The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.
德勤

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June 20, 2012

The Directors
China Nonferrous Mining Corporation Limited
UBS AG, Hong Kong Branch
China International Capital Corporation Hong Kong Securities Limited
J.P. Morgan Securities (Asia Pacific) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to China Nonferrous Mining Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2009, 2010 and 2011 (the "Relevant Years") for inclusion in the prospectus of the Company dated June 20, 2012 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company, which acts as an investment holding company, was incorporated in Hong Kong with limited liability on July 18, 2011. Pursuant to a group reorganization, as more fully explained in the section headed "Our History and Reorganization" in the Prospectus (the "Reorganization"), the Company became the holding company of the companies now comprising the Group on December 2, 2011.

As at the date of this report, the Company had the following subsidiaries comprising the Group and an associate:

Name of company	Place and date of incorporation	Issued and fully paid-up capital	Equity interest attributable to the Company as at December 31, 2009	2010	2011	Date of this report	Principal activities
Subsidiaries			%	%	%	%	
China Nonferrous Mining Holdings Limited ("CNMH") (Note 1)	Ireland September 23, 2011	Euro171,152,002	—	—	100	100	Investment holding
NFC Africa Mining PLC ("NFCA") (Note 2)	Zambia March 5, 1998	US$ 9,000,001	85	85	85	85	Mining and exploration of copper and production of copper concentrate

Name of company	Place and date of incorporation	Issued and fully paid-up capital	Equity interest attributable to the Company as at December 31, 2009	2010	2011	Date of this report	Principal activities
Subsidiaries (continued)			%	%	%	%	
Chambishi Copper Smelter Limited ("CCS") (Note 2)	Zambia July 19, 2006	US$ 2,000	60	60	60	60	Production and sale of blister copper and sulfuric acid
Sino-Metals Leach Zambia Limited ("SML") (Note 2,3)	Zambia December 3, 2004	US$ 1,000	67.75	67.75	67.75	67.75	Production and sale of copper cathodes
CNMC Luanshya Copper Mines PLC ("Luanshya") (Note 2,4)	Zambia July 10, 2003	US$ 10,000,001	80	80	80	80	Mining and exploration of copper and production of copper concentrate
Kakoso Metals Leach Limited ("Kakoso") (Note 2,5)	Zambia August 18, 2010	ZMK10,000,000	—	59.62	59.62	59.62	Inactive
Huachin Metals Leach SPRL ("Huachin") (Note 2,5)	Congo December 17, 2010	US$ 10,000,000	—	42.34	42.34	42.34	Production and sale of copper cathodes and sulfuric acid
Associate							
Huachin Minerals SPRL (Note 2,6)	Congo January 27, 2011	US$ 5,000,000	—	—	20.33	20.33	Mining, exploration and sale of copper ores

Notes:

(1) This company is directly held by the Company.

(2) These companies are indirectly held by the Company.

(3) 55% and 15% of the issued and paid-up share capital of SML are directly held by CNMH and NFCA, respectively, following the Reorganization. The 55% shareholding in SML was transferred by China Nonferrous Metal Mining (Group) Co., Ltd. ("CNMC"), the ultimate holding company, to the Company and then to CNMH in the Reorganization.

(4) The former name of this company was Luanshya Copper Mines PLC, of which 80% of shareholding was acquired by CNMC on July 7, 2009 (the "Date of Acquisition"). The 80% shareholding in Luanshya Copper Mines PLC was transferred by CNMC to the Company and then to CNMH in the Reorganization. Details of the acquisition are set out in note 31 of Section B to the Financial Information.

(5) Incorporated by SML and other non-controlling shareholders, 88% and 62.5% shareholdings in Kakoso and Huachin, respectively, are directly held and controlled by SML.

(6) 30% and 70% of the issued and paid-up share capital of this associate are directly held by SML and Mr. Ng Siu Kam, respectively. The Group paid the capital in February 2012.

The financial year end date of all the companies now comprising the Group and an associate is December 31.

The statutory financial statements of NFCA and Luanshya for the year ended December 31, 2009 prepared in accordance with the International Financial Reporting Standards ("IFRSs") were audited by Deloitte & Touche, the certified public accountants registered in Zambia.

No audited financial statements have been prepared for the Company and CNMH since their incorporation as their first statutory financial statements are not yet due to be issued. No audited financial statements have been prepared for Huachin since its incorporation as there is no statutory requirement for Huachin to issue audited financial statements in Congo. For the purpose of this report, we have, however, reviewed all the relevant transactions of the Company, CNMH and Huachin since their respective dates of incorporation to December 31, 2011. Besides, no audited financial statements have been issued for NFCA for each of the two years ended December 31, 2010 and 2011, CCS for each of the three years ended December 31, 2009, 2010 and 2011, Luanshya for each of the two years ended December 31, 2010 and 2011, SML for each of the three years ended December 31, 2009, 2010 and 2011, and Kakoso since its date of incorporation to December 31, 2011 as their auditors are in the process of auditing such financial statements which are prepared in accordance with the IFRSs. The directors of the Company expect to approve and issue these audited financial statements before September 2012.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Years (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Deloitte Touche Tohmatsu CPA Ltd. has carried out an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Years as set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in Note 1 of section B to the Financial Information. No adjustments are considered necessary to the Underlying Financial Statements for the preparation of the Financial Information.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of Section B below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at December 31, 2011 and of the Group as at December 31, 2009, 2010 and 2011 and of the consolidated results and consolidated cash flows of the Group for the Relevant Years.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended December 31, 2009	2010	2011
		US$'000	US$'000	US$'000
Revenue	5,6	696,290	1,357,285	1,283,906
Cost of sales		(604,550)	(1,141,146)	(1,095,648)
Gross profit		91,740	216,139	188,258
Other income	7	2,081	1,240	4,835
Distribution and selling expenses		(6,236)	(21,863)	(27,917)
Administrative expenses		(20,865)	(29,016)	(36,983)
Finance costs	8	(5,330)	(8,232)	(9,248)
(Loss)/gain arising on change in fair value of derivatives	25	(134)	(25,538)	10,369
Gain on bargain purchase	31	48,945	—	—
Other expenses	9	(4,374)	(5,146)	(11,004)
Profit before tax		105,827	127,584	118,310
Income tax expense	10	(11,480)	(20,202)	(15,020)
Profit for the year	6,11	94,347	107,382	103,290
Profit and total comprehensive income attributable to:				
Owners of the Company		81,674	73,911	70,014
Non-controlling interests		12,673	33,471	33,276
		94,347	107,382	103,290
Earnings per share, in US¢ Basic	14	3.81	2.84	2.69

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	At December 31, 2009	2010	2011
		US$'000	US$'000	US$'000
NON-CURRENT ASSETS				
Property, plant and equipment	15	436,688	537,959	875,833
Restricted bank balances	21	2,059	2,002	9,978
Other assets	20	2,681	12,528	14,414
Finance lease receivables	16	—	—	23,351
Deferred tax assets	28	5,538	4,997	2,149
		446,966	557,486	925,725
CURRENT ASSETS				
Inventories	17	174,958	177,524	164,281
Finance lease receivables	16	—	—	6,483
Trade receivables	18	80,980	132,975	95,786
Amounts due from a customer under a construction contract	19	26,066	26,085	—
Prepayments and other receivables	20	144,261	110,395	56,084
Restricted bank balances	21	563	18,168	7,557
Bank balances and cash	21	194,302	336,789	217,303
		621,130	801,936	547,494
CURRENT LIABILITIES				
Trade payables	22	172,796	171,160	107,364
Other payables and accrued expenses	23	75,761	100,758	57,116
Income tax payable		4,342	1,535	87
Bank and other borrowings — due within one year	24	47,944	156,745	199,000
Derivatives, at fair value	25	134	10,101	775
		300,977	440,299	364,342
NET CURRENT ASSETS		320,153	361,637	183,152
TOTAL ASSETS LESS CURRENT LIABILITIES		767,119	919,123	1,108,877
CAPITAL AND RESERVES				
Capital	29	15,652	15,652	333,333
Share premium		—	—	35,256
Other reserves		130,253	130,253	—
Retained profits		121,162	172,798	3,715
Equity attributable to owners of the Company		267,067	318,703	372,304
Non-controlling interests		59,111	86,357	117,046
TOTAL EQUITY		326,178	405,060	489,350
NON-CURRENT LIABILITIES				
Bank and other borrowings — due after one year	24	378,661	424,661	512,179
Deferred revenue	26	—	5,627	11,458
Provision for restoration, rehabilitation and environmental costs	27	17,095	16,479	17,452
Deferred tax liabilities	28	45,185	67,296	78,438
		440,941	514,063	619,527
		767,119	919,123	1,108,877

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	December 31, 2011
		US$'000
NON-CURRENT ASSETS		
Investment in a subsidiary	30	315,859
Receivable from a subsidiary	30	52,730
		368,589
CURRENT ASSETS		
Prepayments		1,719
		1,719
CURRENT LIABILITY		
Amount due to the ultimate holding company		4,000
		4,000
NET CURRENT LIABILITY		(2,281)
TOTAL ASSETS LESS CURRENT LIABILITIES		366,308
CAPITAL AND RESERVES		
Capital		333,333
Share premium*		35,256
Accumulated losses		(2,281)
TOTAL EQUITY		366,308

* Share premium represents the excess of the aggregate amount of (i) net assets of NFCA, Luanshya, CCS and SML attributable to the Company; and (ii) a receivable of US$106,058,000 assigned to the Company over the total nominal value of the share capital issued by the Company in the Reorganization.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Capital	Share premium*	Other reserves**	Retained profits	Sub-total	Non-controlling interests	Total
	US$'000		US$'000	US$'000	US$'000	US$'000	US$'000
At January 1, 2009	7,652	—	88,253	45,284	141,189	51,771	192,960
Profit and total comprehensive income for the year	—	—	—	81,674	81,674	12,673	94,347
Dividend declared (Note 13)	—	—	—	(5,796)	(5,796)	(3,554)	(9,350)
Acquisition of a subsidiary (Note 31)	8,000	—	42,000	—	50,000	(1,779)	48,221
At December 31, 2009	15,652	—	130,253	121,162	267,067	59,111	326,178
Profit and total comprehensive income for the year	—	—	—	73,911	73,911	33,471	107,382
Dividend declared (Note 13)	—	—	—	(22,275)	(22,275)	(6,225)	(28,500)
At December 31, 2010	15,652	—	130,253	172,798	318,703	86,357	405,060
Profit and total comprehensive income for the year	—	—	—	70,014	70,014	33,276	103,290
Contribution from non-controlling shareholder of a subsidiary (Note 37(i))	—	—	—	—	—	3,750	3,750
Reorganization (Note 1)	317,681	35,256	(130,253)	(222,684)	—	—	—
Dividend declared (Note 13)	—	—	—	(16,413)	(16,413)	(6,337)	(22,750)
At December 31, 2011	333,333	35,256	—	3,715	372,304	117,046	489,350

* Share premium represents the excess of the aggregate amount of (i) net assets of NFCA, Luanshya, CCS and SML attributable to the Company; and (ii) a receivable of US$106,058,000 assigned to the Company over the total nominal value of the share capital issued by the Company in the Reorganization.

** Other reserves as of December 31, 2009 and 2010 mainly comprise of share premium of group entities and investment cost paid by CNMC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31,		
		2009	2010	2011
		US$'000	US$'000	US$'000
OPERATING ACTIVITIES				
Profit before tax		105,827	127,584	118,310
Adjustments for:				
Depreciation of property, plant and equipment	11	31,930	45,584	59,388
Interest income	7	(1,210)	(84)	(233)
Finance income earned under finance leases to a fellow subsidiary	7	—	—	(1,049)
Loss/(gain) arising on changes in fair value of derivatives	25	134	25,538	(10,369)
Impairment loss recognized/(reversed) on trade receivables, net	9	1,186	(1,568)	1,168
Loss/(gain) on disposal of property, plant and equipment, net	9	36	105	(605)
Gain on bargain purchase	31	(48,945)	—	—
Finance costs	8	5,330	8,232	9,248
Operating cash flows before movements in working capital		94,288	205,391	175,858
(Increase)/decrease in inventories		(120,157)	(2,566)	13,243
(Increase)/decrease in trade and other receivables, prepayments and other assets		(90,684)	(238)	74,075
(Increase)/decrease in investments in derivatives		(2,000)	(31,888)	5,001
Increase/(decrease) in trade and other payables and accrued expenses		144,340	8,010	(97,190)
Cash generated from operations		25,787	178,709	170,987
Income tax paid		(409)	(357)	(2,478)
NET CASH FROM OPERATING ACTIVITIES		25,378	178,352	168,509
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(126,883)	(146,974)	(393,049)
Increase in restricted bank balances		(32)	(17,548)	—
Decrease in restricted bank balances		—	—	2,635
Purchase of property, plant and equipment under finance leases to a fellow subsidiary		—	—	(34,881)
Repayment of finance lease receivables from a fellow subsidiary		—	—	5,047
Interest received		1,210	84	233
Finance income earned under finance leases to a fellow subsidiary received		—	—	1,049
Receipts of government grant		—	5,627	5,831
Proceeds from disposal of property, plant and equipment		468	104	715
NET CASH USED IN INVESTING ACTIVITIES		(125,237)	(158,707)	(412,420)

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
FINANCING ACTIVITIES			
New bank and other borrowings raised	284,785	165,801	287,139
Repayment of bank and other borrowings	(48,537)	(11,000)	(118,039)
Dividends paid	(5,803)	(18,025)	(21,413)
Dividends paid to non-controlling shareholders	(3,547)	(3,075)	(7,237)
Interest paid	(9,366)	(10,213)	(13,982)
NET CASH FROM FINANCING ACTIVITIES	217,532	123,488	126,468
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	117,673	143,133	(117,443)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	76,089	194,302	336,789
Effect of foreign exchange rate changes	540	(646)	(2,043)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR represented by bank balances and cash	194,302	336,789	217,303

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in Hong Kong on July 18, 2011 with limited liability. Its parent and ultimate holding company are China Nonferrous Mining Development Limited ("CNMD"), incorporated in the British Virgin Islands ("BVI"), and CNMC, incorporated in the People's Republic of China (the "PRC"), respectively. The registered office of the Company is located at Room 1201, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong, and its principal place of business is located at 32 Enos Chomba Road, Kitwe, Zambia.

CNMD was incorporated as a wholly-owned subsidiary of CNMC in BVI on July 12, 2011. On July 18, 2011, the Company was incorporated as a limited liability company in Hong Kong by Bosco Nominees Limited.

On July 20, 2011, CNMD acquired the entire issued share capital of the Company, being 1 ordinary share of HK$1.00 each, from Bosco Nominees Limited for nominal consideration. Pursuant to such acquisition, CNMD became the sole shareholder of the Company and CNMC became the ultimate holding company of the Company. On September 23, 2011, CNMH was incorporated as a wholly-owned subsidiary of the Company in the Republic of Ireland.

Pursuant to a share swap agreement dated November 21, 2011 entered into between CNMC and CNMD, CNMD (as purchaser) acquired the 85%, 80%, 60% and 55%, respectively, issued share capital of NFCA, Luanshya, CCS and SML, respectively, representing the equity interests in NFCA, Luanshya, CCS and SML held by CNMC, from CNMC (as seller) for an aggregate consideration of US$349,620,000. The consideration was satisfied by the allotment and issue of 349,620,000 ordinary shares of US$1.00 each of CNMD to CNMC.

Pursuant to a share swap agreement dated November 22, 2011 entered into between CNMD and the Company, the Company (as purchaser) acquired the 85%, 80%, 60% and 55%, respectively, issued share capital of NFCA, Luanshya, CCS and SML, respectively, representing the equity interests in NFCA, Luanshya, CCS and SML held by CNMD, from CNMD (as seller) for an aggregate consideration of HK$2,599,999,999 (equivalent to approximately US$333,333,333). The consideration was satisfied by the allotment and issue of 2,599,999,999 ordinary shares of HK$1.00 each of the Company to CNMD. Pursuant to a deed of assignment dated November 22, 2011, CNMC assigned its receivable of US$106,058,000 due from Luanshya (Note 31) to the Company at nil consideration.

Pursuant to a share swap agreement dated December 2, 2011 entered into between the Company and CNMH, CNMH (as purchaser) acquired the 85%, 80%, 60% and 55%, respectively, issued share capital of NFCA, Luanshya, CCS and SML, respectively, representing the equity interests in NFCA, Luanshya, CCS and SML held by the Company, from the Company (as seller) for an aggregate consideration of Euro171,152,000 (equivalent to approximately US$243,562,000). The consideration was satisfied by the allotment and issue of 171,152,000 ordinary shares of Euro1.00 each of CNMH to the Company.

Upon the completion of the above share swap transactions, CNMC held 100% of CNMD which held 100% equity interest in the Company. The Company held 100% equity interest in CNMH which in turn held 85%, 80%, 60% and 55%, respectively, equity interests in NFCA, Luanshya, CCS and SML, respectively, since December 2, 2011, the date of the completion of the Reorganization.

The Group is under the control of CNMC prior and after the Reorganization. The Group comprising the Company and its subsidiaries resulting from the Reorganization is under the control

of CNMC throughout the Relevant Years (other than the acquisition of Luanshya in 2009 which is accounted for under the acquisition method in accordance with HKFRS 3) and is therefore regarded as a continuing entity. Accordingly, for the purpose of the preparation of the Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Relevant Years (other than the acquisition of Luanshya in 2009).

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Relevant Years which include the results, changes in equity and cash flows of the companies now comprising the Group have been prepared as if the current group structure had been in existence throughout the Relevant Years (other than the acquisition of Luanshya), or since their respective dates of incorporation where it is a shorter period.

The consolidated statements of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the companies now comprising the Group as if the group structure upon the completion of the Reorganization had been in existence at those dates (other than the acquisition of Luanshya).

The functional currency of companies comprising the Group is United States dollars ("US$") and the Financial Information has been presented in US$.

The principal activity of the Company is investment holding. The Group's subsidiaries are principally engaged in mining, exploration, ore processing, leaching, smelting and sale of copper concentrate, copper cathodes, blister copper and sulfuric acid.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Years, the Group adopted Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and interpretations ("HK(IFRIC) — Int") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning on January 1, 2011 consistently for the Relevant Years.

At the date of this report, the HKICPA has issued the following new and revised standards and amendments which are not yet effective for the Relevant Years.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 1 (Amendments)	Government Loans[2]
HKFRS 7 (Amendments)	Disclosures: Transfer of Financial Assets[1]
	Disclosures: Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
HKAS 12 (Amendments)	Deferred Tax — Recovery of Underlying Assets[4]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on January 1, 2013 and that the application of the new Standard may result in more extensive disclosures in the consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised standards and amendments to HKFRSs and HKASs will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below which conform with HKFRSs.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

(a) Basis of consolidation

The Financial Information incorporates the financial statements of companies now comprising the Group. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Total consolidated comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(b) Investment in subsidiaries

Investment in subsidiaries is included in the Company's statement of financial position at cost less any impairment loss.

(c) Business combinations not involving entities under common control

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another HKFRS/ HKAS.

(d) Property, plant and equipment

Exploration and evaluation expenditure

Exploration and evaluation expenditure, other than that is acquired from the purchase of another entity, is recognized as an expense in the period in which it is incurred, except when the expenditure will be recouped from future exploitation or sale of the area of interest and it is planned to continue with active and significant operations in relation to the area, or at the reporting period end, the activity has reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves, in which case the expenditure is capitalized. Purchased exploration and evaluation assets are recognized at their fair value at acquisition as part of a business combination. All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, an assessment is performed for each area of interest or at the cash generating unit level. To the extent that capitalized expenditure is not expected to be recovered, it is charged to profit or loss.

Mining properties and leases

The costs of mining properties and leases, which include the costs of acquiring and developing mining properties and mining rights, are firstly capitalized as property, plant and equipment under the heading of "Construction in progress" in the year in which they are incurred and then reclassified to the heading of "Mining properties and leases" when they are ready for commercial production.

When a decision is taken that a mining property is viable for commercial production, all further pre-production primary development expenditure other than land, buildings, plant and equipment, etc. is capitalized as part of the cost of the mining property until the mining property is capable of commercial production. From that point, capitalized mining properties and leases costs are depreciated on a unit-of-production basis over the total estimated remaining commercial reserves of each property or a group of properties.

Stripping costs incurred in the development of a mine (or pit) before the production commences are capitalized as part of the cost of constructing the mine (or pit) and subsequently amortized over the life of the mine (or pit) on a unit of production basis. Stripping costs and secondary development expenditure, mainly comprising of costs on blasting, haulage, excavation, etc. incurred during the production stage of an orebody are charged to profit or loss immediately.

In circumstances where a mining property is abandoned, the cumulative capitalized costs relating to the property are written off in the period.

Commercial reserves are proved and probable reserves. Changes in the commercial reserves affecting unit of production calculations are dealt with prospectively over the revised remaining reserves.

Other property, plant and equipment

Other property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress is carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the

Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation

Mining properties in the course of development or construction are not depreciated. Capitalized mining properties costs are depreciated once commercial production commences, as described in "Property, plant and equipment — mining properties and leases". Depreciation of other property, plant and equipment is recognized so as to write off their costs (other than construction in progress) less their residual values over their useful lives, using the straight-line method, as follows:

Land and buildings	10 to 30 years
Machinery and equipment	3 to 10 years
Motor vehicles	5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

(e) Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(f) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. As the Group's lease payments cannot be allocated reliably between the land and building elements, the entire lease is accounted for as property, plant and equipment.

(g) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(h) Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mine or production facilities. Costs arising from the installation of plant and other site preparation work, discounted to net present value, are provided for and a corresponding amount is capitalized at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to profit or loss over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The cost estimates are reviewed periodically and are adjusted to

reflect known developments which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown as a finance cost in profit or loss.

Costs for restoration of subsequent site damage which is caused on an ongoing basis during production are provided for at their net present values and charged to profit or loss as extraction progresses. Where the costs of site restoration are not anticipated to be significant, they are expensed as incurred.

(i) Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: "financial assets at fair value through profit or loss" (FVTPL), "held-to-maturity investments", "available-for-sale (AFS) financial assets" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument 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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in note 33.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, restricted bank balances, bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amounts of trade and other receivables are reduced through the use of an allowance account. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, 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 recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by group entities are recognized at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 33.

Other financial liabilities

Other financial liabilities (including trade and other payables, bank and other borrowings) are subsequently measured at amortized cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized 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 (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 liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis other than financial liabilities classified as at FVTPL.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated

and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(j) Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statements of financial position and transferred to profit or loss on a straight-line basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

(k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of

taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(l) Inventories

Inventories are stated at the lower of cost and net realizable value, less any provision for obsolescence.

Cost is determined on the following bases:

- Purchased copper concentrate and all other materials, including stores and spares, are valued on weighted average basis.
- Finished products are valued at raw material cost plus costs of conversion, comprising labor costs and an attributable proportion of manufacturing overheads based on normal levels of activity.

Net realizable value is determined based on estimated selling price, less further costs expected to be incurred to completion and disposal.

(m) Revenue recognition

Revenue is recognized when the seller has transferred to the buyer all significant risks and rewards of ownership of the assets sold. Revenue excludes any applicable sales taxes, mineral royalty and

windfall tax and is recognized at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the Group and the revenues and costs can be reliably measured. In most instances, sales revenue is recognized when the product is delivered to the destination specified by the customer, which is typically the vessel on which it is shipped, the destination port or the customer's premises.

For certain sales of the Group, the sales price is determined on a provisional basis at the date of sale, as the final selling price is subject to the grades of copper, gold and silver in the Group's copper products and movements in market prices up to the date of final pricing, normally ranging from 30 to 180 days after initial booking. Revenue on provisionally priced sales is recognized based on the estimated grades of copper, gold and silver in the Group's copper products and fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognized as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

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

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

(n) Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade and other receivables.

(o) Foreign currencies

The functional currency of companies comprising the Group is US$. In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's

functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment in the foreign operation.

(p) Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(r) Earnings per share

Basic earnings per share is computed by dividing the profit attributable to owners of the Company by the weighted average number of shares outstanding during the reporting period.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

(t) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control, joint control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and joint control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, the directors of the Company have identified the following judgment and key sources of estimation uncertainty that have significant effect on the amounts recognized in the Financial Information.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months, are discussed below.

(a) Revenue recognition

The Group produces blister copper, copper cathodes, copper concentrate and sulfuric acid. Copper products are sold under provisional pricing arrangements where final grades of copper, gold and silver in copper products are agreed based on third-party examination and final prices are set at a specified date based on market prices. Revenues are recognized when title and risk pass to the customer using history of grades of copper, gold and silver in copper products based on internal examination statistics and forward prices for the expected date of final settlement. Besides, changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in copper market prices result in the existence of an embedded derivative in the trade receivables. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of revenue. Sulfuric acid revenue is recorded when title and risk have passed to the customer.

(b) Depreciation of mining properties and leases

Mining properties and leases costs are depreciated using the unit of production method (the "UOP"). The calculation of the UOP rate of depreciation, and therefore the annual depreciation charge to operations, can fluctuate from initial estimates. This could generally result when there are significant changes in any of the factors or assumptions used in estimating mine reserves, notably changes in the geology of the reserves and assumptions used in determining the economic feasibility of the reserves. Such changes in reserves could similarly impact the useful lives of assets depreciated on a straight-line basis, where those lives are limited to the life of the project, which, in turn is limited to the life of the proved and probable mineral reserves. Estimates of proved and probable reserves are prepared by experts in extraction, geology and reserve determination. Assessments of UOP rates against the estimated reserve base and the operating and development plan are performed regularly.

(c) Income taxes

Current income taxes are recorded based on estimated income taxes payable for the current year and significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary

course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities using substantively enacted tax rates for the period in which the differences are expected to reverse. Deferred tax assets relating to tax losses are recognized when management considers to be probable that tax losses can be utilized. The outcome of their actual utilization may be different.

(d) Restoration, rehabilitation and environmental costs

Provision is made for costs associated with restoration and rehabilitation of mining sites and certain production facilities of the Group as soon as the obligation to incur such costs arises. Such restoration and closure costs are typical of mining, leaching and smelting industries and they are normally incurred at the end of the life of the mine and production facilities. The costs are estimated on the basis of mine/plant closure plans and the estimated discounted costs of dismantling and removing these facilities and the costs of restoration are capitalized when incurred reflecting the Group's obligations at that time. A corresponding provision is created on the liability side.

The capitalized asset is charged to profit or loss over the life of the asset through depreciation over the life of the operation and the provision is increased each period via unwinding the discount on the provision. Management estimates are based on local legislation. The actual costs and cash outflows may differ from estimates because of changes in laws and regulations, changes in prices, analysis of site conditions and changes in restoration technology.

The Group provides for such costs in accordance with statutory requirements.

(e) Valuation of derivative instruments

Derivative instruments are carried at fair value and the Group evaluates the quality and reliability of the assumptions and data used to measure fair value in the three hierarchy levels, Level 1, 2 and 3, as prescribed by HKFRS 7. Fair values are determined in the following ways: externally verified via comparison to quoted market prices in active markets ("Level 1"); by using models with externally verifiable inputs ("Level 2"); or by using alternative procedures such as comparison to comparable instruments and/or using models with unobservable market inputs requiring the Group to make market-based assumptions ("Level 3"). Details of the hierarchy of fair value measurement of the financial instruments of the Group are set out in note 33.

(f) Estimated impairment of trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit and loss when there is objective evidence that the asset is impaired.

In making the estimates, management considered detailed procedures have been in place to monitor this risk. In estimating whether allowance for bad and doubtful debts is required, the Group takes into consideration the ageing status and the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discuss with the relevant customers and report on the recoverability. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Details of movements of allowance for trade receivables are disclosed in note 18.

5. REVENUE

An analysis of the Group's revenue from sale of goods for the year is as follows:

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Blister copper	624,185	1,278,483	1,186,840
Copper cathodes	33,848	56,336	58,223
Copper concentrate	28,218	—	—
Sulfuric acid	10,039	22,466	38,843
	696,290	1,357,285	1,283,906

6. SEGMENTAL INFORMATION

Information reported to the directors of CNMC before the Reorganization and the directors of the Company upon the completion of the Reorganization, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods produced.

Specifically, the Group's operating and reportable segments under HKFRS 8 are as follows:

- Mining — Mining and exploration of copper and production of copper concentrate;
- Leaching — Production and sale of copper cathodes which are produced using the solvent extraction-electrowinning technology; and
- Smelting — Production and sale of blister copper and sulfuric acid which are produced using ISA smelting technology.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Segment revenue			
Revenue from external customers			
— Mining	28,218	—	—
— Leaching	33,848	56,336	58,223
— Smelting	634,224	1,300,949	1,225,683
	696,290	1,357,285	1,283,906
Inter-segment sales			
— Mining	98,997	218,965	285,835
— Leaching	1,290	813	—
— Smelting	432	510	1,676
	100,719	220,288	287,511
Total segment revenue			
— Mining	127,215	218,965	285,835
— Leaching	35,138	57,149	58,223
— Smelting	634,656	1,301,459	1,227,359
	797,009	1,577,573	1,571,417
Elimination *	(100,719)	(220,288)	(287,511)
Revenue for the year	696,290	1,357,285	1,283,906

* Inter-segment sales were conducted at terms mutually agreed among the companies comprising the Group.

	2009	2010	2011
Segment profit			
— Mining	22,763	34,684	28,751
— Leaching	17,556	36,723	28,020
— Smelting	9,733	41,119	49,190
	50,052	112,526	105,961
Unallocated expenses *	—	—	(2,281)
Elimination	(4,650)	(5,144)	(390)
Gain on bargain purchase	48,945	—	—
Profit for the year	94,347	107,382	103,290

* *The unallocated expenses mainly represent expenses of the Company.*

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit for the year earned by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Segment assets			
— Mining	401,377	589,112	596,030
— Leaching	112,113	156,339	386,689
— Smelting	618,603	666,040	523,450
Total segment assets	1,132,093	1,411,491	1,506,169
Unallocated assets*	—	—	1,719
Elimination	(63,997)	(52,069)	(34,669)
Consolidated total assets	1,068,096	1,359,422	1,473,219
Segment liabilities			
— Mining	258,350	450,973	652,257
— Leaching	8,005	5,936	6,399
— Smelting	536,020	542,338	350,558
Total segment liabilities	802,375	999,247	1,009,214
Unallocated liabilities*	—	—	4,000
Elimination	(60,457)	(44,885)	(29,345)
Consolidated total liabilities	741,918	954,362	983,869

* *The unallocated assets and liabilities mainly represent those of the Company.*

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities, except for those of the Company, are allocated to operating and reportable segments.

Other segment information

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Interest income			
— Mining	576	43	9
— Leaching	9	6	—
— Smelting	625	35	224
	1,210	84	233
Finance income earned under finance leases to a fellow subsidiary			
— Mining	—	—	1,049
— Leaching	—	—	—
— Smelting	—	—	—
	—	—	1,049
Loss/(gain) arising on change in fair value of derivatives			
— Mining	—	—	—
— Leaching	—	—	—
— Smelting	134	25,538	(10,369)
	134	25,538	(10,369)
Finance costs			
— Mining	914	1,971	3,702
— Leaching	—	—	—
— Smelting	4,416	6,261	5,546
	5,330	8,232	9,248

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Income tax expense/(credit)			
— Mining	11,720	21,537	14,392
— Leaching	(32)	(4,357)	317
— Smelting	(208)	3,022	311
	11,480	20,202	15,020
Depreciation			
— Mining	19,050	29,798	41,523
— Leaching	2,976	3,270	3,755
— Smelting	9,904	12,516	14,110
	31,930	45,584	59,388
Impairment loss recognized/(reversed) on trade receivables, net			
— Mining	1,186	(2,957)	354
— Leaching	—	—	814
— Smelting	—	1,389	—
	1,186	(1,568)	1,168
*Additions to non-current assets**			
— Mining	94,397	118,686	101,805
— Leaching	10,347	23,729	259,781
— Smelting	9,709	14,496	37,672
	114,453	156,911	399,258

* Excluding financial instruments and deferred tax assets.

Revenue from major products

The Group's revenue from its major products is set out in note 5.

Geographical information

The Group's operation is mainly in Zambia and nearly all its non-current assets (other than financial instruments and deferred tax assets) are in Zambia.

The Group's revenue from external customers by their geographical locations is detailed below:

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
PRC	200,275	750,744	825,841
Hong Kong	—	—	22,135
United Kingdom	91,213	38,580	—
Switzerland	370,460	545,494	365,594
Luxembourg	—	—	31,496
Zambia	19,138	22,467	38,840
South Africa	15,204	—	—
	696,290	1,357,285	1,283,906

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the Relevant Years is as follows:

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Customer A			
— Mining	—	—	—
— Leaching	15,204	—	—
— Smelting	91,213	38,580	—
Customer B			
— Mining	—	—	—
— Leaching	—	31,927	30,216
— Smelting	94,073	174,789	85,552
Customer C			
— Mining	—	—	—
— Leaching	—	—	—
— Smelting	83,828	55,784	—
Customer D			
— Mining	6,099	—	—
— Leaching	—	—	—
— Smelting	109,427	267,237	94,555
Customer E			
— Mining	—	—	—
— Leaching	18,644	24,409	28,007
— Smelting	181,631	726,335	626,874
Customer F			
— Mining	13,020	—	—
— Leaching	—	—	—
— Smelting	64,013	15,758	155,270
Customer G			
— Mining	—	—	—
— Leaching	—	—	—
— Smelting	—	—	170,960
	677,152	1,334,819	1,191,434

7. OTHER INCOME

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Interest income	1,210	84	233
Finance income earned under finance leases to a fellow subsidiary	—	—	1,049
Revenue from construction contracts, net of expenses	—	—	1,715
Net income from sale of spare parts and other materials	809	947	1,052
Others	62	209	786
	2,081	1,240	4,835

8. FINANCE COSTS

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Interest on bank and other borrowings:			
— wholly repayable within five years	7,549	9,807	8,543
— wholly repayable beyond five years	1,817	406	5,439
Total borrowing costs	9,366	10,213	13,982
The unwinding of the discount (Note 27)	161	337	268
Less: Borrowing costs capitalized in construction in progress	(4,197)	(2,318)	(5,002)
	5,330	8,232	9,248
The weighted average capitalization rate on funds borrowed, generally (per annum)	2.3%-4.2%	1.3%-1.9%	1.1%-1.3%

9. OTHER EXPENSES

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Foreign exchange (gains)/losses, net	(1,115)	3,461	4,739
Loss/(gain) on disposal of property, plant and equipment, net	36	105	(605)
Net expenses for operating hospitals, schools and recreational facilities	1,351	2,468	3,231
Impairment loss recognized/(reversed) on trade receivables, net	1,186	(1,568)	1,168
Listing expenses	—	—	2,281
Depreciation of property, plant and equipment under suspension of production	2,440	—	—
Others	476	680	190
	4,374	5,146	11,004

10. INCOME TAX EXPENSE

Income tax expense recognized in profit or loss:

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Current tax:			
— Zambia Income Tax	261	1,934	1,030
— Reversal of income tax of a subsidiary	—	(4,384)	—
	261	(2,450)	1,030
Deferred tax (Note 28)	11,219	22,652	13,990
Total income tax expense	11,480	20,202	15,020

No provision for Hong Kong profits tax has been made as there was no assessable profit arising in Hong Kong during the Relevant Years.

Income tax in Zambia is calculated at 35% on the assessable income, except for that arising from mining activities which is 30% on the relevant assessable income, for the Relevant Years.

During the Relevant Years, the Group enjoyed the following income tax incentives:

- On June 10, 2010, SML was granted a rebate of the income tax payable, in respect of its operations, for the charge years covering the period from April 1, 2005 to March 31, 2009 according to Statutory Instrument No. 43 of 2010.

  Accordingly, the Group reversed its accrued tax of SML for the period from December 3, 2004 (date of incorporation) to December 31, 2007 amounting to US$4,384,000 in June 2010.

  Besides, on June 10, 2011, SML was also granted ten-year income tax incentives for zero rate of income tax for the first five profitable years; 50% of income tax relief for the next three years thereafter; and 25% of income tax relief for the remaining 2 years. The first profitable year of SML, for Income Tax purpose, is 2008.

- On April 3, 2009, CCS was granted ten-year income tax incentives for zero rate of income tax for the first five profitable years; 50% of income tax relief for the next three years thereafter; and 25% of income tax relief for the remaining 2 years. The first profitable year of CCS, for Income Tax purpose, is 2010.

Other taxes

The Group is also subject to Value Added Tax ("VAT") at 16% on purchases and sales in Zambia whereas VAT is exempted on export, and relevant input VAT paid for purchases supported by valid VAT invoices could be refunded by the Zambia Revenue Authority (the "ZRA") to the extent total input VAT paid on purchases exceeds total output VAT payable on domestic sales.

In addition, NFCA and Luanshya are also subject mineral royalty at 3% on sale of taxable mining products. On September 25, 2009, according to Statutory Instrument No. 66 of 2009, the Commissioner of ZRA shall remit the whole or part of the mineral royalties payable by Luanshya not exceeding US$9 million. Since the Date of Acquisition until December 31, 2011, Luanshya had not made any payment for such mineral royalty as the mineral royalty payable by Luanshya has not exceeded US$9 million as of December 31, 2011.

For the period from April 1, 2008 to March 31, 2009, NFCA was also subject to Windfall Tax based on the amount by which the monthly average selling prices of copper and cobalt exceed certain "Trigger Prices" as stipulated in the Tenth Schedule of the Income Tax (Amendment) Act 2008. The rates applicable were 0%, 25%, 50% or 75% depending on the average copper or cobalt price. The tax was payable quarterly. The Windfall Tax was abolished in 2009.

Prior to 2011, NFCA received certain management services rendered by certain third-party overseas suppliers with management fees paid to them being subject to withholding tax ("WHT") and reverse value added tax ("RVAT"). RVAT is a charge to transfer of liability to account for and pay VAT on imported services from the person making the supply to the person receiving the supply according to the Value Added Tax Act in Zambia. On August 5, 2011, NFCA received the assessments for the assessment years 2004 to 2009 which indicated, among other things, the outstanding WHT and RVAT be the equivalents of US$1.5 million and US$1.6 million, respectively. The amounts have been included in "other payables and accrued expenses" as at December 31, 2009 and 2010 set out in note 23. On September 9, 2011, the outstanding taxes payable has been fully settled.

In the opinion of the Company's Zambian counsel, pursuant to the Convention between the Republic of Zambia and Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Tax on Income, distribution of dividends to CNMH, an investment holding company incorporated under the laws of Ireland, from its Zambian subsidiaries would be exempt from such withholding tax save for instances where CNMH has a permanent establishment in Zambia. The directors of the Company confirm that CNMH has no permanent establishment in Zambia, and therefore are of the view that no provision for withholding tax on the Group's undistributed profit is required to be made during the Relevant Years.

The tax charge for the Relevant Years can be reconciled to the profit per the consolidated statements of comprehensive income as follows:

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Profit before tax	105,827	127,584	118,310
Tax at Income Tax rate in Zambia			
—for operations at 30%	23,633	15,323	12,142
—for operations at 35%	9,467	26,777	27,243
	33,100	42,100	39,385
Tax effect of expenses not deductible for tax purpose	3,933	16,729	4,150
Tax effect of income not taxable for tax purpose	(14,684)	—	—
Reversal of income tax of a subsidiary	—	(4,384)	—
Effect of tax incentives granted to the Group	(10,869)	(34,243)	(28,515)
Income tax expense for the year	11,480	20,202	15,020
Effective tax rate	10.8%	15.8%	12.7%

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Depreciation of property, plant and equipment	31,930	45,584	59,388
Auditor's remuneration	77	139	140
Staff costs:			
Salaries, wages and welfare (including directors' remuneration as disclosed in Note 12)	20,250	44,305	63,543
Retirement benefit schemes contributions	3,145	7,089	9,495
Total staff costs	23,395	51,394	73,038
Less: Amounts included in construction in progress	(6,250)	(2,618)	(2,345)
	17,145	48,776	70,693
Cost of inventories recognized as an expense	604,550	1,141,146	1,095,648
Donations	9	78	584
Minimum lease payments in respect of			
—Land and buildings	3,170	3,804	4,688
—Machinery and equipment	844	729	80

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid to the directors for the Relevant Years are as follows:

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Directors' fees	—	—	—
Salaries and other allowances	597	774	809
Bonus	—	—	—
Retirement benefit schemes contributions	16	18	20
	613	792	829
Directors:			
Tao Luo	—	—	—
Xinghu Tao	—	—	—
Chunlai Wang	166	210	219
Xingeng Luo	166	210	219
Xinguo Yang	134	188	198
Kaishou Xie	147	184	193
Chuanyao Sun	—	—	—
Jingwei Liu	—	—	—
Shuang Chen	—	—	—
	613	792	829

Employees

Of the five highest paid individuals of the Group for the Relevant Years, the number of directors and employees are as follows:

	Year ended December 31,		
	2009	2010	2011
Directors	4	4	4
Employee	1	1	1
	5	5	5

The aggregate remunerations of the highest paid directors are set out above. The remunerations of the remaining individual for the Relevant Years are as follows:

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Salaries and other allowances	120	156	198
Retirement benefit schemes contributions	—	4	15
	120	160	213

The emoluments of the above employee were within the following bands:

	Year ended December 31,		
	2009	2010	2011
	Number of employees		
HK$nil to HK$1,000,000	1	—	—
HK$1,000,001 to HK$1,500,000	—	1	1

During the Relevant Years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Years.

13. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation. The dividends recognized as distribution during the Relevant Years represented the dividends paid by the following subsidiaries to their shareholders.

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
NFCA	—	20,000	10,000
SML	11,000	10,000	15,000
	11,000	30,000	25,000
Less: Dividends of SML declared to NFCA eliminated at consolidation	(1,650)	(1,500)	(2,250)
	9,350	28,500	22,750

14. EARNINGS PER SHARE

	Year ended December 31,		
	2009	2010	2011
Profit for the year attributable to owners of the Company for the purposes of basic earnings per share (in US$'000)	81,674	73,911	70,014
Weighted average number of shares for the purposes of basic earnings per share ('000)	2,143,520	2,600,000	2,600,000

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company for each of the reporting period in the Relevant Years and the weighted average number of ordinary shares for the purpose of basic earnings per share after taking into account the Reorganization, as adjusted for the impact of the acquisition of Luanshya in 2009.

No diluted earnings per share is presented as the Company and its subsidiaries did not have potential ordinary shares outstanding during the Relevant Years.

15. PROPERTY, PLANT AND EQUIPMENT

The GROUP

	Mining properties and leases	Land and buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
	US'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost:						
At January 1, 2009	91,906	24,333	74,876	6,252	173,267	370,634
Additions	2,132	18,689	7,879	4,189	71,716	104,605
Acquisition through business combination (Note 31)	13,657	37,948	18,222	1,740	24,772	96,339
Transfer from construction in progress	—	40,958	74,783	1,461	(117,202)	—
Transfer to inventories	—	—	—	—	(15,460)	(15,460)
Disposals	—	(408)	(167)	(50)	—	(625)
At December 31, 2009	107,695	121,520	175,593	13,592	137,093	555,493
Additions	—	—	11,246	15,573	120,245	147,064
Transfer from construction in progress	14,154	4,312	42,002	236	(60,704)	—
Disposals	—	—	(463)	(904)	—	(1,367)
At December 31, 2010	121,849	125,832	228,378	28,497	196,634	701,190
Additions	1,773	682	16,124	12,215	366,578	397,372
Transfer from construction in progress	79,357	29,899	48,389	—	(157,645)	—
Disposals	(2,540)	—	(1,437)	(570)	—	(4,547)
At December 31, 2011	200,439	156,413	291,454	40,142	405,567	1,094,015
Depreciation:						
At January 1, 2009	(41,520)	(4,829)	(38,086)	(2,561)	—	(86,996)
Depreciation	(10,008)	(3,848)	(16,082)	(1,992)	—	(31,930)
Disposals	—	53	58	10	—	121
At December 31, 2009	(51,528)	(8,624)	(54,110)	(4,543)	—	(118,805)
Depreciation	(12,215)	(5,176)	(23,789)	(4,404)	—	(45,584)
Disposals	—	—	309	849	—	1,158
At December 31, 2010	(63,743)	(13,800)	(77,590)	(8,098)	—	(163,231)
Depreciation	(10,216)	(6,258)	(32,999)	(9,915)	—	(59,388)
Disposals	2,539	—	1,363	535	—	4,437
At December 31, 2011	(71,420)	(20,058)	(109,226)	(17,478)	—	(218,182)
Carrying amounts:						
At December 31, 2011	129,019	136,355	182,228	22,664	405,567	875,833
At December 31, 2010	58,106	112,032	150,788	20,399	196,634	537,959
At December 31, 2009	56,167	112,896	121,483	9,049	137,093	436,688

Except for certain pieces of land of Luanshya amounting to US$562,000, US$552,000 and US$542,000 as at December 31, 2009, 2010 and 2011, respectively, in Zambia held under medium-term lease, the above land and buildings are located in Zambia held under long-term lease.

The Group is in the process of obtaining land use right certificates for certain parcels of its land for its tailing storage facility and several residential areas, which in the opinion of the directors of the Company, are not crucial to the operations of the Group.

16. FINANCE LEASE RECEIVABLES

The Group had purchased certain machinery and equipment which were leased out under finance leases to a fellow subsidiary. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Analyzed as:			
Current	—	—	6,483
Non-current	—	—	23,351
	—	—	29,834

	Minimum lease payments			Present value of minimum lease payments		
	2009	2010	2011	2009	2010	2011
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Finance lease receivables comprise:						
Within one year	—	—	8,083	—	—	6,483
In more than one year but not more than two years	—	—	7,473	—	—	6,242
In more than two years but not more than five years	—	—	18,460	—	—	17,109
	—	—	34,016	—	—	29,834
Less: Unearned finance income	—	—	(4,182)	—	—	N/A
Present value of minimum lease payment receivables	—	—	29,834	—	—	29,834

Effective interest rates of the above finance leases range from 5.6% to 6.1% per annum for the year ended December 31, 2011.

The finance leases are not used to pledge as security for any borrowings of the Group. In the event of default by the lessee, the Group has the right to sell the lease assets. At the end of the lease term, the lease assets will be transferred to the fellow subsidiary at nil consideration.

17. INVENTORIES

The GROUP

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Raw materials	112,196	71,007	42,071
Spare parts and consumables	25,926	38,515	41,078
Work in progress	797	2,125	10,604
Finished goods	36,039	65,877	70,528
	174,958	177,524	164,281

18. TRADE RECEIVABLES

The GROUP

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Trade receivables	86,576	135,632	99,611
Less: Allowance of doubtful debts	(5,596)	(2,657)	(3,825)
	80,980	132,975	95,786

The following is an aged analysis of trade receivables, presented based on the invoice date, net of allowance for doubtful debts:

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Within 1 month	77,837	96,846	84,913
More than 1 month, but less than 3 months	931	32,022	9,712
More than 3 months, but less than 6 months	885	1,403	82
More than 6 months, but less than 12 months	858	2,517	874
Over 1 year	469	187	205
	80,980	132,975	95,786

The Group sells blister copper, copper cathodes and copper concentrate under provisional pricing arrangements where final grades of copper, gold and silver in copper products are agreed based on third-party examination and final prices are set at a specified date based on market prices. Revenues are recognized when title and risk pass to the customer using past history of grades of copper, gold and silver in copper products based on internal examination statistics and forward prices for the expected date of final settlement and the Group normally issues invoices to customers based on 90% of revenues with the remainder being invoiced upon the date of final settlement. The Group normally requires prepayments from customers before goods dispatch while certain major customers could have an average credit period on sales of goods within two months upon issuance of sales invoice. Allowances for doubtful debts are recognized against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognized an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Age of receivables that are past due but not impaired is analyzed as follows:

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Overdue by:			
Within 1 month	24,149	26,148	39,396
More than 1 month, but less than 3 months	521	32,022	9,712
More than 3 months, but less than 6 months	885	1,403	82
More than 6 months, but less than 12 months	858	2,517	874
Over 1 year	469	187	205
	26,882	62,277	50,269

Movement in the allowance for doubtful debts is as follows:

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Balance at the beginning of the year	(4,426)	(5,596)	(2,657)
Impairment losses (recognized)/reversed on trade receivables, net	(1,186)	1,568	(1,168)
Amounts written off during the year as uncollectible	16	1,371	—
Balance at the end of the year	(5,596)	(2,657)	(3,825)

In determining the recoverability of a trade receivable, the management of the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Although the Group's seven largest customers accounted for significant portion, 97%, 98% and 93% respectively, of its sales for each of the three years ended December 31, 2009, 2010 and 2011, these customers are large and reputable in the market and have traded with the Group with good settlement history. The remaining sales revenue is attributable to a number of customers in different countries. In the opinion of the directors of the Company, the Group has concentration of credit risk because 95%, 86% and 91% of the trade receivables as at December 31, 2009, 2010 and 2011, respectively, was due from the Group's seven largest customers.

The Group does not hold any collateral over these balances.

Age of impaired trade receivables is analyzed as follows:

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Overdue by:			
Within 6 months	(47)	(174)	(814)
More than 6 months, but less than 12 months	(19)	(93)	(352)
Over 1 year	(5,530)	(2,390)	(2,659)
	(5,596)	(2,657)	(3,825)

Included in the Group's trade receivables are balances with the following related parties:

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Fellow subsidiaries	18,172	81,985	58,591
A subsidiary of a non-controlling shareholder of a subsidiary	—	—	13,784
	18,172	81,985	72,375

The above balances with related parties are unsecured, interest-free and are repayable according to the relevant sales contracts.

19. AMOUNTS DUE FROM A CUSTOMER UNDER A CONSTRUCTION CONTRACT

THE GROUP

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Construction costs incurred plus recognized profits less recognized losses to date	26,066	26,085	—
Less: Progress billings	—	—	—
	26,066	26,085	—

The above represents the amounts due from a fellow subsidiary under a construction contract in respect of the construction of a transformer station in Zambia. At December 31, 2009 and 2010, the Group did not have retention held by the fellow subsidiary for the contract work while the Group received advances from the fellow subsidiary amounted to US$26,966,000 and US$27,800,000 (included in "receipts in advance from customers" in "other payables and accrued expenses" set out in note 23 below) for the contract work as at December 31, 2009 and 2010, respectively. During the year ended December 31, 2011, the construction of the transformer station has been completed and a net revenue of US$1,715,000 was recognized to profit or loss.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

THE GROUP

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Non-current:			
Prepayments for property, plant and equipment	2,681	12,528	4,336
Contributions to Environment Protection Fund (Note 27)	—	—	1,434
Prepayments for electricity*	—	—	8,644
	2,681	12,528	14,414
Current:			
Prepayments for inventories	56,136	11,581	9,461
VAT receivables	27,017	12,335	23,336
Deposits in futures margin accounts	2,000	18,317	14,359
Other receivables	59,108	68,162	8,928
	144,261	110,395	56,084

* Pursuant to a power supply agreement (the "Power Supply Agreement") and a connection agreement (the "Connection Agreement") entered into between a subsidiary of the Group, Luanshya, and a power supply company, Copperbelt Energy Corporation Plc ("Copperbelt Energy"), in Zambia, Luanshya undertook to construct certain power supply network assets (the "Network Assets") to enable Copperbelt Energy to supply the electricity to the mining/leaching project of Luanshya in Muliashi, Copperbelt Province of Zambia. According to the Connection Agreement, Luanshya shall transfer the Network Assets to Copperbelt Energy upon the completion of the construction for a consideration of US$3,725,000 payable by Copperbelt Energy to Luanshya within the seventh anniversary from the date of transfer, subject to Luanshya's fulfillment of consumption of electricity prescribed in the Connection Agreement.

The total construction cost of the Network Assets is budgeted to be approximately US$12.0 million, out of which US$8,644,000 had been incurred up to December 31, 2011. The construction of the Network Assets completed in March 2012.

The directors of the Company consider that the construction costs for the Network Assets are, in substance, prepayments for electricity that will be amortized over the tenure of the Power Supply Agreement (expiries in January 2025) upon the commencement of electricity consumption by Luanshya.

Included in the Group's prepayments, other receivables and other assets are balances with the following related parties:

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
CNMC and fellow subsidiaries	63,274	68,725	12,886
Associate	—	—	897
A non-controlling shareholder of a subsidiary	1,451	—	444
	64,725	68,725	14,227

The above balances with related parties are unsecured, interest-free and are repayable on demand.

21. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

THE GROUP

(i) Restricted bank balances

The Group's restricted bank balances are analyzed as follows:

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Pledged for bank loans:			
— repayable after 1 year classified as non-current assets	2,059	2,002	2,004
— repayable within 1 year classified as current assets	—	2,092	2,126
Designated as deposits classified as non-current assets:			
— for issuing letters of guarantee to secure future restoration costs as required by the government of Zambia (Note 27)	—	—	7,974
Designated as deposits classified as current assets:			
— for custom clearance	563	563	563
— for issuing letters of credit	—	15,513	4,868
	2,622	20,170	17,535

The restricted bank balances carry interest at rates ranging from 0.1% to 3.0% per annum for the Relevant Years.

(ii) Bank balances and cash

Bank balances carry interest at market rates ranging from 0.1% to 3.0% per annum for the Relevant Years.

22. TRADE PAYABLES

The following is an aged analysis of trade payables, presented based on the invoice date:

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Within 1 month	134,542	99,456	56,363
More than 1 month, but less than 3 months	29,805	60,584	33,872
More than 3 months, but less than 6 months	174	1,848	732
More than 6 months, but less than 12 months	933	291	3,725
Over 1 year	7,342	8,981	12,672
	172,796	171,160	107,364

The average credit period on purchases of certain goods is within 3 months and most payables are paid within the credit time frame. The trade payables aged over 1 year are mainly due to CNMC and fellow subsidiaries, and a contractor of the Group.

Included in the Group's trade payables are balances with the following related parties:

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
CNMC and fellow subsidiaries	7,831	13,476	3,044

The above balances with related parties are unsecured, interest-free and are repayable on demand.

23. OTHER PAYABLES AND ACCRUED EXPENSES

THE GROUP

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Receipts in advance from customers	29,245	30,800	9,124
Accrued expenses	32,291	32,161	20,005
Payables for properties, plant and equipment	8,874	17,472	15,168
Dividends payable	—	7,400	1,500
Other payables*	5,351	12,925	11,319
	75,761	100,758	57,116

* Included a provision for legal cases of US$300,000, US$300,000 and US$300,000 as at December 31, 2009, 2010 and 2011, respectively, details of which are set out in note 39.

Included in the Group's other payables and accrued expenses are balances with the following related parties:

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
CNMC and fellow subsidiaries	43,638	62,377	26,276
Non-controlling shareholders of subsidiaries	1,010	4,892	1,500
	44,648	67,269	27,776

The above balances with related parties are unsecured, interest-free and are repayable on demand, except for those received from a fellow subsidiary for a construction contract as at December 31, 2009 and 2010, as disclosed in note 19, that were applied to settle the amounts due from that fellow subsidiary under the construction contract during the year ended December 31, 2011.

24. BANK AND OTHER BORROWINGS

THE GROUP

	Notes	At December 31,		
		2009	2010	2011
		US$'000	US$'000	US$'000
Bank borrowings				
— secured	1	170,000	270,000	170,000
— unsecured	2	180,000	234,000	435,450
Loans from CNMC, unsecured	3	33,922	34,723	82,068
Loans from a non-controlling shareholder of a subsidiary, unsecured	4	42,683	42,683	23,661
		426,605	581,406	711,179
Carrying amount repayable:				
Within one year		47,944	156,745	199,000
More than one year, but not exceeding two years		119,000	199,000	19,000
More than two year, but not exceeding five years		244,661	160,661	149,661
More than five years		15,000	65,000	343,518
		426,605	581,406	711,179
Less: Amounts shown under current liabilities		(47,944)	(156,745)	(199,000)
		378,661	424,661	512,179

Notes:

(1) The bank loans are secured by bank balances as disclosed in note 21. Additionally, CNMC and a bank in the PRC had granted guarantees in favor of banks for these bank loans granted to the Group. These bank loans bore interest at rates, varied based on LIBOR, ranging from 1.0% to 4.3% per annum during the Relevant Years.

(2) CNMC had granted guarantees in favor of banks for bank loans of US$180.0 million, US$234.0 million and US$355.5 million as at December 31, 2009, 2010 and 2011, respectively, granted to the Group. Besides, CNMC and a non-controlling shareholder of a subsidiary had also provided a joint-guarantee to a bank for granting a bank loan of US$80.0 million as at December 31, 2011. These bank loans bore interest at rates, varied based on LIBOR, ranging from 1.4% to 3.0% per annum during the Relevant Years.

(3) The loans from CNMC are analyzed as follows:

	Interest rate (per annum)	At December 31, 2009	2010	2011
		US$'000	US$'000	US$'000
At fixed rate	8%	109	109	—
At floating rate, varied based on LIBOR	2.2%-7.1%	8,000	8,000	82,068
Others	Note	25,813	26,614	—
		33,922	34,723	82,068

Note: Interest on loans outstanding for the period from January 1, 2009 to June 30, 2009 bore interest at fixed interest rates. The loans starting from July 1, 2009 bore interest at a rate, varied based on the RMB benchmark loan rate published by the People's Bank of China, of 5.9% per annum. These loans were repaid in 2011.

The loans from CNMC as at December 31, 2011 totaled to US$82.1 million are repayable from November 20, 2014 to November 17, 2018. Nevertheless, the Group intends to repay these loans within six months after the listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing").

(4) Interest on the loans outstanding for the period from January 1, 2009 to June 30, 2009 bore interest at fixed rates. The loans for the period from July 1, 2009 to December 31, 2011 bore interest at rates, varied based on LIBOR, ranging from 1.4% to 2.2% per annum.

The loans from a non-controlling shareholder of a subsidiary as at December 31, 2011 totaled to US$23.7 million are repayable from January 10, 2012 to June 30, 2014. Nevertheless, the Group intends to repay all remaining loans within six months after the Listing.

25. DERIVATIVES

THE GROUP

	At December 31, 2009	2010	2011
	US$'000	US$'000	US$'000
Copper futures contracts, at fair value	134	10,101	775

Details of the above futures contracts are analyzed as follows:

	At December 31, 2009	2010	2011
Number of contracts			
— Buy	—	1	—
— Sell	1	12	25
Exercise price (in US$)	7,105	8,150 – 9,261	7,150 – 8,190
Maturity date	March 24, 2010	January 5, 2011 – March 21, 2011	January 6, 2012 – February 29, 2012

For the Relevant Years, the Group entered into certain copper futures contracts to hedge its risk associated with the prices of its blister copper sold as follows:

	Year ended December 31, 2009	2010	2011
Number of contracts			
— Buy	—	37	56
— Sell	1	55	101
Exercise price (in US$)	7,105	6,245 – 9,270	7,150 – 9,950
Loss/(gain) arising on change in fair value of derivatives recognized to profit or loss (in US$'000)	134	25,538	(10,369)

26. DEFERRED REVENUE

The amount represents grants of RMB35,700,000 in total (approximately US$5,627,000) received in 2010 and RMB35,230,000 (approximately US$5,831,000) received in 2011 from Ministry of Finance of the PRC to subsidize the Group's capital expenditure and interest incurred in its copper mines exploration and development activities in Zambia which were capitalized under mining properties and leases.

27. PROVISION FOR RESTORATION, REHABILITATION AND ENVIRONMENTAL COSTS

THE GROUP

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Balance at beginning of year	1,145	17,095	16,479
Additional provisions recognized	2,132	1,400	705
Acquisition through business combination (Note 31)	13,657	—	—
Reductions resulting from remeasurement by qualified professionals in Zambia	—	(2,353)	—
Unwinding of discount (Note 8)	161	337	268
Balance at end of year	17,095	16,479	17,452

The Group's provision for restoration, rehabilitation and environmental costs is related to the Group's subsidiaries in Zambia which are involved in mining, leaching and smelting operations. The provision represents the accrued cost required to provide adequate restoration and rehabilitation measured by qualified professionals in Zambia, as discounted at rates ranging from 1.4% per annum to 3.7% per annum during the Relevant Years, upon the completion of their operations. These amounts will be settled when rehabilitation is undertaken, generally at the end of a project life, which ranges from 2 to 40 years.

The Group is required, under the prevailing regulations, to make an annual contribution equal to one-fifth of 5% to 20% of the estimated restoration costs into the Environment Protection Fund which is administrated by the Government of the Republic of Zambia. The regulations also require that the balance of the estimated restoration costs be secured using letters of guarantee. All companies in the Group have provided the relevant letters of guarantee as at December 31, 2011 (Note 21(i)), except for SML, which has not received a demand notice at the date of this report.

The directors of the Company opined that adequate provision has been made at the end of each reporting period.

28. DEFERRED TAXATION

THE GROUP

Deferred tax assets/(liabilities)

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Deferred tax assets	5,538	4,997	2,149
Deferred tax liabilities	(45,185)	(67,296)	(78,438)

The following are the major deferred tax balances recognized and movements thereon during the Relevant Years:

	Property, plant and equipment	Tax losses	Total
	US$'000	US$'000	US$'000
Balance at January 1, 2009	(34,310)	—	(34,310)
Arising from business combination (Note 31)	(24,323)	30,205	5,882
(Charge)/credit to profit or loss	(20,829)	9,610	(11,219)
Balance at December 31, 2009	(79,462)	39,815	(39,647)
(Charge)/credit to profit or loss	(37,373)	14,721	(22,652)
Balance at December 31, 2010	(116,835)	54,536	(62,299)
(Charge)/credit to profit or loss	(82,074)	68,084	(13,990)
Balance at December 31, 2011	(198,909)	122,620	(76,289)

Subject to agreement with the ZRA, the above tax losses of a subsidiary available to be carried forward up to a maximum of ten years from the year in which they are incurred for set off against future taxable profits from the same source of that subsidiary.

29. CAPITAL

The balance of capital at December 31, 2009 and 2010 represents the aggregate of the capital of companies comprising the Group attributable to CNMC prior to the Reorganization.

The Company was incorporated with an authorized share capital of HK$100,000, divided into 100,000 ordinary shares of HK$1.00 each. At the date of incorporation, 1 ordinary share of HK$1.00 each was issued at HK$1.00 paid to an initial subscriber which was then transferred to CNMD. On October 6, 2011, the Company's authorized share capital increased from 100,000 ordinary shares of HK$1.00 each to 5,000,000,000 ordinary shares of HK$1.00 each.

The balance of capital as at December 31, 2011 represents the issued and fully paid share capital of the Company upon the completion of the Reorganization. The movement of the share capital of the Company is as follows:

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$1.00 each		
Authorized:		
At date of incorporation on July 18, 2011	100,000	100
Increase on October 6, 2011	4,999,900,000	4,999,900
At December 31, 2011	5,000,000,000	5,000,000
Issued and fully paid:		
At date of incorporation on July 18, 2011	1	—
Issued pursuant to the Reorganization on November 22, 2011	2,599,999,999	2,600,000
At December 31, 2011	2,600,000,000	2,600,000

	December 31, 2011
	US$'000
Presented in the Financial Information as	333,333

30. INTERESTS IN SUBSIDIARIES

THE COMPANY	December 31, 2011
	US$'000
Cost of investment in a subsidiary	315,859
Receivable from a subsidiary	52,730
	368,589

A receivable from Luanshya of US$106,058,000 was assigned to the Company from CNMC pursuant to a deed of assignment dated November 22, 2011 in the Reorganization (Note 1). The directors of the Company consider that the balance will not be repayable within one year. Fair value adjustment amounting to US$53,328,000 in respect of the receivable, calculated using a discount rate of 15% per annum and a term of five years has been recognized as part of the cost of investment in Luanshya.

31. ACQUISITION OF A SUBSIDIARY

On the Date of Acquisition, CNMC completed an acquisition of 80% shareholding in Luanshya, a company comprising the Group after the Reorganization, and US$106.1 million debts owed by Luanshya to its shareholder (Enya Holding BV) pursuant to agreements entered into with Enya Holding BV and The Government of the Republic of Zambia (the then shareholders of Luanshya). Luanshya was incorporated in Zambia and carried out mining operations in its copper/cobalt mines in Zambia. Due to the global economic turndown that negatively affected the business of Luanshya in late 2008 and early 2009, all its employees were terminated in January 2009 and its mines were either placed on care-and-maintenance or have yet developed.

Because Enya Holding BV needs to dispose of its investment in Luanshya and the Government of the Republic of Zambia needs to resume the operation of Luanshya in order to resolve the unemployment of local workers in a short period of time, only a few of potential buyers were invited for bidding and CNMC succeeded in the bidding in June 2009.

The directors of the Company initially measure the separately recognizable identifiable assets acquired and the liabilities assumed as of the Date of Acquisition in accordance with the requirements of HKFRS 3 (revised) and engages an independent consultant to determine the identifiable assets and the liabilities as set out below.

The Group reviews the procedures it used to identify and measure the assets acquired and liabilities assumed. After that review, the management of the Group considered that the procedures and resulting measures were appropriate and recognized a gain on bargain purchase of US$48,945,000.

The following table summarizes the consideration paid for the acquisition of Luanshya and the amounts of the assets acquired and liabilities assumed on the Date of Acquisition.

	Date of Acquisition
	US$'000
Consideration	
Total consideration transferred — Cash*	50,000
Recognized amount of identified assets acquired and liabilities assumed	
Inventories	7,952
Other receivables	650
Property, plant and equipment (Note 15)	96,339
Deferred tax assets (Note 28)	5,882
Provision for restoration, rehabilitation and environmental costs (Note 27)	(13,657)
Amount due to CNMC assigned to the Company upon the completion of the Reorganization (Note 1)	(106,058)
Total identifiable net liabilities	(8,892)
Non-controlling interest in Luanshya	1,779
	(7,113)

Note:

* The consideration was paid by CNMC.

Acquisition-related costs are insignificant and were expensed in profit or loss for the year ended December 31, 2009.

The revenue included in the consolidated statements of comprehensive income since the Date of Acquisition contributed by Luanshya was nil, US$62.8 million and US$116.6 million (being intra-group revenue fully eliminated at consolidation) for each of the three years ended December 31, 2009, 2010 and 2011, respectively. Luanshya also contributed loss of US$4.6 million and US$4.0 million for each of the two years ended December 31, 2009 and 2010, respectively, and a profit of US$4.9 million for the year ended December 31, 2011.

Had Luanshya been consolidated from January 1, 2009, the consolidated revenue and profit of the Group would have been US$696.3 million and US$93.9 million, respectively for the year ended December 31, 2009.

32. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during the Relevant Years.

The capital structure of the Group consists of net debt (which includes bank and other borrowings), restricted bank balances, bank balances and cash and equity attributable to owners of the Company (comprising capital, share premium, other reserves and retained profits).

Gearing ratio

The Group's management reviews the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital.

The gearing ratio of the Group at the end of the reporting period was as follows:

	Notes	At December 31, 2009	2010	2011
		US$'000	US$'000	US$'000
Debts	(i)	426,605	581,406	711,179
Less: Restricted bank balances, bank balances and cash		(196,924)	(356,959)	(234,838)
Net debt		229,681	224,447	476,341
Equity	(ii)	267,067	318,703	372,304
Net debt to equity ratio		86.0%	70.4%	127.9%

Notes:

(i) Debt comprises non-current and current bank and other borrowings as detailed in note 24.

(ii) Equity includes capital, share premium, other reserves and retained profits attributable to owners of the Company.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

THE GROUP

	At December 31, 2009	2010	2011
	US$'000	US$'000	US$'000
Financial assets			
Loans and receivables (including restricted bank balances, bank balances and cash)	366,029	588,748	377,247
Finance lease receivables	—	—	29,834
Financial liabilities			
Amortized costs	613,626	790,363	846,530
Derivatives	134	10,101	775

THE COMPANY

	2009	2010	2011
Financial liabilities			
Amortized costs	—	—	4,000

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, restricted bank balances, bank balances and cash, trade and other payables, finance lease receivables, bank and other borrowings, and derivatives. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognized financial assets is the carrying amount of those assets stated in the consolidated statements of financial position.

The Group's credit risk is primarily attributable to its trade and other receivables and finance lease receivables. In order to minimize the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on restricted bank balances and bank balances is minimal as such amounts are placed in banks with good reputation.

The Group has concentration of credit risk because 95%, 86% and 91% of the trade receivables as at December 31, 2009, 2010 and 2011, respectively, was due from the Group's seven largest customers during each of the three years then ended.

Other than the above, the Group does not have significant concentration of credit risk.

Currency risk

The Group's operation is in Zambia and most of its sales and purchases were denominated in US$, the functional currency of the companies comprising the Group, while certain sales and purchases were settled in currencies (mainly Zambia Kwacha ("ZMK") and Renminbi ("RMB")) other than the functional currency of these group entities that expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities are as follows:

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
ZMK denominated monetary assets	46,836	49,989	25,396
ZMK denominated monetary liabilities	(1,386)	(7,943)	(2,874)
RMB denominated monetary assets	1,512	8,894	26,573
RMB denominated monetary liabilities	(25,842)	(29,143)	(44,677)

The sensitivity analysis below has been determined based on the exposure to exchange rates of ZMK and RMB against US$. For a 5%, 10%, 15% weakening/strengthening of ZMK and RMB against US$ and all other variables being held constant, there would have no impact on the Group's total equity apart from the retained profits and the effect on the Group's profit before tax for the Relevant Years are as follows:

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000 Increase/(Decrease)	US$'000
ZMK against US$			
Weakening			
— 5%	(2,273)	(2,102)	(1,126)
— 10%	(4,545)	(4,205)	(2,252)
— 15%	(6,818)	(6,307)	(3,378)
Strengthening			
— 5%	2,273	2,102	1,126
— 10%	4,545	4,205	2,252
— 15%	6,818	6,307	3,378
RMB against US$			
Weakening			
— 5%	1,217	1,012	905
— 10%	2,433	2,025	1,810
— 15%	3,650	3,037	2,716
Strengthening			
— 5%	(1,217)	(1,012)	(905)
— 10%	(2,433)	(2,025)	(1,810)
— 15%	(3,650)	(3,037)	(2,716)

Liquidity risk management

The directors of the Company have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of its financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up to reflect the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The interest payments are computed using contractual rates or if variable, based on the prevailing market rate at the end of each reporting period. For derivatives settled on a net basis, the table has been drawn up based on undiscounted contractual net cash flows.

	Weighted average interest rate	Less than 6 months	Over 6 months but not more than 1 year	1 to 5 years	More than 5 years	Total undiscounted cash flows	Carrying amounts
	%	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
THE GROUP							
December 31, 2009							
Trade and other payables		187,021	—	—	—	187,021	187,021
Bank and other borrowings	1.96%	26,080	29,783	374,016	15,021	444,900	426,605
Derivatives		134	—	—	—	134	134
		213,235	29,783	374,016	15,021	632,055	613,760
December 31, 2010							
Trade and other payables		208,957	—	—	—	208,957	208,957
Bank and other borrowings	1.90%	27,250	139,003	374,502	70,569	611,324	581,406
Derivatives		10,101	—	—	—	10,101	10,101
		246,308	139,003	374,502	70,569	830,382	800,464
December 31, 2011							
Trade and other payables		135,351	—	—	—	135,351	135,351
Bank and other borrowings*	1.54%	26,647	188,066	204,255	376,475	795,443	711,179
Derivatives		775	—	—	—	775	775
		162,773	188,066	204,255	376,475	931,569	847,305
THE COMPANY							
December 31, 2011							
Amount due to the ultimate holding company		4,000	—	—	—	4,000	4,000

* The Group intends to repay the loans from CNMC in an aggregate amount of US$82,068,000 and the remaining loans from a non-controlling shareholder of a subsidiary of US$23,661,000, within six months after the Listing (Note 24). The expected repayment dates of the bank and other borrowings after taking into account the aforesaid intention is as follows:

	The undiscounted cash flows
	US$'000
Less than 6 months	26,647
Over 6 months but not more than 1 year	287,099
1 to 5 years	166,438
More than 5 years	296,098
	776,282

Interest rate risk management

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest-bearing financial assets and liabilities, mainly interest-bearing restricted bank balances, bank balances and bank and other borrowings at variable interest rates. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing restricted bank balances, bank balances and variable rate bank and other borrowings at the end of each reporting period and assumed that the amount of assets and liabilities outstanding at the end of each reporting period was outstanding for the whole year.

If interest rates on bank and other borrowings had been 100 basis points ("BPs") lower (such effect on restricted bank balances and bank balances, however, had been ignored as most of them bore interest at minimal rate at the end of each reporting period) and all other variables were held constant, there would have no impact on the Group's total equity apart from retained profits and the potential effect on profit before tax for the Relevant Years is as follows:

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$000
Increase in profit before tax for the year	3,355	3,760	3,037

If interest rates on restricted bank balances, bank balances and bank and other borrowings had been 100 BPs higher and all other variables were held constant, there would have no impact on the Group's total equity apart from retained profits and the potential effect on profit before tax for the Relevant Years is as follows:

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Decrease in profit before tax for the year	(1,511)	(522)	(676)

Commodity price risk

The Group's commodity price risk is mainly the exposure to fluctuations in the prevailing market price of copper which are the major commodities purchased, produced and sold by the Group. To minimize this risk, the Group enters into copper futures contracts and provisional price arrangement to manage the Group's exposure in relation to forecasted sales of copper products, forecasted purchases of copper concentrate, inventories and firm commitments to sell the Group's copper products.

Financial assets and liabilities of the Group whose fair value change in line with the fluctuations in the prevailing market price of copper mainly comprise copper futures contracts and provisional price arrangements. If all prices of copper futures had been increased by 10% and all other variables were held constant, there would have no impact on the Group's total equity apart from retained profits and the potential effect on profit before tax for the Relevant Years is as follows:

	Year ended December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
(Decrease)/increase in profit before tax for the year	(7,312)	4,112	9,729

There would be an equal and opposite impact on the profit before tax for the year where there had been 10% decrease in all prices of copper futures.

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using rates from observable current market transaction as input. The fair value of derivative instruments are calculated using quoted prices.

The directors of the Company consider that the carrying amounts of financial assets, financial liabilities recorded at amortized cost in the Financial Information approximate their fair values at the end of each reporting period.

Fair value measurements recognized in the consolidated statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'000
December 31, 2009				
Financial liabilities				
Derivative instruments	134	—	—	134
December 31, 2010				
Financial liabilities				
Derivative instruments	10,101	—	—	10,101
December 31, 2011				
Financial liabilities				
Derivative instruments	775	—	—	775

34. OPERATING LEASE — THE GROUP AS LESSEE

At the end of each of the Relevant Years, the Group had commitments for future minimum lease payments under a non-cancellable operating lease which fall due as follows:

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Within one year	—	—	6,567
In the second to fifth years inclusive	—	—	9,453
	—	—	16,020

Operating lease payments represent rentals payable by the Group under a property rent agreement signed on June 30, 2011 between a subsidiary of the Company, CCS, and a fellow subsidiary of the Group. The lease period is from July 1, 2011 to June 30, 2014 and rentals are determined on a fixed amount plus a variable amount calculated at LIBOR+0.4% per annum of the value of the assets leased to CCS less accumulated payments of the fixed amounts made.

35. CAPITAL COMMITMENTS

THE GROUP

	At December 31,		
	2009	2010	2011
	US$'000	US$'000	US$'000
Capital expenditure contracted for but not provided for in respect of:			
— acquisition of property, plant and equipment	15,673	97,609	284,159
Capital expenditure authorized but not contracted for in respect of:			
— acquisition of property, plant and equipment	—	—	1,057,213

In addition to the above, as at December 31, 2010 and 2011, the Group had commitment to invest in an associate amounting to US$2,143,000 pursuant to the relevant joint venture agreement of that associate. In February 2012, the Group had fulfilled such commitment to invest in this associate.

36. RELATED PARTY TRANSACTIONS

Other than the transactions and balances with related parties disclosed elsewhere in the Financial Information, the Group had the following significant transactions with related parties during the Relevant Years:

	Notes	Related parties	Year ended December 31, 2009	2010	2011
			US$'000	US$'000	US$'000
Continuing transactions					
Sales of:					
— Blister copper	(i)	Fellow subsidiary	181,631	726,335	626,874
	(i)	Subsidiary of a non-controlling shareholder of a subsidiary	—	—	170,960
— Copper cathodes	(i)	CNMC and fellow subsidiaries	18,644	24,409	28,007
— Other materials	(i)	Fellow subsidiary	305	1,251	1,729
Construction revenue	(i),(iii)	Fellow subsidiary	1,807	19	1,715
Services income	(i)	Fellow subsidiary	76	103	118
Finance income earned under finance leases	(i),(iv)	Fellow subsidiary	—	—	1,049
Purchases of:					
— Plant and equipment	(i)	CNMC and fellow subsidiaries	17,969	21,529	93,046
— Materials	(i)	CNMC and fellow subsidiaries	17,653	19,965	38,467
— Electricity	(i)	Fellow subsidiary	5,705	8,515	8,229
— Services	(i)	Fellow subsidiaries	3,747	11,933	98,096
— Freight and transportation	(i)	Fellow subsidiaries	—	5,952	9,453
Rental expenses	(i)	Fellow subsidiary	3,170	3,804	4,688
Rental expenses	(v)	CNMC	308	346	359
Interest expense	(ii)	CNMC	1,836	1,953	1,811
	(ii)	Non-controlling shareholder of a subsidiary	1,223	732	641
Guarantee fee	(i)	CNMC	1,737	2,733	2,135

Notes:

(i) These transactions were conducted in accordance with terms of the relevant agreements.

(ii) The interest expense arose from unsecured loans from CNMC and a non-controlling shareholder of a subsidiary. Further details of the loans at each of the end of the reporting period are set out in note 24.

(iii) Details of this transaction are set out in note 19.

(iv) The finance income earned under finance leases arose from the finance leases to a fellow subsidiary. Details of the finance leases are set out in note 16.

(v) The rental expenses were conducted on terms mutually agreed.

	Note	Related parties	Year ended December 31, 2009	2010	2011
			US$'000	US$'000	US$'000
Discontinued transaction					
Sale of a hospital	(i)	Fellow subsidiary	1,638	—	—

Note:

(i) This transaction was conducted in accordance with the terms of the relevant agreement.

In addition to the above, during the Relevant Years, the Group also had the following transactions with the related parties:

(i) During the Relevant Years, apart from those disclosed above, CNMC also provided guarantees to banks, at nil consideration, for granting unsecured loans to the Group of US$180.0 million, US$234.0 million, and US$355.5 million as at December 31, 2009, 2010 and 2011, respectively. In addition, CNMC and a non-controlling shareholder of a subsidiary had provided a joint-guarantee to a bank at nil consideration for granting an unsecured loan to a subsidiary of US$80.0 million as at December 31, 2011. Further details are set out in note 24.

(ii) The details of remuneration of key management personnel, represents emoluments of directors of the Company, paid during the Relevant Years are set out in note 12.

(iii) On July 1, 2009, a subsidiary of the Company, CCS, entered into an agreement with Fifteen MCC Africa Construction & Trade Ltd. ("Fifteen MCC Africa"), a fellow subsidiary, (the "Fifteen MCC Africa Agreement") pursuant to which that subsidiary agreed to provide certain living quarters to Fifteen MCC Africa on a free of charge basis. Fifteen MCC Africa shall pay for the use of water and electricity and other expenses such as repair and any applicable tax in Zambia. The Fifteen MCC Africa Agreement shall remain for as long as CCS is in existence. As Fifteen MCC Africa provides construction as well as equipment repair and maintenance services to CCS on an ongoing basis, it requires accommodation for its staff based in Zambia.

(iv) On July 1, 2011, a subsidiary of the Company, CCS entered into a debt transfer and offset agreement with CNMC and Zambia China Economic and Trade Cooperation Zone Development Company Limited ("ZCCZ"), a fellow subsidiary, pursuant to which CCS and ZCCZ agreed to set off an amount payable to ZCCZ by CCS of US$8,877,000 against the amount receivable by CCS from ZCCZ of US$62,698,000.

Pursuant to the same agreement, CCS, CNMC and ZCCZ agreed to transfer a shareholder's loan owed by CCS to CNMC of US$39,327,000 to ZCCZ.

Immediately after the set off and the transfer of the shareholder's loan, CCS's receivable due from ZCCZ became US$14,494,000 and CCS's shareholder's loan payable to CNMC became nil. The balance of US$14,494,000 has been settled by ZCCZ during the year ended December 31, 2011 in cash.

37. MAJOR NON CASH TRANSACTIONS

(i) During the year ended December 31, 2011, the Group and a non-controlling shareholder of a subsidiary injected additional capital to Huachin amounting to US$6,250,000, in cash, and US$3,750,000, in form of property, plant and equipment. The injection of additional capital in form of property, plant and equipment is a non-cash transaction.

(ii) Pursuant to the Reorganization, the Company issued and allotted as fully paid up capital of HK$2,599,999,999 (equivalent to US$333,333,000) which comprise of 2,599,999,999 ordinary shares at HK$1.00 each to CNMD, which is a non-cash transaction.

(iii) Pursuant to the debt transfer and offset agreement entered into among CCS, CNMC and ZCCZ (Note 36 (iv)), (i) CCS and ZCCZ agreed to set off an amount payable to ZCCZ by CCS of US$8,877,000 against the amount receivable by CCS from ZCCZ of US$62,698,000; and (ii) CCS, CNMC and ZCCZ agreed to transfer a shareholder's loan owed by CCS to CNMC of US$39,327,000 to ZCCZ. They are all non-cash transactions.

38. RETIREMENT BENEFIT SCHEMES

The employees of the Group's subsidiaries in Zambia are members of the state-managed retirement benefits scheme operated by the Zambia government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. Besides, certain employees of the Group are also members of the state-managed retirement benefits scheme operated by the PRC government. The Group also contributes a certain percentage of their payroll to the retirement benefits scheme to fund the benefits.

The only obligation of the Group with respect to the aforesaid retirement benefits schemes is to make the required contributions under the schemes.

39. CONTINGENT LIABILITIES

As at the date of this report, the Group was the defendant for various claims involving alleged unfair/unlawful termination or breach of employment contracts, wrongful calculation of wages/benefits, compensation for injuries and false imprisonment and defamation. At the end of each of the Relevant Years, the Group has made relevant provision for the potential liabilities of US$300,000, US$300,000 and US$300,000, respectively (Note 23) which the directors of the Company opined is adequate based on the present assessments by the Group's legal advisers.

C. DIRECTORS' REMUNERATION

Under the arrangement currently in force, the aggregate amount of remunerations of the directors of the Company payable for the year ending December 31, 2012 is estimated to be approximately US$730,255 (excluding any discretionary bonus).

D. EVENTS AFTER THE REPORTING PERIOD

(a) In March 2012, the Group's subsidiary, SML, entered into a joint venture agreement with Huachin SPRL, a non-controlling shareholder of a subsidiary, in relation to the establishment of CNMC-Mabende Metal Leach SPRL ("CNMC-Mabende") which has yet to be established. Pursuant to the joint venture agreement, the principal business of CNMC-Mabende will involve in mining and production of copper cathodes in Congo, and SML and Huachin SPRL shall contribute US$6,000 and US$4,000 in cash, respectively, towards the capital of CNMC-Mabende and shall hold its 60% and 40% equity interest, respectively.

Besides, Huachin SPRL shall supply all ores in the Mabende mine to CNMC-Mabende and shall not supply the ores to any third party unless permitted by the shareholders' agreement or with the express written permission from SML. If Huachin SPRL sells any such ore to other parties, all the proceeds from the sale shall be paid to SML as compensation. In the event that the construction of production facilities of CNMC-Mabende is not completed within three years after the signing of the shareholders' agreement, Huachin SPRL shall have the right to supply ores not exceeding 1,500 tons of copper metal in the form of concentrate per month to third parties until the construction of production facilities of CNMC-Mabende is completed and put into production; and Huachin SPRL shall, at the expiry of the mining outsourcing contract involving the Mabende mine, transfer the resources of the mine (including but not limited to the surface right and mining right) to CNMC-Mabende according to a valuation conducted by independent organization appointed by both shareholders.

(b) In March 2012, the board of directors of SML resolved the appropriation of dividend of US$10 million for the approval in the forthcoming shareholders' meeting.

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the companies comprising the Group have been prepared in respect of any period subsequent to December 31, 2011.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong