HUNAN NONFERROUS METALS CORP., LTD.

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

(Stock Code: 02626)

ANNUAL REPORT 2012

CONTENTS

SUMMARY OF FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December				
	2008 (RMB'000)	2009 (RMB'000) (Restated)	2010 (RMB'000)	2011 (RMB'000)	**2012 (RMB'000)**
CONTINUING OPERATIONS					
REVENUE	15,588,436	18,038,751	21,594,348	24,546,146	**26,591,821**
Cost of sales	(14,003,659)	(16,661,431)	(19,345,755)	(22,032,228)	**(24,812,695)**
Gross profit	1,584,777	1,377,320	2,248,593	2,513,918	**1,779,126**
Other income	316,759	155,755	264,091	321,996	**453,228**
Selling and distribution costs	(356,567)	(311,670)	(403,236)	(437,233)	**(411,896)**
Administrative expenses	(1,282,889)	(882,115)	(1,019,583)	(1,373,058)	**(1,236,664)**
Other expenses, net	(386,763)	(38,045)	(48,267)	(87,311)	**(63,151)**
Impairment of intangible assets	—	—	—	(10,000)	**—**
Impairment of property, plant and equipment	—	(122,014)	(209,316)	(154,499)	**(51,913)**
(Provision for)/reversal of impairment of trade and other receivables	(20,355)	(10,555)	(66,953)	(38,580)	**19,511**
Finance income	62,530	43,883	55,965	88,883	**30,372**
Finance costs	(441,226)	(454,354)	(586,451)	(684,295)	**(790,640)**
Share of profits/(losses) of associates	46	(3,916)	2,597	12,344	**(2,616)**
(LOSS)/PROFIT BEFORE TAX	(523,688)	(245,711)	237,440	152,165	**(274,643)**
Income tax expense	(132,664)	(67,051)	(95,572)	(193,228)	**(129,049)**
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	(656,352)	(312,762)	141,868	(41,063)	**(403,692)**
DISCONTINUING OPERATIONS					
Profit for the year from discontinuing operations	—	—	—	—	**—**
NET (LOSS)/PROFIT FOR THE YEAR	(656,352)	(312,762)	141,868	(41,063)	**(403,692)**
Attributable to:					
Owners of the Company	(739,517)	(378,522)	12,239	293,399	**6,602**
Non-controlling interests	83,165	65,760	129,629	(334,462)	**(410,294)**
	(656,352)	(312,762)	141,868	(41,063)	**(403,692)**

EXTRACTS FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2008 (RMB'000) (Restated)	2009 (RMB'000) (Restated)	2010 (RMB'000)	2011 (RMB'000)	**2012 (RMB'000)**
Total non-current assets	9,724,774	10,905,096	11,485,668	12,096,736	**12,688,127**
Total current assets	8,648,631	10,038,664	10,255,346	11,522,600	**10,896,207**
Total assets	18,373,405	20,943,760	21,741,014	23,619,336	**23,584,334**
Total current liabilities	7,295,300	7,153,254	10,358,956	13,686,559	**12,772,555**
Total non-current liabilities	4,415,862	7,308,662	4,879,425	4,051,058	**5,510,702**
Equity attributable to owners of the Company	4,579,755	4,309,990	4,268,632	4,319,386	**4,298,524**
Non-controlling interests	2,082,488	2,171,854	2,234,001	1,562,333	**1,002,553**
Total equity	6,662,243	6,481,844	6,502,633	5,881,719	**5,301,077**

CORPORATE INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 290 Laodongxi Road
Changsha City, Hunan, the PRC
(410015)

PLACE OF BUSINESS IN HONG KONG

6/F Nexxus Building, 41
Connaught Road Central,
Central, Hong Kong

LEGAL REPRESENTATIVE

Li Fuli

AUTHORISED REPRESENTATIVES

Liao Luhai
Lam Kai Yeung

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Lam Kai Yeung

DEPARTMENT FOR CORPORATE INFORMATION AND INQUIRY

Finance and Securities Department

CORPORATE INFORMATION AND INQUIRY HOTLINE

(86) 731 85385556

H SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK EXCHANGE

The Stock Exchange of Hong Kong Limited

STOCK NAME

Hunan Nonferrous Metals Corporation Limited (HNC)

STOCK CODE

02626

PRINCIPAL BANKERS

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

AUDITORS

Hong Kong:
Baker Tilly Hong Kong Limited

Mainland China:
Baker Tilly China Certified Public Accountants

LEGAL ADVISORS

As to Hong Kong law:
DLA Piper

As to PRC law:
Jia Yuan Law Firm

CORPORATE PROFILE

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

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

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

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Li Fuli (李福利), aged 47, is currently the executive Director, the chairman of the Board and the Chairman of the board of directors of HNG.

Mr. Li graduated from the Financial Accounting Department of Renmin University of China in 1988, and obtained an EMBA degree from Cheung Kong Graduate School of Business in June 2006. Mr. Li served as an accountant of the finance department of South-west Resources United Company (西南能源聯合開發公司) under China International Trust Investment Corporation from August 1988 to January 1991. From January 1991 to December 1994, Mr. Li worked in the finance department of China Minmetals Corporation Metals & Minerals Import and Export Corporation (中國五金礦產進出口總公司) (renamed as China Minmetals Corporation (中國五礦集團公司) in January 2004, hereinafter referred to as "Minmetals Corp."). From December 1994 to April 1997, Mr. Li was the vice general manager of Minmetals Finance Co. Ltd. of China National Metals and Minerals Import and Export Corporation. From April 1997 to January 2008, Mr. Li was the general manager of Minmetals Finance Co. Ltd. He was also the vice general manager of the Finance Branch of Minmetals Corp. from October 2001 to March 2002. From March 2002 to July 2005, Mr. Li was the vice general manager of Minmetals Investment & Development Co. Ltd. of Minmetals Corp. and was the general manager from July 2005 to April 2009. From June 2007 to October 2008, he was the assistant to president of China Minmetals Corporation. Mr. Li has been the vice president of China Minmetals Corporation since October 2008 and has been the director and vice general manager of China Minmetals Corporation Limited since December 2010. Mr. Li has extensive experience in corporate finance, financial management and strategic investment.

Li Li (李立), aged 49, is currently the executive Director and general manager of the Company. He is a senior administrator (高級政工師).

Mr. Li graduated from Zhuzhou Metallurgy Industrial School (株洲冶金工業學校) in 1982 and received his bachelor's degree in industrial automation from Central South University of Technology (中南工業學校) in 1989. From October 1996 to June 1997, he attended the Hunan Provincial Party Committee School (湖南省委黨校). Mr. Li studied economic law at postgraduate level from September 1999 to July 2001, during which period he also participated in a senior executive training program organised by the China National Nonferrous Metals Corporation ("CNNC") at the University of Maryland in the United States. He holds an Executive Master of Business Administration for Senior Management at Hunan University. Mr. Li worked at Zhuzhou Cemented Carbides Group Co., Ltd. ("Zhuying") (and its predecessors) from July 1982 to September 2004 in various positions. From January 1998 to June 2002, he was a deputy secretary and secretary of the party committee of the Zhuying Plant. From June 2002 to September 2004, Mr. Li was the party secretary and deputy chairman of Zhuying. He served as a member of party committee and the deputy general manager of HNG from September 2004 to August 2005. Since September 2005, Mr. Li has been an executive director and general manager of the company. Since November 2010, Mr. Li served as a member of party committee of HNG.

Liao Luhai (廖魯海), aged 42, is currently the executive Director, deputy general manager of the Company and secretary of the Board. He is a senior economist.

Mr. Liao graduated in July 1992 from the Department of Exploration, China University of Petroleum (East China) with a bachelor's degree in engineering in oil geology and exploration. He received his master of engineering degree in geology and exploration of coal fields, petroleum and natural gas (煤田油汽地質與勘探) in July 1995 from China University of Petroleum (Beijing) (中國石油大學) where he also obtained a doctoral degree in mine exploration of management engineering in July 1998. Prior to joining HNG, Mr. Liao served as an officer and division head at China Development Bank from July 1998 to February 2005 and successively engaged in credit, project evaluation, the central enterprise group consolidated financial services, etc. From March 2005 to August 2005, Mr. Liao served as the deputy general manager of HNG. From August to November 2005 to November 2010, Mr.Liao Mr. Liao served as a member of party group of HNG and the executive director, deputy general manager and secretary of the Board of the Company. Since November 2010, Mr. Liao served as a member of party committee of HNG and the executive director, deputy general manager and secretary of the Board of the Company.

Guo Wenzhong (郭文忠), aged 50, is currently the executive Director and financial controller of the Company.

Mr. Guo graduated from Zhejiang Yejin Economic Professional School (now renamed as Jiaxing University) in 1985 with a major in Finance and Accounting, and graduated from Hunan Administration Institute with a bachelor degree in Laws in December 2004. He is a senior accountant, a member of the Chinese Institute of Certified Public Accountants and a Senior International Finance Manager.

Prior to joining the Company, Mr. Guo worked in the financial department of the China Nonferrous Metals Industry Corporation from August 1985 to April 1988. From April 1988 to October 1997, he was the accountant in charge and the manager of the financial department of the China Nonferrous Metals Import and Export Company, in which from June 1989 to September 1989 and from January 1995 to July 1996, he was assigned to be the financial manager of Hunan Metals Company Limited in Hong Kong twice. From October 1997 to April 2002, Mr. Guo was the deputy general manager and general manager of Hunan Nonferrous Metals Enterprise Finance Company ("HNME Finance"). From April 2002 to September 2004, Mr. Guo was the general manager of Hunan Nonferrous Investment Company Limited. From October 2002 to September 2004, Mr. Guo also acted as the researcher of Hunan Nonferrous Metals Industry Company ("HNMC"). Mr. Guo was the manager of the audit and legal department of Hunan Nonferrous Metals Holding Group Company Limited. From September 2004 to September 2005. From September 2005 to July 2006, Mr. Guo was the manager of the financial department of the Company. From July 2006 to November 2010, Mr. Guo was the deputy financial controller and manager of the financial department of the Company. From November 2010 to February 2012, Mr. Guo was an executive director, the financial controller and manager of the financial department of the Company. Since February 2012, Mr. Guo is an executive director, the financial controller of the Company.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Cao Xiuyun (曹修運), aged 51, is currently the non-executive Director, the vice chairman of the Board and the general manager of HNG. He is a professor and senior engineer.

Mr. Cao received his master's degree in engineering from Central South University of Technology in 1989. He gained extensive experience in quality control and research and development in the nonferrous metal industry when he was working for Zhuzhou Smelter Group Co., Ltd. ("Zhuye") (and its predecessors) and CNNCCS between 1992 and 2004. He was in charge of quality control, environmental protection, energy technology and management at Zhuye. Mr. Cao studied and conducted research at Mitsubishi Materials Group in Japan in 1990 and 1991. From February 1992 to August 2004, Mr. Cao served in various executive positions, such as a deputy chief of a zinc roasting plant and the head of a leaching plant, a deputy head of Zhuye, a director, a deputy general manager and the general manager of Hunan Zhuye Torch Metals Co., Ltd. ("Zhuye Torch") and a director and the general manager of Zhuye. Since August 2004, Mr. Cao has been a Director, deputy secretary of party committee and the general manager of HNG. Since September 2005, Mr. Cao served as the vice chairman of the Company. Since November 2010, Mr. Cao served as the managing director and the deputy secretary of HNG. Since July 2012, Mr. Cao also served as Chairman of Zhuye and its holding company.

Huang Guoping (黃國平), aged 50, is currently the non-executive Director. He is also the executive director and the Secretary of the party committee of HNG, and the Deputy General Manager of HNG responsible for General Affairs. He graduated from Central South Institute of Mining and Metallurgy in July 1983 with a major in Nonferrous Metals Metallurgy. In 1997, Mr. Huang graduated from Renmin University of China with a major in Political Economy and obtains post graduate certificate of Education.

Mr. Huang joined the workforce in 1983. From August 1983 to January 1993, he had worked in production department of the head office of China National Nonferrous Metals Industrial Corporation and Lead and Zinc Bureau of China Nonferrous Metals Industry Corporation before he joined China Minmentals Corporation. From January 1993 to January 1997, Mr. Huang was the Department Manager of Department One of Jinpeng Nonferrous Metals Mining Development Corporation. From January 1997 to January 1998, Mr. Huang was the head of the lead and zinc department of China National Nonferrous Metals Industry Trading Group Corporation. From January 1998 to December 2000, Mr. Huang was the deputy division head of Lead and Zinc Division of China National Nonferrous Metals Industry Trading Group Corporation.

In December 2000, Mr. Huang joined the head office of China Minmentals Corporation, and he was the deputy general manager of the zinc and lead department China National Nonferrous Metals Industry Trading Group Corporation of the head office of China Minmentals Corporation from December 2000 to April 2002. From October 2002 to October 2004, Mr. Huang was the general manager of the aluminum department of China Minmetals Non-Ferrous Metals Co. Ltd. as well as the person in charge of the project in Nandan county of Guangxi province. Since October 2004, Mr. Huang has been the deputy general manager of China Minmetals Non-Ferrous Metals Co. Ltd.. Since August 2010, Mr. Huang act as the Executive Director and the Secretary of the party committee of HNG, and the Deputy General Manager of HNG responsible for General Affairs with effect from December 2010.

Chen Zhixin (陳志新), aged 57, is currently the non-executive Director. He is a senior accountant and a member of the Chinese Institute of Certified Public Accountants.

Mr. Chen graduated from Hubei University of Finance and Economics with a major in industrial accounting. Prior to joining HNG in August 2004, Mr. Chen served as head of the finance departments of Hunan Nonferrous Labor Protection Research Institute and CNNCCS. From February 2001 to November 2002, Mr. Chen was the head of finance division of HNMC. From December 2002 to November 2004, Mr. Chen was the deputy chief accountant and head of the finance division of HNMC. He was primarily responsible for the financial and accounting matters concerning the entities under the management of HNMC, which include our five operating centers. From December 2004 to February 2006, Mr. Chen joined HNG as a member of party committee and chief accountant. He was in charge of financial matters and supervised areas such as asset management, accounting and fund raising activities. Since the establishment of HNC on March 2006 to November 2010, Mr. Chen has been a member of party committee of HNG, our Executive Director, deputy general manager and financial controller. He is a member of party group, Director, deputy general manager and financial controller of HNG from November 2010.

Zou Jian (鄒健), aged 41, has been our non-executive Director since March 2009.

Mr. Zou is an economist. Mr. Zou graduated from the Department of World Economics of Fudan University in 1993. From July 1993 to March 2000, he worked for the business department of the Shenzhen branch of Bank of China(中國銀行深圳分行). From March 2000 to June 2005, he worked for the asset resources department of the Shenzhen office of China Oriental Assets Management Company (中國東方資產管理公司深圳辦事處). From July 2005 to date, he has been working for the trading services department and investment banking department of Bangxin Assets Management Co., Ltd (邦信資產管理有限公司). Mr. Zou's office expired on 29 May 2012.

Lu Yuanjing (陸源京), aged 47, is nominated as a non-executive Director with effect from 29 May 2012. Mr. Lu is a member of the Communist Party. He received a master's degree in Management and is a senior economist. Mr. Lu started his career in 1984 and he served as a senior management, deputy officer, officer, deputy director and director of Changsha Public Security Bureau, Hunan Branch of Bank of China, Changsha office of China Orient Asset Management Corporation and Bangxin Asset Management Co., Ltd. respectively. Currently, he is working as a person in charge of Hunan office of Bangxin Asset Management Co., Ltd., a wholly-owned subsidiary of China Orient Asset Management Corporation, and is responsible for the management of the office. Mr. Lu resigned as the non-executive Director on 30 January 2013 and was replace by Mr. Yang Guang, for details please refer to the announcement made by the Company on that date.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Kang Yi (康義), aged 73, is currently an independent non-executive Director.

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

Gu Desheng (古德生), aged 75, is currently an independent non-executive Director.

Mr. Gu is a professor and an academic adviser to Ph.D. students at Central South University. Mr. Gu graduated from Central South University in July 1960 and joined the faculty thereafter as a professor and academic adviser to its Ph.D. students, department head, head of the research institute and a member of the degree-awarding committee (校學位委員會) and has been teaching to date. In 1995, Mr. Gu became a fellow of the Chinese Academy of Engineering. Mr. Gu received the first prize in the National Technology Advancement Award (國家科技進步一等獎), two second prizes of National Technological Advancement Awards, and the State Major Technology Contribution and Breakthrough Award (國家重大科技攻關突出貢獻獎). He has published more than 130 professional articles worldwide. Mr. Gu was a committee member of the 9th and 10th National Committee of the Chinese People's Political Consultative Conference (全國政協第九、第十屆委員會) and a member of the Evaluation Committee of the National Natural Science Foundation (國家自然科學基金). Mr. Gu also serves as consultant and independent director of various companies and holds four patents.

Chen Xiaohong (陳曉紅), aged 49, is currently an independent non-executive Director.

Ms. Chen is a professor and an academic adviser to Ph.D. students, having obtained a doctorate degree from Tokyo Institute of Technology. Ms. Chen is now an assistant to the Principal and Dean of Business School at Central South University, and is also the Dean of institute of two-style Social Sciences Research (兩型社會研究院) of Central South University, chairman of the academic professor's committee (學術委員會), and the vice president of the Society of Management of China (中國管理學會). Ms. Chen is also an economic consultant in the government sector and acts as an independent director of many large-scale enterprises and listed companies.

Ms. Chen has received numerous awards, including the grant from the "National Outstanding Young Scientist Fund" (國家傑出青年科學基金), the "Out standing Social Scientist of China" (中國傑出社會科學家), the "National Outstanding Teacher" (全國優秀教師) and the "Award of Outstanding Teacher of High Education" (高校青年教師獎) and the"Fok Ying Tung Education Fund — National Outstanding Young Teachers (Research)", "Outstanding Individual of Younger Generation in Hunan Province" and "Outstanding Economists in Hunan Province". The State Council of PRC has granted Ms Chen a special allowance based on her expertise in her field since 1998.

Wan Ten Lap (溫天納), aged 43, is currently an independent non-executive Director. He is an expert in finance and investment banking, serving as the Vice Chairman of CUAA Finance Association, a committee member of Hong Kong Securities Institute and the Managing Director of investment banking business of China Merchants Securities (HK) Limited. He previously serve as chair professor (講座教授) at the School of Business of Renmin University of China (中國人民大學商學院) and was the founding managing director of BOCOM International. He is a registered officer under the SFC and a member of the Hong Kong Securities Institute. Mr. Wan has been repeatedly appointed by Hong Kong Securities Institute as a working group member for the Ad Hoc Working Group in relation to the papers on the licensing examination for the securities and futures intermediaries on the basis of his substantial knowledge and expertise in financial markets and the corresponding practices in Hong Kong. Mr. Wan graduated from the London School of Economics and Political Science with a master's degree in international accounting and finance. He joined the corporate finance department of Standard Chartered Asia Limited in 1993, and then joined Creditanstalt Group as an associate director in 1996. Mr. Wan later joined Sun Hung Kai International Limited as a director in 1998. Mr. Wan specialised in corporate financing, mergers and acquisitions, restructurings and insolvencies before he assisted in the establishment of BOCOM International in 2004.

Choi Man Chau, Michael (蔡文洲), aged 56, is currently an independent non-executive Director.

Mr. Choi is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. He is a practising Certified Public Accountant. Mr. Choi is also an independent non-executive director of Oriental Watch Holdings Limited which is listed on the main board of the Stock Exchange of Hong Kong Limited. Mr. Choi was previously an independent non-executive director of Simsen International Corporation Limited and Dynamic Energy Holdings Limited.

SUPERVISORS

Shareholders' Representative Supervisors

Jin Liangshou (金良壽), aged 55, is currently a shareholders' representative Supervisor and the chairman of the Supervisory Committee. He is a senior accountant, a member of the Chinese Institute of Certified Public Accountants, and a Certified Public Valuer in the PRC as well as a Senior International Finance Manager.

Mr. Jin graduated from Zhuzhou Metallurgy Industrial School in July 1981. Mr. Jin studied in the Acconting Department of Cental China Finance University from May 1984 to September 1989 and obtained a bachelor's degree. From July 1981 to July 1986, Mr. Jin worked in various positions at Zhuzhou Cemented Carbides Group Co., Ltd. ("Zhuzhou") including the capital department manager, assistant to the manager (at deputy level), the deputy manager and the manager of the department of finance. From July 1994 to July 1998, Mr. Jin was the manager of the department of finance of Zhuzhou. From December 1997 to December 2002, he was appointed to HNMC to serve as deputy general manager of HNMC Finance and general manager of Shenzhen Securities business department. Between January 2003 and August 2004, Mr. Jin was a researcher at HNMC and the deputy general manager and general manager of HNME Finance. Mr. Jin joined HNG in August 2004. From October 2004 to July 2006, Mr.Jin is the department head of the finance department of HNG. From July 2006 to November 2010, Mr Jin was the deputy finance controller of HNG and the manager of Finance department. Mr Jin is the assistant to the general manager from November 2011 until now.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

He Hongsen (賀洪森), aged 52, is currently a shareholders' representative Supervisor and a deputy general manager of HNG.

Mr. He graduated from the Central Party School in December 1995. Prior to joining HNG, Mr. He served in various positions in the Hunan provincial government. From March 1993 to August 1997, Mr. He was the office assistant director of working committee of Hunan Province, business department vice-minister, the assistant department head of Industry Department of Hunan provincial planning department. From September 1997 to July 2004, Mr. He was the deputy secretary and later deputy chairman (office level) of labor organization of Hunan Province, the department head of organization and propaganda department of industrial working committee of Hunan provincial party, poverty relief work team group leader, department head of propaganda and public working department of the Hunan Provincial State-owned Assets Supervision and Administration Commission and was granted class two merit citation one time. Since August 2004, Mr. He has been a member of the Party Committee of HNG, secretary of the discipline inspection commission, the chairman of the labour union,as well as the secretary to the Party Committee, Deputy Chairman and thehead of the liquidation team of Shuikoushan Group (水口山集團). From April 2009 to November 2010, Mr. He served as a member of party group and deputy general manager of HNG. Since November 2010, Mr. He served as a member of party committee and deputy general manager of HNG.

Chen Hui (陳輝), aged 43, is currently a shareholders' representative Supervisor. Mr. Chen is a member of the Chinese Institute of Certified Public Accountants. He graduated from The University of International Business & Economics in July 1992 with a major in International Finance.

Mr. Chen Hui jointed the workforce in 1992. From August 1992 to October 1997, he worked in China Minernals Import and export company of China Minmetals Corp. From October 1997 to July 1999, Mr. Chen was the deputy manager of financial department of China Minernals Import and export company of China Minmetals Corp. From July 1999 to April 2000, Mr. Chen was the department manager of financial department of China Minernals Import and export company of China Minmetals Corp. From April 2000 to May 2001, Mr. Chen was the accounting manager of financial department of China Minmetals Corporation. From May 2001 to November 2002, he was the assistant of general manager of financial department of Minmetals Development Co., Ltd. From November 2002 to November 2010, he was the deputy general manager of financial department of China Minmetals Corporation. Mr. Chen is the deputy financial controller and department head of Financial and Assets Department of HNG since November 2010. Currently, Mr. Chen also served as a director of Zhuzhou Smelter Group Co., Ltd.

Liu Xiaochu (劉曉初), aged 67, is currently a shareholders' representative Supervisor of the Company.

Mr. Liu graduated from Fuzhou University in July 1982. Mr. Liu was previously an officer, deputy manager and manager of the Economic System Reform Committee in Fujian Province. Before August 2000, he was the director and deputy chief executive of Newhuadu Industrial Group Co. Ltd. Mr. Liu was appointed the vice chairman of Zijin Mining Group Co. Ltd. from August 2000 to March 2012.

INDEPENDENT SUPERVISORS

Liu Dongrong (劉冬榮), aged 71, is currently an independent Supervisor.

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

Ms. Liu is an expert enjoying a special allowance granted by the State Council.

Xiao Yinong (肖亦農), aged 45, his office expired on 29 May 2012. Mr.Xiao graduated from East China Normal University in July 1990 with a major in Mathematics and Statistics, and acquired a Master's Degree in Public Administration from National University of Defense Technology in June 2004.

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

Fan Haiyong (樊海勇), aged 47, is an independent Supervisor with effect since 29 May 2012.

Mr. Fan is a member of the Communist Party. He received an postgraduate degree from Central Party School and is a senior accountant. Mr. Fan started his career in July 1984. He served as an accountant in Finance Department of Building Materials Industry Bureau from July 1984 to September 1989 and served as the deputy director of Audit department of Building Materials Industry Bureau from September 1989 to March 1992. He was appointed as the financial officer of trade center of Building Materials Industry Bureau from March 1992 to March 1994. Mr. Fan served as an officer and deputy director of Finance and Assets Department of Building Materials Industry Bureau from March 1994 to January 2002. From January 2002 to March 2005, he was appointed as a deputy director and director of five representative offices of the Office of the Board of Supervisors of State-owned Enterprises and an officer of six representative offices of the Office of the Board of Supervisors of State-owned Enterprises from March 2005 to October 2008. After that, he was appointed as an officer of four representative offices of the Office of the Board of Supervisors of State-owned Enterprisers from October 2008 to 2010. Since October 2011, Mr. Fan has served as a director of four representative offices of the Office of the Board of Supervisors of State-owned Enterprises and an officer of the Office of Supervisors of Hunan Nonferrous Metals Industry Corporation.

EMPLOYEES' REPRESENTATIVE SUPERVISORS

Hou Xiaohong (侯曉鴻), aged 42, is currently an employees' representative Supervisor. He is a senior engineer and senior economist.

Mr. Hou graduated from Central South University with a major in geological and mining exploration and obtained a bachelor degree of engineering in July 1992. He was a candidate of MBA advanced studies in Central South University from February 1993 to March 1995. He graduated from Central South University and obtained a master degree of engineering with a major of geophysical prospecting research in May 1995 and a doctorate degree of management with a major of business administration in July 1999. He graduated from Fudan University with a major of applied economics and obtained a post-doctoral certificate of applied economics in 2004. Prior to joining the Company, he worked as a marketing manager and assistant of general manager in a subsidiary of Hunan foreign construction Group Company (湖南對外建設總公司) from July 1995 to August 1996. He worked for the General Office of Hunan Provincial Committee from August 1999 to July 2002, and worked for Shanghai Futures Exchange in August 2002. He served as chief analyst in Tai Yang Future Agent Company (泰陽期貨經紀公司) in 2005 and vice general chairman of Hunan Tali Engineering Machinery Co., Ltd (湖南天立工程機械公司) in 2006. He joined the Company in July 2009 and worked for the Finance and Securities Department of Hunan Nonferrous Metals Corporation Limited as senior officer from July 2009 to November 2010. He worked as the vice director of the Secretariat Office and was in charge of the Secretariat Office of the Company from November 2010 to November 2011. He has been the head of the Finance and Securities Department of the Company since November 2011.

He Guoxin (何國新), aged 45, is currently an employees' representative Supervisor. Mr. He started his career in July 1992. He received a postgraduate degree and is a senior engineer. From July 1992 to December 1997, he worked as a team leader of scientific research of Zhuzhou Cemented Carbides Technical Center (株洲硬質合金技術中心) (formerly Zhuzhou Cemented Carbides Technical Institute). From December 1997 to December 2001, he served as an assistant to the director, deputy director and an officer of research administration office of the Fine Ceramics Institute of Zhuzhou Cemented Carbides Technical Center (株洲硬質合金技術中心精密陶瓷研究所). He worked as a deputy manager of Model and Material Department (型材事業部) in Zhuzhou Cemented Cabrides Plant from December 2001 to December 2002. Mr. He served as a team leader of the project of mixture technical innovation (混合料技改項目) of Zhuzhou Cemented Carbides Group Co., Ltd. from December 2002 to December 2003. From December 2003 to April 2005, he worked as an officer of the technical innovation infrastructure office, the secretary of sub-department and a team leader of the project of mixture technical innovation of Zhouzhou Cemented Carbides Group Co., Ltd. He also served as the director of technology department, the secretary of sub-department, the director of engineering department, the secretary of sub-department, an officer of director of technical center, an officer of technical innovation office, the executive vice chairman of association of science and a team leader of the project of mixture technical innovation of Zhouzhou Cemented Carbides Group Co., Ltd. from April 2005 to December 2005. From December 2005 to July 2006, Mr. He was appointed as a general manager of Tungsten and Molybdenum Department (鎢鉬事業部) and the secretary of Party Committee of Zhouzhou Cemented Carbides Group Co., Ltd. From July 2006 to December 2009, he served as a director of Corporate Development Department (企業發展部) and the secretary of sub-department of Zhouzhou Cemented Carbides Group Co., Ltd. He was also appointed as the senior management of Sustainable Development Department (持續發展部) of Hunan Nonferrous Metals Corp., Ltd. from December 2009 to December 2010 and was responsible for the operation of the Company. From December 2010 to October 2011, he served as the deputy director of Supervision and Audit Department of the Company. From November 2011 to September 2012, Mr. He has served as an officer of secretary office of Hunan Nonferrous Metal Corp., Ltd. Since September 2012, Mr. He served as director of Corporate Planning and Development Department of the Company.

Xu Xiaoyan (許小燕), aged 50, is currently an employees' representative Supervisor. Ms. Xu is a member of Chinese Institute of Certified Public Accountants and a senior International Finance Manager.

Ms. Xu graduated from Hunan Commerce institute and major in commercial finance accounting on June 1982. Ms. Xu started her career in July 1982. She received an undergraduate degree and is a Certified Public Accountant of PRC and a Senior International Finance Manager. Ms. Xu served as an accountant in charge in Hengyang City Food Company from July 1982 to November 1985 and worked as an accountant, vice director and director of Accounting Department of CNNCCS from December 1985 to February 2001. From March 2001 to October 2004, she was appointed as the deputy director of Hunan Nonferrous Metals Industry Corporation. Ms. Xu served as the deputy director of Finance and Assets Department of HNG from October 2004 to September 2005. After that, she served as the senior management of Finance and Assets Department of the Company from September 2005 to October 2011. Since October 2011, she has served as the deputy director of Supervision and Audit Department of the Company.

OTHER SENIOR MANAGEMENT

Hong Mingyang (洪明洋), aged 55, is a deputy general manager of the company. He joined the workforce in August 1980 after tertiary education. Mr. Hong is a senior engineer, a senior economist, a registered safety adviser and the deputy Chairman of China Tungsten Industry Association. Mr. Hong received honourable titles such as the Top Ten Outstanding Contribution Entrepreneurs of Chenzhou City (郴州市十大突出貢獻企業家) and Ten Best Ideological and Political Workers of Hunan Province (湖南省十佳思想政治工作者).

From March 1978 to August 1980, Mr. Hong studied in Changsha Nonferrous Metals Industrial School. From August 1980 to August 1982, Mr. Hong studied in Central South Mineral Sciences and Metallurgy School. From August 1982 to July 1984, Mr. Hong served as the director and assistant engineer in Shizhu Yuan Multi-Metals Mine in Hunan. From July 1984 to February 2000, Mr. Hong served at Shizhu Yuan as Communist Young League Committee secretary, stope officer, officer and secretary of an ore processing plant, mine branch officer, deputy general manager of a developmental company, officer of the sales department and general manager of an import and export company. From February 2000 to May 2002, Mr. Hong was the deputy officer of Shizhu Yuan Nonferrous Metals Mine in Hunan, deputy general manager and financial controller of Hunan Shizhu Yuan Nonferrous Metals Co, Ltd. (during that period, Mr. Hong was engaged in the economic management professional course organised by the Central Party School). From May 2002 to November 2007, Mr. Hong served as the director and party committee secretary of Hunan Shizhu Yuan Nonferrous Metals Co, Ltd. Mr. Hong was appointed as the deputy manager on 21 December 2007. Since December 2010, Mr. Hong served as a member of party committee of HNG.

Sheng Zhongjie (盛忠傑), aged 51, is a deputy general manager of the company. He received his bachelor of engineering degree in mine selection at the mineral engineering department (礦物工程系選礦專業) of Central South University of Technology (中南工業大學) in August 1982. He was a postgraduate student of mineral engineering mathematical model (礦物工程數學模型) in Changsha Research Institute of Mining and Metallurgy (長沙礦冶研究院) of the Ministry of Metallurgical Industry from August 1985 to June 1988 and received his master of engineering degree in June 1988.

From August 1982 to August 1985, Mr. Sheng Zhongjie worked for the tungsten mine in Yaogangxian, Hunan Province and was responsible for technology management, engineering project design and construction management. From June 1988 to October 1990, he worked for research projects of Changsha Research Institute of Mining and Metallurgy (長沙礦冶研究院) of the Ministry of Metallurgical Industry. From October 1990 to October 2004, he served in the planning department, the planning and technology department and the corporate reform and development department of China Nonferrous Metals Industry Company Limited (Changsha Branch) (中國有色金屬工業長沙公司) (now known as Hunan Nonferrous Metals Industry Company Limited (湖南有色金屬工業總公司) and was responsible for the management of planning, investment, scientific research, technological reform, reorganisation and system restructuring. He served as the deputy director of the planning and technology department in 1997 and served as director of the corporate reform and development department in 2001. From October 2004 to June 2006, he served as director of the scientific and technological industry department and the investment planning department of HNG. Form June 2006 to February 2009, Mr.Sheng was appointed as the deputy chief engineer and director of the investment planning department of Hunan Nonferrous Metals Group Corporation Limited. He was appointed as the deputy general manager on 26 February 2009. Since January 2012, Mr.Sheng served as a member of party committee of HNG.

Lam Kai Yeung (林繼陽), aged 43, has been the company secretary and qualified accountant of the Company since joining the Group in July 2006. He also served as the chief financial officer of Hunan Nonferrous Metals Jinsheng Development Co., Ltd which is a Hong Kong subsidiary of HNG. Mr. Lam is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. Mr. Lam holds a Master Degree in Business Administration from Oxford Brookes University in the United Kingdom.

Dear Shareholders,

I hereby present the report of Hunan Nonferrous Metals Corporation Limited ("HNC" or the "Company") and the report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012. On behalf of the board of directors and all the employees of the Company, I would like to express our sincere gratitude to all our shareholders for the care and support given to the Group.

RESULTS AND DIVIDEND

In 2012, the turnover of the Group was RMB26,592 million, representing an increase of 8.34% as compared to 2011. The profit attributable to equity holders of the parent was RMB6.6 million (2011: RMB293 million). The basic earnings per share of the Group was RMB0.18 cents. The board of directors does not recommend the payment of dividend for the twelve months ended 31 December 2012 (2011: Nil).

BUSINESS REVIEW

In 2012, under the impact of the hesitant recovery in major developed economies such as Europe, the U.S. and Japan, and a slowdown in growth in emerging economies represented by the PRC, the demand for nonferrous metals was weak. Due to further narrowing in the difference between the sale and purchase prices of lead and zinc products of the Group, fluctuant prices of tungsten, antimony and cemented carbide products, rising costs of various essential production materials, as well as a sharp decline in the sales volume of some of our major products as compared to the corresponding period last year , the Group experienced a drastic drop in gross profit. Facing the severe conditions and challenges, the Group took timely and decisive measures with an aim to cut losses and make profit, and reduce costs and improve efficiency. Particularly, we reduced our costs, general expenses and the proportion of our three major expense items, enhanced our productivity and efficiency as well as accelerated our projects in progress ("three decreases, two increases and one acceleration") while in the meantime, without compromising safety and environment protection. Following such measures, we basically turned around the unfavorable situation in which the results continued to slide since the first half year and maintained orderly operations.

During the reporting period of 2012, the Group's production of zinc was 498,900 tonnes, representing a decrease of 6.53% as compared with the corresponding period last year; production of lead was 85,800 tonnes, representing an increase of 9.17% as compared with the corresponding period last year; production of antimony was 35,600 tonnes, representing an increase of 4.68% as compared with the corresponding period last year; production of cemented carbides was 7,747 tonnes, representing a decrease of 4.77% as compared with the corresponding period last year; production of tungsten concentrates was 9,279 tonnes, representing an increase of 7.07% as compared with the corresponding period last year; production of lead concentrates was 11,084 tonnes, representing an increase of 10.84% as compared with the corresponding period last year; production of zinc concentrates was 22,523 tonnes, representing an increase of 4.71% as compared with the corresponding period last year; production of antimony concentrates was 14,683 tonnes, representing a decrease of 4.45% as compared with the corresponding period last year.

CHAIRMAN’S STATEMENT

During the reporting period of 2012, the Group focused on improving safety management and eliminating environmental hazards to deepen our commitment to safety and environmental protection. Particularly, four mining enterprises passed inspection and acceptance of mine safety standards with Level 3 or above, five enterprises engaging in production activities passed auditing and certification by third parties in HSE system, 22 material environmental hazards were rectified, further solidifying the foundation for the Company to carry out its production in a safe and environmental friendly manner.

During the reporting period of 2012, the Group timely adjusted its operation strategy in response to changes in the market to strengthen its production organization and optimize its product mix. Although the total production of major products basically remained the same as compared to last year, the proportion of the production of advantageous products and profitable products increased significantly as compared with the corresponding period last year. Our mining enterprises basically completed our production enhancement plan during the year by strengthening on-site management, reducing the rate of dilution and rate of loss, improving the output grade, and actively promoting the application of new technologies and new processes to improve the processing capacity, rate of recovery and concentrate grade.

During the reporting period of 2012, the Group followed through on its plan of “three decreases and two increases” and strengthened its cost management and reduced controllable expenses, and made “three decreases and two increases” as one of the performance indicators when evaluating the performance of its subsidiaries and branches. The Group convened routine monthly financial analysis meetings and bi-monthly operations meetings to help its subsidiaries and branches assess their deviation from the management indicators and recommended corresponding and timely corrective measures. Notable improvements cost reduction and efficiency enhancement were achieved during the year.

During the reporting period of 2012, the Group’s proprietary innovation capability was further enhanced. The construction of innovation platforms including the key national cemented carbide laboratory made solid progress, and Zhuying and Hsikwangshan national certified enterprise technology centres successfully passed national evaluation. The Group undertook 17 national projects in total and applied for 146 patents, of which 143 were granted.

MARKET REVIEW

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

Tungsten Market

Domestically, affected by weak market demand, the price of tungsten continued to decline through the first three quarters of 2012. The price of black tungsten concentrates fell from RMB137,000-139,000 per tonne in the beginning of the year to RMB102,000-104,000 per tonne in the end of September. During the fourth quarter, the price of tungsten rebounded slightly due to improvement in macroeconomic conditions but failed to rebound to a satisfactory level. The prices of white tungsten and APT were RMB113,000-115,000 per tonne and RMB170,000-175,000 per tonne, respectively. The average price of tungsten concentrates for the year was RMB119,000 per tonne while the average price of APT was RMB182,000 per tonne, both down by 14% as compared with the corresponding period last year.

Internationally, the price of tungsten kept falling through the year. The price of APT in Europe continued to fall from US$430-445 per tonne in the beginning of the year to US$280-315 per tonne in the end of the year, representing a decrease of 35%. The average price of APT in Europe was US$373 per tonne for the year, representing a decrease of 13% as compared with the corresponding period last year.

In 2013, with accelerating economic growth, the tungsten industry in the PRC is expected to regain demand-supply balance and the price of tungsten will remain relatively stable. It is expected that the average price of tungsten concentrates will be approximately RMB120,000 per tonne and the annual average price of APT will be approximately US$385 per tonne.

Antimony Market

Domestically, the price of antimony in 2012 showed a downward trend with fluctuations. During the first half of the year, the price of antimony enjoyed a temporary upward trend after the Spring Festival; during the second half of the year, the price of antimony continued to drop until November, when news about rising purchase and inventory volume drove an increase in trading volume. However, the effect was short-lived due to lack of the support from downstream consumption, and the price of antimony further fell to the lowest point at RMB67,000-68,000 per tonne for the year in December. The annual average price of 2# antinomy in the domestic market in 2012 was RMB73,500 per tonne, representing a decrease of 21% as compared to the corresponding period last year.

Internationally, the overall antimony market was also sluggish. Affected by the persistent slump in demand in the U.S market, price of antimony failed to stand at the relatively stable level during the first five months and began to fall. Japan and Russia faced the same sluggish market and falling price pressure. In 2012, the average price of antinomy (Class II) in the international market was US$12,718 per tonne, representing a decrease of 12.9% as compared to the corresponding period last year.

It is expected that the price of antimony will keep stable in 2013. The average price of antimony will be US$70,000-72,000 per tonne in the domestic market, while the average price of antimony will be US$11,000-12,000 per tonne in the international market.

Lead Market

Internationally, contrasting to the high to low trend in 2011, the price of 3-month lead futures quoted by the London Metal Exchange ("LME") in 2012 was dull showing a high-low-high trend. During the first half of the year, primarily affected by the weak global economic environment and the upward US Dollar Index, the price of 3-month lead futures quoted on the LME went down with fluctuations and fell to US$1,742 per tonne in late June, lower than the lowest point of US$1,772.3 per tonne in 2011. During the second half of the year, primarily affected by the quantitative easing policies in the US and Europe and the sharp fall of the US Dollar Index, lead price made a turnaround and reached its highest point for the year of US$2,347.8 per tonne in mid-December. The average price of 3-month lead futures quoted by the LME was US$2,072 per tonne, representing a decrease of 13.7% as compared to the corresponding period last year. The average spot price quoted by LME was US$2,064 per tonne for the year, representing a decrease of 13.7% as compared with the corresponding period last year.

Domestically, the trend of lead price was basically in line with that in the international market in 2012. During the first half of the year, the dominant contract price of Shanghai lead in the Shanghai Futures Exchange ("SHFE") fell to its lowest point at RMB14,190 per tonne in mid-June. However, the decrease in the lead price in the domestic market was less than that in the international market due to the support from the high smelting cost in the domestic market. Since the end of June, the price of Shanghai lead rebounded in line with the international market hitting a highest price at RMB16,605 per tonne for the year in mid-October. The rebound in domestic lead price was smaller than that in the international market as affected by the unexpected sluggish demand in the peak season. The annual average dominant contract price of Shanghai lead was RMB15,443 per tonne, representing a decrease of 7.0% as compared to the average price of RMB15,290 per tonne in the domestic spot market.

Lead price is expected to be range bound in 2013. The LME 3-month lead futures price will fluctuate in a range of US$1,700 and US$2,400 per tonne, while the dominant contract price of Shanghai lead will fluctuate within RMB14,000 and RMB16,000 per tonne and the spot price within RMB13,800 and RMB15,500 per tonne.

Zinc Market

Internationally, the overall zinc price fluctuated relative slightly in 2012 with a high-low-high trend. The monthly average price of LME 3-month zinc futures reached a highest price at US$2,075 per tonne in February and fell afterwards. In August, it fell to the lowest point at US$1,832 per tonne for the year and went up with fluctuations, and closed at US$2,080 per tonne at the end of the year. The annual average price of LME 3-month zinc futures was US$1,965 per tonne, representing a decrease of 11.18% as compared with the corresponding period last year, and the LME spot price was US$1,948 per tonne, representing a decrease of 11.14% as compared with the corresponding period last year.

Domestically, the trend of zinc price was basically in line with the international trend. The average dominant contract price of Shanghai zinc went down after hitting its highest point at RMB15,514 per tonne for the year in March and fell below RMB15,000 per tonne in May. During the three months between June and August, the average price stood at approximately RMB14,600 per tonne. During the fourth quarter, the stabilization of the domestic macroeconomy supported zinc prices with some fluctuations and zinc prices closed at RMB15,630 per tonne at the end of the year. The annual average dominant contract price of Shanghai zinc was RMB15,055 per tonne, representing a decrease of 11.59%, while the average domestic spot price of 0# zinc was RMB14,988 per tonne, representing a decrease of 11.19% as compared with the corresponding period last year.

It is expected that LME zinc prices in 2013 will fluctuate between US$1,800 and US$2,300 per tonne, while SHFE zinc prices will fluctuate between RMB14,500 and RMB16,000 per tonne.

BUSINESS PROSPECTS AND OUTLOOK

It is expected that uncertainty will continue to weigh on global economy in 2013. The World Economic Situation and Prospects 2013 issued by United Nations in 2012 says that the growth of the world economy is expected to remain subdued and the world might get into recession again. However, we see there are more favourable factors that can support the growth of the world economy than in 2012. In 2013, the US economy will maintain slow recovery, Europe may have the worst of the debt crisis behind it, and China will accelerate the urbanization and infrastructure construction—all are favourable factors for consumption of nonferrous metals. Therefore, despite the uncertainties will limit the growth of nonferrous metal price, nonferrous metal price in 2013 will slightly be better than that in 2012. The Company will endeavour to leverage all favourable factors to weather the adverse conditions and seize market opportunities to accelerate the development of the Group.

Adhering to the principles of "safety first, precaution crucial and comprehensive management", the Group will continue to intensify its efforts in solidifying the foundation for safety and environmental protection. By further enhancing its efforts in safety and environmental protection from the political, social and legal perspectives as well as our "four emphases on supervision", which refers to emphasizing on key areas, key procedures, elimination of material hazards and control over potential sources of significant dangers, the Group will strive to do better in environmental protection, energy saving and emission reduction.

The Group will make progress while maintaining stability, enhance coordination between production and operation schedules, better understand the macroeconomy and market conditions, and implement total risk management so as to ensure its stable yet rapid development.

The Group will improve its cost and budget management system and continue to strengthen "three decreases and two increases" efforts to reduce the cost and proportion of the three major expense items.

The Group will continue to improve the coordination mechanism for priority and reasonable internal transfer of upstream and downstream production materials along its production chain to constantly strengthen its intensive management for greater synergies.

More in-depth activities will be launched to improve our management level. With a focus on solving the more serious problems and weak links in the key management areas, the Group will strengthen our core management and promote management innovation

The Group will accelerate the projects under construction to facilitate its structural adjustment. The Group will consolidate its resources inside and outside Hunan province to enhance our resource control and guarantee capabilities. By accelerating alteration and expansion projects of such mines as Xin Tianling, Shizhuyuan and Huangshaping Branches, capacity expansion and transformation of CNC blades of Zhuying and technological improvement of excavation tools, the Group will strive to achieve its production target and increase its profitable projects during the year.

CHAIRMAN'S STATEMENT

In 2013, the board of directors and senior management of the Company will continue their work in an orderly manner. With the joint efforts of all our employees, I strongly believe that the Group will be able to enhance its core competitiveness and maintain sound, solid and sustainable development.

Li Fuli
Chairman

Changsha, the PRC
26 March 2013

The Company strives to maintain a high standard of corporate governance in compliance with the relevant regulations of China Securities Regulatory Commission and the Stock Exchange of Hong Kong Limited (the "Stock Exchange of Hong Kong") as well as the regulations of other relevant regulatory authorities. The Articles of Association, the terms of reference for the Audit Committee, the terms of reference for the Supervisory Committee and the Model Code for Securities Transactions by directors and specific employees constitute the bases of its corporate governance. Save as disclosed below, the Company has complied with the Corporate Governance Code (effective from 1 April 2012) and Code on Corporate Governance Practice (effective until 31 March 2012) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "Listing Rules") during the financial year ended 31 December 2012. The Company will further improve its corporate governance and enhance its transparency to shareholders.

BOARD OF DIRECTORS

Our board of directors is responsible for the overall leadership and governance of the Company, and is collectively responsible for directing and supervising the affairs of the Company. Our board of directors consists of 13 directors, four of whom are executive directors including Mr. Li Fuli, Mr. Li Li, Mr. Liao Luhai and Mr. Guo Wenzhong; another four of whom are non-executive directors including Mr. Cao Xiuyun, Mr. Huang Guoping, Mr. Chen Zhixin and Lu Yuanjing (appointed on 29 May 2012 to replace Mr. Zou Jian); the remaining five of whom are independent non-executive directors including Mr. Kang Yi, Mr. Gu Desheng, Ms. Chen Xiaohong, Mr. Wan Ten Lap, and Mr. Choi Man Chau, Michael. Mr. Li Fuli is the chairman. Our directors were elected at Shareholders' Meetings for a term of three years. During the year under review, for corporate governance, the board of Directors has determined the policy for the corporate governance of the Group, and duties performed by the remuneration committee, nomination committee and audit committee of the Board under D.3.1 of the Corporate Governance Code of Listing Rules. During the year under review, all directors should participate in continuous professional development to develop and refresh their knowledge and skills so as to to ensure that their contribution to the board remains informed and relevant. The Company has received records of the training of all directors and the code provision A.6.5 of Listing Rules is fully complied.

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

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

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

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

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

In 2012, the Company held 10 regular Board meetings, attendance rates of them are follows:

Li Fuli	10/10
Li Li	10/10
Liao Luhai	10/10
Guo Wenzhong	10/10
Cao Xiuyun	10/10
Huang Guoping	10/10
Chen Zhixin	10/10
Zou Jian (office expired on 29 May 2012)	1/2
Lu Yuanjing (appointed on 29 May 2012)	8/8
Kang Yi	10/10
Gu Desheng	9/10
Chen Xiaohong	10/10
Wan Ten Lap	9/10
Choi Man Chau, Michael	10/10

Directors who failed to attend the meetings in person had casted their votes in writing. Minutes of all the meetings are recorded by a designated officer. All proposals approved in the meetings were passed as resolutions and were recorded and filed in accordance with relevant laws and regulations. The principal activities of the Board in 2012 were as follows:

1. Resolution re allotting of shares of the Company;

2. Resolution re consideration and approval of the audited financial statements and annual results of the Company for the year ended 31 December 2011;

3. Resolution re consideration and approval of the unaudited interim financial statements and interim results announcement of the Company for the period ended 30 June 2012;

4. Resolution re injection of capital to Shizhuyuan;

5. Resolution re amendment of rule for board meeting;

6. Resolution in relation to authorization given to Chairman to sign the contract with relevant banks regarding credit facilities, bank loan according to the approved cap given of the Board, loan-enstrust and guarantee for subsidiaries of 2013.

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

Details of the directors' remuneration are disclosed in note 9 to the financial statements.

Appointments, re-election and removal

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

The Company has adopted a proper, careful and transparent procedure for the selection of new directors. Opinions of the existing directors (including independent non-executive directors) will be sought before the nomination of new director. Once reviewed the candidates' qualification, the nomination committee shall give its recommendations to the board for the board's further decision. The new directors appointed shall retire and shall be re-elected by shareholders of the Company at the next shareholders' general meeting.

Capacities and responsibilities of the directors

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

Model Code for Directors' Securities Transactions

The Company has adopted its own code of conduct regarding directors' securities transactions which is no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers ('Model Code") set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries to all directors who have confirmed that they have complied with the required standard as set out in the Model Code for Securities Transactions by Directors in all applicable times during the period under review.

Availability and use of information

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

Company Secretary

The Company Secretary supports the Chairman, Board and Board Committees by ensuring good information flow and that Board policy and procedures are followed. She advises the Board on governance matters and facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and is appointed by the Board. Although the Company Secretary reports to the Chairman and CEO, all Directors may call upon her for advice and assistance at any time in respect to their duties and the effective operation of the Board and Board Committees. The Company Secretary also plays an essential role in the relationship between the Company and its shareholders, including assisting the Board in discharging its obligations to shareholders pursuant to the Listing Rules.

Committees of the board of directors and their functions

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

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

STRATEGY COMMITTEE

A strategy committee has also been established by the Board. The duties of the Committee are to evaluate and provide suggestions to the Company for its long-term strategic development and substantial investments. The Committee consists of four executive directors Mr. Li Fuli, Mr. Li Li, Mr. Liao Luhai, Mr. Guo Wenzhong, two non-executive directors Mr. Cao Xiuyun, Lu Yuan Jing(appointed on 29 May 2012 to replace Mr. Zou Jian) and three independent non-executive directors Mr. Kang Yi, Mr. Gu Desheng and, Mr. Wan Ten Lap. Mr. Li Fuli is the chairman of the strategy committee. One meeting discussing and approving brief introduction investment projects for 2011 was held by the committee during the reporting period. All members attended the meeting.

AUDIT COMMITTEE

An audit committee has been established by the Board. The audit committee's duties are mainly to give suggestions for nomination and replacement of external auditors, monitor the internal audit system of the Company and its execution, communication with external and internal auditors, review financial reports and its disclosure and review internal control system. The committee consists of two independent non-executive directors including Mr. Choi Man Chau, Michael and Mr. Wan Ten Lap, and one non-executive director Mr. Chen Zhixin. Mr. Choi Man Chau, Michael is the chairman of the committee. The audit committee meetings shall be held at least twice a year. Two meetings were held in the reporting period with all committee members attending the meetings to review the annual report and other related issues under listing rules for the year 2011 and the interim report for 2012. One meeting was held on 25 March 2013 with all committee member attending the meeting to review the Company's annual report and other related issues under listing rules for the year ended 31 December 2012.

Details of auditor's remuneration for 2012 are set out in note 7 of the independent auditor's report.

REMUNERATION COMMITTEE

A remuneration committee has been established by the Board. The duties of the remuneration committee include: to evaluate the standard for assess the performance of directors and managers, conduct assess and provide recommendation, evaluate and review the remuneration policy and plan of directors and senior management. The committee consists of one non-executive director Mr. Cao Xiuyun and one executive director Mr. Liao Luhai, three independent non-executive directors Mr. Choi Man Chau, Michael , Mr. Gu Desheng and Mr. Wan Ten Lap. Mr. Wan Ten Lap is the chairman of the remuneration committee. The remuneration committee reviews the structure of the Board, the number of directors in the Board and the performance of directors regularly. For the avoidance of doubt the directors and their connected persons do not participate in decisions making relating to their own remuneration. One meeting discussing issues re remuneration of director and senior management for 2011 and basis for withdrawal of their remuneration was held by the committee during the reporting period. All members attended the meeting.

NOMINATION COMMITTEE

The nomination committee has been established by the Board. The duties of the nomination committee include: to make recommendation for the structure of the board, the standard and procedure for selection of directors and senior management as well as the appointment and re-appointment of directors, nominate and review the qualification of directors and senior management and evaluate the independence of independent non-executive directors. The committee consists of Ms. Chen Xiaohong, Mr. Gu Desheng and Mr. Huang Guoping. Ms. Chen Xiaohong is the Chairwoman of the committee. All members are non-executive directors and the majority of them are independent non-executive directors. Two meetings discussing issues re nomination of directors for third section board of directors, nomination of general manger and deputy general manager held by the committee during the reporting period. All members attended the meetings.

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

EXTERNAL AUDITORS

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

SUPERVISORY COMMITTEE

The Company's supervisory committee consists of nine Supervisors. Mr. Jin Liangshou is the Chairman of the Supervisory Committee. Six of the Supervisors are elected by our shareholders at Shareholder's Meetings, including two independent non-executive Supervisors and four Supervisors elected as shareholders' representatives. The other three Supervisors are elected by our employees as their representatives. Supervisors serve for a term of three years and are entitled to re- election. The Supervisory Committee is responsible for supervision of the board of directors and its members and the senior management, preventing them from abusing their power and authority and jeopardising the legal interests of the shareholders, the Company and its employees. Three meetings were held by the Supervisory Committee during the reporting period in 2012. During the meetings, the committee reviewed the financial position and operation of the Company according to rules of law as well as the review of due diligence, integrity and pro-activity of the senior management. All supervisors attended the meetings.

SHAREHOLDERS' MEETING AND INVESTOR RELATIONSHIP

The Company has disclosed all necessary information to the shareholders and investors in compliance with Listing Rules and uses a number of formal communications channels to account to shareholders and investors for the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders of the Company to raise comments and exchanging views with the Board; (iii) the Company replying to the enquires from shareholders timely; (iv) updated and key information of the Company available on website of the Company; (v) the Company's website offering communication channel between the Company and its shareholders and investors; and (vi) the Company's share registrar in Hong Kong serves the shareholders regarding all share registration matters.

SHAREHOLDERS' MEETING

The Shareholders' Meeting provides an opportunity for direct communications and the establishment of a good relationship between the Board and the shareholders of the Company. Therefore, the Company attaches great importance to such meetings. During the reporting period in 2012, two Shareholders' Meetings were conducted at which, among other things, the following matters were considered and passed:

1. In the annual shareholders' general meeting held on 29 May 2012, resolutions regarding reports of the Board and Supervisors in 2011 and the audited consolidated financial statements of the Company for the year ended 31 December 2011 were approved; the appointment of the international and domestic auditors of the Company and the Board of the Company was authorised to fix its remuneration; the appointments of directors and supervisors for a new term; the grant of an unconditional and general mandate to allot, issue and deal with new domestic shares and foreign listed shares to the board of directors of the Company were considered and approved;

2. In the extraordinary general meeting held on 28 August 2012, consider and approve the resolution in relation to the Sale and Purchase Agreement with ZhongWu GaoXin Materials Company Limited and the transactions contemplated thereunder, and to authorise the Director(s) to do all such acts and things and execute all such documents in relation thereto as well as consider and, if thought fit, approve the amendments to the articles of association of the Company;

3. In the extraordinary general meeting held on 19 October 2012, consider and approve the Renewed Mutual Supply Agreement, the terms thereof and the non-exempt connected transaction contemplated thereunder, consider and approve the proposed annual caps and any amendments thereto, if any, in relation to the Renewed Mutual Supply Agreement for the three financial years ending on 31 December 2015, consider and approve the Futures Contract, the terms thereof and the non-exempt connected transaction contemplated thereunder, consider and approve the proposed annual caps and any amendments thereto, if any, in relation to the Security Deposit ontemplated under the Futures Contract for the three financial years ending on 31 December 2015.

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

During the year, the Company held 3 general meetings, some directors were not to attend the general meeting of the Company due to business reasons and will endeavor to attend in the future, attendance rates of directors are follows:

Li Fuli	2/3
Li Li	3/3
Liao Luhai	3/3
Guo Wenzhong	3/3
Cao Xiuyun	3/3
Huang Guoping	3/3
Chen Zhixin	3/3
Zou Jian (office expired on 29 May 2012)	1/1
Lu Yuanjing (appointed on 29 May 2012)	2/2
Kang Yi	2/3
Gu Desheng	1/3
Chen Xiaohong	2/3
Wan Ten Lap	1/3
Choi Man Chau, Michael	2/3

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

CALLING AN EXTRAORDINARY GENERAL MEETING

Shareholder(s) holding not less than 10 percent of the paid-up capital of the Company may requisition an Extraordinary General Meeting of the Company. The requisition must (i) state the objects of the meeting, (ii) be signed by the requisitionist(s) and (iii) be deposited at the Company's registered office. It may also consist of several documents in like form, each signed by one or more requisitionist(s). The requisition must also (i) state the name(s) of the requisitionist(s), (ii) the contact details of the requisitionist(s) and (iii) the number of ordinary shares of the Company held by the requisitionist(s). The Directors must proceed to convene an Extraordinary General Meeting within 21 days from the date of the deposit of the requisition. Such meeting should be held on a day more than 45 days after the date on which the notice convening the meeting is given. If the Directors fail to convene the Extraordinary General Meeting as aforesaid, the requisitionist(s), or any of them representing more than one-half of the total voting rights of all of them, may themselves convene the meeting. Any meeting so convened shall not be held after the expiration of 6 months from the date of the deposit of the requisition. A meeting so convened by the requisitionist(s) shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors. Any reasonable expenses incurred by the requisitionist(s) by reason of the failure of the Directors duly to convene a meeting shall be repaid to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

Shareholders holding not less than 5 percent of the paidup capital of the Company, may : (i) put forward proposal at general meeting; (ii) circulate to other shareholders written statement with respect to matter to be dealt with at general meeting. Further, a shareholder may propose a person other than a retiring Director of the Company for election as a Director of the Company at a general meeting. For such purpose, the shareholder must send to the Company's registered address (for the attention of the Company's Company Secretary) a written notice which identifies the candidate and includes a notice in writing by that candidate of his/her willingness to be so elected. Such notice must be sent within a period of not less than thirty days commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting.

Putting Enquiries to the Board

Shareholders may send their enquiries requiring the Board's attention to the Company's Company Secretary at the Company's registered address. Questions about the procedures for convening or putting forward proposals at an Annual General Meeting or Extraordinary General Meeting may also be put to the Company Secretary by the same means.

Shareholders Communication Policy

The Company has established a Shareholders Communication Policy to set out the Company's processes to provide shareholders and the investment community with ready, equal and timely information on the Company for them to make informed assessments of the Company's strategy, operations and financial performance, and to encourage them to take active interest in the Company.

INTERNAL CONTROL AND CORPORATE MANAGEMENT

The board of directors of the Company shall be responsible for the internal control of the Company and its subsidiaries and its effectiveness. The internal control system of the Company includes a well-organised corporate structure and a comprehensive set of internal control policies and standards. The responsibilities of each of the business and operation units are clearly defined to ensure effective control.

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

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

Our Company conducts an annual review on the effectiveness of its internal control system which include but not limit of corporate governance, financial, operation and risk management. In 2012, an annual review was conducted by Audit and Supervision Department to review the internal control system of the Company.

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

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

ACCOUNTABILITY AND AUDIT

Financial Report

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

Our Company shall announce the annual and interim results within three months and two months of the completion of the accounting periods, respectively. The directors of the Company acknowledged that they have the responsibility to ensure the accuracy of the accounts prepared by our Company. As at 31 December 2012, none of the directors is aware of any or potential material issues or situations that may affect the continuous operation of the business. Our directors prepare our accounts on the ongoing basis.

The responsibilities of the external auditors are detailed in the independent auditor's report in the 2012 consolidated financial statements of our Company.

Internal Audit

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

OVERVIEW

Loss before income tax amounted to RMB275 million for the year ended 31 December 2012, representing a decrease of RMB427 million, or 281%, from profit before income tax amounted to RMB152 million for the year ended 31 December 2011. The profit attributable to owners of the company was RMB7 million, representing a decrease of RMB286 million, or 97.61%, from RMB293 million for the year ended 31 December 2011.

The following is the comparison of the two years ended 31 December 2012 and 31 December 2011:

TURNOVER

Turnover increased to RMB26,592 million for the year ended 31 December 2012, from RMB24,546 million for the year ended 31 December 2011, representing an increase of RMB2,046 million, or 8.34%, primarily due to the increase in turnover before sales tax and surcharge of RMB437 million or 8.21% for the nonferrous metals mine segment, the increase of RMB531 million or 4.56% for the nonferrous metals smelting segment , and the increase of RMB1,074 million or 13.95% for the cemented carbides, tungsten, molybdenum, tantalum, niobium and their compounds segment.

Our gross profit decreased by RMB735 million or 29.23% from RMB2,514 million for the year ended 31 December 2011 to RMB1,779 million for the year ended 31 December 2012. The gross profit margins were 10.24% and 6.69% for the years ended 31 December 2011 and 2012 respectively.

NONFERROUS METALS MINE SEGMENT

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

	2012		2011	
	Sales volume (ton)	**Average selling price (RMB/ton)**	Sales volume (ton)	Average selling price (RMB/ton)
Shizhuyuan				
Tungsten concentrates	**4,948**	**98,805**	3,954	112,673
Oxidized molybdenum	**340**	**75,491**	751	96,259
Bismuth products	**1,025**	**111,491**	1,184	131,478
Huangshaping Branch				
Zinc concentrates	**9,385**	**8,749**	6,435	9,665
Lead concentrate (containing silver)	**7,349**	**17,290**	4,722	20,814
Hsikwangshan				
Antimony products	**33,079**	**58,355**	31,977	68,807
Zinc products	**23,556**	**13,293**	33,831	14,943
Xin Tianling				
Tungsten concentrates	**1,810**	**101,715**	1,517	118,553
Hengyang Yuanjing				
Tungsten concentrates	**503**	**101,365**	86	104,631

Turnover before sales tax and surcharge of the nonferrous metals mine segment increased by RMB437 million, or 8.21%, from RMB5,323 million for the year ended 31 December 2011 to RMB5,760 million for the year ended 31 December 2012. The increase in turnover was primarily due to increase of sales volume of the nonferrous metals mine products such as tungsten concentrates, zinc concentrates and lead concentrates (containing silver) in 2012 as compared to 2011.

Gross profit from nonferrous metals mine segment decreased by RMB470 million or 41.59% from RMB1,130 million for the year ended 31 December 2011 to RMB660 million for the year ended 31 December 2012. Gross profit margin for the year ended 31 December 2012 decreased to 11.58% from 21.23% for the year ended 31 December 2011. The decrease by 9.65% in gross profit margin of this segment was attributable to the decrease in gross profit margin of tungsten concentrates and antimony products.

NONFERROUS METALS SMELTING SEGMENT

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

	2012		2011	
	Sales volume (ton)	**Average selling price (RMB/ton)**	Sales volume (ton)	Average selling price (RMB/ton)
Zinc products	**505,616**	**13,322**	505,433	15,151
Lead products	**82,119**	**13,929**	73,883	15,009
Precious metal - indium	**47**	**3,042,652**	0.2	3,572,753
Precious metal - silver	**147**	**5,483,651**	98	6,297,809

Turnover before sales tax and surcharge of the nonferrous metals smelting segment increased by RMB531 million, or 4.56%, from RMB11,655 million for the year ended 31 December 2011 to RMB12,186 million for the year ended 31 December 2012. The increase in turnover is primarily due to a rise of sales volume of lead products, precious metal-indium, and precious metal-silver.

Gross profit from nonferrous metals smelting segment decreased by RMB40 million or 173.91% from RMB23 million for the year ended 31 December 2011 to gross loss of RMB17 million for the year ended 31 December 2012. The gross profit margin decreased by 0.34% from 0.20% for the year ended 31 December 2011 to gross loss margin of 0.14% for the year ended 31 December 2012. The gross profit margin significantly decreased because of the severe price fluctuations of lead and zinc products, continuous write down of value of inventories, narrowed processing charges for zinc products, and increase of prices for electricity, fuel and etc., which drove up the processing costs caused gross loss in zinc products, the gross profit of other ancillary products also dropped substantially.

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

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

	2012		2011	
	Sales volume (ton)	**Average selling price (RMB/ton)**	Sales volume (ton)	Average selling price (RMB/ton)
Cemented carbides	**11,163**	**401,926**	12,000	371,742
Tungsten and compounds	**12,559**	**217,512**	9,218	275,399
Molybdenum and compounds	**762**	**302,430**	580	327,128
Tantalum, niobium and their compounds	**205**	**1,125,557**	177	823,091

Turnover before sales tax and surcharge of the cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment increased by RMB1,074 million, or 13.95%, from RMB7,699 million for the year ended 31 December 2011 to RMB8,773 million for the year ended 31 December 2012. The increase of turnover is attributable to the increase in sales volume of tungsten and its compounds, also the increase of average selling price of tantalum, niobium and their compounds.

Gross profit from the cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment decreased by RMB225 million or 16.53% from RMB1,361 million for the year ended 31 December 2011 to RMB1,136 million for the year ended 31 December 2012. Gross profit margin for the year ended 31 December 2012 decreased by 4.64% to 13.04% from 17.68% for the year ended 31 December 2011. The decrease is primarily due to the growth rate in average selling price of cemented carbides products being lower than the growth rate of their costs.

OTHER INCOME

Other income increased by RMB131 million, or 40.68% from RMB322 million for the year ended 31 December 2011 to RMB453 million for the year ended 31 December 2012. The increase was primarily due to the increase in government grants recognised as other income, and sales of raw materials and scrap sales as well as the decrease in gains on disposal of available-for-sales financial assets.

SELLING AND DISTRIBUTION COSTS

The selling and distribution costs decreased by RMB25 million, or 5.72% from RMB437 million for the year ended 31 December 2011 to RMB412 million for the year ended 31 December 2012. The decrease was due to the decrease of handling and transportation fees compared with last year, caused by the change of payment terms for the transportation fees and reduction of sales volume of some products.

ADMINISTRATIVE EXPENSES

The administrative expenses decreased by RMB136 million, or 9.91% from RMB1,373 million for the year ended 31 December 2011 to RMB1,237 million for the year ended 31 December 2012. The decrease was primarily due to the decrease of research and development costs by RMB176 million or 51.76%, from RMB340 million for the year ended 31 December 2011 to RMB164 million for the year ended 31 December 2012.

OTHER EXPENSES, NET

Other expenses, net decreased by RMB24 million, or 27.59% from RM87 million for the year ended 31 December 2011 to RMB63 million for the year ended 31 December 2012. The main reason was due to the decrease in price participation payment to ex-owner of a subsidiary, Beaver Brook Antimony Mine Inc., from RMB67 million for the year ended 31 December 2011, by RMB31 million, or 46.27%, to RMB36 million for the year ended 31 December 2012.

FINANCE COSTS

The finance costs increased by RMB107 million, or 15.64% from RMB684 million for the year ended 31 December 2011 to RMB791 million for the year ended 31 December 2012. The increase was primarily due to the increase in non-current interest-bearing bank and other borrowings, as well as the increase in loan interest rate.

INCOME TAX EXPENSE

The income tax expense decreased by RMB64 million, or 33.16% from RMB193 million for the year ended 31 December 2011 to RMB129 million for the year ended 31 December 2012. The decrease of income tax expense was primarily due to the decrease in operating profits of our subsidiary companies.

NON-CONTROLLING INTERESTS

The non-controlling interests increased by RMB76 million, or 22.75% from loss of RMB334 million for the year ended 31 December 2011 to loss of RMB410 million for the year ended 31 December 2012, was primarily due to Zhuzhou Smelter Group Holding Co., Ltd. suffered operating losses during the year.

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The net profit attributable to the owners of the Company decreased by RMB286 million, or 97.61% from RMB293 million for the year ended 31 December 2011 to the profit of RMB7 million for the year ended 31 December 2012. The decrease was primarily due to the decrease of profits of subsidiaries compared to last year.

LIQUIDITY, SOURCE OF FUNDS AND CAPITAL STRUCTURE

As at 31 December 2012, interest-bearing bank and other borrowings were the main sources of funds. The funds of the Group were applied mainly to the operating activities, the capital expenditures and the repayment of bank loans. As at 31 December 2012, the cash and cash equivalents of the Group amounted to RMB624 million are denominated in currencies as follows:

Currencies	RMB'000	Percentage
– Renminbi ("RMB")	288,184	46.21%
– Australian dollars	237,602	38.10%
– United States dollars ("USD")	35,391	5.67%
– European Euros	37,541	6.02%
– Hong Kong dollars ("HKD")	4,477	0.72%
– Canadian dollars ("CAD")	19,816	3.18%
– Others	688	0.10%
	623,699	100.00%

As at 31 December 2012, total amount of interest-bearing bank and other borrowings were RMB11,188 million which are denominated in currencies as follows:

Currencies	RMB'000	Percentage
– RMB	10,320,826	92.25%
– USD	832,987	7.44%
– HKD	24,476	0.22%
– CAD	2,287	0.02%
– Others	7,790	0.07%
	11,188,366	100.00%

Details of the interest-bearing bank and other borrowings are set out as follows:

Repayable:	RMB'000	Percentage
– Within one year	7,324,397	65.46%
– In the second year	1,528,360	13.66%
– In the third to fifth year, inclusive	1,526,165	13.64%
– Beyond five years	809,444	7.24%
	11,188,366	100.00%

Interest rates basis:	**RMB'000**	**Percentage**
– Floating rate	5,669,137	50.67%
– Fixed rate	5,519,229	49.33%
	11,188,366	100.00%

Nature of debts:	**RMB'000**	**Percentage**
– Unsecured	10,358,398	92.58%
– Secured	829,968	7.42%
	11,188,366	100.00%

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2012, the proportion of purchase and sales from our major suppliers and major customers to our total purchase and sales are as follows:

Purchases

The total purchase from our largest supplier was approximately 2.11% of our total purchase value.

The total purchase from our five largest suppliers was approximately 5.62% of our total purchase value.

Sales

The total sales to our largest customer was approximately 1.57% of our total sales value.

The total sales to our five largest customers was approximately 5.90% of our total sales value.

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

ASSET MORTGAGE OF THE GROUP

At the end of the reporting period, the interest-bearing bank and other borrowings are secured by certain of the Group's assets:

	2012	2011
	RMB'000	RMB'000
Property, plant and equipment	**459,319**	579,732
Land lease prepayments	**214,839**	231,173
Inventories	**—**	136,782
Trade receivables	**791,703**	465,066
Bills receivable	**—**	208,521

ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

During the year 2012, the Group acquired additional interests in a number of subsidiaries. The details are as follows:

Name of subsidiaries	Date of acquisition	Additional equity interests acquired
Held by a wholly-owned subsidiary, Hsikwangshan Twinkling Star Antimony Co., Ltd:		
– Shanghai Shanxing Diye Ltd.	17 January 2012	25.00%
– Guangzhou Shanxing Diye Ltd.	28 February 2012	20.00%
– Beijing Shanxing Diye Ltd.	8 November 2012	8.00%
Held by a wholly-owned subsidiary, Zhuzhou Cemented Carbides Group Corp., Ltd.:		
– Shenzhen Jinzhou Jinggong Scientific and Technological Company Limited	15 May 2012	12.00%
– Zhuzhou Changjiang Cemented Carbides Tools Company Limited	4 July 2012	34.86%
– Zhuzhou Yinzhi Hejin Jiagong Ltd.	4 July 2012	0.83%
– Zhuzhou Jinyuan Feijiu Huishou Ltd.	4 July 2012	5.00%

DISPOSAL OF SUBSIDIARIES

On 5 January 2012, the Group disposed 62% equity interests in Hunan Nonferrous Nanling Resource Development Company Limited ("Nanling Resource") to Hunan Nonferrous Metals Holdings Group Co., Ltd. ("HNG") at a cash consideration of approximately RMB61,789,000. Nanling Resource has then been owned as to 62% and 38% by HNG and other third parties, respectively, and has ceased to be a subsidiary of the Company.

On 21 June 2012, Zigong Cemented Carbides Company Limited, a 80% owned subsidiary of the Company disposed 100% equity interests in Wangqing Ziying Tungsten Molybdenum Company Limited ("Wangqing Ziying") to HNG at a cash consideration of approximately RMB19,474,000. Wangqing Ziying has then been wholly owned by HNG and has ceased to be a subsidiary of the Company.

Except for the above, there is no other material acquisition or disposal of associates during the year 2012.

DEBT TO TOTAL ASSETS RATIO

As at 31 December 2012, the debt to total assets ratio of the Group increased from 75.10% in 2011 to 77.52% in 2012. The debt to total assets ratio is equivalent to total liabilities divided by total assets and multiplied by 100%. The debt to total assets ratio increased as the growth rate of trade payables, other payables and accruals increased whereas total asset decreased slightly.

FLUCTUATION RISK IN FOREIGN EXCHANGE RATE

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

RISK IN COMMODITY PRICES

As the trading prices of nonferrous metals of the Group are calculated at the global and local prices which subject to substantial fluctuation, the Group has to bear the risk in fluctuation of commodity prices. The prices of nonferrous metals (as commodities) depend primarily on the market supply and demand in the long run. The Group has managed this risk by execution of commodity futures contracts on a limited basis.

RISK IN INTEREST RATE

The risk in the interest rate concerning the Group primarily relates to our short-term and long-term bank loans and other borrowings (amounting to RMB11,188 million as at 31 December 2012). The interest charged on the outstanding RMB debts of the Group are calculated at fixed rate and the foreign currency loans are charged at floating rates. Any rise in the current interest rate will increase the interest cost of our short-term loans upon extension. To date, the Group has neither executed any form of interest rate agreement or derivative to hedge against the fluctuation in interest rate.

DONATIONS

Donations decreased by RMB3 million, or 60.00% from RMB5 million for the year ended 31 December 2011 to RMB2 million for the year ended 31 December 2012. The donations were mainly given to the local villages and the projects development by local government.

CONTINGENT LIABILITIES

As at 31 December 2012 and 2011, the Group has no contingent liabilities.

HISTORICAL CAPITAL EXPENDITURE

The following table sets out the capital expenditure of each segment of the Group and their proportions to the segmented capital expenditure of the Group for the year ended 31 December 2012 and 2011:

	2012		2011	
	RMB'000	**Percentage**	RMB'000	Percentage
Nonferrous metals mine	**800,218**	**49.44%**	669,052	39.34%
Nonferrous metals smelting	**267,150**	**16.50%**	434,073	25.53%
Cemented, carbides, tungsten, molybdenum, tantalum, niobium and their compounds	**546,706**	**33.78%**	587,917	34.57%
The Company and others	**4,548**	**0.28%**	9,489	0.56%
	1,618,622	**100.00%**	1,700,531	100.00%

EMPLOYEES

As at 31 December 2012, the Group had a total of about 25,555 full-time employees, classified by functions and department as follows:

Department	**Employees**	**Percentage**
Management and adminstration	3,128	12.24%
Engineering and technical personnel	3,250	12.72%
Production personnel	15,584	60.98%
Repair and maintenance	1,372	5.37%
Inspection	1,513	5.92%
Sales	708	2.77%
Total	25,555	100.00%

The employees' remuneration package of the Group includes salary, bonus and allowance. The Group has participated in the social insurance contribution plans implemented by the local governments in the PRC. Pursuant to the relevant national and local labour and social welfare laws and regulations, the Group shall pay for the employees the monthly social insurance premium covering the pension insurance, the medical insurance, injury insurance, the unemployment insurance and the housing reserve fund. According to the current applicable local regulations, the contribution of the Group to the employees' pension insurance, medical insurance, injury insurance, unemployment insurance, maternity insurance and housing reserve fund shall be equivalent to 20%, 8%, 3%, 2%, 0.7% and 12% respectively of the total basic monthly salary of each employee.

TREASURY POLICIES

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

The directors are pleased to present their 2012 report and the audited consolidated financial statements of the Company for the year ended 31 December 2012.

GROUP REORGANISATION

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

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

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and mining, processing and sale of nonferrous metals. Details of the principal activities of the principal subsidiaries are set out in note 19 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's result for the year ended 31 December 2012 and the financial positions of the Company and the Group as at that date are set out in the consolidated financial statements on pages 59 to 178.

The board of directors did not recommend any final dividend for 2012.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the Company's audited consolidated financial statements for the year ended 31 December 2012, if appropriate, is set out on pages 2 to 3. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Details of distributable reserves of the Company are set out in note 36 to the consolidated financial statements.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

Service Contracts of Directors and Supervisors

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

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

Remuneration of Directors, Supervisors and Senior Management

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

The emoluments of senior management were within the following bands:

Emoluments were within the following bands	**2012 Name of senior management**	2011 Name of senior management
HKDNil to HKD1,000,000	**Hong Mingyang**	Hong Mingyang
HKDNil to HKD1,000,000	**Sheng Zhongjie**	Sheng Zhongjie
HKDNil to HKD1,000,000	**Lam Kai Yeung**	Lam Kai Yeung

Interests of Directors, Supervisors and Chief Executive in Contracts

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

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

As at 31 December 2012, none of the directors, supervisors, chief executive and their respective associates had interests nor short positions in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which would be required (a) to be notified to the Company and the Stock Exchange of Hong Kong pursuant to Divisions 7 and 8 of Part XV of the SFO or (b) interest or short positions which would be required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein or (c) as otherwise notified to the Company and the Stock Exchange of Hong Kong pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Model Code for Securities Transactions by Directors, Supervisors and Chief Executive

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors', supervisors' and chief executive's securities transactions. Based on specific enquiries with all the directors, supervisors or chief executive of the Company, the directors, supervisors or chief executive confirmed that they had complied with the required standards as set out in the Model Code for the whole financial year ended 31 December 2012.

Rights of Directors, Supervisors and Chief Executive's to Acquire Shares or Debentures

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

Stock Appreciation Rights Plan ("SARs")

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

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

Name	Number of Stock Appreciation Rights	Note
He Renchun	1,282,051	Former Chairman of board of directors and Executive Director (Resigned on 23 August 2010)
Cao Xiuyun	1,025,641	Vice Chairman of board of directors and Non-Executive Director
Li Li	897,436	Executive Director and General Manager
Zeng Shaoxiong	769,231	Former Chairman of the Supervisory Committee (Resigned on 10 November 2010)
Liao Luhai	769,231	Executive Director
Chen Zhixin	769,231	Non-Executive Director
Wu Longyun	641,027	Former Non-executive Director (Resigned on 10 November 2010)
He Hongsen	641,026	Supervisor
Zhang Yixian	641,026	Former Non-executive Director (Resigned on 10 November 2010)
Yang Bohua	512,820	Senior Manager of a Subsidiary
Fu Shaowu	512,820	Former Senior Manager of a Subsidiary (Resigned on 19 July 2012)
Yang Lingyi	512,820	Former Senior Manager of a Subsidiary (Resigned in December 2009)
Hong Mingyang	512,820	Deputy General Manager
Zhu Chongzhou	512,820	Former Senior Manager of Subsidiary (Resigned in May 2010)
Total:	10,000,000	

The initial exercise price of the stock appreciation rights, which will be determined as the higher of the closing price of the first trading day following the 30th trading day after the Company being listed and the average closing price of the five trading days following the 30th trading day after the Company being listed, was HK$2.8 per share. The stock appreciation rights would expiry after eight years from the date of issued. No SARs were exercised during the year ended 31 December 2012 and 2011.

Directors' interests in a competing business

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

Mr. Li Fuli, Mr. Cao Xiuyun, Mr. Li Li, Mr. Huang Guoping and Mr. Chen Zhixin are also the directors of HNG, and provide the management services to the company. As the board of directors of the Company is independent from the board of directors of HNG and the above directors do not control the Board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of HNG.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, as recorded in the register required to be kept under section 336 of the SFO, the following persons (other than Directors, Supervisors and the chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company:

Name	Class of shares	Nature of interests	Number of shares	Approximate percentage of relevant class to share capital	Approximate percentage of total number to the shares of the Company	Long/short position
China Minmetals (Note 1)	Domestic Share	Interest of controlled corporation	1,947,074,266	95.66%	53.08%	Long position
	H Share	Interest of controlled corporation	159,872,000	9.79%	4.36%	Long position
China Minmetals Corporation Limited (Note 2)	Domestic Share	Interest of controlled corporation	1,947,074,266	95.66%	53.08%	Long position
	H Share	Interest of controlled corporation	159,872,000	9.79%	4.36%	Long position
Minmetals Nonferrous Metals Holdings Company Limited (Note 3)	Domestic Share	Interest of controlled corporation	1,947,074,266	95.66%	53.08%	Long position
	H Share	Interest of controlled corporation	159,872,000	9.79%	4.36%	Long position
HNG (Note 4)	Domestic Share	Beneficial owner	1,947,074,266	95.66%	53.08%	Long position
	H Share	Interest of controlled corporation	159,872,000	9.79%	4.36%	Long position
Hunan Nonferrous Metals Jinsheng Development Co., Ltd. (a wholly-owned subsidiary of HNG)	H Share	Beneficial owner	159,872,000	9.79%	4.36%	Long position

Notes:

1. China Minmetals is the controlling shareholder of China Minmetals Corporation Limited, and is therefore deemed to be interested in the domestic shares of the Company held by HNG and the H shares of the Company held by Hunan Nonferrous Metals Jinsheng Development Co., Ltd. under the SFO.

2. China Minmetals Corporation Limited is the controlling shareholder of Minmetals Nonferrous Metals Holdings Company Limited, and is therefore deemed to be interested in the domestic shares of the Company held by HNG and the H shares of the Company held by Hunan Nonferrous Metals Jinsheng Development Co., Ltd. under the SFO.

3. Minmetals Nonferrous Metals Holdings Company Limited is the controlling shareholder of HNG, and is therefore deemed to be interested in the domestic shares of the Company held by HNG and the H shares of the Company held by Hunan Nonferrous Metals Jinsheng Development Co., Ltd. under the SFO.

4. HNG is directly interested in 1,947,074,266 domestic shares of the Company, and indirectly interested in 159,872,000 H shares of the Company through Hunan Nonferrous Metals Jinsheng Development Co., Ltd. (a wholly-owned subsidiary of HNG).

Save as disclosed above, as at 31 December 2012, the Directors are not aware of any other person (other than a Director, Supervisor or the chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would be required to be recorded in the register kept under section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Non-exempt Continuing Connected Transactions for the Year of 2012

Mutual Supply Agreements

(1) Mutual Supply Agreement entered into with HNG

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

During the reporting period, the amount payable by the Group to HNG under the mutual supply agreement was RMB570.3 million and the amount payable by HNG to the Group under the mutual supply agreement was RMB1,576.8 million. Such amounts did not exceed their respective annual caps of RMB1,882 million and RMB1,729 million.

(2) Mutual Supply Agreement entered into with China Minmetals

The Company and China Minmetals entered into the mutual supply agreement on 3 June 2010. Pursuant to which, the Group has agreed to purchase production supplies and ancillary services from China Minmetals, and the Group has agreed to sell production supplies and ancillary services to China Minmetals. Details of the transactions were set out in an announcement of the Company published on the websites of the Stock Exchange of Hong Kong and the Company dated 3 June 2010. The mutual supply agreement has a term of three years commencing from 1 January 2010 and ending on 31 December 2012. China Minmetals is the ultimate controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules.

During the reporting period, the amount payable by the Group to China Minmetals under the mutual supply agreement was RMB2,067.1 million and the amount payable by China Minmetals to the Group under the mutual supply agreement was RMB856.6 million. Such amounts did not exceed their respective annual caps of RMB3,060 million and RMB959 million.

Comprehensive Services Agreement entered into with HNG

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

During the reporting period, the amount payable by the Group to HNG under the comprehensive services agreement was RMB16.4 million and did not exceed the annual cap of RMB28 million.

Land Leasing Agreement entered into with HNG

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

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

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

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

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

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

(iv) the total amount of the respective continuing connected transactions did not exceed the annual caps disclosed in the announcement of the Company dated 3 June 2010.

The Board has received a letter from the auditors confirming that the non-exempt continuing connected transactions of the Group for the year ended 31 December 2012:

(i) were approved by the Board;

(ii) were conducted in accordance with the pricing policy of the Company;

(iii) were conducted in accordance with the agreed terms of such transactions; and

(iv) did not exceed the annual caps disclosed in the announcement of the Company dated 3 June 2010.

Renewed and New Continuing Connected Transactions

Renewed Mutual Supply Agreement

The mutual supply agreements entered into with HNG and China Minmetals and the relevant annual caps in relation to the continuing connected transactions thereunder have expired on 31 December 2012. To streamline the contractual arrangements among the Company, China Minmetals and HNG, an indirect subsidiary of China Minmetals and HNG, in relation to the mutual provision of production supplies and ancillary services, the Company entered into the renewed mutual supply agreement with China Minmetals on 24 August 2012 for a term commencing from 1 January 2013 and ending on 31 December 2015, and determined the respective annual caps for the continuing connected transactions thereunder for the three years ending 31 December 2015.

Renewed Comprehensive Services Agreement

The comprehensive services agreement entered into with HNG and the relevant annual caps in relation to the continuing connected transactions thereunder have expired on 31 December 2012. To streamline the contractual arrangements among the Company, China Minmetals and HNG, an indirect subsidiary of China Minmetals in relation to the provision of certain supporting services, the Company and China Minmetals entered into the renewed comprehensive services agreement on 24 August 2012 for a term commencing from 1 January 2013 and ending on 31 December 2015, and determined the respective annual caps for the continuing connected transactions thereunder for the three years ended 31 December 2015.

Rental Arrangement under the Land Leasing Agreement

The annual caps in relation to the continuing connected transactions under the land leasing agreement have expired on 31 December 2012. On 24 August 2012, the Company and HNG entered into the rental arrangement under the land leasing agreement, and determined the respective annual caps for the three years ending 31 December 2015.

New Futures Contract

On 24 August 2012, the Company entered into the futures agent contract and the supplemental agreement ("Futures Contract") with Minmetals Futures Company Limited ("Minmetals Futures"), an indirect wholly-owned subsidiary of China Minmetals, in relation to the provision of futures brokerage and advisory services in the PRC by Minmetals Futures to the Company for a term of three years commencing from 1 January 2013 and ending on 31 December 2015, and determined the respective annual caps for the continuing connected transactions thereunder for the three years ending 31 December 2015.

The details of the above-mentioned renewed and new transactions were set out in the announcements published on the websites of the Stock Exchange of Hong Kong and the Company dated 24 August 2012 and circular of the Company dated 13 September 2012. The independent shareholders of the Company also approved the mutual supply agreements, Futures Contract and the annual caps in relation to the respective continuing connected transactions thereunder for the three years ending 31 December 2015 at the extraordinary general meeting held on 19 October 2012. The comprehensive services agreement and annual caps in relation to the continuing connected transactions thereunder for the three years ending 31 December 2015 and the annual caps in relation to the continuing connected transactions contemplated under the land leasing agreement for the three years ending 31 December 2015 are not required to be approved by the independent shareholders under the Listing Rules.

Non-exempt Continuing Connected Transaction for the Year of 2012

On 21 June 2012, Zigong Cemented Carbides Company Limited ("Zigong", a non wholly-owned subsidiary of the Company), HNG, Wangqing Ziying Tungsten Molybdenum Company Limited ("Wangqing Ziying") and Jilin Dongbei Nonferrous Company Limited ("Jilin Dongbei") entered into an equity transfer agreement, pursuant to which, Zigong has conditionally agreed to dispose of, and HNG has conditionally agreed to acquire, the entire equity interest in Wangqing Ziying. The Company is of the view that the above transactions will (i) improve the working capital conditions of the Group; and (ii) optimise the investment structure of the Group, which are in the commercial interest of the Company and its shareholders in the long run.

Zigong is a non-wholly owned subsidiary of the Company and holds 100% equity interest in Wangqing Ziying, and the Company is effectively held as to 57.44% by HNG, therefore HNG is a connected person of the Company. Such connected transaction is not required to be approved by the independent shareholders of the Company under the Listing Rules. The principal terms of the relevant agreements are summarized as follows:

The Equity Transfer Agreement

Date:	21 June 2012
Parties:	Vendor: Zigong, a non-wholly owned subsidiary of the Company Purchaser: HNG, the controlling shareholder of the Company Target company: Wangqing Ziying, an indirect subsidiary of the Company Other party: Jilin Dongbei, a subsidiary of HNG
Asset to Be Disposed:	Subject to the terms and conditions of the equity transfer agreement, Zigong conditionally agreed to dispose of, and HNG conditionally agreed to acquire, the entire equity interest in Wangqing Ziying.
Consideration and Payment Terms:	The Consideration is RMB19,474,000 (equivalent to approximately HK$24,042,000), which was determined after arm's length negotiations between the parties with reference to the net asset value of Wangqing Ziying as at 30 November 2011 ("Valuation Date") stated in the valuation report prepared by the valuer on 20 June 2012. During the period from the Valuation Date to the date of completion of the disposal, as basic costs will still be incurred in the day-to-day operations of Wangqing Ziying, hence given the loss making position of Wangqing Ziying during the two years ended 31 December 2011, the parties under the equity transfer agreement have agreed that all the profit or loss attributable to the entire equity interest in Wangqing Ziying during such period shall be entitled or borne by HNG. The consideration will be payable by HNG to Zigong by bank transfer within ten business days from the date when the equity transfer agreement is entered into and being effective.
Conditions Precedent:	Completion of the equity transfer agreement is subject to the satisfaction (or, waiver provided by both Zigong and HNG, as the case may be) of, among others, the following conditions precedent. 1. In accordance with the relevant regulations on transactions involving property rights of the State-owned assets, all approvals obtained from China Minmetals, an associate of HNG, in relation to the disposal and the results of the valuation have been filed with China Minmetals; and 2. Wangqing Ziying has repaid the outstanding shareholder's loan of RMB63,564,000 (equivalent to approximately HK$78,474,000) to Zigong.
Completion:	Unless otherwise waived in accordance with the equity transfer agreement, completion will take place following the satisfaction (or, waiver provided by both Zigong and HNG, as the case may be) of all conditions precedent.

Saved as disclosed above, during the year ended 31 December 2012, no other related party transaction or continuing related party transaction which was set out in Notes 6, 38 and 42 of these consolidated financial statements constituted a connected transaction and continuing connected transaction that need to be disclosed under the Listing Rules. In respect of connected transactions or continuing connected transactions, the Company has complied with the disclosure requirements specified from time to time under the Listing Rules.

Non-competition Agreement

As disclosed in the Prospectus, during the year under review, the Company has complied with the non-competition promise according to the non-competition restrictions, the independent non-executive directors has reviewed, on an annual basis, the exercise or non-exercise of the option to acquire Competitive Retained Businesses ("CRB"), and the first right options to purchase CRB's products under the Non- competition Agreement (as defined in the Prospectus).

Sufficiency of public float

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

Management Contracts

There was no management and administrative contract relating to the business as a whole or any principal operations of the Company entered into by the Company or subsisted as at 31 December 2012.

Annual General Meeting and Closure of Share Register

The Annual General Meeting of the Company will be held at 10:00 a.m. on 20 May 2013 at No. 290 Labor Road West, Changsha City, Hunan, the PRC. The register of shareholders of the Company will be closed from 10 April 2013 to 20 May 2013 (both days inclusive). In order to be eligible to attend the AGM of the Company as directors, instruments of transfer accompanied by relevant share certificates must be lodged with the Company's share registrar no later than 4:30 p.m. on 9 April 2013.

REPORT OF THE DIRECTORS

AUDITORS

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

By order of the Board
Li Fuli
Chairman

Changsha, the PRC
26 March 2013

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

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

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

I. MEETING CONVENED DURING THE REPORTING PERIOD

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

II. PRINCIPAL DUITES OF THE SUPERVISORY COMMITTEE

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

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

During the reporting period in 2012, the Supervisory Committee mainly carried out the following work:

1. Inspection over Implementation of Resolutions of the General Meetings

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

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

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

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

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

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

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

The Supervisory Committee is optimistic about the prospect of the Company. In 2013, the Supervisory Committee will continue to carry out its duties in strict compliance with the Articles of Association and the relevant laws and regulations so as to protect the interests of shareholders.

Jin Liangshou
Chairman of the Supervisory Committee

Changsha, the PRC
26 March 2013

INDEPENDENT AUDITOR'S REPORT

BAKER TILLY
HONG KONG | 天職香港

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

We have audited the consolidated financial statements of Hunan Nonferrous Metals Corporation Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 59 to 178, which comprise the consolidated and Company's statement of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's result and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Andrew David Ross
Practising Certificate Number P01183

Hong Kong, 26 March 2013

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Revenue	5	**26,591,821**	24,546,146
Cost of sales	7	**(24,812,695)**	(22,032,228)
Gross profit		**1,779,126**	2,513,918
Other income	6	**453,228**	321,996
Selling and distribution costs		**(411,896)**	(437,233)
Administrative expenses		**(1,236,664)**	(1,373,058)
Other expenses, net	7	**(63,151)**	(87,311)
Impairment of intangible assets	16	**—**	(10,000)
Impairment of property, plant and equipment	14	**(51,913)**	(154,499)
Reversal of/(provision for) impairment of trade and other receivables		**19,511**	(38,580)
Finance income	8	**30,372**	88,883
Finance costs	8	**(790,640)**	(684,295)
Share of (losses)/profits of associates	20	**(2,616)**	12,344
(Loss)/profit before income tax	7	**(274,643)**	152,165
Income tax expense	10	**(129,049)**	(193,228)
Loss for the year		**(403,692)**	(41,063)
Attributable to:			
Owners of the Company		**6,602**	293,399
Non-controlling interests		**(410,294)**	(334,462)
Loss for the year		**(403,692)**	(41,063)
Earnings per share			
Basic and diluted	13	**0.18 cents**	8.00 cents

The notes on pages 70 to 178 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
Loss for the year	**(403,692)**	(41,063)
Other comprehensive loss for the year, net of tax:		
Exchange differences arising on translation of foreign operations	**4,754**	51,277
Disposal of available-for-sale financial assets	**(11,731)**	(8,484)
Changes in fair value of available-for-sale financial assets	**(4,600)**	(156,460)
Net actuarial gains/(losses) of defined benefit retirement schemes	**1,716**	(45,714)
Other comprehensive loss for the year, net of tax	**(9,861)**	(159,381)
Total comprehensive loss for the year	**(413,553)**	(200,444)
Attributable to:		
Owners of the Company	**(1,433)**	215,317
Non-controlling interests	**(412,120)**	(415,761)
Total comprehensive loss for the year	**(413,553)**	(200,444)

The notes on pages 70 to 178 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**9,028,532**	8,457,345
Land lease prepayments	15	**958,034**	977,488
Intangible assets	16	**1,329,924**	1,291,380
Other assets	17	**876,978**	801,588
Goodwill	18	**79,547**	79,547
Interests in associates	20	**165,990**	172,896
Available-for-sale financial assets	21	**173,643**	218,419
Deferred tax assets	22	**75,479**	98,073
Total non-current assets		**12,688,127**	12,096,736
CURRENT ASSETS			
Inventories	23	**6,180,731**	6,037,335
Trade receivables	24	**1,662,327**	759,085
Bills receivable	25	**823,604**	1,338,075
Prepayments, deposits and other receivables	26	**1,460,003**	1,368,453
Tax recoverable		**66,956**	63,799
Pledged deposits	27	**78,116**	55,093
Non-pledged time deposits with maturity over three months from date of deposits	27	**771**	5,000
Cash and cash equivalents	27	**623,699**	1,895,760
Total current assets		**10,896,207**	11,522,600
CURRENT LIABILITIES			
Trade payables	28	**1,511,861**	1,197,207
Bills payable	29	**513,279**	87,518
Other payables and accruals	30	**3,317,497**	2,068,529
Interest-bearing bank and other borrowings	31	**7,324,397**	10,182,461
Tax payable		**44,315**	89,638
Dividend payable		**61,206**	61,206
Total current liabilities		**12,772,555**	13,686,559
NET CURRENT LIABILITIES		**(1,876,348)**	(2,163,959)
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,811,779**	9,932,777

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	**3,863,969**	2,642,093
Other liabilities	32	**702,192**	721,994
Payables for mining rights	33	**103,694**	105,320
Government grants	34	**628,103**	332,913
Deferred tax liabilities	22	**212,744**	248,738
Total non-current liabilities		**5,510,702**	4,051,058
NET ASSETS		**5,301,077**	5,881,719
EQUITY			
Equity attributable to owners of the Company			
Share capital	35	**3,668,058**	3,668,058
Reserves		**630,466**	651,328
		4,298,524	4,319,386
Non-controlling interests		**1,002,553**	1,562,333
TOTAL EQUITY		**5,301,077**	5,881,719

Approved and authorised for issue by the board of directors on 26 March 2013.

Li Fuli
Director

Guo Wenzhong
Director

The notes on pages 70 to 178 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Note	Attributable to owners of the Company								
		Issued share capital RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000 (note 36(a))	Exchange fluctuation reserve RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011		3,668,058	917,442	95,597	26,118	101,265	(539,848)	4,268,632	2,234,001	6,502,633
Comprehensive income/(loss)										
Profit/(loss) for the year		—	—	—	—	—	293,399	293,399	(334,462)	(41,063)
Other comprehensive income/(loss), net of tax										
Exchange differences arising on translation of foreign operations		—	—	—	32,659	—	—	32,659	18,618	51,277
Disposal of available-for-sale financial assets, net of tax		—	—	—	—	(8,484)	—	(8,484)	—	(8,484)
Changes in fair value of available-for-sale financial assets, net of tax		—	—	—	—	(62,610)	—	(62,610)	(93,850)	(156,460)
Net actuarial losses of defined benefit retirement schemes, net of tax	22, 32(a)	—	—	—	—	—	(39,647)	(39,647)	(6,067)	(45,714)
Total other comprehensive loss for the year, net of tax		—	—	—	32,659	(71,094)	(39,647)	(78,082)	(81,299)	(159,381)
Total comprehensive loss for the year		—	—	—	32,659	(71,094)	253,752	215,317	(415,761)	(200,444)
Transactions with owners										
Capital injection from non-controlling interests		—	—	—	—	—	—	—	99,431	99,431
Acquisition of non-controlling interests	37	—	(164,563)	—	—	—	—	(164,563)	(322,200)	(486,763)
Dividend paid and payable to non-controlling interests		—	—	—	—	—	—	—	(35,825)	(35,825)
Recognition of equity-settled share-based payments of a subsidiary	39	—	—	—	—	—	—	—	2,687	2,687
Total transactions with owners		—	(164,563)	—	—	—	—	(164,563)	(255,907)	(420,470)
At 31 December 2011		3,668,058	752,879	95,597	58,777	30,171	(286,096)	4,319,386	1,562,333	5,881,719

The notes on pages 70 to 178 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Note	Attributable to owners of the Company								
	Note	Issued share capital RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000 (note 36(a))	Exchange fluctuation reserve RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012		3,668,058	752,879	95,597	58,777	30,171	(286,096)	4,319,386	1,562,333	5,881,719
Comprehensive income/(loss)										
Profit/(loss) for the year		—	—	—	—	—	6,602	6,602	(410,294)	(403,692)
Other comprehensive Income/(loss), net of tax										
Exchange differences arising on translation of foreign operations		—	—	—	5,132	—	—	5,132	(378)	4,754
Disposal of available-for-sale financial assets, net of tax		—	—	—	—	(11,731)	—	(11,731)	—	(11,731)
Changes in fair value of available-for-sale financial assets, net of tax		—	—	—	—	(2,862)	—	(2,862)	(1,738)	(4,600)
Net actuarial gains of defined benefit retirement schemes, net of tax	22, 32(a)	—	—	—	—	—	1,426	1,426	290	1,716
Other comprehensive loss for the year, net of tax		—	—	—	5,132	(14,593)	1,426	(8,035)	(1,826)	(9,861)
Total comprehensive loss for the year		—	—	—	5,132	(14,593)	8,028	(1,433)	(412,120)	(413,553)
Transactions with owners										
Appropriation to reserve		—	—	78,858	—	—	(78,858)	—	—	—
Disposal of subsidiaries	38	—	—	—	—	—	—	—	(38,148)	(38,148)
Acquisition of non-controlling interests	37	—	(19,429)	—	—	—	—	(19,429)	(46,931)	(66,360)
Dividend paid and payable to non-controlling interests		—	—	—	—	—	—	—	(62,581)	(62,581)
Total transactions with owners		—	(19,429)	78,858	—	—	(78,858)	(19,429)	(147,660)	(167,089)
At 31 December 2012		3,668,058	733,450	174,455	63,909	15,578	(356,926)	4,298,524	1,002,553	5,301,077

The notes on pages 70 to 178 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
OPERATING ACTIVITIES			
(Loss)/profit before income tax		**(274,643)**	152,165
Adjustments for:			
Finance costs	8	**790,640**	684,295
Share of losses/(profits) of associates	20	**2,616**	(12,344)
Interest income	8	**(30,372)**	(88,883)
Dividend income	6	**(3,066)**	(7,922)
Loss on deregistration of an associate	7	**—**	282
Gains on disposal of land lease prepayments	6	**—**	(132)
Net (gains)/losses on disposal of property, plant and equipment	6,7	**(3,779)**	8,898
Gain on disposal of subsidiaries	6	**(17,736)**	—
Gains on disposal of available-for-sale financial assets	6	**(11,649)**	(73,714)
Net realised and unrealised gains on derivative financial instruments	6	**(31,873)**	(44,836)
Depreciation of property, plant and equipment	7	**770,194**	712,577
Amortisation of land lease prepayments	7	**23,587**	21,376
Amortisation of intangible assets	7	**50,918**	56,669
Amortisation of other assets	7	**17,108**	20,961
Write-off of other assets	7	**—**	5,796
(Reversal of)/provision for impairment of trade and other receivables	7	**(19,511)**	38,580
Write-down of inventories	7	**237,527**	445,777
Stock appreciation rights	7	**2,067**	(7,062)
Share-based payments	7	**—**	2,953
Cost of supplementary pension subsidies and early retirement benefits	7	**15,213**	(1,917)
Recognition of government grants	6	**(233,666)**	(85,246)
Impairment of intangible assets	7	**—**	10,000
Impairment of property, plant and equipment	7	**51,913**	154,499
Impairment of other assets	7	**7,482**	—
Impairment of available-for-sale financial assets	7	**2,451**	—
Exchange gains, net		**(21,714)**	(6,828)
Operating cash flows before changes in working capital		**1,323,707**	1,985,944

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Increase in inventories		**(381,101)**	(1,147,934)
Increase in trade receivables		**(910,104)**	(89,334)
Decrease/(increase) in bills receivable		**514,471**	(709,762)
(Increase)/decrease in prepayments, deposits and other receivables		**(209,370)**	215,327
Increase in trade payables		**315,099**	265,912
Increase in bills payable		**425,761**	67,518
Decrease in other payables and accruals		**(546,360)**	(19,722)
Cash generated from operations		**532,103**	567,949
Income tax paid		**(168,306)**	(102,767)
Net cash generated from operating activities		**363,797**	465,182
INVESTING ACTIVITIES			
Interest received		**30,372**	88,883
Dividend received		**3,066**	7,922
Additions to other intangible assets		**(13,645)**	(9,691)
Additions to land lease prepayments		**(4,210)**	(81,596)
Purchase of property, plant and equipment and other assets		**(1,375,885)**	(1,663,914)
Proceeds from disposal of property, plant ,equipment		**39,317**	18,786
Proceeds from disposal of land lease prepayments		**—**	2,000
Proceeds from disposal of available-for-sale financial assets		**12,463**	77,989
Proceeds from disposal of subsidiaries	38	**(35,662)**	—
Proceeds from deregistration of an associate		**—**	8,373
Proceeds from disposal of financial instruments		**28,384**	44,217
Deposit for purchase of additional interest of a subsidiary	26	**—**	(44,403)
Receipt of government grants	34	**528,856**	159,240
Receipt of special fiscal funds	32	**—**	302,780
Payment for mining rights		**(186,657)**	(30,669)
Acquisition of an associate	20	**—**	(26,400)
Increase in pledged deposits		**(23,023)**	(41,382)
(Increase)/decrease in non-pledged time deposits with maturity over three months from date of deposits		**(771)**	3,000
Net cash used in investing activities		**(997,395)**	(1,184,865)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
FINANCING ACTIVITIES			
Additions of borrowings		**14,038,374**	11,936,062
Repayment of bank borrowings		**(15,704,720)**	(10,373,476)
Receipt of loans from immediate holding company		**1,968,700**	190,000
Interest paid		**(850,355)**	(702,073)
Acquisition of non-controlling interests	37	**(30,630)**	(272,938)
Capital contributions from non-controlling interests		**—**	99,431
Dividend paid to non-controlling interests		**(62,581)**	(37,666)
Net cash (used in)/generated from financing activities		**(641,212)**	839,340
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,274,810)**	119,657
Cash and cash equivalents at beginning of year		**1,895,760**	1,797,599
Effect of foreign exchange rate changes, net		**2,749**	(21,496)
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	**623,699**	1,895,760

The notes on pages 70 to 178 form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**387,909**	366,777
Land lease prepayments	15	**83,731**	85,701
Intangible assets	16	**222,819**	111,984
Other assets	17	**133,193**	41,852
Interests in subsidiaries	19	**5,131,145**	5,072,421
Interests in associates	20	**221,450**	221,450
Available-for-sale financial assets	21	**7,541**	10,047
Deferred tax assets	22	**8,529**	10,798
Total non-current assets		**6,196,317**	5,921,030
CURRENT ASSETS			
Inventories	23	**29,987**	32,460
Trade receivables	24	**74,999**	58,694
Bills receivable	25	**47,200**	23,595
Prepayments, deposits and other receivables	26	**782,050**	1,413,848
Cash and cash equivalents	27	**176,996**	472,081
Total current assets		**1,111,232**	2,000,678
CURRENT LIABILITIES			
Trade payables	28	**33,626**	26,074
Other payables and accruals	30	**529,047**	813,482
Interest-bearing bank and other borrowings	31	**1,133,449**	2,737,188
Tax payable		**4,772**	10,188
Total current liabilities		**1,700,894**	3,586,932
NET CURRENT LIABILITIES		**(589,662)**	(1,586,254)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,606,655**	4,334,776

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	**1,837,465**	469,629
Other liabilities	32	**367,069**	369,568
Government grants	34	**7,254**	10,282
Total non-current liabilities		**2,211,788**	849,479
NET ASSETS		**3,394,867**	3,485,297
EQUITY			
Equity attributable to owners of the Company			
Share capital	35	**3,668,058**	3,668,058
Reserves	36	**(273,191)**	(182,761)
TOTAL EQUITY		**3,394,867**	3,485,297

Approved and authorised for issue by the board of directors on 26 March 2013.

Li Fuli
Director

Guo Wenzhong
Director

The notes on pages 70 to 178 form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

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

The principal place of business and the registered office of the Company is No. 290 Laodongxi Road, Changsha City, Hunan, the PRC.

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

On 28 December 2009, the Company, State-Owned Assets Supervision and Administration Commission of Hunan Provincial People's Government ("SASAC"), Hunan Nonferrous Metals Holdings Group Co., Ltd. ("HNG"), China Minmetals Hong Kong (Holdings) Limited and China Minmetals Corporation ("CMC") entered into an equity transfer agreement, subject to the agreement becoming effective and satisfaction (or waiver, when applicable), Minmetals Nonferrous Metals Holding Company Limited ("MNH"), a wholly-owned subsidiary of CMC, will become the registered owner of an aggregate of 51% interest in HNG by way of capital injection and equity transfer, and through HNG, obtain indirect controlling interest in the Company. On 2 August 2010, the equity transfer at the relevant administration authority of industry and commerce has been completed in accordance with the applicable PRC laws and regulations and all the related conditions have thus been satisfied and completed.

On 9 December 2011, SASAC and China Minmetals Corporation Limited ("CM"), a subsidiary of CMC, entered into an equity transfer agreement, of which CMC and SASAC will increase their investments in CM by way of capital injection. CMC agreed to contribute its 100% equity interests in MNH and cash consideration, while SASAC agreed to contribute its 49% equity interests in HNG, 20% equity interest in Ershisanye Construction Group Company Limited and cash consideration. On 13 December 2011, after the capital injection of CM was completed, CM and MNH entered into an equity transfer agreement, of which CM will increase its investment in MNH by way of capital injection. CM agreed to contribute its 91.57% equity interests in China Minmetals Nonferrous Metals Company Limited, 49% equity interests in HNG and cash consideration. The above share transfer has been completed.

HNG currently directly holds 53.08% and indirectly holds 4.36% (2011: 4.17%) of the issued share capital of the Company through its wholly owned subsidiary, Hunan Nonferrous Metals Jinsheng Development Co., Ltd.. Accordingly, CM's indirect interests in the Company also increase to 57.44%.

HNG is the parent company of the Group while CMC is the ultimate holding company.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company, unless otherwise stated. The consolidated financial statements have been approved and authorised for issue by the board of directors on 26 March 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("the IASB"). In addition, the consolidated financial statements include applicable disclosure requirements of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong (the "Listing Rules") and the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under historical cost convention, except for certain financial assets measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4. There is no significant changes in accounting estimates during the year, except as described below.

Changes in accounting estimates

On 1 January 2012, the Group reviewed the estimated useful lives and the residual values of property, plant and equipment as at 31 December 2011. As a result they are revised as follows:

	Estimated useful life		Residual value	
	Original	**As revised**	**Original**	**As revised**
Buildings and mining structures	Mine life for mine specific, 20 to 40 years for non-mine specific	Mine life for mine specific, 10 to 40 years for non-mine specific	Nil to 5%	3% to 5%
Plant, machinery and equipment	5 to 15 years	3 to 20 years	3% to 5%	3% to 5%

Had these items continued to be depreciated over the original estimated useful lives with the original residual values, the depreciation charges for the year would have been approximately RMB1,150,000 higher than reported in these consolidated financial statements, and that for the future periods would have been increased by approximately RMB19,917,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group

The following amendments to IFRSs are mandatory for the first time adoption for the accounting period beginning on 1 January 2012:

IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The adoption of these amendments to IFRSs had no material effects on the amounts reported and disclosures set out in thes consolidated financial statements.

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

The following new standards and amendments to standards and interpretations have been issued but are not yet effective for the accounting period beginning on 1 January 2012 and have not been early adopted:

IFRS 7 (Amendments)	Disclosures–Offsetting Financial Assets and Financial Liabilities[2]
IFRS 9	Financial Instruments[4]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Liabilities[4]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 10, IFRS 11, IFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
IFRS 13	Fair Value Measurement[2]
IFRS 10, IFRS 12 and IAS 27 (as revised in 2011) (Amendments)	Investment Entities[3]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
IAS 19 (as revised in 2011)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associate and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]
IFRIC Interpretation-20	Stripping Costs in the Production Phase of a Surface Mine[2]
IFRSs (Amendments)	Annual Improvements to IFRSs 2009-2011 Cycle, except for amendments IAS 1[2]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

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

IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and SIC - Interpretation 13 "Jointly Controlled Entities - Non-Monetary Contributions by Venturers". It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e. joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

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

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use has already been required or permitted under other IFRSs.

IAS 1 (Amendments) change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified.

The amendments to IFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (as revised in 2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

IAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans.

IAS 32 (Amendments) clarifies the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalent to net settlements.

IFRIC Interpretation-20 addresses the recognition of waste removal costs that are incurred in surface mining activity during the production phase of a mine as an asset, as well as the initial measurement and subsequent measurement of the stripping activity asset. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred are accounted for in accordance with IAS 2 "Inventories". To the extent that the benefit is improved access to ore and when criteria set out in the interpretation are met, the waste removal costs are recognised as a stripping activity asset under non-current assets.

The directors anticipate that the above new and revised IFRSs issued but not yet effective will be adopted in the Group's financial statements for the accounting period when they become effective.

Other than as described above, the directors of the Company anticipate that the application of other new and revised IFRSs will have no material impact on the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

(a) Subsidiaries

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) Changes in ownership interests in subsidiaries without change of control

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

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

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

(c) Associates

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(c) Associates (Continued)

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates "the functional currency". The consolidated financial statements are presented in Renminbi, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies

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

(i) assets and liabilities for each financial position presented are translated at the closing rate at the end of the reporting period;

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

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

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

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

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

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

	Estimated useful life	Residual value
Buildings and mining structures	Mine life for mine specific, 10 to 40 years for non-mine specific	3% to 5%
Plant, machinery and equipment	3 to 20 years	3% to 5%

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Land lease prepayments

Land lease prepayments represent the purchase cost of land use rights in the PRC's government authorities. Land lease prepayments are stated at cost less any impairment losses (note 2.10) and are amortised on the straight-line basis over the terms of the land use rights of 50 years.

2.7 Goodwill

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (other than goodwill)

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

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

Mining rights

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

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

Technical know-how

Technical know-how is stated at cost less accumulated amortisation and any impairment losses (note 2.10). The technical know-how is amortised on the straight-line basis over a period of 10 to 20 years.

Other intangible assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (other than goodwill) (Continued)

Research and development costs

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

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

2.9 Exploration and evaluation assets

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

2.11 Financial assets

(a) Classification

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables comprise trade, bills and other receivables, pledged deposits and cash and cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

(a) Classification (Continued)

(iii) Available-for-sale financial assets

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

(b) Recognition and measurement

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

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

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

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss, of which income is included in other income.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

(b) Recognition and measurement (Continued)

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

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

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

(c) Impairment of financial assets

(i) Financial assets carried at amortised cost

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

(c) Impairment of financial assets (Continued)

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

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

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

The Group first assess whether objective evidence of impairment exists.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

(c) Impairment of financial assets (Continued)

(ii) Assets classified as available for sale

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

2.12 Financial liabilities and equity instruments

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

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

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

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

Interest expense is recognised on an effective interest basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Financial guarantee contracts

Financial guarantee contracts are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

2.14 Provisions

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

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

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

2.15 Borrowing costs

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Operating leases

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

2.17 Share capital

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

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's owners until the shares are cancelled or reissued. Where such shares are subsequently reissued, and consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

2.18 Borrowings

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

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

2.19 Government grants

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition

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

(a) Sales of goods

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

(b) Rental income from operating leases

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

(c) Service income

Revenue is recognised when the related service is rendered.

(d) Interest income

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

(e) Dividend income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits

(a) Pension obligations

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

In addition, the Group also pays supplementary pension subsidies to its employees after they reach the normal retirement age. As detailed in note 32 below, these supplementary pension payables are assessed using the projected unit credit valuation method; the costs of providing such subsidies are charged to the consolidated income statement, in accordance with the actuarial reports which contain full valuations of plans. These benefits are unfunded.

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

(b) Termination benefits

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits (Continued)

(c) Stock appreciation rights

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

The cost of the SARs is measured initially at fair value at the grant date using a binomial model, taking into account the terms and conditions upon which the SARs were granted (note 32). The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each financial reporting date up to and including the settlement date with changes in fair value recognised in the consolidated income statement.

2.22 Current and deferred income tax

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax (Continued)

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

2.23 Inventories

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

2.24 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (note 2.11(c)(i)).

2.25 Cash and cash equivalents

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

2.26 Trade payables

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Interest rate risk

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

Sensitivity analysis

At 31 December 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after tax and accumulated losses by approximately RMB42,519,000 (2011: RMB24,043,000). Other components of consolidated equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and accumulated losses) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2011.

(b) Foreign currency risk

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Foreign currency risk (Continued)

(i) Exposure to currency risk

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

The Group

	Exposure to foreign currencies (expressed in RMB)											
	2012						2011					
	USD RMB'000	HKD RMB'000	AUD RMB'000	EUR RMB'000	CAD RMB'000	JPY RMB'000	USD RMB'000	HKD RMB'000	AUD RMB'000	EUR RMB'000	CAD RMB'000	JPY RMB'000
Available-for-sale financial assets	–	–	16,654	–	–	–	–	–	21,387	–	–	–
Cash and cash equivalents	35,391	4,477	237,602	37,541	19,815	682	101,937	12,393	275,276	22,825	8,641	674
Trade receivables	63,870	12,683	–	31,343	5,591	–	187,451	728	622	41,217	2,273	–
Trade payables, other payables and accruals	(1,948)	–	–	(30)	–	–	(56,391)	(24,850)	(12,165)	(31,032)	–	–
Interest-bearing bank and other borrowings	(832,987)	(24,477)	–	–	(2,287)	(7,791)	(1,555,519)	(30,590)	(108)	–	(2,948)	–
	(735,674)	(7,317)	254,256	68,854	23,119	(7,109)	(1,322,522)	(42,319)	285,012	33,010	7,966	674

The Company

	Exposure to foreign currencies (expressed in RMB)							
	2012				2011			
	USD RMB'000	HKD RMB'000	AUD RMB'000	CAD RMB'000	USD RMB'000	HKD RMB'000	AUD RMB'000	CAD RMB'000
Available-for-sale financial assets	–	–	16,654	–	–	–	10,047	–
Cash and cash equivalents	56	1,115	155,300	–	56	7,338	177,736	–
Amounts due from subsidiaries	–	–	914,077	69,758	–	–	839,057	35,007
Interest-bearing bank and other borrowings	(300,892)	–	–	–	(326,833)	–	–	–
	(300,836)	1,115	1,086,031	69,758	(326,777)	7,338	1,026,840	35,007

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Foreign currency risk (Continued)

(ii) Sensitivity analysis

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

	2012		2011	
	Increase/ decrease in foreign exchange rates	**Increase/ (decrease) on loss after tax and accumulated losses**	Increase/ decrease in foreign exchange rates	Increase/ (decrease) on loss after tax and accumulated losses
	%	**RMB'000**	%	RMB'000
USD	**5**	**27,588**	5	49,595
HKD	**5**	**275**	5	1,587
AUD	**5**	**(9,535)**	5	(10,651)
EUR	**5**	**(2,582)**	5	(1,238)
CAD	**5**	**(867)**	5	(299)
JPY	**5**	**266**	5	(26)

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations in the Group's presentation currency. The analysis is performed on the same basis for 2011.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk

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

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

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

At the end of the reporting period, the Group has a certain concentration of credit risk on trade receivables as 10% (2011: 18%) and 13% (2011: 20%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

(d) Liquidity risk

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

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

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

The Group

	2012						2011					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000	Within 1 year or demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade payables	1,511,861	—	—	—	1,511,861	1,511,861	1,197,207	—	—	—	1,197,207	1,197,207
Bills payable	513,279	—	—	—	513,279	513,279	87,518	—	—	—	87,518	87,518
Other payables and accruals	3,285,738	—	—	—	3,285,738	3,285,738	2,032,559	—	—	—	2,032,559	2,032,559
Dividend payable	61,206	—	—	—	61,206	61,206	61,206	—	—	—	61,206	61,206
Bank loans	5,783,304	946,835	859,008	181,366	7,770,513	7,402,523	8,698,311	702,725	1,029,034	183,735	10,613,805	10,083,687
Entrusted loans	1,584,668	661,258	936,181	899,618	4,081,725	3,573,000	1,825,990	501,631	—	680,263	3,007,884	2,650,000
Other loans	118,511	63,043	1,639	48,714	231,907	212,843	44,425	3,335	2,262	55,703	105,725	90,867
	12,858,567	1,671,136	1,796,828	1,129,698	17,456,229	16,560,450	13,947,216	1,207,691	1,031,296	919,701	17,105,904	16,203,044

The Company

	2012						2011					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000	Within 1 year or demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade payables	33,626	—	—	—	33,626	33,626	26,074	—	—	—	26,074	26,074
Other payables and accruals	523,526	—	—	—	523,526	523,526	806,540	—	—	—	806,540	806,540
Bank loans	457,423	109,556	383,245	181,366	1,131,590	980,914	1,480,496	181,685	167,092	183,836	2,013,109	1,906,817
Entrusted loans	621,100	661,258	820,643	—	2,103,001	1,900,000	1,356,696	—	—	—	1,356,696	1,300,000
Other loans	93,989	—	—	—	93,989	90,000	—	—	—	—	—	—
	1,729,664	770,814	1,203,888	181,366	3,885,732	3,528,066	3,669,806	181,685	167,092	183,836	4,202,419	4,039,431

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(e) Commodity price risk

The Group is exposed to commodity price risk through fluctuations of the prices of zinc, lead, silver, tungsten, antimony and other commodities sold by the Group. The Group does not actively manage this risk, except to a limited extent through commodity futures contracts.

(f) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale financial assets (note 21) as at 31 December 2012. The Group's listed investments are listed on the Shenzhen, Shanghai and Australia stock exchanges and are valued at quoted market prices at the end of the reporting period.

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

	31 December 2012	**2012 High/low**	31 December 2011	2011 High/low
Shanghai – A share index	**2,269**	**2,461/1,960**	2,601	3,067/2,134
Shenzhen – A share index	**9,117**	**10,613/7,711**	10,894	13,233/8,555
Australia – ASX200 index	**4,649**	**4,671/3,985**	4,371	4,976/3,766

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(f) Equity price risk (Continued)

	2012		2011	
	Carrying amount of equity investments RMB'000	**Increase/ decrease in equity RMB'000**	Carrying amount of equity investments RMB'000	Increase/ decrease in equity RMB'000
Investments listed in:				
Shanghai – Available-for-sale	**134,498**	**10,087**	160,294	12,022
Shenzhen – Available-for-sale	**3,760**	**282**	18,007	1,351
Australia – Available-for-sale	**7,541**	**566**	10,047	753

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt includes trade payables, bills payables, other payables and accruals, interest-bearing bank and other borrowings and long-term payables for mining rights, less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt. The gearing ratios at 31 December 2012 and 2011 were as follows:

The Group

	2012 **RMB'000**	2011 RMB'000
Trade payables	**1,511,861**	1,197,207
Bills payable	**513,279**	87,518
Other payables and accruals	**3,317,497**	2,068,529
Interest-bearing bank and other borrowings	**11,188,366**	12,824,554
Payables for mining rights	**103,694**	105,320
Less: Cash and cash equivalents	**(623,699)**	(1,895,760)
Net debt	**16,010,998**	14,387,368
Equity attributable to the owner of the Company	**4,298,524**	4,319,386
Capital and net debt	**20,309,522**	18,706,754
Gearing ratio	**79%**	77%

The increase in the gearing ratio during 2012 resulted primarily from increase in trade payables, other payables and accruals as working capital for the Group.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

(a) Financial instruments carried at fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1").

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) ("Level 2").

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) ("Level 3").

The following table presents the Group's assets that are measured at fair value at 31 December 2012:

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Available-for-sale financial assets				
– Listed equity investments	**145,799**	**—**	**—**	**145,799**
Derivative financial instruments	**6,054**	**—**	**—**	**6,054**
Total assets	**151,853**	**—**	**—**	**151,853**

The following table presents the Group's assets that are measured at fair value at 31 December 2011:

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1.

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

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

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

Specific valuation techniques used to value financial instruments include:

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

(b) Financial instruments carried at other than fair value

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

4.2 Critical judgements in applying the entity's accounting policies

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

Impairment of assets

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

Exploration and evaluation expenditure

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

Income tax

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

Mine reserves

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

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

Useful lives and impairment of property, plant and equipment

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

The impairment loss for property, plant and equipment is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount of the assets, or, where appropriate, the cash generating unit to which they belong, is the higher of its fair value less costs to sell and value in use. The fair value less costs to sell are based on the best information available to reflect the amount obtainable at the end of the reporting period, from the disposal of the asset in an arm's length transaction between knowledgeable and willing parties, after deducting the costs of disposal. For the estimation of value in use, the Group's management estimates future cash flows from the cash generating units and chooses a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of property, plant and equipment at 31 December 2012 was RMB9,028,532,000 (2011: RMB8,457,345,000).

Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made. The carrying amount of goodwill at 31 December 2012 was RMB79,547,000 (2011: RMB79,547,000). More details are given in note 18.

Impairment of non-financial assets (other than goodwill)

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

Impairment of available-for-sale financial assets

The Group classifies certain financial assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the consolidated income statement. The carrying amount of available-for-sale financial assets at 31 December 2012 was RMB173,643,000 (2011: RMB218,419,000).

Impairment of receivables

The Group's policy for impairment of receivables is based on the evaluation of collectability and the aging analysis of trade and other receivables and on judgement of management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of the customers. Management reassesses the collectability of receivables at the end of each reporting period. The carrying amount of trade receivables at 31 December 2012 was RMB1,662,327,000 (2011: RMB759,085,000).

Provision for inventories

Management reviews the condition of inventories of the Group at the end of each reporting period and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the net realisable value for these inventories based primarily on the latest invoice prices and current market conditions. Management reassesses the estimation at the end of each reporting period. The carrying amount of inventories at 31 December 2012 was RMB6,180,731,000 (2011: RMB6,037,335,000).

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets at 31 December 2012 was approximately RMB75,479,000 (2011: RMB98,073,000).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

Pension benefits

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

5. SEGMENT INFORMATION

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

Summary details of the business segments are as follows:

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

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

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

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

For the purpose of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable segments other than interests in associates and unallocated corporate assets (if any). Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments. All liabilities are allocated to reportable segments other than unallocated corporate liabilities (if any).

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

5. SEGMENT INFORMATION (Continued)

(a) Business segments

The segment information provided to the board of directors for the reportable segments for the year ended 31 December 2012 and 2011 is as follows:

Year ended 31 December 2012	Nonferrous metal mine sites RMB'000	Nonferrous metal smelting RMB'000	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:						
Sales to external customers	5,760,047	12,186,165	8,772,878	—	—	26,719,090
Inter-segment sales	411,915	631	—	—	(412,546)	—
Less: Sales tax and surcharges	(59,803)	(9,683)	(57,783)	—	—	(127,269)
Total	6,112,159	12,177,113	8,715,095	—	(412,546)	26,591,821
Segment profit/(loss)	126,894	(265,765)	640,871	1,898	—	503,898
Dividend income and gains on disposal of available-for-sale financial assets	—	—	—	—	—	14,715
Finance costs	—	—	—	—	—	(790,640)
Share of losses of associates	—	—	—	—	—	(2,616)
Loss before income tax						(274,643)
Income tax expense	—	—	—	—	—	(129,049)
Loss for the year						(403,692)

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Year ended 31 December 2012	Nonferrous metal mine sites RMB'000	Nonferrous metal smelting RMB'000	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds RMB'000	Corporate and others RMB'000	Consolidated RMB'000
Assets and liabilities:					
Segment assets	8,706,516	6,156,738	8,054,675	184,337	23,102,266
Interests in associates	—	—	—	—	165,990
Unallocated assets	—	—	—	—	316,078
Total assets					23,584,334
Segment liabilities	1,679,761	1,615,271	3,096,619	446,181	6,837,832
Unallocated liabilities	—	—	—	—	11,445,425
Total liabilities					18,283,257
Other segment information					
Depreciation and amortisation	303,570	194,111	360,812	3,314	861,807
Write-down of inventories	72,420	154,489	10,618	—	237,527
Impairment of other assets	7,482	—	—	—	7,482
Impairment of available-for-sales financial assets	2,451	—	—	—	2,451
Impairment of property, plant and equipment	51,913	—	—	—	51,913
Provision for/(reversal of) impairment of trade and other receivables, net	2,637	903	8,352	(31,403)	(19,511)
Capital expenditure	800,218	267,150	546,706	4,548	1,618,622

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Year ended 31 December 2011	Nonferrous metal mine sites RMB'000	Nonferrous metal smelting RMB'000	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:						
Sales to external customers	5,323,174	11,655,358	7,698,484	—	—	24,677,016
Inter-segment sales	534,668	877	—	—	(535,545)	—
Less: Sales tax and surcharges	(66,168)	(3,022)	(61,680)	—	—	(130,870)
Total	5,791,674	11,653,213	7,636,804	—	(535,545)	24,546,146
Segment profit/(loss)	122,079	(116,149)	807,189	(70,639)	—	742,480
Dividend income and gains on disposal of available-for-sale financial assets	—	—	—	—	—	81,636
Finance costs	—	—	—	—	—	(684,295)
Share of profits of associates	—	—	—	—	—	12,344
Profit before income tax						152,165
Income tax expense	—	—	—	—	—	(193,228)
Loss for the year						(41,063)

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Year ended 31 December 2011	Nonferrous metal mine sites RMB'000	Nonferrous metal smelting RMB'000	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds RMB'000	Corporate and others RMB'000	Consolidated RMB'000
Assets and liabilities:					
Segment assets	8,204,853	6,639,566	7,793,854	427,877	23,066,150
Interests in associates	—	—	—	—	172,896
Unallocated assets	—	—	—	—	380,290
Total assets					23,619,336
Segment liabilities	1,718,589	960,687	1,259,254	636,158	4,574,688
Unallocated liabilities	—	—	—	—	13,162,929
Total liabilities					17,737,617
Other segment information					
Depreciation and amortisation	286,565	197,107	325,035	2,876	811,583
Write-down of inventories	98,890	310,370	36,517	—	445,777
Impairment of property, plant and equipment	154,062	—	437	—	154,499
Impairment of intangible assets	10,000	—	—	—	10,000
Write-off of other assets	5,796	—	—	—	5,796
Impairment of trade and other receivables	1,710	3,136	9,916	23,818	38,580
Capital expenditure	669,052	434,073	587,917	9,489	1,700,531

(b) Geographical segment

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

(c) Major customers

No single customer accounted for 10% or more of the total revenue for the year ended 31 December 2012 and 2011.

6. OTHER INCOME

	Note	2012 RMB'000	2011 RMB'000
Dividend income		**3,066**	7,922
Profit from sales of scrap products and raw materials		**108,918**	64,501
Gains on disposal of land lease prepayments		**—**	132
Penalty income		**583**	6,576
Gains on disposal of subsidiaries		**17,736**	—
Gains on disposal of available-for-sale financial assets	(a)	**11,649**	73,714
Net gains on disposal of property, plant and equipment		**3,779**	—
Gross rental income		**10,215**	16,652
Recognition of government grants	(b)	**233,666**	85,246
Rendering of services		**6,282**	1,506
Net realised and unrealised gains on derivative financial instruments		**31,873**	44,836
Trade and other payables and accruals waived		**9,461**	150
Others		**16,000**	20,761
		453,228	321,996

Note:

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

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

	2012 RMB'000	2011 RMB'000
Subsidies for payment of staff salaries and benefits	**2,610**	1,030
Subsidies for business development and recovery of accumulated losses	**178,788**	62,580
Subsidies to encourage export sales	**7,485**	1,591
Others	**44,783**	20,045
	233,666	85,246

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

7. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Note	2012 RMB'000	2011 RMB'000
Cost of inventories sold	23	**24,812,695**	22,032,228
Staff costs (including directors' and supervisors' remuneration as set out in note 9):			
– Wages, salaries and bonuses		**1,315,676**	1,370,750
– Share-based payments*	39	**—**	2,953
– Stock appreciation rights*	32(b)	**2,067**	(7,062)
– Contributions to defined contribution pension schemes	7(a)	**431,765**	368,362
– Cost of supplementary pension subsidies and early retirement benefits:	32(a)		
– current service costs*		**3,455**	3,312
– amortisation of prior service costs*		**(3,384)**	(21,435)
– interest costs*		**15,142**	16,206
		15,213	(1,917)
– Welfare and other expenses		**281,579**	270,589
		2,046,300	2,003,675
Auditor's remuneration*		**6,575**	5,811
Depreciation of property, plant and equipment	14	**770,194**	712,577
Amortisation of land lease prepayments	15	**23,587**	21,376
Amortisation of intangible assets:	16		
– Mining rights		**38,475**	47,573
– Technical know-how and others*		**12,443**	9,096
		50,918	56,669
Amortisation of other assets	17	**17,108**	20,961
Minimum lease payments under operating leases in respect of land:			
– Lease of land from HNG	42(d)	**15,125**	15,120
– Lease of land from other parties		**9,481**	8,825
		24,606	23,945

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

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

	Note	2012 RMB'000	2011 RMB'000
Write-down of inventories		**237,527**	445,777
Impairment of property, plant and equipment	14	**51,913**	154,499
Impairment of intangible assets	16	**—**	10,000
(Reversal of) /provision for impairment of trade and other receivables		**(19,511)**	38,580
Exchange gains, net*		**(25,907)**	(57,202)
Research and development costs*		**164,340**	340,993
Donations*		**2,079**	5,123
Gains on disposal of land lease prepayments		**—**	(132)
Other expenses, net:			
Loss on deregistration of an associate		**—**	282
Net losses on disposal of property, plant and equipment		**—**	8,898
Price participation payment to ex-owner of a subsidiary		**35,670**	66,793
Impairment of available-for-sales financial assets	21	**2,451**	—
Impairment of other assets	17	**7,482**	—
Repairs and maintenance for natural disaster		**—**	1,000
Net losses on disposal of utilities		**16,379**	3,677
Write-off of other assets	17	**—**	5,796
Others		**1,169**	865
		63,151	87,311

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

Note:

(a) All of the Group's full-time employees in the PRC (excluding Hong Kong) are covered by government-regulated defined contribution pension schemes pursuant to which the Group is required to make monthly contributions to the government-regulated retirement schemes at a percentage of 20% (2011: 20%) of the employees' salaries and the relevant municipal and provincial governments are responsible for the pension liabilities to the Group's current and retired employees. The related pension costs are expensed as incurred.

8. FINANCE INCOME AND COSTS

	Note	2012 RMB'000	2011 RMB'000
Finance costs:			
Interest on bank and other borrowings wholly repayable within five years		**(800,631)**	(545,448)
Interest on bank and other borrowings wholly repayable beyond five years		**(49,719)**	(177,789)
Less: Interest capitalised on qualifying assets	14,17	**59,710**	38,942
		(790,640)	(684,295)
Finance income:			
Interest income on short-term deposits		**30,372**	88,883
Net finance costs		**(760,268)**	(595,412)

The interest rates used to determine the amount of related borrowing costs for capitalisation varied from 4.63% to 8.00% (2011: from 4.01% to 8.00%) per annum.

During the year, interest expenses on bank and other borrowings are RMB790,640,000 (2011: RMB684,295,000), including RMB141,004,000 (2011: RMB189,773,000) being paid to the banks in respect of the unified-borrowing and unified repaying loans granted by HNG.

9. EMPLOYEE BENEFIT EXPENSE

Details of directors' and supervisors' remuneration of the Group for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2012 RMB'000	2011 RMB'000
Wages, salaries and bonus	**6,809**	5,127
Stock appreciation rights	**848**	(2,897)
Pension scheme contributions	**1,149**	815
	8,806	3,045

9. EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Directors' and supervisors' remuneration

During the year, SARs were granted to senior executives and key employees, in respect of their services to the Group, under the stock appreciation rights plan of the Company, further details of which are set out in note 32(b) to the consolidated financial statements. The loss/(gain) arising from these SARs is included in the above directors' and supervisors' remuneration disclosures.

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

Year ended 31 December 2012

	Note	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance – related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000	Stock appreciation rights RMB'000
Executive directors:							
Li Fuli		—	—	—	—	—	—
Li Li		—	161	493	131	785	186
Liao Luhai		—	160	493	131	784	159
Guo Wenzhong		—	160	185	69	414	—
		—	481	1,171	331	1,983	345
Non-executive directors:							
Cao Xiuyun		—	144	616	152	912	212
Huang Guoping		—	144	616	152	912	—
Chen Zhixin		—	160	493	130	783	159
Zou Jian	(a)	115	—	—	—	115	—
Lu Yuanjing	(b)	10	—	—	—	10	—
Yang Guang	(e)	—	—	—	—	—	—
		125	448	1,725	434	2,732	371

9. EMPLOYEE BENEFIT EXPENSE (Continued)

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

Year ended 31 December 2012 (Continued)

	Note	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance – related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000	Stock appreciation rights RMB'000
Independent non-executive directors:							
Kang Yi		100	—	—	—	100	—
Gu Desheng		100	—	—	—	100	—
Chen Xiaohong		100	—	—	—	100	—
Wan Ten Lap		267	—	—	—	267	—
Choi Man Chau, Michael		267	—	—	—	267	—
		834	—	—	—	834	—
		959	929	2,896	765	5,549	716
Supervisors:							
Jin Liangshou		—	160	143	60	363	—
He Hongsen		—	160	493	130	783	132
Liu Xiaochu		50	—	—	—	50	—
Chen Hui		—	—	—	—	—	—
Qi Yang	(a)	—	—	—	—	—	—
Hou Xiaohong		—	127	208	67	402	—
He Guoxin	(c)	—	127	202	66	395	—
Xu Xiaoyan	(c)	—	135	170	61	366	—
		50	709	1,216	384	2,359	132
Independent supervisors:							
Liu Dongrong		50	—	—	—	50	—
Xiao Yinong	(a)	—	—	—	—	—	—
Fan Haiyong	(c)	—	—	—	—	—	—
		50	—	—	—	50	—
		100	709	1,216	384	2,409	132
		1,059	1,638	4,112	1,149	7,958	848

9. EMPLOYEE BENEFIT EXPENSE (Continued)

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

Year ended 31 December 2011

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

9. EMPLOYEE BENEFIT EXPENSE (Continued)

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

Year ended 31 December 2011 (Continued)

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

Note:

(a) Resigned on 29 May 2012

(b) Appointed on 29 May 2012 and resigned on 30 January 2013

(c) Appointed on 29 May 2012

(d) Resigned on 16 May 2011

(e) Appointed on 30 January 2013

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

9. EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Five highest paid employees' remuneration

The five individuals whose emoluments were the highest in the Group for the year included four directors (2011: nil director) whose emoluments are reflected above. The emoluments payable to the remaining one (2011: five) employees during the year are as follows:

	2012	2011
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**160**	835
Performance-related bonus	**493**	2,192
Pension scheme contributions	**130**	605
Share appreciation rights	**132**	—
	915	3,632

Their emoluments were within the following bands:

	2012	2011
	No. of employees	No. of employees
HKDNil to HKD1,000,000	**—**	5
HKD1,000,001 to HKD1,500,000	**5**	—

10. INCOME TAX EXPENSE

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

The PRC corporate income tax ("CIT") has been provided at a rate of 25% (2011: 25%) on the taxable income as reported in the statutory accounts of the companies comprising the Group, which are prepared in accordance with the relevant PRC accounting standards (the "PRC GAAP"), as adjusted for income and expense items which are not assessable or deductible for income tax purposes, except for the following subsidiaries of the Company which are qualified as high and new technology enterprises and subject to a preferential CIT rate of 15%:

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

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

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

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

(e) Chenzhou Diamond Tungsten Products Company Limited

(f) Hsikwangshan Twinkling Star Antimony Co., Ltd ("Hsikwangshan")

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

(h) Zigong Cemented Carbides Company Limited

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

(j) Zigong Tungsten Carbide Co., Ltd.

(k) Zigong AsiaTech High-Tech Ltd.

10. INCOME TAX EXPENSE (Continued)

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

	2012 RMB'000	2011 RMB'000
Current tax – CIT		
Provision for the year	**111,665**	174,315
Under-provision in respect of prior years	**8,461**	—
	120,126	174,315
Deferred tax (note 22)		
Temporary differences	**8,923**	18,925
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**—**	(12)
	8,923	18,913
Income tax expense	**129,049**	193,228

10. INCOME TAX EXPENSE (Continued)

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

	2012 RMB'000	2011 RMB'000
(Loss)/profit before income tax	**(274,643)**	152,165
Tax at the applicable income tax rate 25% (2011: 25%)	**(68,661)**	38,041
Tax effect of:		
– Share of losses/(profits) of associates	**654**	(3,086)
– Income not subject to tax	**(120,898)**	(31,571)
– Tax losses not recognised	**172,344**	94,096
– Differential tax rates on the assessable profits and losses of certain subsidiaries	**25,499**	(16,856)
– Income tax benefit from purchase of local machinery	**(18,811)**	(120)
– Effect on opening deferred income tax due to a decrease in income tax rates	**—**	(12)
– Expenses not deductible for tax and others	**135,580**	137,069
– Utilisation of tax losses previously not recognised	**(5,119)**	(24,333)
– Under-provision in respect of prior years	**8,461**	—
Income tax expense	**129,049**	193,228

Income tax recognised in other comprehensive loss

	2012 RMB'000	2011 RMB'000
Deferred tax		
Arising from recognition of other comprehensive income:		
– Net actuarial (gains)/losses of defined benefit retirement scheme	**(805)**	5,805
– Revaluations of available-for-sale financial assets	**25,404**	28,812
	24,599	34,617

11. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB89,225,000 (2011: RMB221,960,000)(note 36).

12. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year (2011: RMBNil).

13. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of approximately RMB6,602,000 (2011: RMB293,399,000) by the weighted average number of ordinary shares of approximately 3,668,058,000 shares (2011: 3,668,058,000 shares) in issue during the year.

(b) Diluted

The diluted earnings per share for the years presented are the same as the basic earnings per share as there are no dilutive ordinary shares during the years.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings and mining structures RMB'000	Plant, machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2011				
Cost	4,121,610	7,556,399	1,023,223	12,701,232
Accumulated depreciation and impairment	(1,556,510)	(3,322,695)	—	(4,879,205)
Net carrying amount	2,565,100	4,233,704	1,023,223	7,822,027
Year ended 31 December 2011				
Opening net carrying amount	2,565,100	4,233,704	1,023,223	7,822,027
Additions	102,112	232,152	1,174,258	1,508,522
Interest capitalised (note 8)	—	—	33,620	33,620
Disposals	(710)	(21,909)	(5,066)	(27,685)
Depreciation charge (note 7)	(197,221)	(515,356)	—	(712,577)
Impairment charge (note 7)	(8,791)	(145,708)	—	(154,499)
Exchange differences	(72,566)	65,241	(3,669)	(10,994)
Reclassified to intangible assets (note 16)	—	—	(755)	(755)
Reclassified to other assets (note 17)	—	—	(314)	(314)
Transfers	497,624	97,798	(595,422)	—
Closing net carrying amount	2,885,548	3,945,922	1,625,875	8,457,345
At 31 December 2011				
Cost	4,553,266	7,498,907	1,625,875	13,678,048
Accumulated depreciation and impairment	(1,667,718)	(3,552,985)	—	(5,220,703)
Net carrying amount	2,885,548	3,945,922	1,625,875	8,457,345

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

	Buildings and mining structures RMB'000	Plant, machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2012				
Cost	4,553,266	7,498,907	1,625,875	13,678,048
Accumulated depreciation and impairment	(1,667,718)	(3,552,985)	—	(5,220,703)
Net carrying amount	2,885,548	3,945,922	1,625,875	8,457,345
Year ended 31 December 2012				
Opening net carrying amount	2,885,548	3,945,922	1,625,875	8,457,345
Additions	21,771	337,078	1,041,036	1,399,885
Interest capitalised (note 8)	—	—	53,402	53,402
Disposals	(2,497)	(45,899)	(103)	(48,499)
Disposal of subsidiaries (note 38)	(16,752)	(2,882)	—	(19,634)
Depreciation charge (note 7)	(192,535)	(577,659)	—	(770,194)
Impairment charge (note 7)	(35,742)	(16,171)	—	(51,913)
Exchange differences	2,805	3,645	1,690	8,140
Transfers	202,765	420,760	(623,525)	—
Closing net carrying amount	2,865,363	4,064,794	2,098,375	9,028,532
At 31 December 2012				
Cost	4,752,564	8,108,323	2,098,375	14,959,262
Accumulated depreciation and impairment	(1,887,201)	(4,043,529)	—	(5,930,730)
Net carrying amount	2,865,363	4,064,794	2,098,375	9,028,532

As at 31 December 2012, the Group's bank loans were secured by certain of the Group's buildings and mining structures and plant, machinery and equipment with an aggregate net carrying amount of RMB459,319,000 (2011: RMB579,732,000) (note 31).

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	Buildings and mining structures RMB'000	Plant, machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2011				
Cost	246,822	184,113	70,798	501,733
Accumulated depreciation and impairment	(110,102)	(101,740)	—	(211,842)
Net carrying amount	136,720	82,373	70,798	289,891
Year ended 31 December 2011				
Opening net carrying amount	136,720	82,373	70,798	289,891
Additions	8,294	27,091	67,739	103,124
Disposals	—	(504)	—	(504)
Depreciation charge	(5,462)	(20,272)	—	(25,734)
Transfers	—	24,242	(24,242)	—
Closing net carrying amount	139,552	112,930	114,295	366,777
At 31 December 2011				
Cost	255,117	230,193	114,295	599,605
Accumulated depreciation and impairment	(115,565)	(117,263)	—	(232,828)
Net carrying amount	139,552	112,930	114,295	366,777

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company (Continued)

	Buildings and mining structures RMB'000	Plant, machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2012				
Cost	255,117	230,193	114,295	599,605
Accumulated depreciation and impairment	(115,565)	(117,263)	—	(232,828)
Net carrying amount	139,552	112,930	114,295	366,777
Year ended 31 December 2012				
Opening net carrying amount	139,552	112,930	114,295	366,777
Additions	10,408	20,103	20,581	51,092
Interest capitalised	—	—	3,380	3,380
Disposals	—	(62)	—	(62)
Depreciation charge	(8,791)	(24,487)	—	(33,278)
Transfers	12,965	—	(12,965)	—
Closing net carrying amount	154,134	108,484	125,291	387,909
At 31 December 2012				
Cost	278,490	248,991	125,291	652,772
Accumulated depreciation and impairment	(124,356)	(140,507)	—	(264,863)
Net carrying amount	154,134	108,484	125,291	387,909

15. LAND LEASE PREPAYMENTS

The Group

	2012 RMB'000	2011 RMB'000
Net carrying amount at 1 January	**977,488**	922,664
Additions	**4,210**	81,596
Amortisation charge (note 7)	**(23,587)**	(21,376)
Disposals	**—**	(5,328)
Disposal of subsidiaries (note 38)	**(117)**	—
Exchange differences	**40**	(68)
Net carrying amount at 31 December	**958,034**	977,488

The Company

	2012 RMB'000	2011 RMB'000
Net carrying amount at 1 January	**85,701**	84,893
Additions	**—**	2,840
Amortisation charge	**(1,970)**	(2,032)
Net carrying amount at 31 December	**83,731**	85,701

At 31 December 2012, the Group's bank loans were secured by certain of the Group's land lease prepayments with an aggregate ntet carrying amount of RMB214,839,000 (2011: RMB231,173,000) (note 31).

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

16. INTANGIBLE ASSETS

The Group

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

16. INTANGIBLE ASSETS (Continued)

The Group (Continued)

	Mining rights RMB'000	Technical know-how RMB'000	Others RMB'000	Total RMB'000
At 1 January 2012				
Cost	1,536,485	49,273	44,801	1,630,559
Accumulated amortisation and impairment	(289,583)	(20,932)	(28,664)	(339,179)
Net carrying amount	1,246,902	28,341	16,137	1,291,380
Year ended 31 December 2012				
Opening net carrying amount	1,246,902	28,341	16,137	1,291,380
Additions	121,302	915	12,730	134,947
Disposal of subsidiaries (note 38)	(45,477)	—	(8)	(45,485)
Amortisation charge (note 7)	(38,475)	(1,970)	(10,473)	(50,918)
Closing net carrying amount	1,284,252	27,286	18,386	1,329,924
At 31 December 2012				
Cost	1,612,310	49,706	58,006	1,720,022
Accumulated amortisation and impairment	(328,058)	(22,420)	(39,620)	(390,098)
Net carrying amount	1,284,252	27,286	18,386	1,329,924

16. INTANGIBLE ASSETS (Continued)

The Company

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

16. INTANGIBLE ASSETS (Continued)

The Company (Continued)

	Mining rights RMB'000	Others RMB'000	Total RMB'000
At 1 January 2012			
Cost	213,554	1,398	214,952
Accumulated amortisation	(101,733)	(1,235)	(102,968)
Net carrying amount	111,821	163	111,984
Year ended 31 December 2012			
Opening net carrying amount	111,821	163	111,984
Additions	112,501	1,464	113,965
Amortisation charge	(1,763)	(1,367)	(3,130)
Closing net carrying amount	222,559	260	222,819
At 31 December 2012			
Cost	326,055	2,862	328,917
Accumulated amortisation	(103,496)	(2,602)	(106,098)
Net carrying amount	222,559	260	222,819

17. OTHER ASSETS

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Exploration and evaluation assets	**876,978**	801,588	**133,193**	41,852

The movements in exploration and evaluation assets during the year ended 31 December 2012 and 2011 are as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**801,588**	806,307	**41,852**	112,008
Additions	**79,580**	73,163	**91,341**	41,852
Interest capitalised (note 8)	**6,308**	5,322	**—**	—
Amortisation charge (note 7)	**(17,108)**	(20,961)	**—**	—
Impairment charge (note 7)	**(7,482)**	—	**—**	—
Reclassifed from construction in progress (note 14)	**—**	314	**—**	—
Reclassifed from intangible assets (note 16)	**—**	(112,008)	**—**	(112,008)
Write-off (note 7)	**—**	(5,796)	**—**	—
Exchange differences	**14,092**	55,247	**—**	—
Net carrying amount	**876,978**	801,588	**133,193**	41,852

18. GOODWILL

The Group

	2012	2011
	RMB'000	RMB'000
At 1 January and 31 December		
Cost	**291,699**	291,699
Accumulated impairment	**(212,152)**	(212,152)
Net carrying amount	**79,547**	79,547

18. GOODWILL (Continued)

Impairment testing of goodwill

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

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

The recoverable amount of the cash-generating units of other subsidiaries has been determined based on a value-in-use calculation using pre-tax cash flow projections based on financial budgets covering a two-year period approved by senior management. The discount rate applied to the cash flow projections is a real rate of 9%-10% and cash flow beyond the budget period is extrapolated using a growth rate of zero. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows or outflows which include budgeted sales and gross margin. This estimation is based on the cash-generating unit's past performance and management's expectations for market developments.

19. INTERESTS IN SUBSIDIARIES

	2012 **RMB'000**	2011 RMB'000
Listed shares, at cost	**47,210**	47,210
Unlisted shares, at cost	**4,597,956**	4,654,546
Due from subsidiaries (note 43)	**990,205**	874,891
	5,635,371	5,576,647
Accumulated impairment #	**(504,226)**	(504,226)
Carrying value	**5,131,145**	5,072,421
Market value of listed shares	**175,247**	159,174

\# An impairment was recognised for certain investments with costs of RMB818,063,000 (2011: RMB818,063,000). The recoverable amount of the interests in Abra has been determined based on the fair value of Abra's net identifiable assets less disposal costs. The fair value of Abra's exploration tenements, which are its main assets, were determined based on the PEM method.

19. INTERESTS IN SUBSIDIARIES (Continued)

Pursuant to the loan agreement signed on 31 October 2007, the balances due from HNC (Australia) Resources Holding Pty Ltd. ("HNC Australia") totaling RMB782,567,000 (equivalent to AUD119,872,000) (2011: RMB768,383,000 (equivalent to AUD119,872,000)) are unsecured, bearing interest based on lending interest rates quoted by loan banks to the lender, but not higher than base rate +0.3% quoted by the Reserve Bank of Australia, and payable by installments before 2016. Pursuant to the revised loan agreement signed on and effective from 1 January 2009, the interest does not become due and payable until such a time that the HNC Australia has generated net profit.

Pursuant to the loan agreement signed on 16 June 2009, the balance due from HNC Australia totaling RMB65,363,000 (equivalent to AUD10,000,000) (2011: RMB64,100,000 (equivalent to AUD10,000,000)) is unsecured, interest-free and repayable in 2013.

The balance due from Beaver Brook Antimony Mine Inc., ("BBAM") totaling RMB36,969,000 (equivalent to CAD5,857,000) (2011: RMB35,007,000 (equivalent to CAD5,667,000)) bears interest based on the lower of the interest rate of 5-year and above quoted by the People's Bank of China and Bank of Canada. The loan will be settled in full in the ninth year from the first drawdown date which was 29 September 2009. The interest does not become due and payable until such a time that BBAM has generated net profit. Interest will be accrued from 1 January of the year when the borrower has generated net profit. On 27 April 2012, the Company signed a new loan agreement with BBAM. The balance of RMB32,789,000 (equivalent to CAD5,180,000) is unsecured, interest-bearing at 2-year loan lending rate of People's Bank of China and repayable on 2014.

On 27 April 2012, the Company signed a new loan agreement with Abra amounting to RMB26,145,000 (equivalent to AUD4,000,000). The amount due is unsecured, interest-free and repayable on 2014.

Except for the balances mentioned above, the remaining amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

19. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2012 and 2011 are as follows:

Name	Note	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company				Principal activities
				2012		2011		
				Direct %	Indirect %	Direct %	Indirect %	
Zhuzhou Cemented Carbides Group Corp., Ltd. (株洲硬質合金集團有限公司)		the PRC 15 November 1980	RMB1,645,761	**100.00**	**—**	100.00	—	Manufacturing of hard alloys and refractory metal compounds
Zhuzhou Smelter Group Holding Co., Ltd. (株洲冶煉集團有限責任公司)		the PRC 6 July 1992	RMB872,888	**63.31**	**—**	63.31	—	Investment holding
Hengyang Yuanjing Tungsten Co., Ltd. (衡陽遠景鎢業有限責任公司)		the PRC 23 January 2003	RMB25,840	**98.33**	**—**	98.33	—	Mining of nonferrous metals
Hsikwangshan Twinkling Star Antimony Co., Ltd. (錫礦山閃星銻業有限責任公司)		the PRC 4 June 2001	RMB467,310	**100.00**	**—**	100.00	—	Mining and smelting of nonferrous metals
Hsikwangshan Twinkling Star Imp. & Exp. Company Limited (湖南錫礦山閃星銻業進出口有限責任公司)		the PRC 17 November 2006	RMB15,000	**—**	**100.00**	—	100.00	Trading of nonferrous metals
Hunan Shizhuyuan Nonferrous Metals Co., Ltd. (湖南柿竹園有色金屬有限責任公司)		the PRC 19 December 1981	RMB307,631	**97.35**	**—**	97.35	—	Mining of nonferrous metals
Hunan Bismuth Co., Ltd* (湖南鉍業有限責任公司)		the PRC 18 June 2008	RMB150,000	**—**	**49.65**	—	49.65	Trading of bismuth and nonferrous metals
Zhuzhou Smelter Group Co., Ltd.*/# (株洲冶煉集團股份有限公司)		the PRC 20 December 1993	RMB527,458	**3.28**	**28.16**	3.28	28.16	Smelting of zinc products and nonferrous metals
Shanghai Jinhuoju Metals Ltd.*/& (上海金火炬金屬有限公司)		the PRC 14 April 1999	RMB1,500	**—**	**31.44**	—	31.44	Trading of metal ingots
Foshan City Nanhai Jinhuoju Metals Ltd.*/& (佛山市南海金火炬金屬有限公司)		the PRC 17 November 2000	RMB3,000	**—**	**31.44**	—	31.44	Trading of metal ingots

19. INTERESTS IN SUBSIDIARIES (Continued)

Name	Note	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company 2012 Direct %	2012 Indirect %	2011 Direct %	2011 Indirect %	Principal activities
Chenzhou Huoju Kuangye Ltd.*/& (郴州火炬礦業有限責任公司)		the PRC 16 April 2003	RMB2,000	—	31.44	—	31.44	Trading of metal ingots
Hunan Zhuye Torch Metals Import and Export Company Limited*/& (湖南株冶火炬金屬進出口有限公司)		the PRC 2 July 2001	RMB80,000	—	31.44	—	31.44	Trading of commercial products and technology
Torch Metal Limited ("Hong Kong Torch")*/& (火炬金屬有限公司)	(a)	Hong Kong 15 December 1992	HKD5,000	—	31.44	—	31.44	Trading of metal ingots
Torch Zinc Limited */& (火炬鋅業有限公司)		Hong Kong 16 April 2004	USD100	—	28.30	—	28.30	Trading of metal ingots
ZCC Import and Export Company Limited (株洲硬質合金進出口公司)		the PRC 29 October 1987	RMB30,000	—	100.00	—	100.00	Trading of metal compounds
Shenzhen Jinzhou Jinggong Scientific and Technological Company Limited (深圳市金洲精工科技股份有限公司)	(b)	the PRC 10 June 1986	RMB61,109	—	72.08	—	60.08	Manufacturing of metal and alloy products
Chenzhou Diamond Tungsten Products Company Limited (郴州鑽石鎢製品有限責任公司)		the PRC 18 December 2001	RMB120,000	—	98.94	—	98.94	Manufacturing of chemical products
Zhuzhou Diamond Cutting Tools Company Limited (株洲鑽石切削刀具股份有限公司)	(a)	the PRC 7 June 2002	RMB500,000	—	81.35	—	81.35	Manufacturing of metal and alloy products
Zhuzhou Changjiang Cemented Carbides Tools Company Limited ("Zhuzhou Changjiang") (株洲長江硬質合金工具有限公司)	(b)	the PRC 20 April 1992	RMB59,764	—	100.00	—	65.14	Manufacturing of metal and alloy products
Zigong Cemented Carbides Company Limited (自貢硬質合金有限責任公司)		the PRC 28 July 1998	RMB500,000	80.00	—	80.00	—	Manufacturing of hard alloys and refractory metal compounds

19. INTERESTS IN SUBSIDIARIES (Continued)

Name	Note	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company 2012 Direct %	2012 Indirect %	2011 Direct %	2011 Indirect %	Principal activities
Hunan Nonferrous Nanling Resource Development Company Limited ("Nanling Resource") (湖南有色南嶺資源開發有限公司)	(c)	the PRC 9 November 2007	RMB100,000	—	—	62.00	—	Developing of nonferrous metal resources
Hunan Nonferrous Xintianling Tungsten Co., Ltd. (湖南有色新田嶺鎢業有限公司)		the PRC 10 January 2008	RMB518,000	**96.53**	—	96.53	—	Mining of nonferrous metals
Abra Mining Pty Limited (愛博礦業有限公司)	(a)	Australia 27 July 2004	AUD33,177	**100.00**	—	100.00	—	Mineral exploration and project evaluation
Hunan Nonferrous Xitian Mining Co.,Ltd. (湖南有色錫田礦業有限公司)		the PRC 2 February 2008	RMB30,000	**70.00**	—	70.00	—	Perambulating of nonferrous metal resources
Zigong Cemented Carbide Import and Export Company Limited (自貢硬質合金進出口貿易有限責任公司)		the PRC 22 September 2003	RMB3,000	—	**78.40**	—	78.40	Trading of metal compounds
Zigong AsiaTech High-Tech Ltd.* (自貢亞西泰克高新技術有限責任公司)		the PRC 11 September 2001	RMB6,600	—	**43.64**	—	43.64	Manufacturing hard alloys equipments
Zigong Keruide New Materials Co., Ltd.* (自貢科瑞德新材料有限責任公司)		the PRC 24 January 2003	RMB21,454	—	**47.46**	—	47.46	Manufacturing and trading of hard alloys products
HNC (Australia) Resources Holding Pty Ltd. (湖南有色澳洲資源投資有限公司)		Australia 28 March 2007	AUD47,000	**100.00**	—	100.00	—	Developing of nonferrous metal resources
Chenzhou Wuling Ming Resource Perambulation Company Limited (郴州五嶺礦產資源勘查有限責任公司)		the PRC 25 May 2007	RMB20,000	**70.00**	—	70.00	—	Perambulating of nonferrous metal resources

19. INTERESTS IN SUBSIDIARIES (Continued)

Name	Note	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company				Principal activities
				2012		2011		
				Direct %	Indirect %	Direct %	Indirect %	
Beaver Brook Antimony Mine Inc. (加拿大水獺溪銻礦有限公司)		Canada 11 September 2009	CAD12,833	**100.00**	**—**	100.00	—	Mineral exploration and project evaluation
Wangqing Haichuang Mining Co., Ltd. ("Wangqing Haichuang") (汪清海創礦業有限公司)	(a)/(d)	the PRC 24 June 2008	RMB66,660	**—**	**—**	—	80.00	Mineral exploration and project evaluation
Shanghai Shanxing Diye Ltd. ("Shanghai Shanxing") (上海閃星銻業貿易有限公司)	(b)	the PRC 20 October 2004	RMB2,000	**—**	**100.00**	—	75.00	Trading of nonferrous metals
Guangzhou Shanxing Diye Ltd. ("Guangzhou Shanxing") (廣州閃星銻業有限公司)	(b)	the PRC 10 May 2005	RMB2,000	**—**	**100.00**	—	80.00	Trading of nonferrous metals
Beijing Shanxing Diye Ltd. ("Beijing Shanxing") (北京閃星銻業貿易有限公司)	(b)	the PRC 29 August 2006	RMB5,000	**—**	**100.00**	—	92.00	Trading of nonferrous metals
Zhuzhou Yinzhi Hejin Jiagong Ltd. ("Zhuzhou Jiagong") (株洲市硬質合金加工有限公司)	(b)	the PRC 23 January 2001	RMB6,000	**—**	**100.00**	—	99.17	Manufacturing of metal and alloy products
Zhuzhou Jinyuan Feijiu Huishou Ltd. ("Zhuzhou Jinyuan") (株洲市金源廢舊回收有限公司)	(b)	the PRC 23 August 2001	RMB1,000	**—**	**100.00**	—	95.00	Recycling of productive waste materials

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

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

& These companies are subsidiaries of Zhuye.

19. INTERESTS IN SUBSIDIARIES (Continued)

Notes:

(a) During 2011, the Company has acquired a further interest in Hong Kong Torch, Zhuzhou Diamond and Wangqing Haichuang from non-controlling interests. Upon the completion of the further acquisition, the Company held 31.44%, 81.35% and 80% equity interest in the above entities. On 4 August 2011, Abra was delisted from Australian Stock Exchange Limited following the compulsory acquisition and on 4 November 2011, the Group's equity interest in Abra was increased by approximately 26.09% from 73.91% to 100%. Please refer to note 37 for details.

(b) During 2012, the Company has acquired a further interest in Shanghai Shanxing, Guangzhou Shanxing, Beijing Shanxing, Shenzhen Jinzhou, Zhuzhou Changjiang, Zhuzhou Jiagong and Zhuzhou Jinyuan from non-controlling interests. Upon the completion of the further acquisition, except the Company hold 72.08% equity interest in Shenzhen Jinzhou, the Company hold 100% equity interest in the above entities. Please refer to note 37 for details.

(c) On 5 January 2012, the Group disposed 62% equity interests in Nanling Resource to HNG, please refer to note 38 for details.

(d) On 21 June 2012, Zigong, a 80% owned subsidiary of the Company disposed 100% equity interests in Wangqing Ziying Tungsten Molybdenum Company Limited ("Wangqing Ziying") to HNG, of which Wangqing Haichuang is a wholly-owned subsidiary of Wangqing Ziying, please refer to note 38 for details.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year ended 31 December 2012 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

20. INTERESTS IN ASSOCIATES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Listed shares, at cost	**—**	—	**356,034**	356,034
Unlisted shares, at cost	**—**	—	**—**	9,000
Share of net assets of associates, net of dividends received	**165,990**	172,896	**—**	—
Deregistered	**—**	—	**—**	(9,000)
Goodwill on acquisition	**45,328**	45,328	**—**	—
	211,318	218,224	**356,034**	356,034
Accumulated impairment on interests in associates	**—**	—	**(134,584)**	(134,584)
Accumulated impairment on goodwill	**(45,328)**	(45,328)	**—**	—
Carrying value	**165,990**	172,896	**221,450**	221,450
Market value of listed shares	**777,387**	777,387	**777,387**	777,387

20. INTERESTS IN ASSOCIATES (Continued)

Particulars of the associates as at 31 December 2012 and 2011 are as follows:

Name	Note	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Group and the Company				Principal activities
				2012		2011		
				Direct %	Indirect %	Direct %	Indirect %	
Zhongwu Gaoxin Materials Company Limited ("Zhongwu Gaoxin") (中鎢高新材料股份有限公司)		PRC 18 March 1993	RMB222,575	**35.28**	**—**	35.28	—	Manufacturing and trading of hard alloy products
Hunan Nonferrous Chenzhou Fluorine Chemistry Co., Ltd. ("Chenzhou Fluorine") (湖南有色郴州氟化學有限公司)	(a)	PRC 8 April 2009	RMB110,000	**—**	**37.97**	—	37.97	Manufacturing and trading of fluorine products

Note:

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

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

	2012 RMB'000	2011 RMB'000
Assets	**286,108**	321,158
Liabilities	**118,278**	146,775
Equity	**167,830**	174,383
Revenue	**634,246**	463,092
(Loss)/profit	**(2,616)**	12,344

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**218,419**	436,336	**10,047**	11,720
Additions	**—**	—	**—**	—
Cost of disposals	**(814)**	(4,275)	**—**	—
Reclassified to interests in associates	**—**	(18,580)	**—**	—
Exchange differences	**224**	(1,312)	**—**	—
Impairment charge (note 7)	**(2,451)**	—	**—**	
Net realised gains transferred from equity	**(13,801)**	(9,981)	**—**	—
Net unrealised losses transferred to equity	**(27,934)**	(183,769)	**(2,506)**	(1,673)
At 31 December	**173,643**	218,419	**7,541**	10,047
Listed equity investments, at fair value	**145,799**	188,348	**7,541**	10,047
Unlisted equity investments, at cost	**27,844**	30,071	**—**	—
	173,643	218,419	**7,541**	10,047

During the year, the loss of the Group's available-for-sale financial assets recognised directly in equity amounted to RMB41,735,000 (2011: RMB193,450,000) of which gain of RMB13,801,000 (2011: RMB9,981,000) was removed from equity and recognised in the consolidated income statement for the year.

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

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

22. DEFERRED TAX

Deferred income tax – Group and Company

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred tax assets	**(75,479)**	(98,073)	**(8,529)**	(10,798)
Deferred tax liabilities	**212,744**	248,738	**—**	—
Deferred tax liabilities/(assets), net	**137,265**	150,665	**(8,529)**	(10,798)

Deferred tax assets

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

The Group

	Asset impairment	Property, plant and equipment with higher tax base	Recognition of actuarial losses	Other temporary differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	28,577	18,363	25,449	14,135	86,524
Credited/(charged) to consolidated income statement (note 10)	10,019	(69)	(6,292)	2,711	6,369
Credited to other comprehensive income	—	—	5,805	—	5,805
Recognition of effect on change in tax rate in consolidated income statement (note 10)	12	—	—	—	12
Exchange differences	—	—	—	(637)	(637)
At 31 December 2011 and 1 January 2012	**38,608**	**18,294**	**24,962**	**16,209**	**98,073**
Credited/(charged) to consolidated income statement (note 10)	**(9,100)**	**102**	**(4,720)**	**(8,071)**	**(21,789)**
Charged to other comprehensive income	**—**	**—**	**(805)**	**—**	**(805)**
At 31 December 2012	**29,508**	**18,396**	**19,437**	**8,138**	**75,479**

22. DEFERRED TAX (Continued)

The Company

	Assets impairement	Recognition of actuarial losses	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2011	301	9,420	9,721
Credited/(charged) to statement of comprehensive income	206	(1,008)	(802)
Credited to reserves	—	1,879	1,879
At 31 December 2011 and 1 January 2012	**507**	**10,291**	**10,798**
Charged to statement of comprehensive income	**(99)**	**(1,736)**	**(1,835)**
Charged to reserves	**—**	**(434)**	**(434)**
At 31 December 2012	**408**	**8,121**	**8,529**

The Group has tax losses arising in the PRC and overseas of RMB2,058,916,000 and RMB802,298,000 (equivalent to AUD122,745,000) (2011: RMB1,048,987,000 and RMB555,570,000 (equivalent to AUD86,682,000)) respectively that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company and certain subsidiaries of the Group which have been loss-making, and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. The tax losses arising in the PRC and Australia will expire in 5 years and have no expiry date respectively under current tax legislation.

22. DEFERRED TAX (Continued)

Deferred tax liabilities

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

The Group

	Revaluation surplus	Recognition of unrealised gains on available-for-sale financial assets	Other temporary differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	151,287	72,132	7,556	230,975
(Credited)/charged to consolidated income statement (note 10)	(1,450)	—	26,744	25,294
Credited to other comprehensive income	—	(28,812)	—	(28,812)
Exchange differences	—	—	21,281	21,281
At 31 December 2011 and 1 January 2012	**149,837**	**43,320**	**55,581**	**248,738**
Credited to consolidated income statement (note 10)	**(1,948)**	**—**	**(10,918)**	**(12,866)**
Credited to other comprehensive loss	**—**	**(25,404)**	**—**	**(25,404)**
Exchange differences	**—**	**—**	**2,276**	**2,276**
At 31 December 2012	**147,889**	**17,916**	**46,939**	**212,744**

23. INVENTORIES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Raw materials	**2,165,401**	1,912,109	**21,117**	17,201
Work in progress	**1,967,980**	2,117,580	**—**	1,695
Finished goods	**2,322,532**	2,509,692	**10,501**	15,589
	6,455,913	6,539,381	**31,618**	34,485
Less: write-down of inventories	**(275,182)**	(502,046)	**(1,631)**	(2,025)
	6,180,731	6,037,335	**29,987**	32,460

The cost of inventories recognised as expense and included in "cost of sales" amounted to RMB24,812,695,000 (2011: RMB22,032,228,000) (note 7).

At 31 December 2012, the Group's bank loans were secured by certain of the Group's inventories, with an aggregate net carrying amount of RMBNil (2011: RMB136,782,000) (note 31).

24. TRADE RECEIVABLES

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

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**1,660,637**	751,195	**74,944**	58,694
Over 1 year but within 2 years	**12,787**	14,509	**23**	—
Over 2 years but within 3 years	**2,979**	12,200	**—**	—
Over 3 years	**48,844**	39,734	**5,412**	5,412
	1,725,247	817,638	**80,379**	64,106
Less: Provision for impairment	**(62,920)**	(58,553)	**(5,380)**	(5,412)
	1,662,327	759,085	**74,999**	58,694

24. TRADE RECEIVABLES (Continued)

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 Jaunary	**58,553**	49,170	**5,412**	4,966
Provision for/(reversal of) impairment	**6,862**	9,956	**(32)**	446
Uncollectible amounts written off	**(2,495)**	(573)	**—**	—
At 31 December	**62,920**	58,553	**5,380**	5,412

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB62,920,000 (2011: RMB58,553,000). The individually impaired trade receivables relate to customers that were in financial difficulties and almost all of the receivables cannot be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Neither past due nor impaired	**1,362,402**	577,289	**74,944**	—
Less than 3 months past due	**261,896**	138,488	**—**	58,694
3 to 9 months past due	**27,549**	31,722	**—**	—
More than 9 months past due	**10,480**	11,586	**55**	—
	1,662,327	759,085	**74,999**	58,694

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

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

At 31 December 2012, included in the trade receivables of the Group are balance due from HNG and its subsidiaries ("HNG Group") and CMC and its subsidiaries ("Minmetals Group") of RMB443,471,000 and RMB425,003,000 respectively (2011: RMB59,589,000 and RMB4,547,000 respectively) which are unsecured, interest-free and receivable on demand.

24. TRADE RECEIVABLES (Continued)

At 31 December 2012, included in the trade receivables of the Group is the balance due from an associate of RMB2,564,000 as at 31 December 2012 (2011: RMB26,743,000) which is unsecured, interest-free and receivable in accordance with normal credit terms to those offered to the major customers of the Group.

At 31 December 2012, the Group's bank loans were secured by certain of the Group's trade receivables, with an aggregate net carrying amount of RMB791,703,000 (2011: RMB465,066,000) (note 31).

25. BILLS RECEIVABLE

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 120 days	**561,360**	1,083,293	**17,400**	23,595
Over 121 days but within 1 year	**262,244**	254,782	**29,800**	—
	823,604	1,338,075	**47,200**	23,595

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

At 31 December 2012, the Group's bank loans were secured by certain of the Group's bills receivable, with an aggregate net carrying amount of RMBNil (2011: RMB208,521,000) (note 31).

At 31 December 2012, the Group's bills payable were secured by certain of the Group's bills receivable, with an aggregate net carrying amount at RMB9,500,000 (2011: RMB19,290,000) (note 29).

At 31 December 2012, certain of the Group's bills receivable amounting to RMBNil (2011: RMB119,540,000) were pledged to banks for general credit facility.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments to suppliers (note (a),(b))	**451,313**	361,612	**1,327**	5,605
Deposit for acquisition of additional interest in a subsidiary (note 37(b))	**8,673**	44,403	**—**	—
Deposits for derivative financial instruments (note (c))	**13,264**	15,681	**—**	—
Derivative financial instruments (note (d))	**6,054**	711	**—**	—
Other receivables (note (a),(b),(e))	**1,130,873**	1,056,020	**843,899**	1,502,977
	1,610,177	1,478,427	**845,226**	1,508,582
Less: Provision for impairment	**(150,174)**	(109,974)	**(63,176)**	(94,734)
	1,460,003	1,368,453	**782,050**	1,413,848

(a) At 31 December 2012, included in the prepayments to suppliers and other receivables of the Group are balances from the HNG Group and Minmetals Group of RMB32,316,000 and RMB2,270,000 respectively (2011: RMB61,586,000 and RMB2,239,000 respectively) which are unsecured, interest-free and receivable on demand.

(b) At 31 December 2012, included in the prepayments to suppliers and other receivables of the Group is balance due from an associate of RMB12,948,000 (2011: RMB200,000) which is unsecured, interest-free and receivable on demand.

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

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

(e) The other amounts with third parties are unsecured, interest-free and have no fixed terms of repayment. At 31 December 2012, the Group does not hold any collateral or other credit enhancements over these balances except for other receivables amounted to approximately RMB56,389,000 (equivalent to AUD8,627,000) (2011: RMB126,124,000 (equivalent to AUD19,678,000)) being secured by way of charges over the third party's assets in the mining tenements.

27. CASH AND BANK BALANCES AND TIME DEPOSITS

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**680,210**	1,837,994	**176,996**	472,081
Time deposits	**22,376**	117,859	**—**	—
	702,586	1,955,853	**176,996**	472,081
Less: pledged cash and time deposits	**(78,116)**	(55,093)	**—**	—
Less: non-pledged time deposits with maturity over three months from date of deposits	**(771)**	(5,000)	**—**	—
Cash and cash equivalents	**623,699**	1,895,760	**176,996**	472,081

At the end of the reporting period, the cash and bank balances and time deposits denominated in RMB amounted to RMB366,302,000 (2011: RMB1,534,100,000). The RMB is not freely convertible into other currencies; however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

28. TRADE PAYABLES

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**1,472,320**	1,164,162	**32,241**	24,908
Over 1 year but within 2 years	**25,351**	16,980	**975**	369
Over 2 years but within 3 years	**2,895**	5,643	**44**	72
Over 3 years	**11,295**	10,422	**366**	725
	1,511,861	1,197,207	**33,626**	26,074

At 31 December 2012, included in trade payable of the Group are balance due to HNG Group and Minmetals Group of RMB87,297,000 and RMB357,536,000 respectively (2011: RMB194,920,000 and RMB53,298,000 respectively) which are unsecured, interest-free and repayable within trade credit periods.

At 31 December 2012, included in trade payable of the Group is balance due to due to an associate of RMB4,209,000 (2011: RMBNil) which is unsecured, interest-free and repayable within trade credit periods.

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

29. BILLS PAYABLE

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

	The Group	
	2012	2011
	RMB'000	RMB'000
Within 120 days	**237,500**	19,518
Over 121 days but within 1 year	**275,779**	68,000
	513,279	87,518

Cash and time deposits amounting to RMB68,410,000 (2011: RMB20,439,000) were pledged to banks for the issuance of bills payable.

At 31 December 2012, certain of the Group's bills receivable amounting to RMB9,500,000 (2011: RMB19,290,000) were pledged to banks for issuance of bills payable (note 25).

30. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances from customers	**612,296**	772,391	**11,830**	10,985
Accrued taxes other than income tax	**39,635**	63,983	**8,905**	5,252
Accrued salaries, wages and benefits	**89,822**	78,958	**11,115**	9,886
Payables for mining rights – current portion (note 33)	**306,618**	365,263	**74,447**	95,921
Accrued expenses and other payables	**2,269,126**	787,934	**422,750**	691,438
	3,317,497	2,068,529	**529,047**	813,482

At 31 December 2012, included in other payables and accruals of the Group (excluding the payables for mining rights – current portion) are balances due to the HNG Group and Minmetals Group of RMB1,936,818,000 and RMB6,515,000 respectively (2011: RMB327,288,000 and RMB16,567,000 respectively) which are unsecured, interest-free and repayable on demand.

At 31 December 2012, included in other payables and accruals of the Group is balance due to an associate of RMBNil (2011: RMB8,000) which is unsecured, interest-free and repayable on demand.

At 31 December 2011, included in other payables of the Group are certain financing arrangement with the Bank of China Limited of RMB31,079,000 which are unsecured, interest bearing at 4% per annum and have been repaid in accordance with the terms of financial arrangement on 25 January 2012.

At 31 December 2012, included in other payables and accruals of the Group and the Company are the current portion of payables to HNG of RMB299,908,000 (2011: RMB358,553,000) and RMB74,447,000 (2011: RMB95,921,000) respectively, in connection with the purchase of mining rights (note 33).

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2012			2011		
The Group	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current:						
Bank loans – unsecured	0.97-6.90	2013	4,228,386	2.30-8.00	2012	5,800,301
Bank loans – unsecured	Export seller's credit interest rate of the People's Bank of China	2013	80,000	Export seller's credit interest rate of the People's Bank of China	2012	40,000
Bank loans – unsecured	—	—	—	Prime rate+3	2012	90,000
Bank loans – unsecured	Prime rate+5	2013	300,000	Prime rate+5	2012	576,000
Bank loans – unsecured	—	—	—	Prime rate+10	2012	45,000
Bank loans – unsecured	Prime rate-10	2013	54,000	Prime rate-10	2012	175,000
Bank loans – unsecured	Prime rate-5	2013	240,000	Prime rate-5	2012	50,000
Bank loans – unsecured	Libor+1.3	2013	25,142	Libor+1.3	2012	25,204
Bank loans – unsecured	Libor+2.6	2013	28,285	—	—	—
Bank loans – secured	5.21-6.15	2013	431,522	4.44-9.04	2012	1,145,152
Bank loans – secured	Prime rate+5	2013	218,900	Prime rate+5	2012	198,500
Bank loans – secured	Prime rate+10	2013	70,000	Prime rate+10	2012	45,000
Bank loans – secured	Prime rate-5	2013	10,000	Prime rate-5	2012	198,900
Entrusted loans	5.4-6.00	2013	1,523,000	4.58-5.52	2012	450,000
Entrusted loans	—	—	—	Prime rate+5	2012	1,300,000
Other borrowings - unsecured	4.58	2013	25,126	4.56-6.89	2012	42,755
Other borrowings - unsecured	Prime rate-10	2013	90,000	—	—	—
Other borrowings - secured	5.21	2013	36	2.90-5.21	2012	649
			7,324,397			10,182,461

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

The Group (Continued)	2012 Effective interest rate (%)	2012 Maturity	2012 RMB'000	2011 Effective interest rate (%)	2011 Maturity	2011 RMB'000
Non-current:						
Bank loans – unsecured	**4.76-6.90**	**2014-2016**	**1,254,323**	3.51-7.10	2013-2015	1,142,500
Bank loans – unsecured	**—**	**—**	**—**	Export seller's credit interest rate of the People's Bank of China	2013	80,000
Bank loans – unsecured	**Prime rate+5**	**2015**	**40,000**	—	—	—
Bank loans – unsecured	**—**	**—**	**—**	Prime rate+10	2013	24,500
Bank loans – unsecured	**Prime rate-10**	**2014**	**75,000**	Prime rate-10	2013	56,000
Bank loans – unsecured	**Libor+1.3**	**2016**	**125,710**	Libor+1.3	2016	151,222
Bank loans – unsecured	**Libor+2.6**	**2018**	**121,755**	Libor+2.6	2018	150,408
Bank loans – secured	**6.15**	**2014**	**99,500**	5.31-6.65	2013	90,000
Entrusted loans	**5.32-6.15**	**2014-2018**	**2,050,000**	4.86-6.98	2013-2018	900,000
Other borrowings – unsecured	**2.10-6.98**	**2014-2023**	**72,671**	2.10-4.50	2013-2023	45,206
Other borrowings – unsecured	**Prime rate+5**	**2014**	**25,000**	—	—	—
Other borrowings – secured	**2.90**	**2014**	**10**	2.90	2014	2,257
			3,863,969			2,642,093
			11,188,366			12,824,554

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

The Company	2012 Effective interest rate (%)	2012 Maturity	2012 RMB'000	2011 Effective interest rate (%)	2011 Maturity	2011 RMB'000
Current:						
Bank loans – unsecured	4.76-6.00	2013	338,000	4.86-7.22	2012	1,011,984
Bank loans – unsecured	Libor+1.3	2013	25,142	Libor+1.3	2012	25,204
Bank loans – unsecured	Libor+2.6	2013	28,285	—	—	—
Bank loans – unsecured	—	—	—	Prime rate+5	2012	400,000
Bank loans – secured	6.00	2013	12,022	—	—	—
Bank loans – secured	Prime rate+5	2013	30,000	—	—	—
Bank loans – secured	Prime rate-5	2013	10,000	—	—	—
Entrusted loans	6	2013	600,000	Prime rate+5	2012	1,300,000
Other borrowings – unsecured	Prime rate-10	2013	90,000	—	—	—
			1,133,449			2,737,188
Non-current:						
Bank loans – unsecured	6.15-6.40	2014-2016	290,000	3.51-6.41	2013	168,000
Bank loans – unsecured	Libor+1.3	2016	125,710	Libor+1.3	2016	151,221
Bank loans – unsecured	Libor+2.6	2018	121,755	Libor+2.6	2018	150,408
Entrusted loans	6.15	2014-2018	1,300,000	—	—	—
			1,837,465			469,629
			2,970,914			3,206,817

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year	**5,686,235**	8,389,057	**443,449**	1,437,188
In the second year	**870,000**	660,500	**100,000**	168,000
In the third to fifth year, inclusive	**724,533**	883,722	**315,710**	151,221
Beyond five years	**121,755**	150,408	**121,755**	150,408
	7,402,523	10,083,687	**980,914**	1,906,817
Entrusted loans repayable:				
Within one year	**1,523,000**	1,750,000	**600,000**	1,300,000
In the second year	**600,000**	450,000	**600,000**	—
In the third to fifth year, inclusive	**800,000**	—	**700,000**	—
Beyond five years	**650,000**	450,000	**—**	—
	3,573,000	2,650,000	**1,900,000**	1,300,000
Other borrowings repayable:				
Within one year	**115,162**	43,404	**90,000**	—
In the second year	**58,360**	3,335	**—**	—
In the third to fifth year, inclusive	**1,632**	2,257	**—**	—
Beyond five years	**37,689**	41,871	**—**	—
	212,843	90,867	**90,000**	—
	11,188,366	12,824,554	**2,970,914**	3,206,817

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

At the end of the reporting period, the bank borrowings are secured by certain of the Group's assets:

	2012	2011
	RMB'000	RMB'000
Property, plant and equipment	**459,319**	579,732
Land lease prepayments	**214,839**	231,173
Inventories	**—**	136,782
Trade receivables	**791,703**	465,066
Bills receivable	**—**	208,521

At 31 December 2012, entrusted loans amounting to RMB3,573,000,000 (2011: RMB2,650,000,000) are granted by HNG to the Group.

At 31 December 2012, certain of the Group's bank loans to the extent of RMB967,715,000 and RMB90,000,000 (2011: RMB1,059,333,000 and RMBNil) are guaranteed by HNG and CMC respectively.

32. OTHER LIABILITIES

	The Group		**The Company**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Provision for supplementary pension subsidies and early retirement benefits (note (a))	**396,693**	420,023	**62,024**	68,011
Stock appreciation rights plan (note (b))	**7,786**	5,719	**7,786**	5,719
Provision for reclamation and rehabilitation	**26,692**	25,842	**—**	—
Special fiscal funds (note (c))	**302,780**	302,780	**302,780**	302,780
Payable for emission right	**—**	3,600	**—**	—
Balance as at 31 December	**733,951**	757,964	**372,590**	376,510
Represented by:				
Current portion included in other payables and accruals	**31,759**	35,970	**5,521**	6,942
Long-term liabilities	**702,192**	721,994	**367,069**	369,568
	733,951	757,964	**372,590**	376,510

32. OTHER LIABILITIES (Continued)

Notes:

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

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

	The Group	
	2012	2011
	RMB'000	RMB'000
Defined benefit obligations at 1 January	**420,023**	417,756
Interest costs recognised in administrative expenses (note 7)	**15,142**	16,206
Current service costs recognised in administrative expenses (note 7)	**3,455**	3,312
Prior services costs recognised in administrative expenses (note 7)	**(3,384)**	(21,435)
Net actuarial (gains)/losses recognised in equity	**(2,521)**	51,519
Benefits paid	**(36,022)**	(47,335)
Defined benefit obligations at 31 December	**396,693**	420,023

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

	2012	2011
	%	%
Discount rate	**3.75**	3.75

Prior to 1 September 2005, the Group paid certain supplementary pension subsidies to its employees. These supplementary pension subsidies mainly included living allowances which were payable to employees on a monthly basis after they reached the normal retirement age. The amount of monthly allowances to be paid to the employees depended on the number of years of service and the policy of the local subsidiaries concerned. The costs of providing these supplementary pension subsidies were charged to the then consolidated income statement of the Group so as to spread the service costs over the average service lives of the employees.

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

32. OTHER LIABILITIES (Continued)

Notes: (Continued)

(b) Stock appreciation rights plan

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

Name	Stock appreciation rights(Number of shares)	Note
He Renchun	1,282,051	Chairman of board of directors and executive director (Resigned on 23 August 2010)
Cao Xiuyun	1,025,641	Vice chairman of the board of directors and Non-executive director
Li Li	897,436	Executive director and general manager
Zeng Shaoxiong	769,231	chairman of the supervisory committee (Resigned on 10 November 2010)
Liao Luhai	769,231	Executive director
Chen Zhixin	769,231	Non-executive director
Wu Longyun	641,027	Non-executive director (Resigned on 10 November 2010)
He Hongsen	641,026	Supervisor
Zhang Yixian	641,026	Non-executive director (Resigned on 10 November 2010)
Yang Bohua	512,820	Senior manager of a subsidiary company
Fu Shaowu	512,820	Senior manager of a subsidiary company (Resigned on 19 July 2012)
Yang Lingyi	512,820	Senior manager of a subsidiary company (Resigned in December 2009)
Hong Mingyang	512,820	Deputy general manager
Zhu Chongzhou	512,820	Senior manager of a subsidiary company (Resigned in May 2010)
	10,000,000	

The SARs can vest zero shares in the first year from the grant date, and no more than one-third of the shares in the second and third year from the grant date, respectively. From the fourth year from the grant date, all SARs can freely vest. The exercise price of the SARs as approved by the board of directors is HKD2.80. The SARs which are not exercised on 25 September 2014 shall not be exercised and shall lapse upon their expiry.

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

The loss arising from the SARs during the year is RMB2,067,000 (2011: gain of RMB7,062,000) and the carrying amount of the liability relating to the SARs at 31 December 2012 is RMB7,786,000 (2011: RMB5,719,000). No SARs were exercised during the year ended 31 December 2012 and 2011.

32. OTHER LIABILITIES (Continued)

Notes: (Continued)

(b) Stock appreciation rights plan (Continued)

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

	The Group and the Company	
	2012	2011
Dividend yield (%)	**1**	1
Expected volatility (%)	**60**	60
Risk-free interest rate (%)	**0.10**	0.45
Expected life of option (years)	**1.60**	2.57
Weighted average share price (RMB)	**0.7785**	0.5719
Model used	**Binomial**	Binomial

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

The SARs are cash-settled and the fair value is remeasured at the end of the reporting period.

(c) Approved by the Ministry of Finance, central state-owned capital management budget funds of RMB302,780,000 was allocated to the Group during year 2011. According to relevant provisions, the above payment should be treated as capital injection by HNG. Before application of the capital injection procedures, these funds are recorded as special fiscal funds.

33. PAYABLES FOR MINING RIGHTS

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Payables in connection with the purchases of mining rights	**410,312**	470,583	**74,447**	95,921
Less: Portion classified as current liabilities (note 30)	**(306,618)**	(365,263)	**(74,447)**	(95,921)
Classifed as non-current liabilities	**103,694**	105,320	**—**	—

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

In 2008, according to a resolution of the government of Hunan province, certain payables of the Group and the Company for purchasing the mining rights amounting of RMB358,553,000 and RMB95,921,000 respectively were transferred to HNG by the government. During the year, RMB58,645,000 and RMB21,474,000 (2011: RMBNil and RMBNil) were repaid by the Group and the Company respectively. Accordingly, the payables for mining rights of the Group were unsecured, interest-free and had no fixed terms of repayment.

34. GOVERNMENT GRANTS

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**332,913**	258,919	**10,282**	10,282
Received during the year	**528,856**	159,240	**18,250**	15,610
Recognised as other income during the year (note 6)	**(233,666)**	(85,246)	**(21,278)**	(15,610)
At 31 December	**628,103**	332,913	**7,254**	10,282

35. SHARE CAPITAL

	2012	2011
	RMB'000	RMB'000
Registered, issued and fully paid:		
– Domestic shares of RMB1.00 each	**2,035,330**	2,035,330
– H shares of RMB1.00 each	**1,632,728**	1,632,728
	3,668,058	3,668,058

36. RESERVES

The Group

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

The Company

	Capital reserve RMB'000	Statutory reserve RMB'000 (note (a))	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2011	427,927	93,977	(18,571)	(455,173)	48,160
Comprehensive loss					
Loss for the year	—	—	—	(221,960)	(221,960)
Other comprehensive loss, net of tax					
Changes in fair value of available-for-sale financial assets, net of tax	—	—	(1,673)	—	(1,673)
Net actuarial losses of defined benefit retirement schemes, net of tax	—	—	—	(7,288)	(7,288)
Other comprehensive loss for the year, net of tax	—	—	(1,673)	(7,288)	(8,961)
Total comprehensive loss for the year	—	—	(1,673)	(229,248)	(230,921)
At 31 December 2011 and 1 January 2012	**427,927**	**93,977**	**(20,244)**	**(684,421)**	**(182,761)**
Comprehensive loss					
Loss for the year	**—**	**—**	**—**	**(89,225)**	**(89,225)**
Other comprehensive (income)/loss, net of tax					
Changes in fair value of available-for-sale financial assets, net of tax	**—**	**—**	**(2,506)**	**—**	**(2,506)**
Net actuarial gains of defined benefit retirement schemes, net of tax	**—**	**—**	**—**	**1,301**	**1,301**
Other comprehensive loss for the year, net of tax	**—**	**—**	**(2,506)**	**1,301**	**(1,205)**
Total comprehensive loss for the year	**—**	**—**	**(2,506)**	**(87,924)**	**(90,430)**
At 31 December 2012	**427,927**	**93,977**	**(22,750)**	**(772,345)**	**(273,191)**

36. RESERVES (Continued)

The Company (Continued)

Notes:

(a) Statutory reserve

Statutory reserve consists of production safety fund and statutory surplus reserve:

(i) According to CaiQi [2012] No.16 "Measures for the Extraction and Management of the Production Safety Fund for the enterprises" issued by the Ministry of Finance and the Safety Production General Bureau, the Group is required to accrue production safety fund to improve the production safety.

(ii) According to the relevant laws and regulations and the Articles of Association of respective companies comprising the Group, 10% of profit after taxation reported under PRC GAAP is required to be transferred to statutory surplus reserve until the statutory surplus reserve reaches 50% of the registered capital of the respective companies.

Upon approval from the authorities, the statutory surplus reserve can be used to offset accumulated losses or to increase share capital. When it is utilised to increase share capital, the remaining balance of the statutory surplus reserve cannot fall below 25% of the share capital.

(b) Distributability of reserves

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

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

(ii) Allocations to the statutory surplus reserve (see note 36(a)(ii));

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

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

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

37. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

During the year, the Group acquired additional interests in a number of subsidiaries. The details are as follows:

Name of subsidiaries	**Date of acquisition**	**Additional equit interests acquired**
Held by a wholly-owned subsidiary, Hsikwangshan:		
– Shanghai Shanxing	17 January 2012	25.00%
– Guangzhou Shanxing	28 February 2012	20.00%
– Beijing Shanxing	8 November 2012	8.00%
Held by a wholly-owned subsidiary, Zhuying:		
– Shenzhen Jinzhou	15 May 2012	12.00%
– Zhuzhou Changjiang	4 July 2012	34.86%
– Zhuzhou Jiagong	4 July 2012	0.83%
– Zhuzhou Jinyuan	4 July 2012	5.00%

During year 2011, the Group acquired additional interests in a number of subsidiaries. The details are as follows:

Name of subsidiaries	**Date of acquisition**	**Additional equity interests acquired**
Held by a 63.31% owned subsidiary, Zhuye:		
– Hong Kong Torch	28 February 2011	30.00%
Held by a wholly-owned subsidiary, Zhuying:		
– Zhuzhou Diamond	11 March 2011	36.60%
Held by a 80% owned subsidiary, Zigong		
– Wangqing Haichuang	29 March 2011	10.00%
Held by the Company:		
– Abra	4 November 2011	26.09%

37. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL (Continued)

The effect of the changes in the ownership interests in these subsidiaries is summarised as follows (Continued):

	2012 RMB'000	2011 RMB'000
Carrying amount of non-controlling interests acquired	**46,931**	322,200
Consideration paid to non-controlling interests (note (a),(b))	**(66,360)**	(486,763)
Excess of consideration paid over carrying amount	**(19,429)**	(164,563)

As a result of the above transactions, a total amount of RMB46,931,000 (2011: RMB322,200,000), being the carrying amount of non-controlling interests acquired, has been transferred from non-controlling interests.

The excess of consideration paid to non-controlling interests over the carrying amount of non-controlling interests acquired of RMB19,429,000 (2011: RMB164,563,000) has been debited to equity attributable to the owners of the Company.

Notes:

(a) During the year 2011, Zhuying acquired an additional 36.60% of the issued shares of Zhuzhou Diamond for a purchase consideration at RMB368,293,000. Among these, deposit for purchase additional interest for a subsidiary of RMB213,825,000 was placed during 2010, such share transfer was completed on 11 March 2011.

(b) During the year, Zhuying acquired an additional 14.92% of the issued shares of Shenzhen Jinzhou for a purchase consideration at RMB44,403,000 (note 26) and a deposit of equivalent amount was placed during 2011. Share transfer of 12.00% was completed on 15 May 2012 and deposit of RMB35,730,000 was utilised. Up to the date of approving these consolidated financial statements, the share transfer of remaining 2.92% is yet to complete.

38. DISPOSAL OF SUBSIDIARIES

On 5 January 2012, the Group disposed 62% equity interests in Nanling Resource to HNG at a cash consideration of approximately RMB61,789,000. Nanling Resource has then been owned as to 62% and 38% by HNG and other third parties, respectively, and has ceased to be a subsidiary of the Company.

On 21 June 2012, Zigong, a 80% owned subsidiary of the Company disposed 100% equity interests in Wangqing Ziying to HNG at a cash consideration of approximately RMB19,474,000. Wangqing Ziying has then been wholly owned by HNG and has ceased to be a subsidiary of the Company.

38. DISPOSAL OF SUBSIDIARIES (Continued)

The assets and liabilities of the disposed subsidiaries as at the date of disposal were as follows:

	Nanling Resource RMB'000	Wangqing Ziying RMB'000	Total RMB'000
Non-current assets			
Property, plant and equipment (note 14)	704	18,930	19,634
Land lease prepayment (note 15)	—	117	117
Intangible assets (note 16)	—	45,485	45,485
Current assets			
Inventories	—	178	178
Prepayments, deposits and other receivables	40,084	441	40,525
Non-pledged time deposits with maturity over three months from date of deposits	5,000	—	5,000
Cash and cash equivalents	54,945	191	55,136
Current liabilities			
Trade payables	—	(445)	(445)
Other payables and accruals	(45)	(63,610)	(63,655)
Tax payable	(300)	—	(300)
Net assets disposed of	100,388	1,287	101,675
(Loss)/gain on disposal of subsidiaries:			
Consideration			
– Consideration received in cash	—	19,474	19,474
– Wavier of payables to disposed subsidiary	61,789	—	61,789
	61,789	19,474	81,263
Net assets disposed of	(100,388)	(1,287)	(101,675)
Non-controlling interests	38,148	—	38,148
	(451)	18,187	17,736
Net cash (outflow)/inflow arising on disposal:			
Consideration received in cash	—	19,474	19,474
Cash and cash equivalents of the disposed subsidiaries	(54,945)	(191)	(55,136)
	(54,945)	19,283	(35,662)

39. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

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

The fair value of the options granted is estimated on the date of grant using Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted. The contractual life of each option granted is 5 years. There is no cash settlement of the options. The fair value of options granted during the year 2011 was estimated on the date of grant using the following assumptions:

Dividend yield	5%
Expected volatility	88%
Risk-free interest rate	5.81%
Expected life	3.75 years
Closing share price of Abra on the grant date	AUD 25 cents

There are no incentive options outstanding as at 31 December 2012 and 2011.

40. OPERATING LEASE COMMITMENTS

As a lessee, the Group and the Company lease certain land, plant and equipment under operating leases, with lease terms negotiated for one to twenty years. None of the leases includes contingent rentals.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under such non-cancellable operating leases falling due as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Less than 1 year	**21,476**	18,639	**—**	—
More than 1 year and less than 5 years	**78,221**	67,541	**—**	—
More than 5 years	**118,291**	138,733	**—**	—
	217,988	224,913	**—**	—

41. CAPITAL COMMITMENTS

At the end of the reporting period, the Group and the Company had the following capital commitments:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Contracted, but not provided for:				
– Property, plant and equipment	**346,458**	221,692	**—**	—
– Others	**30,691**	18,270	**—**	—
	377,149	239,962	**—**	—

42. RELATED PARTY TRANSACTIONS

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

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

42. RELATED PARTY TRANSACTIONS (Continued)

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

(a) Transactions with HNG Group

Nature of transactions	**2012** **RMB'000**	2011 RMB'000
Sales of raw materials and products	**1,569,302**	308,139
Provision of electricity and water	**1,271**	1,156
Subcontracting income	**6,119**	528
Rental income	**140**	—
Purchases of raw materials and products	**477,693**	269,309
Transportation service fees	**21,214**	20,439
Repairs and maintenance fees	**49,582**	37,869
Subcontracting fees	**21,811**	25,059
Rental fees	**8,620**	6,981
Utilities expenses	**—**	303
Property management service fees	**7,755**	4,709

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

(b) Transactions with Minmetals Group

Nature of transactions	**2012** **RMB'000**	2011 RMB'000
Sales of raw materials and products	**856,502**	535,808
Subcontracting income	**105**	—
Purchases of raw materials and products	**2,054,978**	592,976
Repairs and maintenance expenses	**12,119**	23,428

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

42. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with associates

Nature of transactions	2012 RMB'000	2011 RMB'000
Sales of raw materials and products	1,051,248	1,017,216
Provision of electricity and water	—	1,096
Subcontracting income	1,052	—
Purchases of raw materials and products	1,222,032	145,922
Other service fees	939	1,896

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

(d) Lease of land use right from HNG

Nature of transactions	2012 RMB'000	2011 RMB'000
Lease of land use rights	15,125	15,120

The Group has entered into property lease agreements on 35 pieces of land with HNG for terms of one to twenty years. The total annual rental fees were approximately RMB15,125,000 (2011: approximately RMB15,120,000).

(e) During the year ended 31 December 2012, the Group's significant transactions with other state-owned enterprises (excluding HNG Group and Minmetals Group) are a large portion of its sales of goods and purchases of raw materials, electricity, property, plant and equipment and services. In addition, substantially all bank deposits, cash and cash equivalents and borrowings as of 31 December 2012 and the relevant interest earned or paid during the year are transacted with banks and other financial institutions controlled by the PRC government.

43. FINANCIAL INSTRUMENT BY CATEGORY

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

The Group

Financial assets	**2012**			
	Loans and receivables RMB'000	**Available-for-sale financial assets RMB'000**	**Financial assets at fair value through profit or loss RMB'000**	**Total RMB'000**
Available-for-sale financial assets	—	173,643	—	173,643
Derivative financial instruments	—	—	6,054	6,054
Trade receivables	1,662,327	—	—	1,662,327
Bills receivable	823,604	—	—	823,604
Financial assets included in prepayments, deposits and other receivables	285,407	—	—	285,407
Pledged deposits	78,116	—	—	78,116
Non-pledged time deposits with maturity over three months from date of deposits	771	—	—	771
Cash and cash equivalents	623,699	—	—	623,699
	3,473,924	173,643	6,054	3,653,621

Financial liabilities	**2012**
	Financial liabilities at amortised cost and total RMB'000
Trade payables	1,511,861
Bills payable	513,279
Financial liabilities included in other payables and accruals and dividend payable	2,255,492
Interest-bearing bank and other borrowings (note 31)	11,188,366
	15,468,998

43. FINANCIAL INSTRUMENT BY CATEGORY (Continued)

The Group (Continued)

Financial assets

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

Financial liabilities

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

43. FINANCIAL INSTRUMENT BY CATEGORY (Continued)

The Company

Financial assets

	2012		
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Due from subsidiaries (note 19)	990,205	—	990,205
Available-for-sale financial assets	—	7,541	7,541
Trade receivables	74,999	—	74,999
Bills receivable	47,200	—	47,200
Financial assets included in prepayments, deposits and other receivables	777,551	—	777,551
Cash and cash equivalents	176,996	—	176,996
	2,066,951	7,541	2,074,492

Financial liabilities

	2012 Financial liabilities at amortised cost and total RMB'000
Trade payables	33,626
Financial liabilities included in other payables and accruals and dividend payable	173,543
Interest-bearing bank and other borrowings (note 31)	2,970,914
	3,178,083

43. FINANCIAL INSTRUMENT BY CATEGORY (Continued)

The Company (Continued)

Financial assets

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

Financial liabilities

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

44. COMPARATIVE FIGURES

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

NOTICE OF 2012 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hunan Nonferrous Metals Corporation Limited (the "Company") will be held at 10:00 a.m. on 20 May 2013 at conference room, 3/F, No. 290 Laodongxi Road, Tianxin District, Changsha City, Hunan Province, the People's Republic of China to consider and, if thought fit, to pass the following matters:

As Ordinary Resolution

1. To consider and approve the Report of the Board of the Company for the year 2012;

2. To consider and approve the Report of the Supervisory Committee of the Company for the year 2012;

3. To consider and approve the Audited Financial Statements of the Company for the year 2012;

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

5. To consider and elect the appointment of Mr. Yang Guang (his biographical details are set out in Appendix 1 herein) as non-executive directors of the Board of Directors due to expiry of his terms of office and he shall be eligible for re-election by shareholders upon the end of the term according to the articles of association of the Company, and to authorize the Board to determine his remuneration and the Chairman of the Board or any executive director of the Company to execute the service contract with him; and

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

As Special Resolution

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

   7.1 Subject to resolutions numbered 7.3 and 7.4 and pursuant to the Company Law (the "Company Law") of the People's Republic of China (the "PRC") and the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") (as amended from time to time), the exercise by the Board of all the powers of the Company granted by the general and unconditional mandate to allot, issue and deal with shares during the Relevant Period (as defined below) and to determine the terms and conditions for the allotment and issue of new shares including the following terms:

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

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

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

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

   7.2 The approval in resolution numbered 7.1 shall authorise the Board during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period.

7.3 the aggregate nominal amount of new Domestic Shares and new H Shares allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with (whether pursuant to an option or otherwise) by the Board pursuant to the approval in resolution numbered 7.1, other than pursuant to issue of shares by conversion of the surplus reserve into share capital in accordance with the Company Law of the PRC and the articles of association of the Company, shall not exceed 20% of each class of the existing Domestic Shares and H Shares.

7.4 In exercising the powers granted under resolution numbered 7.1, the Board must (1) comply with the Company Law of the PRC and other applicable laws and regulations (as amended from time to time); and (2) obtain approval from the China Securities Regulatory Commission and other relevant PRC government departments.

7.5 For the purpose of this resolution:

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

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

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

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

7.6 The Board, subject to the approval of the relevant authorities of the PRC and in accordance with the Company Law of the PRC, be and is hereby authorised to increase the registered share capital of the Company to the required amount upon the exercise of the powers pursuant to resolution numbered 7.1 above.

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

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

BY ORDER OF THE BOARD
Li Fuli
Chairman

Changsha, the PRC
26 March 2013

Notes:

(1) Holders of the Company's overseas listed foreign shares (in the form of H Shares) ("H Shares") whose names appear on the Company's register of members maintained by Computershare Hong Kong Investor Services Limited on 10 April 2013 and representative holders of domestic shares are entitled to attend and vote at the AGM.

(2) Shareholders who intend to attend the AGM must complete and return the written replies for attending the AGM to Computershare Hong Kong Investor Services Limited or the Company's registered office by facsimile or post, for the attention of the Finance and Securities Department, no later than 29 April 2013.

Details of the Finance and Securities Department of the Company are as follows:

Address: 602, 6/F No. 290 Laodongxi Road, Tianxin District, Changsha City, Hunan Province, the PRC
Tel: (86) 731-8538-5556
Fax: (86) 731-8552-9468

(3) Each holder of Shares who has the right to attend and vote at the AGM is entitled to appoint in writing one or more proxies, whether a shareholder nor not, to attend and vote on his behalf of the AGM. Where a shareholder has appointed more than one proxy to attend the AGM, such proxies may only vote on a poll or a ballot. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. In case that an appointer is a legal person, the power of attorney must be either under the common seal of the legal person or under the hand of its director or other person, duly authorised. If the instrument appointing a proxy is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified. For holders of H Shares, the power of attorney or other documents of authorisation and proxy forms must be delivered to the Company's H Share Registrar at Computershare Hong Kong Investor Services at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no less than 24 hours before the time appointed for the holding of the AGM in order for such documents to be valid.

(4) The Company's register of member will be closed from 10 April 2013 to 20 May 2013 (both days inclusive), during which time no transfer of shares will be registered. Transferees of H Shares who wish to attend the AGM must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to Computershare Hong Kong Investor Services Limited by no later than 4:30 p.m. on 9 April 2013 for completion of the registration of the relevant transfer in accordance with the Articles of Association of the Company. Computershare Hong Kong Investor Services Limited's address is as follows:

46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

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

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

* For identification only

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

APPENDIX 1 OF NOTICE OF AGM

On 30 January 2013, Mr. Yang Guang was appointed by the Board as the non-executive director of the Third Session of the Board to fill the casual vacancy caused by the resignation of Mr. Lu Yuanjing, the former non-executive director of the Company. In accordance with the Articles of Association and Listing Rules, Mr. Yang Guang shall be subject to re-election by the shareholders of the Company at the first general meeting after his appointment. The resolution in relation to the re-election of Mr. Yang Guang as a non-executive director of the Company will be put forward to the AGM for shareholders' approval as an ordinary resolution.

Biographical details of the candidate proposed to be elected as directors are set out as follows:–

Mr. Yang Guang, aged 40, graduated from the Financial Accounting Department of Renmin University of China. Mr. Yang worked at the Internal Audit Department of the Head Office of Bank of China from July 1993 to October 1999. From October 1999, Mr. Yang was transferred to China Orient Asset Management Corporation. From October 1999 to October 2005, Mr. Yang worked at the Audit Department of the Head Office of China Orient Asset Management Corporation. From October 2005 to July 2007, Mr. Yang served as Assistant General Manager of Qingdao Office of China Orient Asset Management Corporation. From July 2007 to April 2009, Mr. Yang served as Vice General Manager of Shijiazhuang Office of China Orient Asset Management Corporation. From April 2009 to March 2010, Mr. Yang served as Vice General Manager at the Investment Management Department of the Head Office of China Orient Asset Management Corporation. Mr. Yang has served as Vice General Manager of Bangxin Asset Management Co., Ltd., a wholly-owned subsidiary of China Orient Asset Management Corporation, since March 2010. Mr. Yang is an accountant. He has extensive experience in enterprise operation management and investment and financing.

Save as disclosed above, Mr. Yang Guang does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company, nor does he have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Save as disclosed above, Mr. Yang did not hold any other positions in the Company or any of its subsidiaries or any directorships in other listed companies in the last three years.

Save as disclosed above, the Company was not aware of any other matters that need to be brought to the attention of the shareholders of the Company or any information in relation to the appointment of Mr. Yang Guang that need to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules.

Subject to the re-election of Mr. Yang Guang as a non-executive director of the Company being approved by the shareholders of the Company at the AGM, the Company will enter into a service contract with him. The term of office of Mr. Yang Guang will be from the date of the AGM until the expiry of the term of office of the Third Session of the Board.

Mr. Yang will be entitled to a director's fee of RMB 100,000 per annum, which is determined based on the Company's remuneration policy for non-executive directors.