921,404
	5,576,647	4,612,687
Impairment #	**(504,226)**	(368,803)
	5,072,421	4,243,884

An impairment was recognised for certain investments with a carrying amount RMB4,701,756,000 (before deducting the impairment loss) (2010: RMB3,691,283,000). The recoverable amount of the interests in Abra has been determined based on the fair value of Abra's net identifiable assets less disposal costs. The fair value of Abra's exploration tenements, which are its main assets, were determined based on the "Previous Exploration Expenditure" method (i.e. apply a PEM already defined in note 18 to the previous exploration incurred)

Besides the balances due from HNC (Australia) Resources Holding Pty Ltd. ("HNC (Australia)") and Beaver Brook Antimony Mine Inc., ("BBAM"), the remaining amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The balance due from BBAM was transferred from HNC (Canada) Antimony Mine Limited ("HNC Canada"), as HNC Canada was amalgamated from BBAM (please refer to note 19(4) for details), and the creditors of each amalgamated party will not be prejudiced by the amalgamation.

Pursuant to the loan agreement signed on 1 October 2007, the balance due from HNC Australia totaling RMB839,057,000 (AUD130,912,000) (2010: RMB802,182,000 (AUD119,872,000)) are unsecured, bearing interest based on lending interest rates quoted by loan banks to the lender, but not higher than base rate +0.3% quoted by the Reserve Bank of Australia, and payable by installments before 2016. Pursuant to the revised loan agreement signed on and effective from 1 January 2009, the interest does not become due and payable until such a time that the HNC (Australia) has generated net profit.

The balance due from BBAM totaling RMB35,007,000 (CAD5,667,000) (2010: due from HNC Canada totaling RMB115,897,000 (CAD18,298,000)) 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 2009. The interest does not become due and payable until such a time that BBAM has generated net profit. Interest will be accrued from 1 January of the year when the borrower has generated net profit.

19. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at year ended 31 December 2011 and 2010 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
				2011		2010		
				Direct %	Indirect %	Direct %	Indirect %	
Zhuzhou Cemented Carbides Group Corp.,Ltd. (株洲硬質合金集團有限公司)	(1)/(5)	PRC 15 November 1980	RMB1,645,761 (2010: RMB745,761)	100.00	—	100.00	—	Manufacturing of hard alloys and refractory metal compounds
Zhuzhou Smelter Group Holding Co., Ltd. (株洲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

19. 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 2011 Direct %	2011 Indirect %	2010 Direct %	2010 Indirect %	Principal activities
Zhuzhou Smelter Group Co., Ltd.*/# (株洲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 Jinhuoju Metals 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 Import and Export Company Limited*/& (湖南株冶火炬金屬進出口有限公司)		PRC 2 July 2001	RMB80,000	—	31.44	—	31.44	Trading of commercial products and technology
Torch Metal Limited*/& ("Hong Kong Torch") (火炬金屬有限公司)	(2)	Hong Kong 15 December 1992	HKD5,000	—	31.44	—	22.01	Trading of metal ingots
Torch Zinc Limited*/& (火炬鋅業有限公司)		Hong Kong 16 April 2004	USD100	—	28.30	—	28.30	Trading of metal ingots
ZCC Import and Export Company Limited ("ZCC Import and Export")* (株洲硬質合金進出口公司)		PRC 29 October 1987	RMB30,000	—	100.00	—	100.00	Trading of metal compounds

19. 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 2011 Direct %	2011 Indirect %	2010 Direct %	2010 Indirect %	Principal activities
Shenzhen Jinzhou Jinggong Scientific and Technological Company Limited* (深圳市金洲精工科技股份有限公司)	(1)	PRC 10 June 1986	RMB61,109	—	60.08	—	60.08	Manufacturing of metal and alloy products
Chenzhou Diamond Tungsten Products Company Limited ("Chenzhou Diamond Tungsten")* (郴州鑽石鎢製品有限責任公司)		PRC 18 December 2001	RMB120,000	—	98.94	—	98.94	Manufacturing of chemical products
Zhuzhou Diamond Cutting Tools Company Limited* (株洲鑽石切削刀具股份有限公司)	(1)/(2)/(6)	PRC 7 June 2002	RMB500,000 (2010: RMB250,000)	—	81.35	—	44.75	Manufacturing of metal and alloy products
Zhuzhou Changjiang Cemented Carbides Tools Company Limited ("Zhuzhou Changjiang")* (株洲長江硬質合金工具有限公司)		PRC 20 April 1992	RMB59,764	—	65.14	—	65.14	Manufacturing of metal and alloy products
Zigong Cemented Carbides Company Limited (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 ("Nanling") (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

19. 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
				2011		2010		
				Direct %	Indirect %	Direct %	Indirect %	
Hunan Nonferrous Xintianling Tungsten Co., Ltd.* (湖南有色新田嶺鎢業有限公司)		PRC 10 January 2008	RMB518,000	96.53	—	96.53	—	Mining of nonferrous metals
Abra Mining Pty Limited (previously known as Abra Mining Limited) (愛博礦業有限公司)	(3)	Australia 27 July 2004	AUD33,177 (2010: AUD32,949)	100.00	—	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. (湖南有色澳洲資源投資有限公司)		Australia 28 March 2007	AUD47,000	100.00	—	100.00	—	Developing of nonferrous metal resources

19. 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 2011 Direct %	2011 Indirect %	2010 Direct %	2010 Indirect %	Principal activities
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
Beaver Brook Antimony Mine Inc. (加拿大水獺溪銻礦有限公司)	(4)	Canada 11 September 2009	CAD12,833	100.00	—	100.00	—	Mineral exploration and project evaluation
Wangqing Haichuang Mining Co., Ltd. ("Wangqing Haichuang") (汪清海創礦業有限公司)	(2)	PRC 24 June 2008	RMB66,660,000	—	80.00	—	72.01%	Mineral exploration and project evaluation

Notes:

(1) During 2010, the Company has acquired a further interest in Zhuying, Zhuzhou Diamond and Shenzhen Jinzhou from non-controlling interests. 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 37(b) for details.

(2) During 2011, the Company has acquired a further interest in Hong Kong Torch, Zhuzhou Diamond and Wangqing Haichuang from non-controlling interest. Upon the completion of the further acquisition, the Company held 3.44%, 81.35% and 80% equity interest in the above entities. Please refer to note 37(a) for details.

(3) On 4 April 2011, the Company and Abra announced that the Company would make an offer to acquire all issued ordinary shares of Abra ("Abra Shares") not already owned by the Company for AUD0.40 per share and acquire and enter into cancellation deed polls in respect of the 6,125,000 options to subscribe for shares ("Abra Options") at the agreed prices.

On 19 April 2011, 700,000 shares of Abra were issued and allotted as a result of exercise of incentive option granted by Abra on 4 January 2011 (please refer to note 39 for details), and the Group's equity interest in Abra was diluted by approximately 0.37% from 74.28% to 73.91%.

On 11 July 2011, the Company had received acceptances in respect of at least 75% of Abra Shares it offered to acquire on 4 April 2011, and the Company had a relevant interest in at least 90% of Abra Shares. The Company therefore proposed to acquire the remaining Abra Shares not already owned by the Company under relevant Australian laws and regulations ("Compulsory Acquisition").

On 4 August 2011, Abra was delisted from Australian Stock Exchange Limited following the Compulsory Acquisition and on 4 November 2011, the Group's equity interest in Abra was increased by approximately 26.09% from 73.91% to 100%.

19. INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(4) On 7 July 2011, HNC (Canada) amalgamated with its wholly owned subsidiary, BBAM, and the new amalgamated entity retained the name Beaver Brook Antimony Mine Inc. as the amalgamated corporation.

(5) On 28 December 2011, Zhuying has issued a further RMB900,000,000 share capital to the Company.

(6) On 27 December 2011, Zhuzhou Diamond has issued a further RMB250,000,000 share capital to Zhuying, a wholly owned subsidiary of the Group.

* 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.

\# Zhuye is 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 Zhuye.

& These companies are subsidiaries of Zhuye.

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 2011 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.

20. INTERESTS IN ASSOCIATES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Listed shares, at cost	**—**	—	**356,034**	356,034
Unlisted shares, at cost	**—**	—	**9,000**	9,000
Share of net assets of associates	**172,896**	124,227	**—**	—
Deregistrated	**—**	—	**(9,000)**	—
Goodwill on acquisition	**45,328**	45,328	**—**	—
	218,224	169,555	**356,034**	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	**172,896**	124,227	**221,450**	230,450
Market value of listed shares			**777,387**	777,387

20. INTERESTS IN ASSOCIATES (Continued)

Particulars of the associates as at 31 December 2011 and 2010 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
			2011		2010		
			Direct %	Indirect %	Direct %	Indirect %	
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) (note i)	PRC 10 July 2008	20,000	—	—	45.00	—	Purchasing of metal resources
Hunan Nonferrous Chenzhou Fluorine Chemistry Co., Ltd. (湖南有色郴州氮化學有限公司) (note ii)	PRC 8 April 2009	110,000	—	37.97	—	—	Manufacturing and trading of fluorine products

Notes:

i) On 10 October 2011, Gansu Jinda Mining Corporation Limited was deregistered.

ii) On 17 February 2011, Shizhuyuan, a 97.35% owned subsidiary of the Group acquired an additional 9% of the issued shares of Hunan Nonferrous Chenzhou Fluorine Chemistry Co., Ltd. ("Chenzhou Fluorine") for a purchase consideration of RMB9,900,000. Thereafter, the Group has a significant influence over the financial and operating policies of Chenzhou Fluorine and, accordingly, had reclassified its investment in Chenzhou Fluorine from available-for-sale financial assets to interests in associates. During the year, Shizhuyuan contributed RMB16,500,000 for additional investments in accordance with the injection schedule as stipulated in the Articles of Association of Chenzhou Fluorine.

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

	2011 RMB'000	2010 RMB'000
Assets	**339,728**	140,734
Liabilities	**149,631**	16,430
Equity	**76,245**	124,304
Revenue	**531,475**	408,435
Profit	**12,344**	2,597

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**436,336**	364,211	**11,719**	12,609
Additions	**—**	1,626	**—**	—
Cost of disposals	**(4,275)**	(15)	**—**	—
Reclassified to interests in associates	**(18,580)**	—	**—**	—
Exchange differences	**(1,312)**	526	**—**	526
Net realised gains transferred from equity	**(9,981)**	(536)	**—**	—
Net unrealised (losses)/gains transferred to equity	**(183,769)**	70,524	**(1,672)**	(1,416)
At 31 December	**218,419**	436,336	**10,047**	11,719

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Listed equity investments, at fair value	**188,348**	382,372	**10,047**	11,719
Unlisted equity investments, at cost	**30,071**	53,964	**—**	—
	218,419	436,336	**10,047**	11,719

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

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**197,032**	412,025	**—**	—
AUD	**21,387**	24,311	**10,047**	11,719
	218,419	436,336	**10,047**	11,719

During the year, the loss of the Group's available-for-sale financial assets recognised directly in equity amounted to RMB183,769,000 (2010: RMB70,524,000) of which gain of RMB9,981,000 (2010: RMB536,000) 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.

22. 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	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred tax assets	**(98,073)**	(86,524)	**(10,798)**	(9,721)
Deferred tax liabilities	**248,738**	230,975	**—**	—
Deferred tax liabilities/(assets), net	**150,665**	144,451	**(10,798)**	(9,721)

22. DEFERRED TAX (Continued)

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 RMB'000	Property, plant and equipment with higher tax base RMB'000	Recognition of actuarial losses RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2010	28,052	19,022	31,770	12,693	91,537
Credited/(charged) to consolidated income statement (note 10)	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 10)	(782)	—	(5,793)	—	(6,575)
Exchange differences	—	—	—	(137)	(137)
At 31 December 2010 and 1 January 2011	28,577	18,363	25,449	14,135	86,524
Credited/(charged) to consolidated income statement (note 10)	10,019	(69)	(6,292)	2,711	6,369
Credited to other comprehensive income	—	—	5,805	—	5,805
Recognition of effect on change in tax rate in consolidated income statement (note 10)	12	—	—	—	12
Exchange differences	—	—	—	(637)	(637)
At 31 December 2011	**38,608**	**18,294**	**24,962**	**16,209**	**98,073**

22. 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 2010	1,169	7,601	8,770
Credited to income statement	(868)	—	(868)
Charged to reserve	—	1,819	1,819
At 31 December 2010 and 1 January 2011	301	9,420	9,721
Credited to income statement	206	(1,008)	(802)
Charged to reserve	—	1,879	1,879
At 31 December 2011	**507**	**10,291**	**10,798**

The Group has tax losses arising in Mainland China and overseas of RMB1,048,987,000 and AUD86,682,000 (equivalent to RMB555,570,000) (2010: RMB681,121,000 and AUD83,682,000 (equivalent to RMB561,831,000) respectively) 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 arising in Mainland China will expire in 5 years under certain tax legislation.

22. 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 2010	152,718	66,161	3,281	222,160
(Credited)/charged to consolidated income statement (note 10)	(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 10)	—	—	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 and 1 January 2011	151,287	72,132	7,556	230,975
(Credited)/charged to consolidated income statement (note 10)	(1,450)	—	26,744	25,294
Credited to other comprehensive income	—	(28,812)	—	(28,812)
Exchange differences	—	—	21,281	21,281
At 31 December 2011	**149,837**	**43,320**	**55,581**	**248,738**

23. INVENTORIES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Raw materials	**1,912,109**	2,218,656	**17,201**	15,990
Work in progress	**2,117,580**	1,800,134	**1,695**	1,723
Finished goods	**2,509,692**	1,487,717	**15,589**	16,507
	6,539,381	5,506,507	**34,485**	34,220
Less: write down value of inventories	**(502,046)**	(169,457)	**(2,025)**	(1,199)
	6,037,335	5,337,050	**32,460**	33,021

The cost of inventories recognised as expense and included in "cost of sales" amounted to RMB22,032,228,000 (2010: RMB19,345,755,000).

At 31 December 2011, the Group's bank loans were secured by certain of the Group's inventories, with an aggregate net carrying amount of RMB136,782,000 (2010: RMBNil) (note 31).

24. 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	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**751,195**	672,121	**58,694**	12,465
Over 1 year but within 2 years	**14,509**	13,394	**—**	—
Over 2 years but within 3 years	**12,200**	14,051	**—**	1,486
Over 3 years	**39,734**	29,311	**5,412**	3,926
	817,638	728,877	**64,106**	17,877
Less: Provision for impairment	**(58,553)**	(49,170)	**(5,412)**	(4,966)
	759,085	679,707	**58,694**	12,911

24. TRADE RECEIVABLES (Continued)

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**49,170**	44,163	**4,966**	4,371
Provision for impairment	**9,956**	5,007	**446**	595
Uncollectible amounts written off	**(573)**	—	**—**	—
At 31 December	**58,553**	49,170	**5,412**	4,966

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB58,553,000 (2010: RMB49,170,000). The individually impaired trade receivables relate to customers that were in financial difficulties and almost all of the receivables cannot be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Neither past due nor impaired	**577,289**	493,202	**—**	12,465
Less than 3 months past due	**138,488**	148,548	**58,694**	—
3 to 9 months past due	**31,722**	27,308	**—**	—
More than 9 months past due	**11,586**	10,649	**—**	446
	759,085	679,707	**58,694**	12,911

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.

At 31 December 2011, included in the trade receivables, are receivables from HNG and its subsidiaries ("HNG Group") and CMC and its subsidiaries ("Minmetals Group") of RMB59,589,000 and RMB4,547,000 respectively (2010: RMB45,060,000 and RMB36,576,000 respectively) which are unsecured, interest-free and receivable on demand.

24. TRADE RECEIVABLES (Continued)

At 31 December 2011, included in the trade receivables is the trading balance due from an associate of RMB26,743,000 as at 31 December 2011 (2010: RMB11,958,000). The balance due from an associate is unsecured, interest-free and receivable in accordance with normal credit terms to those offered to the major customers of the Group.

At 31 December 2011, the Group's bank loans were secured by certain of the Group's trade receivables, with an aggregate net carrying amount of RMB465,066,000 (2010: RMB531,082,000) (note 31).

Trade receivables are denominated in the following currencies:

	The Group	
	2011	2010
	RMB'000	RMB'000
RMB	**526,794**	528,555
USD	**187,451**	131,142
AUD	**622**	446
EUR	**41,217**	15,467
CAD	**2,273**	4,097
HKD	**728**	—
	759,085	679,707

25. BILLS RECEIVABLE

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 120 days	**1,083,293**	312,279	**23,595**	20,212
Over 121 days but within 1 year	**254,782**	316,034	**—**	14,226
	1,338,075	628,313	**23,595**	34,438

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

At 31 December 2011, the Group's bank loans were secured by certain of the Group's bills receivable, with an aggregate net carrying amount of RMB208,521,000 (2010: RMB240,000,000) (note 31).

At 31 December 2011, the Group's bills payable were secured by certain of the Group's bills receivable, with an aggregate net carrying amount at RMB19,290,000 (2010: RMBNil) (note 29).

At 31 December 2011, certain of the Group's bills receivable amounting to RMB119,540,000 (2010: RMBNil) were pledged to banks for general credit facility.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments to suppliers (note i, ii, iii)	**361,612**	659,182	**5,605**	43,508
Deposit for purchase additional interest for a subsidiary	**44,403**	213,825	**—**	—
Deposits for derivative financial instruments (note v)	**15,681**	12,872	**—**	—
Derivative financial instruments (note iv)	**711**	—	**—**	—
Other receivables (note i, ii)	**1,056,020**	905,624	**1,502,977**	885,146
	1,478,427	1,791,503	**1,508,582**	928,654
Less: Provision for impairment	**(109,974)**	(82,532)	**(94,734)**	(70,000)
	1,368,453	1,708,971	**1,413,848**	858,654

(i) At 31 December 2011, included in the prepayments to suppliers and other receivables are receivables from the HNG Group and Minmetals Group of RMB61,586,000 and RMB2,239,000 respectively (2010: RMB101,565,000 and RMB1,021,000 respectively) which are unsecured, interest-free and receivable on demand.

(ii) At 31 December 2011, included in the prepayments to suppliers and other receivables is the balance due from an associate of RMB200,000 as at 31 December 2011 (2010: RMB25,386,000). The balance due from an associate is unsecured, interest-free and receivable on demand.

(iii) Included in the prepayments to suppliers of the Group are prepayments for the projects of RMB23,429,000 (2010: RMB8,975,000).

(iv) The Group has entered into various forward contracts to manage its metal price risks. The carrying amounts of those financial instruments are the same as their fair values. The above transactions involve derivative financial instruments are conducted with creditworthy financial instructions with no recent history of default.

(v) The Group placed deposits with independent futures trading agents for commodity derivative contracts entered by the Group in the normal course of business primarily to protect the Group from the impact of price fluctuation in nonferrous metals commodities.

(vi) The other amounts with third parties are unsecured and interest-free and have no fixed terms of repayment. At 31 December 2011, the Group does not hold any collateral or other credit enhancements over these balances except for other receivables amounted to approximately AUD19,678,000 (equivalent to RMB126,124,000) (2010: AUD20,284,000 (equivalent to RMB140,310,000) were secured by way of charges over the third party's assets in the mining tenements.

27. CASH AND BANK BALANCES AND TIME DEPOSITS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**1,837,994**	1,671,522	**472,081**	487,148
Time deposits	**117,859**	147,788	**—**	23,760
	1,955,853	1,819,310	**472,081**	510,908
Less: pledged cash and time deposits	**(55,093)**	(13,711)	**—**	—
Less: non-pledged time deposits with maturity over three months from date of deposits	**(5,000)**	(8,000)	**—**	—
Cash and cash equivalents	**1,895,760**	1,797,599	**472,081**	510,908

At the end of reporting date, the cash and bank balances and time deposits denominated in RMB amounted to RMB1,534,100,000 (2010: RMB1,325,400,000). 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 2011, the cash and bank balances and time deposits included HKD15,287,000 (2010: HKD107,151,000), USD16,204,000 (2010: USD12,052,000), AUD42,949,000 (2010: AUD35,331,000), EUR2,796,000 (2010: EUR3,180,000), CAD1,399,000 (2010: CAD7,909,000) and JPY8,310,000 (2010: JPY9,888,000).

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.

28. 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	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**1,164,162**	906,088	**24,908**	21,156
Over 1 year but within 2 years	**16,980**	10,770	**369**	366
Over 2 years but within 3 years	**5,643**	5,862	**72**	992
Over 3 years	**10,422**	8,575	**725**	154
	1,197,207	931,295	**26,074**	22,668

At 31 December 2011, the amounts due to the HNG Group and Minmetals Group, totaling RMB194,920,000 and RMB53,298,000 respectively (2010: RMB17,534,000 and RMB31,313,000 respectively), 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.

29. 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	
	2011	2010
	RMB'000	RMB'000
Within 120 days	**19,518**	20,000
Over 121 days but within 1 year	**68,000**	—
	87,518	20,000

Cash and time deposits amounting to RMB20,439,000 (2010: RMB17,534,000) were pledged to banks for the issuance of bills payable.

Certain of the Group's bills receivable amounting to RMB19,290,000 (2010: RMBNil) were pledged to banks for issuance of bills payable (note 25).

30. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances from customers	**772,391**	775,022	**10,985**	8,159
Accrued taxes other than income tax	**63,983**	57,553	**5,252**	16,696
Accrued salaries, wages and benefits	**78,958**	92,224	**9,886**	6,426
Payables for mining rights				
– current portion (note 33)	**365,263**	358,553	**95,921**	95,921
Accrued expenses and other payables	**787,934**	560,678	**691,438**	76,925
	2,068,529	1,844,030	**813,482**	204,127

At 31 December 2011, included in other payables and accruals of the Group (excluding the payables for mining rights – current portion) were balances due to the HNG Group and Minmetals Group, totaling of RMB327,288,000 and RMB16,567,000 respectively (2010: RMB92,757,000 and RMBNil respectively) which were unsecured, interest-free and repayable on demand.

At 31 December 2011, included in other payables and accruals of the Group included amount due to an associate of RMB8,000 (2010: RMBNil). The balance due to an associate is unsecured, interest-free and repayable on demand.

At 31 December 2011, included in other payables of the Group are the financing arrangement with the Bank of China Limited of RMB31,079,000) (2010: RMB26,033,000) which was unsecured, interest bearing at 4% per annum (2010: 4% per annum) and repaid in accordance with the terms of financial arrangement on 25 January 2012 (2010: 20 June 2011).

Included in other payables and accruals of the Group and the Company is the current portion of the other payables for HNG of RMB358,553,000 (2010: RMB358,553,000) and RMB95,921,000 (2010: RMB95,921,000) respectively, in connection with the purchase of mining rights (note 33).

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2011			2010		
The Group	Effective interest rate(%)	Maturity	RMB'000	Effective interest rate(%)	Maturity	RMB'000
Current:						
Bank loans – unsecured	2.30 - 8.00	2012	5,800,301	1.46 - 6.80	2011	3,445,068
Bank loans – unsecured	Export seller's credit interest rate of the People's Bank of China	2012	40,000	—	—	—
Bank loans – unsecured	Prime rate+3%	2012	90,000	Prime rate-10%	2011	190,000
Bank loans – unsecured	Prime rate+5%	2012	576,000	Prime rate-5%	2011	20,000
Bank loans – unsecured	Prime rate+10%	2012	45,000	Export seller's credit interest rate of the People's Bank of China	2011	250,000
Bank loans – unsecured	Prime rate -10%	2012	175,000	Libor+1.3%	2011	26,491
Bank loans – unsecured	Prime rate -5%	2012	50,000	—	—	—
Bank loans – unsecured	Libor+1.3%	2012	25,204	—	—	—
Bank loans – secured	4.44 – 9.04	2012	1,145,152	3.83 – 5.31	2011	990,611
Bank loans – secured	Prime rate+ 5%	2012	198,500	—	—	—
Bank loans – secured	Prime rate+10%	2012	45,000	—	—	—
Bank loans – secured	Prime rate-5%	2012	198,900	Prime rate-10%	2011	122,000
Entrusted loans	4.58 – 5.52	2012	450,000	4.78 – 5.04	2011	2,120,000
Entrusted loans	Prime rate+ 5%	2012	1,300,000	—	—	—
Other borrowing – unsecured	4.56 – 6.89	2012	42,755	—	—	—
Other borrowing – secured	2.90 – 5.21	2012	649	5.04 – 8.22	2011	300,118
			10,182,461			7,464,288

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

	2011			2010		
The Group	Effective interest rate(%)	Maturity	RMB'000	Effective interest rate(%)	Maturity	RMB'000
Non-current:						
Bank loans – unsecured	3.51 - 7.10	2013-2015	1,142,500	3.51 - 6.39	2012-2014	1,701,472
Bank loans – unsecured	Export seller's credit interest rate of the People's Bank of China	2013	80,000	Prime rate-10%	2013-2015	196,900
Bank loans – unsecured	Prime rate +10%	2013	24,500	Prime rate-10%	2012-2015	221,000
Bank loans – unsecured	Prime rate -10%	2013	56,000	Export seller's credit interest rate of the People's Bank of China	2013	80,000
Bank loans – unsecured	Libor+1.3 %	2016	151,222	Libor+1.3%	2016	185,436
Bank loans – unsecured	Libor+2.6 %	2018	150,408	Libor+2.6%	2018	158,089
Bank loans – secured	5.31 - 6.65	2013	90,000	4.86 - 5.40	2012-2013	70,000
Bank loans – secured	—	—	—	Prime rate-5%	2012	180,000
Entrusted loans	4.86 - 6.98	2013-2018	900,000	5.80	2018	200,000
Other borrowings – unsecured	2.10 – 4.50	2013-2023	45,206	2.10 - 5.80	2012-2023	869,758
Other borrowings – secured	2.90	2014	2,257	2.90 - 5.21	2012-2014	307
			2,642,093			3,862,962
			12,824,554			11,327,250
The Company						
Current:						
Bank loans – unsecured	4.86 - 7.22	2012	1,011,984	3.51 - 4.86	2011	122,000
Bank loans – unsecured	Libor+1.3%	2012	25,204	Libor+1.3%	2011	26,491
Bank loans – unsecured	Prime rate +5%	2012	400,000	—	—	—
Entrusted loans	Prime rate +5%	2012	1,300,000	5.04	2011	1,230,000
			2,737,188			1,378,491
Non-current:						
Bank loans – unsecured	3.51 – 6.41	2013	168,000	3.51 - 5.13	2012-2013	690,000
Bank loans – unsecured	Libor+1.3%	2016	151,221	Libor+1.3%	2016	185,436
Bank loans – unsecured	Libor+2.6%	2018	150,408	Libor+2.6%	2018	158,089
			469,629			1,033,525
			3,206,817			2,412,016

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year	**8,389,057**	5,044,170	**1,437,188**	148,491
In the second year	**660,500**	1,441,472	**168,000**	550,000
In the third to fifth years, inclusive	**883,722**	912,900	**151,221**	140,000
Beyond five years	**150,408**	438,525	**150,408**	343,525
	10,083,687	7,837,067	**1,906,817**	1,182,016
Entrusted loans repayable:				
Within one year	**1,750,000**	2,120,000	**1,300,000**	1,230,000
In the second year	**450,000**	—	**—**	—
In the third to fifth years, inclusive	**—**	—	**—**	—
Beyond five years	**450,000**	200,000	**—**	—
	2,650,000	2,320,000	**1,300,000**	1,230,000
Other borrowings repayable:				
Within one year	**43,404**	300,118	**—**	—
In the second year	**3,335**	324,112	**—**	—
In the third to fifth years, inclusive	**2,257**	200,195	**—**	—
Beyond five years	**41,871**	345,758	**—**	—
	90,867	1,170,183	**—**	—
	12,824,554	11,327,250	**3,206,817**	2,412,016

Other than certain of the bank loans in the aggregate amount of USD243,967,000, CAD477,000, EURNil and AUD17,000 and HKD37,721,000 respectively as at 31 December 2011 (2010: USD258,536,000, CAD38,000, EUR1,933,000, AUD26,000 and HKDNil respectively), all of the Group's bank loans are denominated in RMB.

Certain of the Group's bank loans are secured by mortgages over certain of the Group's property, plant and equipment, land lease prepayments, inventories, trade receivables and bills receivable, which had an aggregate carrying value of approximately RMB579,732,000, RMB231,173,000, RMB136,782,000, RMB465,066,000 and RMB208,521,000 respectively as at 31 December 2011 (2010: approximately RMB630,316,000, RMB238,365,000, RMBNil, RMB531,082,000 and RMB240,000,000 respectively).

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

The entrusted loans amounting to RMB2,650,000,000 were granted by HNG to the Group (2010: RMB2,320,000,000) as at 31 December 2011.

HNG guaranteed certain of the Group's bank loans to the extent of RMB1,059,333,000 (2010: RMB1,024,916,000) as at 31 December 2011 (note 42).

Interest expenses on bank and other borrowings for the year ended 31 December 2011 are RMB684,295,000 (2010: RMB586,451,000), including RMB189,773,000 (2010: RMB127,300,000) are paid to the banks in respect of the entrusted loans granted by HNG.

32. OTHER LIABILITIES

	The Group		**The Company**	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Provision for supplementary pension subsidies and early retirement benefits (note (i))	**420,023**	417,756	**68,011**	64,526
Stock appreciation rights plan (note (ii))	**5,719**	12,781	**5,719**	12,781
Provision for reclamation and rehabilitation	**25,842**	25,861	**—**	—
Special fiscal funds (note (iii))	**302,780**	—	**302,780**	—
Payable for emission right	**3,600**	—	**—**	—
Balance as at 31 December	**757,964**	456,398	**376,510**	77,307
Represented by:				
Current portion included in other payables and accruals	**35,970**	43,122	**6,942**	5,428
Long term liabilities	**721,994**	413,276	**369,568**	71,879
	757,964	456,398	**376,510**	77,307

32. OTHER LIABILITIES (Continued)

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	
	2011	2010
	RMB'000	RMB'000
Defined benefit obligations at 1 January	**417,756**	417,792
Interest costs recognised in administrative expenses (note 7)	**16,206**	15,883
Current service costs recognised in administrative expenses (note 7)	**3,312**	3,029
Prior service costs recognised in administrative expenses (note 7)	**(21,435)**	3,019
Net actuarial loss recognised in equity	**51,519**	19,454
Benefits paid	**(47,335)**	(41,421)
Defined benefit obligations at 31 December	**420,023**	417,756

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

	2011	2010
	%	%
Discount rate:	**3.75**	4.00

Prior to 1 September 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.

32. 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 (Resigned on 23 August 2010)
Cao Xiuyun	1,025,641	Vice Chairman of the board of directors and Non-Executive Director
Li Li	897,436	Executive Director and General Manager
Zeng Shaoxiong	769,231	Chairman of the Supervisory Committee (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 in December 2009)
Hong Mingyang	512,820	Deputy General Manager
Zhu Chongzhou	512,820	Senior Manager of Subsidiary Company (Resigned in 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.

32. OTHER LIABILITIES (Continued)

Notes: (Continued)

(ii) Stock appreciation rights plan (Continued)

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 gain arising from the SARs during the year is RMB7,062,000 (2010: expense of RMB557,000) and the carrying amount of the liability relating to the SARs at 31 December 2011 is RMB5,719,000 (2010: RMB12,781,000). No SARs were exercised during the year ended 31 December 2011 and 2010.

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

	The Group and the Company	
	2011	2010
Dividend yield (%)	**1**	1
Expected volatility (%)	**60**	60
Risk–free interest rate (%)	**0.45**	0.97
Expected life of option (years)	**2.57**	3.00
Weighted average share price (RMB)	**0.5719**	1.2781
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.

(iii) Approved by the Ministry of Finance, central state-owned capital management budget funds of RMB302,780,000 was allocated to the Group during the year. According to relevant provisions, the above payment should be treated as capital injection by HNG. Before application of the capital injection procedures, these funds are recorded as special fiscal funds.

33. PAYABLES FOR MINING RIGHTS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Payables in connection with the purchases of mining rights	**470,583**	471,846	**95,921**	95,921
Less: Portion classified as current liabilities (note 30)	**(365,263)**	(358,553)	**(95,921)**	(95,921)
Long term liabilities	**105,320**	113,293	**—**	—

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 RMB 358,553,000 and RMB95,921,000 respectively were transferred to HNG by the government. Accordingly, the payables for mining rights of the Group were unsecured, non-interest-bearing and had no fixed terms of repayment.

34. GOVERNMENT GRANTS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**258,919**	227,342	**10,282**	82
Received during the year	**159,240**	191,969	**15,610**	53,823
Recognised as other income during the year (note 6)	**(85,246)**	(160,392)	**(15,610)**	(43,623)
At 31 December	**332,913**	258,919	**10,282**	10,282

35. ISSUED SHARE CAPITAL

	2011	2010
	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

36. 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	Accumulated losses RMB'000	Total RMB'000
At 1 January 2010 (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 and 1 January 2011	427,927	93,977	(18,571)	(455,173)	48,160
Loss for the year	—	—	—	(221,960)	(221,960)
Changes in fair value of available-for-sale financial assets, net of tax	—	—	(1,673)	—	(1,673)
Net actuarial gains of defined benefit retirement schemes, net of tax	—	—	—	(7,288)	(7,288)
At 31 December 2011	**427,927**	**93,977**	**(20,244)**	**(684,421)**	**(182,761)**

36. 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.

37. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

(a) On 28 February 2011, Zhuye, a 63.31% owned subsidiary of the Group, acquired an additional 30% of the issued shares of Torch Metal Limited ("Hong Kong Torch") for a purchase consideration of HKD1,593,000 (equivalent to RMB1,336,000). The carrying amount of the non-controlling interests in Hong Kong Torch on the date of acquisition was RMB1,468,000. The Group recognised a decrease in non-controlling interests of RMB1,468,000 and an increase in equity attributable to owners of the Company of RMB132,000.

On 11 March 2011, Zhuying, a wholly owned subsidiary of the Group, acquired an additional 36.6% of the issued shares of Zhuzhou Diamond for a purchase consideration of RMB368,293,000. The carrying amount of the non-controlling interests in Zhuzhou Diamond on the date of acquisition was RMB214,005,000. The Group recognised a decrease in non-controlling interests of RMB214,005,000 and a decrease in equity attributable to owners of the Company of RMB154,288,000.

On 29 March 2011, Zigong, a 80% owned subsidiary of the Group acquired an additional 10% of the issued shares of Wangqing Haichuang Mining Co., Ltd. ("Wangqing Haichuang") for a purchase consideration of RMB6,660,000. The carrying amount of the non-controlling interests in Wangqing Haichuang on the date of acquisition was RMB6,338,000. The Group recognised a decrease in non-controlling interests of RMB6,338,000 and a decrease in equity attributable to owners of the Company of RMB322,000.

On 4 November 2011, the Company acquired an additional 26.09% of the issued shares of Abra for a purchase consideration of AUD15,763,000 (equivalent to RMB110,474,000) through compulsory acquisition (please refer to Note 19(3) for details). The carrying amount of the non-controlling interests in Abra on the date of acquisition was RMB100,389,000. The Group recognised a decrease in non-controlling interests of RMB100,389,000 and a decrease in equity attributable to owners of the Company of RMB10,085,000.

The effect of changes in the ownership interest of Hong Kong Torch, Zhuzhou Diamond, Wangqing Haichuang and Abra on the equity attributable to the owners of the Company during the year is summarised as follows:

	Hong Kong Torch	Zhuzhou Diamond	Wangqing Haichuang	Abra	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of non-controlling interests acquired	1,468	214,005	6,338	100,389	322,200
Consideration paid to non-controlling interests (note)	(1,336)	(368,293)	(6,660)	(110,474)	(486,763)
Excess of consideration paid recognised in capital reserve within equity	132	(154,288)	(322)	(10,085)	(164,563)

Note:

During the year, Zhuying, a wholly owned subsidiary of the Group acquired an additional 36.6% of the issued shares of Zhuzhou Diamond for a purchase consideration at RMB368,293,000. Among these, deposit for purchase additional interest for a subsidiary of RMB213,825,000 were placed during 2010 (note 26), such share transfer has completed on 11 March 2011; and treated as a major non-cash transaction.

37. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY (Continued)

(b) 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 RMB145,000. 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 RMB275,000. 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	**Zhuzhou Diamond**	**Shenzhen Jinzhou**	**Total**
	RMB'000	RMB'000	RMB'000	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)

38. BUSINESS COMBINATIONS UNDER COMMON CONTROL

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 Huangshaping Iron Ore.

The assets and liabilities of Huangshaping Iron Ore as at 31 August 2010, the date of acquisition are as 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.

38. BUSINESS COMBINATIONS UNDER COMMON CONTROL (Continued)

	The Group excluding Huangshaping Iron Ore (As previously reported)	Huangshaping Iron Ore (Combined subsidiaries)	Adjustments	Consolidated (As restated)
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010				
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
EQUITY				
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.

After the common control combinations, the assets of Huangshaping Iron Ore were transferred to Huangshaping Branch, and Huangshaping Iron Ore was deregistered during December 2010.

39. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

On 4 January 2011, Abra issued 2,900,000 incentive options to its certain directors, the fair value of the options granted is AUD0.149 on the date of grant, the share-based payments amounted to be AUD432,000 (equivalent to RMB2,953,000). Among these options, 700,000 incentive options were exercised at an exercise price of AUD0.325 and issued at fair value of AUD0.38 during the year, the spread amounted to approximately AUD38,500 (equivalent to RMB266,000).

The fair value of the options granted is estimated on the date of grant using Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted. The contractual life of each option granted is 5 years. There is no cash settlement of the options. The fair value of options granted during the year was estimated on the date of grant using the following assumptions:

Dividend yield	5%
Expected volatility	88%
Risk-free interest rate	5.81%
Expected life	3.75 years
Closing share price of Abra on the grant date (cents)	AUD25

On 31 July 2011, the directors of Abra passed an ordinary resolution to cancel all outstanding options. The options were cancelled with effect from the date of remittance advice which evidences the payment of consideration to the option holders. The purchase consideration of AUD951,000 (equivalent to RMB6,733,000) was paid by the Company to the option holders. There are no incentive options outstanding as at 31 December 2011 (31 December 2010: RMB3,925,000).

40. 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 2011, 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	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Less than 1 year	**18,639**	20,064	**—**	1,979
More than 1 year and less than 5 years	**67,541**	67,498	**—**	—
More than 5 years	**138,733**	146,207	**—**	—
	224,913	233,769	**—**	1,979

None of the leases includes contingent rentals.

41. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 40 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	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Contracted, but not provided for:				
Purchase additional interest of a subsidiary (note i)	**—**	195,210	**—**	—
Property, plant and equipment	**221,692**	456,624	**—**	—
Others	**18,270**	1,800	**—**	—
	239,962	653,634	**—**	—
Authorised, but not contracted for:				
Property, plant and equipment	**—**	88,179	**—**	—
	—	88,179	**—**	—

(i) On 30 September 2010, Zhuying, a wholly owned subsidiary of 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. This share transfer transaction was completed on 11 March 2011.

42. RELATED PARTY TRANSACTIONS

The Company is controlled by HNG and CMC, the parent company and the ultimate holding company respectively, a state-owned enterprise established in the PRC. HNG and CMC itself are controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with IAS 24 (revised), "Related Party disclosures", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include HNG Group and Minmetals Group (other than the Group), other government-related entities and their subsidiaries ("other state-owned enterprises"), other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company, HNG and CMC as well as their close family members.

For the purposes of the related party transaction disclosures, the directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed.

42. RELATED PARTY TRANSACTIONS (Continued)

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	2011 RMB'000	2010 RMB'000
Sales of raw materials and products	308,139	262,044
Provision of electricity and water	1,156	814
Subcontracting income	528	239
Purchases of raw materials and products	269,001	100,352
Purchase of property, plant and equipment	308	—
Transportation service fees	20,439	2,528
Repairs and maintenance fees	37,869	15,705
Construction service fees	—	1,863
Subcontracting fees	25,059	16,709
Rental fees	6,981	2,299
Utilities expenses	303	—
Property management service fees	4,709	4,276

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

42. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with Minmetals Group

Nature of transactions	2011 RMB'000	2010 RMB'000
Sales of raw materials and products	**535,806**	524,609
Provision of electricity and water	**2**	—
Purchases of raw materials and products	**592,713**	285,509
Purchase of property, plant and equipment	**263**	—
Repairs and maintenance expenses	**23,428**	—

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

(c) Transactions with associates

Nature of transactions	2011 RMB'000	2010 RMB'000
Sales of raw materials and products	**1,017,216**	858,146
Provision of electricity and water	**1,096**	45,152
Rental income	**—**	3,040
Purchases of raw materials and products	**145,922**	1,117,583
Purchases of property, plant and equipment	**—**	157
Other service fees	**1,896**	5,524

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

42. RELATED PARTY TRANSACTIONS (Continued)

(d) Guarantees granted by HNG to the Group (note 31)

	2011 RMB'000	2010 RMB'000
Corporate guarantees	**1,059,333**	1,024,916

Guarantees granted by HNG for securing the Group's bank loans are disclosed in note 31 to the consolidated financial statements. These guarantees were provided without any charges.

(e) Lease of land use right from HNG

Nature of transactions	2011 RMB'000	2010 RMB'000
Lease of land use right	**15,120**	11,267

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 approximately RMB15,120,000 (2010: approximately RMB11,267,000).

(f) During the year ended 31 December 2011, the Group's significant transactions with other state-owned enterprises (excluding HNG Group and Minmetals Group) are a large portion of its sales of goods and purchases of raw materials, electricity, property, plant and equipment and services. In addition, substantially all bank deposits, cash and cash equivalents and borrowings as of 31 December 2011 and the relevant interest earned or paid during the year are transacted with banks and other financial institutions controlled by the PRC government.

43. 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	2011			
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Available-for-sale financial assets	—	218,419	—	218,419
Derivative financial instruments	—	—	711	711
Trade receivables	759,085	—	—	759,085
Bills receivable	1,338,075	—	—	1,338,075
Financial assets included in prepayments, deposits and other receivables	345,018	—	—	345,018
Pledged deposits	55,093	—	—	55,093
Non-pledged time deposits with maturity over three months from date of deposits	5,000	—	—	5,000
Cash and cash equivalents	1,895,760	—	—	1,895,760
	4,398,031	218,419	711	4,617,161

Financial liabilities	2011 Financial liabilities at amortised cost RMB'000
Trade payables	1,197,207
Bills payable	87,518
Financial liabilities included in other payables and accruals	1,251,063
Interest-bearing bank and other borrowings (note 31)	12,824,554
	15,360,342

43. FINANCIAL INSTRUMENT BY CATEGORY (Continued)

The Group (Continued)

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
Non-pledged time deposits with maturity over three months from date of deposits	8,000	—	8,000
Cash and cash equivalents	1,797,599	—	1,797,599
	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	1,031,378
Interest-bearing bank and other borrowings (note 31)	11,327,250
	13,309,923

43. FINANCIAL INSTRUMENT BY CATEGORY (Continued)

The Company

Financial assets

	2011		
	Loans and receivables RMB'000	Available-for- sale financial assets RMB'000	Total RMB'000
Due from subsidiaries (note 19)	874,891	—	874,891
Available-for-sale financial assets	—	10,047	10,047
Trade receivables	58,694	—	58,694
Bills receivable	23,595	—	23,595
Financial assets included in prepayments, deposits and other receivables	1,413,624	—	1,413,624
Cash and cash equivalents	472,081	—	472,081
	2,842,885	10,047	2,852,932

Financial liabilities

	2011
	Financial liabilities at amortised cost RMB'000
Trade payables	26,074
Financial liabilities included in other payables and accruals	354,442
Interest-bearing bank and other borrowings (note 31)	3,206,817
	3,587,333

43. FINANCIAL INSTRUMENT BY CATEGORY (Continued)

The Company (Continued)

Financial assets

	2010		
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Due from subsidiaries (note 19)	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 31)	2,412,016
	2,596,673

44. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform current year's presentation.

45. EVENT AFTER THE REPORTING DATE

The Company and HNG entered into the Equity Transfer Agreement on 31 December 2011, whereby the Company has agreed to sell a 62% equity interest in Nanling to HNG for a cash consideration in the amount of RMB61,788,600. Upon completion of the Equity Transfer Agreement, Nanling will be owned as to 62% and 38% by HNG and other shareholders, respectively, and will cease to be a subsidiary of the Company. Up to the date of approval of these consolidated financial statements, the transaction was completed on 5 January 2012.