中國大冶有色金屬礦業有限公司

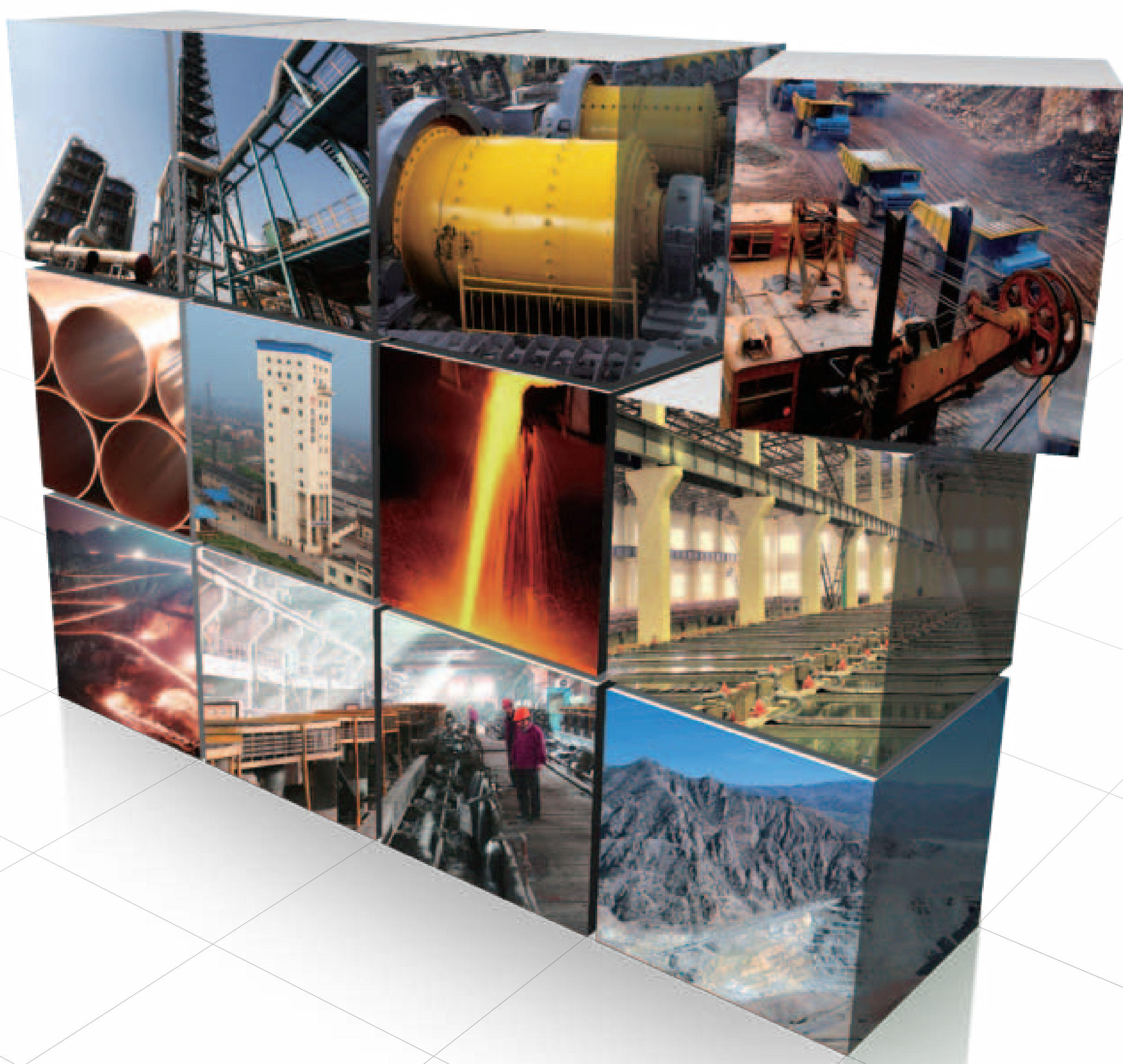
China Daye Non-Ferrous Metals Mining Limited

(incorporated in Bermuda with limited liability)

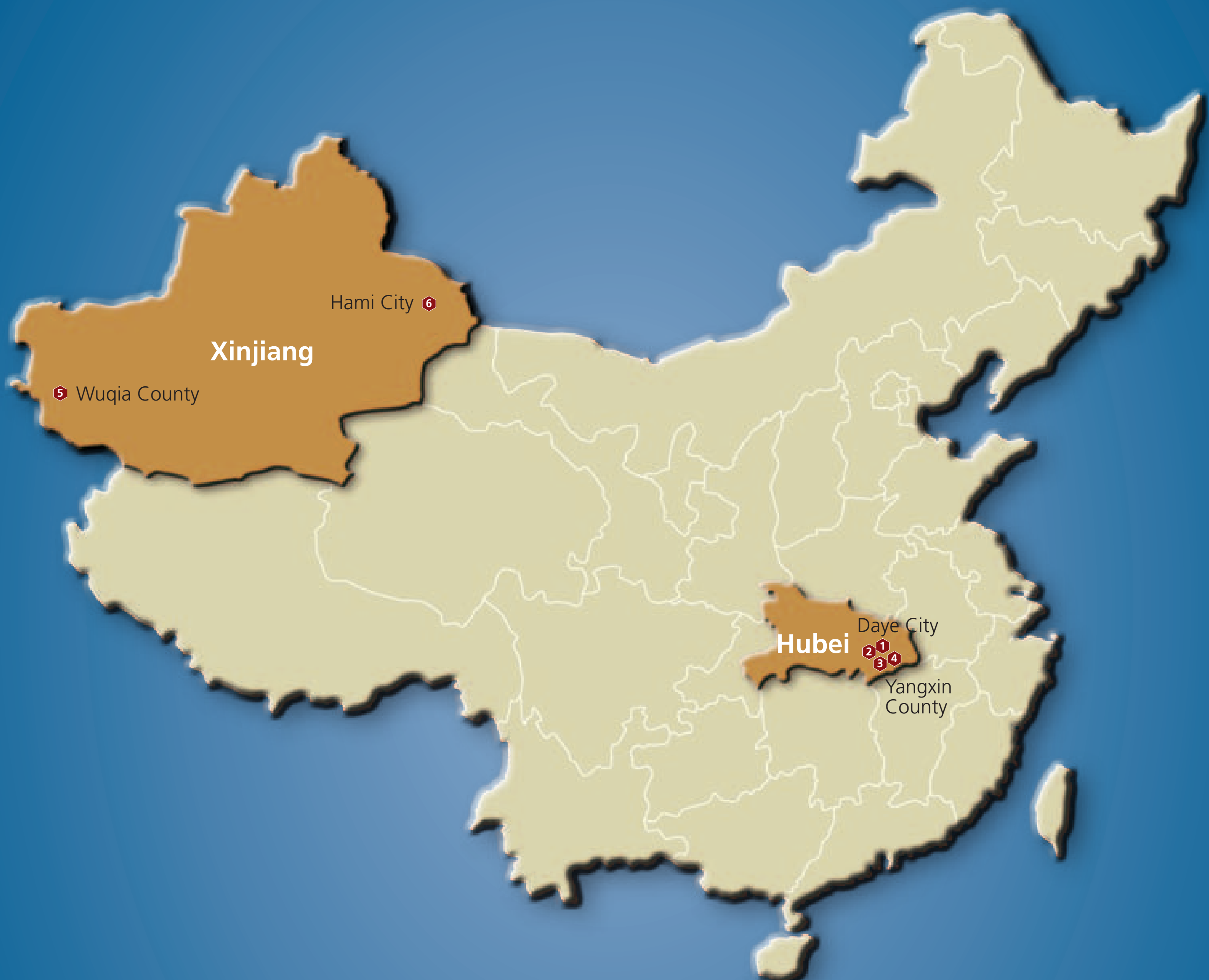
Stock Code : 00661

Tremendous Strength Creating Growth

Annual Report 2012



Mineral Resources



Hubei Mines

Daye City

1. **Tonglvshan Mine**
2. **Tongshankou Mine**

Yangxin County

3. **Fengshan Mine**
4. **Chimashan Mine**

Xinjiang Mines

Wuqia County

5. **Sareke Copper Mine**

Hami City

6. **Hami Mine**

Contents

Corporate Information

Board of Directors

Executive Directors:

Zhang Lin *(Chairman)*
Long Zhong Sheng *(Chief Executive Officer)*
Zhai Baojin
Tan Yaoyu
Wan Bi Qi

Independent Non-executive Directors:

Wang Guoqi
Wang Qihong
Qiu Guanzhou

Audit Committee/ Remuneration Committee

Wang Guoqi *(Chairman)*
Wang Qihong
Qiu Guanzhou

Nomination Committee

Zhang Lin *(Chairman)*
Wang Guoqi
Wang Qihong
Qiu Guanzhou

Company Secretary

Yeung Wing Kwan

Legal Advisers

As to Hong Kong law:
Paul Hastings

As to Bermuda law:
Conyers, Dill & Pearman

Auditor

Deloitte Touche Tohmatsu

Bankers

Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of Communications Co., Limited

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

Unit 2001, World Wide House,
19 Des Voeux Road Central,
Hong Kong

Principal Registrar

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong Branch Registrar

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Stock Codes

Ordinary shares: 661
Preference shares: 421

Biographical Details of Directors

Executive Directors

Mr. Zhang Lin, aged 50, has been the Chairman and an executive Director of the Company since 2012. Mr. Zhang obtained a bachelor's degree in mineral engineering from Central South University (中南大學) in 1986 and a doctorate degree in mineral processing engineering from Central South University (中南大學) in 2008. Mr. Zhang was accredited as a senior engineer in mineral processing by the Employees Reform Office of Hubei Province in April 2004. Since 2005, Mr. Zhang had served as the deputy manager, the general manager and a director of Daye Nonferrous Metals Co., Ltd ("Daye Metal"). Mr. Zhang was also the deputy manager and the manager of 大冶有色金屬集團控股有限公司 (Daye Nonferrous Metals Corporation Holdings Limited) (the "Parent Company") from 1998 to 2010. He is currently the chairman and director of the Parent Company, Daye Metal and the Company. Mr. Zhang has over 25 years of experience in mineral processing.

Mr. Long Zhong Sheng, aged 49, has been the Chief Executive Officer and an executive Director of the Company since 2012 and 2011, respectively. Mr. Long obtained a bachelor's degree in mining engineering from Central South University (中南大學) in 1987. He holds a master's degree in mineral processing from Central South University (中南大學) and is a senior mineral processing engineer. He began his career in mining engineering at 豐山銅礦 (Feng Shan Copper Mine) in the People's Republic of China (the "PRC") in 1987 and acted as its chief executive from 1998 to 2002. He had also been the chief executive of 銅綠山礦 (Tong Lu Shan Mine) in the PRC from 2006 to 2008. Since 2008, Mr. Long has served as the assistant manager of Daye Metals and he is currently a deputy managing director of the Parent Company. Mr. Long has over 25 years of experience in the management field of mining industry.

Mr. Zhai Baojin, aged 46, has been an executive Director of the Company since 2012. Mr. Zhai is graduated in economics and management from the Party School of Hubei Province in 2007. Mr. Zhai was accredited as a senior engineer in metallurgy by the Employees Reform Office of Hubei Province in June 2006. Mr. Zhai joined Daye Metal in April 2005 and was appointed as its director in September 2006 and has also served as its general manager. He had served as the factory head of the smelting plant located in No. 1, Yelian Road, Xin Xialu, Huangshi City, Hubei Province, the PRC, and also the deputy general manager in general affairs and the deputy general manager of Daye Metal since April 2005. Mr. Zhai was the technician, factory head and the deputy manager of the Parent Company from 1986 to 2010. Mr. Zhai is currently the deputy manager and a director of Parent Company. Mr. Zhai has over 25 years of experience in the smelting industry.

Mr. Tan Yaoyu, aged 39, has been an executive Director of the Company since 2012. Mr. Tan is also the director of Daye Metal and has over 19 years of experience in the mining industry. Mr. Tan is graduated in economics and management from the Party School of Hubei Province in 2007. Mr. Tan was accredited as a senior accountant by the Employees Reform Office of Hubei Province in December 2010. Mr. Tan joined Daye Metal in December 2008 and served as its financial director until October 2009. Mr. Tan was then appointed as a director of Daye Metal in September 2011. He is currently the chief accountant and a member of the Standing Committee of the Parent Company. Prior to joining Daye Metal, Mr. Tan was the deputy financial director and the cost controller of the Parent Company from 1998 to 2008.

Biographical Details of Directors

Mr. Wan Bi Qi, aged 47, has been an executive Director of the Company since 2009. Mr. Wan obtained a bachelor's degree in science (exploration engineering) from Central South University (formerly Central South Industrial University) in 1987 and also a master's degree in philosophy and a doctorate degree in economics from Wuhan University in 1992 and 1998, respectively. He was previously: the associate professor, the head of Economics Research Institute and the associate editor of the journal of Hubei Business Institute (湖北商業高等專科學校) (now known as Hubei University of Economics (湖北經濟學院)); the senior manager of investment banking division of China Eagle Securities Company Limited; the deputy general manager of investment banking division of Three Gorges Securities; the general manager of investment banking division of Fortune Securities Co., Ltd. and Wanlian Securities Co., Ltd.; the deputy general manager of Flying Pace Investment Limited in Hong Kong; and the assistant to the manager of the Parent Company and the financial controller of Daye Metal. Mr. Wan possesses extensive experience in merger and acquisition reorganization, financing through listing and financing for listed firms throughout the years.

Independent non-executive Directors

Mr. Wang Guoqi, aged 52, has been an independent non-executive Director of the Company since 2006. Mr. Wang is a qualified accountant of The Chinese Institute of Certified Public Accountants, the PRC. Mr. Wang has extensive experience in accounting and financing areas in different industries. Currently, he is the managing partner of Hua-Ander Certified Public Accountants in the PRC. Mr. Wang holds a bachelor's degree in financial accounting and a master's degree in economics from Renmin University of China in 1982 and 1985, respectively, and also a doctor's degree in philosophy from The University of London, the United Kingdom.

Mr. Wang Qihong, aged 60, has been an independent non-executive Director of the Company since 2006. Mr. Wang has extensive experience in postal and tele-communications field in the PRC. Mr. Wang was a deputy manager of Town Khan Limited from 1992 to 2001. Mr. Wang graduated in foreign language from Liaoning University, the PRC.

Mr. Qiu Guanzhou, aged 64, has been an independent non-executive Director of the Company since 2009. Mr. Qiu obtained his bachelor's, master's and doctor's degree of engineering from the Guangdong University of Technology and the Central South University of Technology. Mr. Qiu has gained extensive and practical experience during his term of service as an officer responsible for administration and technology on the front line of a copper smelting enterprise. Mr. Qiu has been focusing on the teaching of and scientific research on mining engineering in the Central South University of Technology since 1987. Since 1990, he has acted as head of the Department of Mining Engineering of the Central South University of Technology and vice-president of the Central South University of Technology and the Central South University. Mr. Qiu is a renowned expert, professor and supervisor of doctorate students in the field of mining engineering in China.

Company Secretary

Ms. Yeung Wing Kwan, aged 31, has been the company secretary of the Company since 2012. Ms. Yeung graduated with a bachelor's degree in commerce from The University of Sydney. She is a member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She has several years of company secretary practice in listed companies in Hong Kong.

Chairman's Statement

The Company endeavors to become a "world-class copper enterprise widely recognized in the global market". We strive for excellence in quality and work hard to be a model enterprise for the society.

Adhering to the "market-oriented and efficiency-focused" management philosophy, the Company will push ahead with its five core development strategies, i.e., "Resources Enhancement, Scale Expansion, Structural Optimisation, Efficient Use of Capital Markets and Growth of Talents", in order to drive the second boom for corporate development.

Dear Shareholders,

On behalf of the board of directors (the "Board") of China Daye Non-Ferrous Metals Mining Limited (the "Company"), I am pleased to present to the shareholders of the Company (the "Shareholders") the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

In 2012, the prices of non-ferrous metal products dropped while the prices of energy resources remained at high levels and labour costs increased substantially due to the unstable and deteriorating European debt crisis, the persistent depression of global economy and the slowdown in the economic growth of China. The Company managed to overcome the adverse impact brought by the stringent macro-economic environment and completed a reorganisation in 2012, through a reverse takeover transaction. Due the success of such reorganisation, the Company became the first state-owned enterprise listed as a red-chip company in the Hubei province, which provided a solid platform for the Company to implement its capital operations.

Since the completion of this reverse takeover transaction on 7 March 2012, the production and operation mode of the Company has undergone significant changes. The Company managed to maintain stable and rapid development with annual revenue derived from business operation for the year ended 31 December 2012 of approximately RMB28,878,123,000 (2011 (restated): RMB27,144,759,000), representing a year-on-year growth of approximately 6.4% and profit attributable to owners of the Company of approximately RMB157,176,000 (2011 (restated): RMB149,275,000).

Chairman's Statement

Operation Results

By optimizing our production processes, the Company operated at full capacity and achieved its expected production targets for the year ended 31 December 2012. During 2012, the Company produced a total of approximately: 22,000 tonnes of mined copper, up by approximately 6.06% from the previous year; 275,200 tonnes of copper cathode, up by approximately 1.66% from the previous year; 397.12 tonnes of precious metals (including approximately 7,754 kg of gold, 389.14 tonnes of silver, 13 kg of platinum and 201 kg of palladium), up by approximately 9.7% year-on-year; 790,800 tonnes of chemical products (including sulfuric acid), up by approximately 14.33% year-on-year; and 271,000 tonnes of iron concentrate.

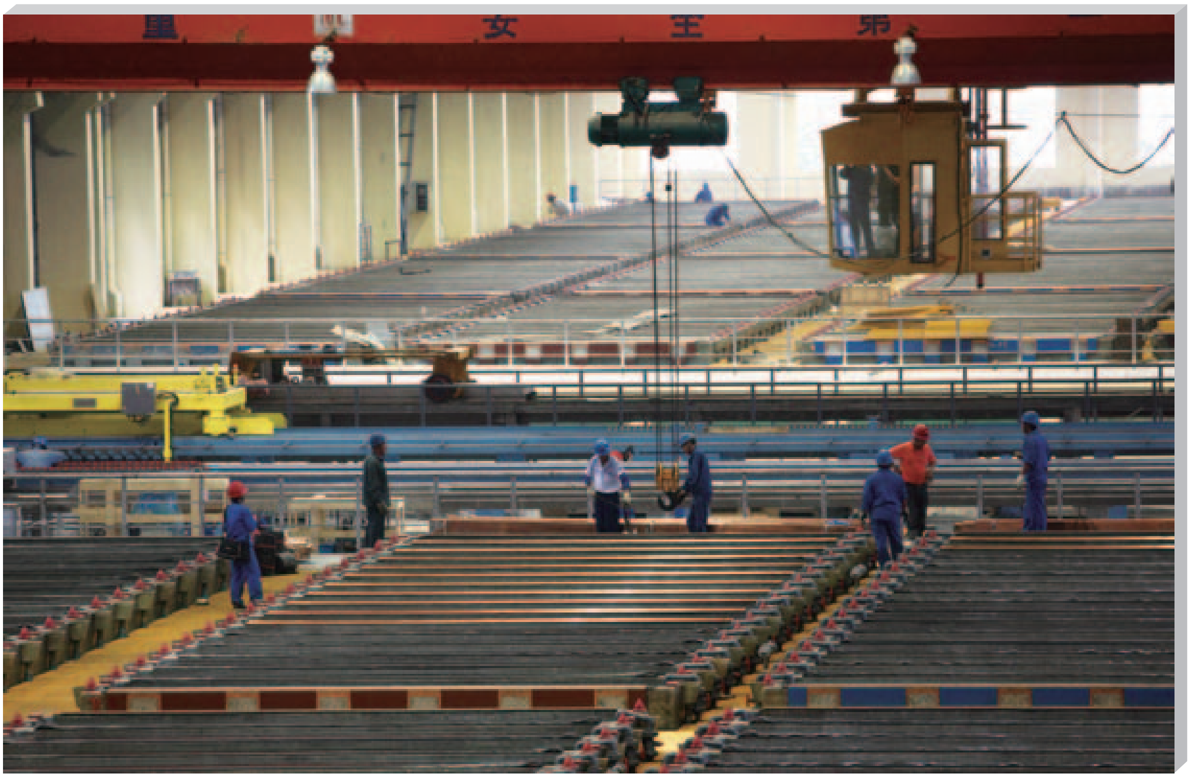
In respect of scientific research, the Company established technological research and development platforms such as the "State-level Project Practice Education Center" and the "Hubei Provincial Key Laboratory of Non-Ferrous Metallurgy and Recycling". The design institute of the Company became the first unit in Hubei Province to obtain Grade A qualification in the metallurgical industry (which includes the metallurgical engineering as well as metallurgy and mine engineering). These high-end and high-level scientific research platforms have laid a solid foundation for expanding our business scale and expediting technological achievement.

In addition, the Company focused on any technical difficulties in the mine and metallurgical production, designated scientific personnel to tackle such technical problems and managed to achieve satisfactory results. During the year, the Company completed the examination and acceptance of 35 scientific research projects some of which have been applied for registration as key research projects of the Hubei province. The project under the National Science and Technology Support Program, namely "Study on the Critical Technology and Equipment for Highly Effective Recycling of Valuable Metals from Secondary Resources of Copper Mines" (銅礦山二次資源有價元素高效回收利用關鍵技術與裝備研究), has passed the accreditation assessment. The project "Study on New Regrinding Technologies for Flotation Middling Selective Grading and Their Applications" (浮選中礦選擇性分級再磨新技術及應用研究) was awarded "Third Prize of Hubei Province for Progress in Science and Technology". The projects "Methods for Chemical Analysis of Blister Copper" (粗銅化學分析方法) and "Methods for Chemical Analysis of Copper Anode Mud" (銅陽極泥化學分析方法), have reached advanced international standard won "Second Prize for Progress in Science and Technology" in non-ferrous metal, and have set standards for the national non-ferrous metal industry. Moreover, the Company was granted eighteen patents during the year, of which three were invention patents.

Chairman's Statement

In 2012, the Company implemented projects for the prospecting of replacement resources in the Hubei province's old mines and also re-exploration of the Company's mines. The main work progressed as planned. New achievements were made in mineral resources exploitation. The Company persisted with fringe and in-depth prospecting and integration of production and prospecting for internal mines. The Company completed a drilling footage of 11,397m, which exceeded the prospecting target for the whole year. A prospecting footage of 11,239m was also completed in the Xinjiang Ulugqat Sareke Copper Mine, with expected additional resource reserves of approximately 160,000 tonnes. Required works for changes and extension of the mining license in respect of the Yanxi Copper Mine in Hami, Xinjiang has been completed and detailed geological exploration will commence shortly.

Chairman's Statement



Finally, construction of the Ausmelt furnace ancillary facility progressed smoothly. The Company completed the construction of the No. 2 refining furnace and put it into operation on 25 May 2012, while the residual heat power plant has been connected to the power grid since 13 June 2012 and trial production of the No. 4 converter furnace was launched on 30 August 2012. For the clean production demonstration project for copper processing with a production capacity of 300,000 tonnes, power supply was connected for trial production on 30 September 2012. The production capacity of the Company for copper cathode reached 700,000 tonnes and was ranked top three in China. Construction of Phase I of the Precious Metals Industrial Park in Golden Hill (黃金山) has been substantially completed. The Company's ability to manage exploitation of precious metals and the relevant technological level are expected to be enhanced remarkably after the commencement of production.

Market Prospect

The global economy remains highly uncertain in 2013. From a macro-economic perspective, the global economy has shown a weak recovery from the European debt crisis. The prices of major products remain at comparatively low levels. In light of the expansion of production scale, coupled with the volatile fluctuation of copper prices, the Company will likely encounter greater difficulties in operation and management. According to the data of the international copper research organisation, starting from 2013, the global productivity of copper concentrate will expedite its annual growth rate at approximately 5%. Meanwhile, the output of the copper mines in China continues to exhibit stable growth. The control measures of China will have substantial impact on the non-ferrous metals industry. According to the "12th Five-year Development Plan" of China, the launch and implementation of

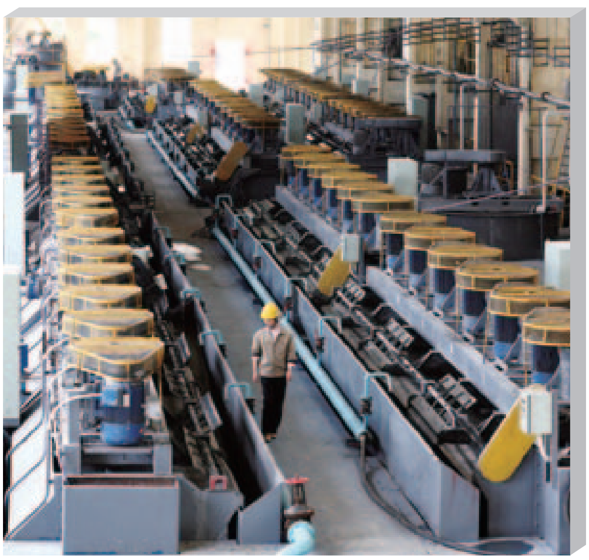
Chairman's Statement

the "Energy-saving Subsidy Program" will lead to further increase in the consumption demand for non-ferrous metals, in particular, the products refined and processed from non-ferrous metals.

In 2013, the non-ferrous metal industry should show signs of stability with upward trend in production growth and improvement in efficiency. The prices of non-ferrous metals are expected to increase in 2013 compared to 2012, though only slightly due to a sufficient supply.

At the end of 2013, it is expected that the domestic production capacity for copper smelting and concentrate will reach approximately 55.93 million tonnes/year and 9.76 million tonnes/year respectively, representing an increase of 920,000 tonnes and 1.40 million tonnes respectively as compared to 2012. The output of copper concentrate will reach approximately 6.10 million tonnes, up by approximately 8.9% year-on-year. The consumption volume of the copper concentrate will increase to 8.10 million tonnes, up by approximately 5.5% year-on-year. In respect of import and export, the domestic productivity will continue to expand with anticipated increase in the global output of copper concentrate. The import volume of copper concentrate is expected to increase in the coming year. Moreover, with improved domestic economic environment and the persistent loose monetary policy, import financing should decrease.

With the optimization of the strategic systems of the Company "Promotion of Five Major Strategies", "Realization of Five Main Targets" and "Formation of Five Non-Ferrous", the Company establishes clear direction for development. The successful listing and fulfillment of capital operation of the Company have promoted the interactive integration of industrial capital and financial capital. Both tangible and intangible development models have been gradually formulated, which lay a solid foundation for expediting merger, acquisition and reorganization as well as rapid development of the Company. After completion of the technology reform of the comprehensive production process for the smelting system, the Company has been well equipped with advanced technology and equipment and has a global leading position. The effective operation of the new system of the Ausmelt furnace in the past two years has enabled the Company to accumulate successful experiences. It provides favourable conditions for optimizing its metallurgical production process, achieving economies of scale and capitalizing its energy-conservation and emission reduction projects.



Chairman's Statement

Based on the above factors, the Group's main objective is to focus on the development and core profitability of the Company. The Group will maintain its competitive advantages via the construction and expansion of mines and smelting system so as to enhance its market competitiveness. In addition, the Group benefits from its new projects that have been gradually put into operation in recent years, which also strengthen the performance in the Group's various segments as the Group continues to expand its diversified development. The Group will also continue to maintain its organic growth and at the same time seek opportunities for merger and acquisition and develop long-term investment strategy, so as to become a multi-billion enterprise in the near future.

I deeply believe that we will bring a higher value to our Shareholders with the continuous growth in China and the steady implementation of the Company's strategies. I am expecting to share with all the Shareholders more benefits from the positive development of the Company in the coming year.

Last but not least, I, on behalf of the Board, would like to thank all the Shareholders and the dedicated and diligent staff for their continuous support to the Group. I, on behalf of the Group, hereby express our deep gratitude to our customers, suppliers and other business partners for their confidence and trust in the Group.

Zhang Lin
Chairman of the Board

Management Discussion and Analysis

Business Review

Revenue

For the year ended 31 December 2012, the Group recorded revenue of approximately RMB28,878,123,000 (2011 (restated): RMB27,144,759,000), representing an increase of approximately 6.39% from the previous year. The increase was mainly attributable to the increase in production and sales.

Cost of sales

For the year ended 31 December 2012, the cost of sales/services of the Group amounted to approximately RMB28,015,144,000 (2011 (restated): RMB26,223,420,000), representing an increase of approximately 6.83% from the previous year, which was primarily due to the increase in production and sales.

Administrative expenses

Administrative expenses for the year ended 31 December 2012 amounted to approximately RMB392,220,000 (2011(restated): RMB470,716,000), representing approximately a 16.68% decrease to the previous year. The decrease was primarily due to the improvement in cost controls.

Finance costs

Finance costs for the year ended 31 December 2012 amounted to approximately RMB368,100,000 (2011 (restated): RMB245,095,000), representing an increase of approximately 50.19% from the previous year, which was primarily due to the increase in the amount of the Group's borrowings and convertible notes.

Profit before tax

As a result of the foregoing factors, profit before tax for the year ended 31 December 2012 was approximately RMB181,643,000 (2011 (restated): RMB157,635,000), representing an increase of approximately 15.23% from the previous year.

Income tax expense/credit

Income tax expense for the year ended 31 December 2012 amounted to approximately RMB17,991,000 (2011 (restated): tax credit of RMB23,476,000).

Profit for the year

As a result of the foregoing factors, profit for the year ended 31 December 2012 amounted to approximately RMB163,652,000 (2011 (restated): RMB181,111,000).

Earnings per share

For the year ended 31 December 2012, basic earnings per share amounted to RMB0.96 fen, representing a decrease of approximately RMB0.43 fen from the previous year.

Management Discussion and Analysis

Mineral Resources and Ore Reserves

As at 31 December 2012, the Company held a total of six mines located in Hubei and Xinjiang.

The following table sets out the mineral information of each mine as at 31 December 2012.

Abundant and high quality mineral resources

	Hubei Mines								Xinjiang Mines			
	Tonglvshan Mine		Fengshan Mine		Tongshankou Mine		Chimashan Mine		Sareke Copper Mine		Hami Mine	
Geographical location	Daye City		Yangxin County		Daye City		Yangxin County		Wuqia county		Hami City	
Ownership	95.35%		95.35%		95.35%		95.35%		55%		80%	
Approximate total area (square kilometres)	4.76		2.35		1.71		0.44		1.23		11.14	
Year for operation commencement	1971		1972		1984		1958		Commercial production not yet commenced		Commercial production not yet commenced	
Metals with economic values available for exploration	Copper, gold, silver and iron		Copper, gold, silver and molybdenum		Copper, gold, silver and molybdenum		Copper, gold, silver and molybdenum		Copper, silver		Copper	
Major products	Copper concentrate (containing gold, silver), iron concentrate		Copper concentrate (containing gold, silver), molybdenum concentrate		Copper concentrate (containing gold, silver), molybdenum concentrate		Copper concentrate (containing gold, silver), molybdenum concentrate		Copper concentrate (containing silver)		Copper concentrate	
Average copper grade	1.12%		0.77%		0.60%		0.68%		1.03%	0.77%	0.71%	0.66%
JORC classification	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred
Ore quantity (million tonnes)	16.37	15.05	12.72	14.05	38.09	23.23	0.30	0.20	8.40	4.32	21.47	8.45
Resources metal quantity												
Copper (tonnes)	189,200	162,000	104,200	106,300	240,200	128,600	1,730	1,720	86,000	33,300	152,000	55,400
Iron (million tonnes)	4.45	4.44	–	–	–	–	–	–	–	–	–	–
Molybdenum (tonnes)	–	–	630	1,230	3,270	4,760	2	40	–	–	–	–
Gold (ounce)	265,000	237,000	–	–	–	–	–	–	–	–	–	–
Silver (thousand ounce)	2,020	2,540	–	–	–	–	–	–	–	–	–	–

Note: (1) The mineral resources and ore reserves in the above table are estimated in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Australasian Joint Ore Reserves Committee comprising representatives from the Minerals Council of Australia, the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists (the "JORC Code").

(2) All resources quantities are estimated based on information up to 30 September 2011 (for the Hubei Mines), 31 July 2011 (for Hami Mine) or 30 June 2011 (for Sareke Copper Mine). There was no material change during the period from 30 September 2011 to 31 December 2012 in the estimates.

(3) Information source: The Company's circular dated 29 December 2011 in relation to the reverse takeover transaction. Please refer to the same for details of the assumptions and parameters used to calculate these resource and reserve numbers and qualities of metals.

Management Discussion and Analysis

Tonglvshan Project Summary

As at 31 December 2012, according to JORC standard, copper mineral resources and copper ore reserves of the Tonglvshan Project amounted to 339,300 tonnes and approximately 30.35 million tonnes, respectively. Further details are set out below:

Resources and reserves summary (JORC Code)

	Copper, Iron and Molybdenum			Gold and Silver		
JORC classification **(In licence CuEq>0.3%)**	**Quantity** *(million tonnes)*	**Cu** *(%)*	**Fe** *(%)*	**Quantity** *(million tonnes)*	**Au** *gram/ tonne*	**Ag** *gram/ tonne*
Resources						
Indicated	16.37	1.16	27.21	13.22	0.63	4.76
Inferred	15.05	1.08	29.47	11.23	0.66	7.06
Total	**31.42**	**1.12**	**28.30**	**24.45**	**0.64**	**5.81**
Reserves						
Probable (in mining licence)	10.36	1.21	23.78	10.36	0.46	3.31
Probable (in exploration licence)	2.38	0.68	34.18	2.38	0.46	6.24
Total Probable	**12.75**	**1.11**	**25.72**	**12.75**	**0.46**	**3.86**

Note:

(1) The mineral resource and ore reserve estimates prepared in accordance with JORC Code are based on information up to 30 September 2011, as disclosed in the Company's circular dated 29 December 2011 in relation to the reverse takeover transaction. Please refer to the same for details of the assumptions and parameters used to calculate these resource and reserve numbers and qualities of metals.

(2) There was no material change in these estimates dining the period from 30 September 2011 to 31 December 2012.

As at 31 December 2012, according to PRC standard, copper mineral resources and copper ore reserves of the Tonglvshan Project amounted to 487,005 tonnes and approximately 34.62 million tonnes, respectively. Further details are set out below:

Resources and reserves summary (PRC standard)

	Accumulated			Retained		
Mines types	**Ore quantity** *(10,000 tonnes)*	**Metal quantity** *(tonne)*	**Grade** *(%)*	**Ore quantity** *(10,000 tonnes)*	**Metal quantity** *(tonne)*	**Grade** *(%)*
Copper	8,073	1,327,714	1.64	3,462	487,005	1.41
Iron	7,170	–	38.5	3,126	–	36.4
Molybdenum	61	921	0.151	54	867	0.16
Associated gold	7,534	81	10.7g/t	3,150	30	0.97g/t
Associated silver	7,534	664	88.81g/t	3,150	288	9.15g/t

Management Discussion and Analysis

Fengshan Project Summary

As at 31 December 2012, according to JORC standard, copper mineral resources and copper ore reserves of the Fengshan Project amounted to 203,400 tonnes and approximately 26.31 million tonnes, respectively. Further details are set out below:

Resources and reserves summary (JORC Code)

JORC classification (In licence CuEq>0.3%)	Quantity *(million tonnes)*	Cu *(%)*	Mo *(%)*
Resources			
Indicated	12.72	0.82	0.005
Inferred	14.50	0.73	0.008
Total	**27.22**	**0.77**	**0.007**
Reserves			
Probable	4.56	1.01	0.004
Total Probable	**4.56**	**1.01**	**0.004**

Note:

(1) The mineral resource and ore reserve estimates prepared in accordance with JORC Code are based on information up to 30 September 2011, as disclosed in the Company's circular dated 29 December 2011 in relation to the reverse takeover transaction. Please refer to the same for details of the assumptions and parameters used to calculate these resource and reserve numbers and qualities of metals.

(2) There was no material change in these estimates during the period from 30 September 2011 to 31 December 2012.

As at 31 December 2012, according to PRC standard, copper mineral resources and copper ore reserves of the Fengshan Project amounted to 198,598 tonnes and approximately 23.72 million tonnes, respectively. Further details are set out below:

Resources and reserves summary (PRC standard)

	Accumulated			Retained		
Mines types	Ore quantity *(10,000 tonnes)*	Metal quantity *(tonne)*	Grade *(%)*	Ore quantity *(10,000 tonnes)*	Metal quantity *(tonne)*	Grade *(%)*
Copper	5,286	514,199	0.97	2,372	198,598	0.84
Associated gold	5,286	18	0.35g/t	2,372	7	0.31g/t
Associated silver	5,286	964	18.25g/t	2,372	391	16.50g/t
Coexisting and associated Molybdenum	2,701	3,652	0.135	263	3,552	0.135

Management Discussion and Analysis

Tongshankou Project Summary

As at 31 December 2012, according to JORC standard, copper mineral resources and copper ore reserves of the Tongshankou Project amounted to 362,800 tonnes and approximately 60.32 million tonnes, respectively. Further details are set out below:

Resources and reserves summary (JORC Code)

Cut Off Grade	JORC Classification	Quantity	Cu	Mo
		(million tonnes)	%	%
Resources				
In licence	Indicated	13.36	0.58	0.011
open cut area	Inferred	0.24	0.54	0.004
CuEq>0.2%	**Total**	**13.60**	**0.57**	**0.011**
In licence	Indicated	24.68	0.66	0.007
underground area	Inferred	20.32	0.57	0.019
CuEq>0.3%	**Total**	**45.00**	**0.62**	**0.012**
Out of licence	Indicated	0.05	0.40	0.034
underground area	Inferred	2.68	0.45	0.034
CuEq>0.3%	**Total**	**2.73**	**0.45**	**0.034**
Total	Indicated	38.09	0.63	0.009
open cut & underground area	Inferred	23.23	0.55	0.020
in and out of licence	**Total**	**61.32**	**0.60**	**0.013**
Reserves				
Open cut area	Probable	10.34	0.63	0.010
Underground area	Probable	6.20	0.87	0.006
	Total	**16.54**	**0.72**	**0.008**

Note:

(1) The mineral resource and ore reserve estimates prepared in accordance with JORC Code are based on information up to 30 September 2011, as disclosed in the Company's circular dated 29 December 2011 in relation to the reverse takeover transaction. Please refer to the same for details of the assumptions and parameters used to calculate these resource and reserve numbers and qualities of metals.

(2) There was no material change in these estimates during the period from 30 September 2011 to 31 December 2012.

Management Discussion and Analysis

As at 31 December 2012, according to PRC standard, copper mineral resources and copper ore reserves of the Tongshankou Project amounted to 342,954 tonnes and approximately 41.73 million tonnes, respectively. Further details are set out below:

Resources and reserves summary (PRC standard)

	Accumulated			Retained		
Mines types	**Ore quantity** *(10,000 tonnes)*	**Metal quantity** *(tonne)*	**Grade** *(%)*	**Ore quantity** *(10,000 tonnes)*	**Metal quantity** *(tonne)*	**Grade** *(%)*
Copper	6,206	521,168	0.84	4,173	342,954	0.82
Low grade copper	1,244	45,912	0.37	932	34,105	0.36
Molybdenum	6,331	26,347	0.0416	4,322	16,026	0.37
Associated Molybdenum	4,837	18,280	0.038	3,610	13,749	0.037

Management Discussion and Analysis

Chimashan Project Summary

As at 31 December 2012, according to JORC standard, copper mineral resources and copper ore reserves of the Chimashan Project amounted to 2,850 tonnes and approximately 410,000 tonnes, respectively. Further details are set out below:

Resources and reserves summary (JORC Code)

Cut Off Grade	JORC Classification	Quantity	Cu	Mo
		(million tonnes)	%	%
Resources				
In licence	Indicated	0.12	0.72	0.001
	Inferred	0.01	0.58	0.004
CuEq>0.3%	**Total**	**0.12**	**0.71**	**0.001**
Out of licence	Indicated	0.19	0.49	0.001
	Inferred	0.20	0.84	0.020
CuEq>0.3%	**Total**	**0.38**	**0.67**	**0.011**
Total	Indicated	0.30	0.58	0.001
In and out of licence	Inferred	0.20	0.84	0.020
	Total	**0.50**	**0.68**	**0.008**
Reserves				
	Probable	0.04	0.77	0
	Probable total	**0.04**	**0.77**	**0**

Note:

(1) The mineral resource and ore reserve estimates prepared in accordance with JORC Code are based on information up to 30 September 2011, as disclosed in the Company's circular dated 29 December 2011 in relation to the reverse takeover transaction. Please refer to the same for details of the assumptions and parameters used to calculate these resource and reserve numbers and qualities of metals.

(2) There was no material change in these estimates during the period from 30 September 2011 to 31 December 2012.

Management Discussion and Analysis

As at 31 December 2012, according to PRC standard, copper mineral resources and copper ore reserves of the Chimashan Project amounted to 2,434 tonnes and approximately 260,000 tonnes, respectively. Further details are set out below:

Resources and reserves summary (PRC standard)

	Accumulated			Retained		
Mines types	**Ore quantity** *(10,000 tonnes)*	**Metal quantity** *(tonne)*	**Grade** *(%)*	**Ore quantity** *(10,000 tonnes)*	**Metal quantity** *(tonne)*	**Grade** *(%)*
Copper	547	64,656	1.18	26	2,434	0.94

Sareke Project Summary

As at 31 December 2012, according to JORC standard, copper mineral resources and copper ore reserves of the Sareke Project amounted to 119,300 tonnes and approximately 12.72 million tonnes, respectively. Further details are set out below:

Mineral Resources summary (JORC Code)

	JORC Classification	**Resources tonnage** *(million tonnes)*	**Copper grade** %	**Copper metal** *(tonnes)*
Resources	Indicated	8.40	1.03	86,000
	Inferred	4.32	0.77	33,300

Management Discussion and Analysis

Minerals reserves summary (JORC Code)

	Elevation (m)	Probable	
		Tonnage (1,000 tonnes)	*Copper(%)*
	>=2,820	870	0.76
	2,730~2,820	2,127	0.97
Reserves	2,640~2,730	4,648	1.03
	<=2,640	311	0.53
	Total	**7,956**	**0.96**

Note:

(1) The mineral resource and ore reserve estimates prepared in accordance with JORC Code are based on information up to 30 June 2011, as disclosed in the Company's circular dated 29 December 2011 in relation to the reverse takeover transaction. Please refer to the same for details of the assumptions and parameters used to calculate these resource and reserve numbers and qualities of metals.

(2) There was no material change in these estimates during the period from 30 June 2011 to 31 December 2012.

As at 31 December 2012, according to PRC standard, copper mineral resources and copper ore reserves of the Sareke Project amounted to 537,585 tonnes and approximately 63.75 million tonnes, respectively. Further details are set out below:

Resources summary (PRC standard)

	Retained		
Mines types	**Ore quantity** *(10,000 tonnes)*	**Metal quantity** *(tonne)*	**Grade** *(%)*
Copper	6,375	537,585	0.84
Associated silver	–	668	10.48

Management Discussion and Analysis

Hami Project Summary

As at 31 December 2012, according to JORC standard, copper mineral resources and copper ore reserves of the Hami Project amounted to 207,400 tonnes and approximately 29.92 million tonnes, respectively. Further details are set out below:

Mineral resources summary (JORC Code)

Location	Tonnage *(million tonnes)*	Grade *(% copper)*	Copper content *(million pounds)*	Copper content *(tonnes)*
Indicated Resources				
Main Lens	21.47	0.71	335	152,000
Other Lenses	–	–	–	–
Total	**21.47**	**0.71**	**335**	**152,000**
Inferred Resources				
Main Lens	7.12	0.68	106	48,100
Other Lenses	1.33	0.55	16	7,300
Total	**8.45**	**0.66**	**122**	**55,400**

Note:

(1) The mineral resource and ore reserve estimates prepared in accordance with JORC Code are based on information up to 31 July 2011, as disclosed in the Company's circular dated 29 December 2011 in relation to the reverse takeover transaction. Please refer to the same for details of the assumptions and parameters used to calculate these resource and reserve numbers and qualities of metals.

(2) There was no material change in these estimates during the period from 31 July 2011 to 31 December 2012.

As at 31 December 2012, according to PRC standard, copper mineral resources and copper ore reserves of the Hami Project amounted to 364,459 tonnes and approximately 62.8103 million tonnes, respectively. Further details are set out below:

Information Summary (PRC standard)

	Retained		
Mines types	**Ore quantity** *(10,000 tonnes)*	**Metal quantity** *(tonne)*	**Grade** *(%)*
Copper	3,994	281,510	0.7
Low grade copper	2,287	82,949	0.36
Associated silver	–	76	1.91

Management Discussion and Analysis

Notes for the tables on pages 12 to 20:

(1) In the above tables, Cu, Fe, TFe, Mo, CuEq, Au and Ag mean copper, iron, total iron, molybdenum, copper equivalent, gold and silver, respectively, and t, Kt, Mt, kg, g/t, Oz, and k Oz mean tonne, thousand tonne, million tonne, kilogram, gram per tonne, troy ounce and thousand troy ounce, respectively. The terms "Indicated", "Inferred" and "Probable" have the meanings ascribed to them under the JORC Code.

(2) Mineral resources and ore reserves described as "out of licence" refers to the discovery of mineral resources or ore reserves outside of the permitted level of mining depth prescribed in the mining licence of the relevant mine. However, no mining or exploration in respect of such mineral resources has been conducted by the Group. Mineral resources and ore reserves described as "in licence" or "in mining licence" refer to the discovery of mineral resources or ore reserves within the permitted level of mining depth prescribed in the mining licence of the relevant mine.

(3) Mineral resources were defined within a mineralized envelop above 0.2% copper, and reported at a cut-off grade of 0.3% copper equivalent for underground operations and 0.2% copper equivalent for open pit operations.

(4) Ore reserves are estimated using minimum cut-off grades of 0.68%, 0.40%, 0.36%, 0.45%, and 0.60% copper equivalent for the Tonglvshan Mine, the Fengshan Mine, the open pit mining at the Tongshankou Mine, the underground mining at the Tongshankou Mine and the Chimashan Mine, respectively.

(5) Copper equivalent was calculated for the Tonglvshan Mine, the Fengshan Mine and the Tongshankou Mine using forecast processing plant recoveries and long-term forecast prices of RMB32,987 per tonne of copper, RMB180 per kilogram of molybdenum, RMB1,124 per tonne of iron concentrate, RMB185.90 per gram of gold, and RMB3.22 per gram of silver; and at the Chimashan Mine using forecast processing plant recoveries and long-term forecast prices of RMB57,571 per tonne of copper and RMB244 per kilogram of molybdenum.

(6) Copper and iron mineral resources at the Tonglvshan Mine are inclusive of the gold and silver mineral resources at the Tonglvshan Mine and gold and silver mineral resources at the Tonglvshan Mine are inclusive of the copper and iron mineral resources at the Tonglvshan Mine. Such mineral resources should not be added together.

(7) A minimum mining width of 2 metres was used for estimating the underground ore reserves at Tonglvshan Mine, Fengshan Mine, Tongshankou Mine and Chimashan Mine.

(8) The mineral resources set out in the mineral resources tables above are inclusive of, and not in addition to, the mineral resources modified to produce the ore reserves set out in the ore reserves tables above.

Management Discussion and Analysis

Exploration, Development and Mining Production Activities

Description of activities

The following table sets out the various exploration, development and mining activities conducted at each of our mines during the year ended 31 December 2012:

Mines	Activity		
	Exploration	**Development**	**Mining**
Tonglvshan Mine	• Completed a drilling volume of 3,416 m/31,735 m^3 • Completed a drilling volume of 2,945 m/59,798 m^3 for the mining work of its No. XI ore body	• For the No. XI ore body, properly excavated and reinforced the wellbores of its main and auxiliary wells and the upcast air shaft • Accelerated the construction of the middle portion of the ore passing fragmenting system • Formulated a reform scheme for the capacity expansion of its ore processing system, which will commence production in 2013	• Copper: 10,062 tonnes • Gold: 563 kg • Silver: 4,150 kg • Iron ore concentrate: 238,000 tonnes
Fengshan Mine	• Conducted mineral exploitation of 320 m at its northern edge • Completed a drilling volume of 1,552 m/12,762 m^3 for in-depth mining work	• Nil	• Copper: 5,316 tonnes • Gold: 155 kg • Silver: 5,440 kg • Molybdenum: 101 tonnes
Tongshankou Mine	• Completed a drilling volume of 7,607 m/107,989 m^3 for in-depth mining work	• Properly excavated and reinforced the wellbores of its main and auxiliary wells and the upcast air shaft • Commenced construction of the level-tunnel and auxiliary shaft tower • Significant progress in land acquisition and resettlement for construction of a new tailing storage facility • Commenced construction of drainage culvert for the new storage facility	• Copper: 6,049 tonnes • Silver: 1,654 kg • Molybdenum: 29 tonnes

Management Discussion and Analysis

Mines	Activity		
	Exploration	Development	Mining
Chimashan Mine	• Nil	• Installed the blind shaft for in-depth mining work	• Copper: 584 tonnes • Gold: 19 kg • Silver: 631 kg
Sareke Copper Mine	• Completed drilling of an incline with a drilling depth of 380 m	• Constructed a ventilation shaft with a tunneling depth of 362 m • Completed construction of infrastructure (e.g. water and power supply systems)	• Nil (Not yet commenced commercial production)

Hami Mine

On 31 May 2012, the Company entered into a mining exploration agreement (the "Exploration Agreement") with Alexis Resources Limited (the "Vendor") in respect of the exploration of a copper mine (the "Hami Mine") located at about 115 km southwest of Hami, a city in the eastern part of the Xinjiang Uygur Autonomous Region, the PRC. The center of the Hami Mine is situated in an area located at about longitude 92°28' degrees east, latitude 42°05' degrees north (the "New Mining Area").

On 3 August 2012, the Company was informed that the mining license of the Hami Mine has been granted to Xinjiang Tong Xing Mining Company Limited ("Tong Xing") by the Department of Land and Resources of Xinjiang Uygur Autonomous Region for a period of two years from 4 May 2012.

Pursuant to the Exploration Agreement, the Vendor provided a report on the reserves of the New Mining Area in compliance with National Instrument 43-101 (The (Canadian) Standards of Disclosure for Mineral Projects) (the "Report") to the Company on 31 December 2012. According to the Report, the indicated copper resource reserves of the New Mining Area amounted to 36,400 tonnes. Therefore, pursuant to a supplemental agreement entered into between the Company and the Vendor on 30 December 2010 (the "Supplemental Agreement"), the consideration for the sale of interest in Tong Xing shall be increased by HK$84,160,440 (based on the rate of HK$2,312.10 per tonne of copper) (the "Adjustment").

Pursuant to the Supplemental Agreement, HK$42,080,220, being 50% of the Adjustment, was settled by the Company on 31 December 2012 through the delivery of convertible notes as to HK$21,000,000 and the payment in cash as to the remaining HK$21,080,200. The remaining 50% of the Adjustment, being HK$42,080,220, was kept by the Company for payment of the cost of the mining license of the New Mining Area.

Details of the above project were disclosed in the announcements of the Company dated 31 May 2012, 7 August 2012 and 31 December 2012.

Management Discussion and Analysis

Expenditures incurred

During 2012, we incurred approximately RMB1,433,545,000 (2011 (restated): RMB1,187,190,000) on exploration, development and mining production activities, details of which are set out below:

Mines	**Operating expenses** *RMB'000*	**Capital expenditure** *RMB'000*	**2012 Total** ***RMB'000***	2011 Total *RMB'000*
Tonglvshan Mine	445,611	134,270	**579,881**	461,954
Fengshan Mine	205,163	38,930	**244,093**	255,855
Tongshankou Mine	221,084	175,180	**396,264**	323,281
Chimashan Mine	38,127	10,300	**48,427**	46,100
Sareke Mine	–	164,880	**164,880**	100,000
Hami Mine	–	–	**–**	–
	909,985	523,560	**1,433,545**	1,187,190

Operating objectives and strategies in 2013

Currently, the global economy remains uncertain while the PRC economy is undergoing structural adjustments. The slowdown in economic growth co-exists with the pressure of soaring costs. The global economy is unstable and is showing no signs of recovery, which will bring about greater difficulties to the operations of the Group.

The main production targets of the Group for 2013 include producing 21,000 tonnes of mined copper, 430,000 tonnes of copper cathode, 12 tonnes of gold, 600 tonnes of silver, 978,000 tonnes of sulphuric acid, 230,000 tonnes of iron concentrate, 125 tonnes of molybdenum concentrate (containing molybdenum), 25 kg of platinum, 328 kg of palladium, 300 kg of ammonium perrhenate (containing metal), 380 tonnes of nickelous sulfate (containing metal), 215 tonnes of selenium dioxide and 20 tonnes of tellurium.

In order to facilitate the realization of the above-mentioned production targets, we will endeavor to accomplish the following works properly, which will be funded through the Group's working capital, bank borrowings and other forms of debt and/or equity financing.

Management Discussion and Analysis

1. To optimize the production process and enhance the production efficiency

Firstly, the Group's mining unit will be operating at full production capacity to ensure the output of mined copper exceeding 21,000 tonnes.

Secondly, the Company will grasp the favourable opportunity of the completion of technological reform of the smelting system to further expand the scale of metallurgical production and place emphasis on the critical issues such as solving the life span issue of Ausmelt furnace, optimizing the production process of the converter furnace and the refining furnace, stabilizing the operation of the sulphuric acid system, achieving a production target of 300,000 tonnes from the new electrolysis system and optimizing the operation of the wet system etc.

Thirdly, leveraging on the Group's Precious Metals Industrial Park being put into operation and after all-rounded planning as well as earnest preparation, the Company will optimize its production process and control process with improvements in the technical-economic index through upgraded equipment standards and expansion in system productivities.

2. To optimize marketing and trading operation, improve efficiency level, enhance analytical and judgment capabilities on market analysis, actively expand the market, establish innovative and stable models in business operation

Firstly, the Company will further strengthen its marketing operation, increase domestic purchases of the raw material types with higher efficiency, stabilize the supply channels of overseas copper concentrate, upgrade the quality of imported minerals, optimize the supply structure of raw materials, adopt flexible marketing strategy, allocate reasonable proportion from long term orders and retail sales, continue to explore and study the futures and options, maintain values through option hedging, innovate portfolio models of the futures and options for maintaining values, fully utilize the relevant state policies, innovate operation profit model from imported mines, enhance the sales effort to the direct downstream users of copper cathode and other products as well as upgrade the product recognition of the Company.

Secondly, the Company will further enhance its trading operation, innovate profit model for trading, develop agency business in imported materials, entrepot trades and overseas trades in precious metals, expand trading products and formulate new profit generating points.

Management Discussion and Analysis

3. To push forward with the project construction vigorously and upgrade the comprehensive strengths of various business segments

Firstly, the Company will continue to conduct geological exploration work properly, place emphasis on integrated exploration and prospecting, prospecting for the old mines in Tongshankou district and in-depth prospecting at the fringe areas of various mines, seek to complete the prospecting footage of 9,800m, expedite the development of overseas resources and strive to increase its ownership for the resources.

Secondly, the Company will expedite mine construction. For the mining work of No.XI ore body in Tonglvshan Mine, the total drilling volume of 4,250m/60,000m^3 will be completed during the year. For exploitation of the 485m middle portion of the Tonglvshan Mine, the total drilling volume of 1,800m/20,000m^3 will be completed during the year. Reforms in ore processing capacity and construction for the main body facility of the Tonglvshan Mine will commence in May. The Company will expedite prospecting work at 50m of south fringe and 100m of the eastern part of the Fengshan Mine, integrate 8-line mining area and +4, +6-line mineral resources so as to ensure the formation of stable productivity. According to the objective of the in-depth mining work in Tongshankou Mine which is expected to be fully completed at the end of the year, the Company will expedite the construction and installation works of ore passing fragmenting system in the main well and the construction work of the main shaft tower. The replacement work of the tailing storage facility of the Tongshankou Mine will include the land acquisition for the storage area, the construction of the new dam and the drainage system to be completed during the year and will commence production at the end of the year. For the Xinjiang Ulugqat Sareke Mine, the drilling work of the main incline will be completed during the year. The Company will seek to complete 50,000 to 60,000m^3 of the construction of the measure well. The main work for underground excavation will be completed by the end of the year. Meanwhile, the Company will expedite the construction of the plant, the tailing storage facility and the filling station.

Thirdly, the Company will continue to optimize its smelting production system, expedite the nickelous sulfate project with a new 300,000 tonnes copper electrolysis system, continue with the reformation of the high-pressure positive blower for the converter furnace, the reformation of the 3# anode furnace, the waste acid reformation work, the 200,000 tonnes scrap copper comprehensive recycling project and the 300,000 tonnes precious metal concentrate processing project construction.

Fourthly, the Company will expand the precious and rare metal production system, focus on trial run for equipment in Phase I of Precious and Rare Metals Industrial Park and ensure the output quantity and quality after completion of Phase I of the park. The Company will push forward steadily with the construction of Phase II of Precious and Rare Metals Industrial Park. The anode baking (陽極泥焙燒) system will be completed and will commence production in April 2013. The refined nickelous sulfate project will be completed and will commence production at the end of October 2013. The refined tellurium project will be ready for production at the end of June 2013. The refined selenium project will be ready for production before end of August. The construction of the silver slag separation project will commence at the end of the year 2013.

Management Discussion and Analysis

4. **To promote the integration of industrial capital and financial capital as well as develop and strengthen capital**

   Firstly, the Company will make good use of the capital markets in China and overseas to achieve multi-channel financing at low cost by means of equity financing, bond financing, overseas direct loan, cross-border trade financing etc.

   Secondly, the Company will actively develop the capital operation, capitalize the effectiveness of existing financial products, actively select projects and introduce new financial products. The Company will also focus and study the changes in interest rates and the exchange market, seize opportunities, and push forward with the development of the relevant riskless arbitrage rigorously. The Company will strive to study and make use of the capital market and expedite the pace of mergers and acquisitions.

   Thirdly, the Company will upgrade its business segments to promote the integration of industrial capital and financial capital. With reference to the standards of listed enterprises, the Company will expedite the construction and upgrades of its various business segments to create good conditions for gradually achieving subsequent development of quality assets, expediting asset capitalization and asset securitization.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012.

Equity

The Company's issued and fully paid share capital as at 31 December 2012 amounted to approximately RMB705,506,000 divided into 17,327,911,186 ordinary shares of HK$0.05 each.

Financial Management and Treasury Policy

The Group adopts a conservative approach for cash management and investment on uncommitted funds. We mainly place cash and cash equivalents in short term deposits with authorized institutions in Hong Kong and the PRC.

During the year, the Group's receipts were mainly denominated in Hong Kong dollars and RMB while payments were mainly made in RMB.

As the Group's production plants are located in the PRC, most of our labour costs, manufacturing overhead, selling and administrative expenses are denominated in RMB. Therefore, the appreciation of RMB will adversely affect the Group. The Group will continue to closely monitor the foreign exchange risk arising from RMB and may consider hedging significant exposure of such risk in the future.

Management Discussion and Analysis

Liquidity and Financial Resources

As at 31 December 2012, the Group's current ratio was approximately 1.02 (2011 (restated): 1.00), based on current assets of approximately RMB7,559,770,000 (2011 (restated): RMB5,882,615,000) divided by current liabilities of approximately RMB7,379,410,000 (2011 (restated): RMB5,864,248,000). The Group's gearing ratio as at 31 December 2012 was approximately 131.2% (2011 (restated): 114.3%), based on net debts of approximately RMB7,205,212,000 (2011 (restated): RMB4,122,902,000) divided by total equity of approximately RMB5,492,448,000 (2011 (restated): RMB3,606,072,000). The increase in gearing ratio was attributable to the Group's increase in borrowings and convertible notes for the year ended 31 December 2012.

As at 31 December 2012, the Group had a net cash position and had sufficient funding to pay off all the outstanding liabilities and meet its working capital requirement.

During the year ended 31 December 2012, the Group incurred capital expenditure of approximately RMB9,331,000 (2011 (restated): RMB4,622,000) for exploration activities.

Debts and Pledge of Assets

As at 31 December 2012, the Group's total debts (which comprise non-current and current bank and other borrowings, cumulative redeemable preference shares, and convertible notes) amounted to approximately RMB8,639,759,000 (2011 (restated): RMB5,401,660,000). The increase in debts was due to the increase in financing needs as a result of the expansion of the Group's operations and also the issuance of convertible notes for the acquisition of mining rights and the reverse takeover transaction.

As at 31 December 2012, certain bank borrowings of the Group were secured by bank deposits of RMB37,713,000 (2011 (restated): RMB450,973,000).

Foreign Exchange Risk

The Group operates in the PRC with most of the transactions settled in RMB except for certain purchases from international market that are conducted in United States dollars (US$) and Euros (Euro) and certain borrowings that are denominated in US$ and Euro.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entities' functional currency. The Group is exposed to foreign exchange risk primarily with respect to US$ and Euro.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into currency forward contracts, when necessary, to manage its foreign exchange exposure. During the year, certain currency forward contracts had been entered by the Group.

Management Discussion and Analysis

Material Acquisitions and Disposal of Subsidiaries

Other than the acquisition of the Hami Mine through the acquisition of a subsidiary and the reverse takeover transaction, the Group had not made any material acquisition or disposal of subsidiaries during the year ended 31 December 2012.

Contingent Liabilities

As at 31 December 2012, the Group had no contingent liabilities.

Employees, Remuneration Policy and Share Option Scheme

As at 31 December 2012, the Group had 10,608 employees (2011: 10,832). The Group's total staff cost for the year was approximately RMB622,775,000 (2011 (restated): approximately RMB616,782,000). The remuneration package of staff consists of basic salary, mandatory provident fund, insurances and other benefits considered appropriate. The Company adopted a share option scheme on 13 October 2003 to enable the Company to grant options to selected participants, including employees and directors of the Group, as incentive or rewards for their contribution to the Group.

Charges on Asset

As at 31 December 2012, bank deposits of RMB162,266,000 (2011 (restated): RMB575,526,000) are pledged to banks as security for certain banking facilities of the Group. Bank balances of RMB241,572,000 (2011 (restated): RMB12,209,000) are held in designated bank accounts as security for the Group's letter of credits. In addition, other deposits of RMB41,054,000 (2011 (restated): RMB73,984,000) are held in certain financial institutions as security for the commodities derivative and currency forward contracts.

Report of the Directors

The directors of the Company (the "Director(s)") have pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

Five-Year Financial Summary

Summary of consolidated statement of comprehensive income

	For the year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(restated)	(restated)	(restated)	(restated)
			(Note)	*(Note)*	*(Note)*
Revenue	**28,878,123**	27,144,759	26,019,630	18,485,290	14,867,440
Profit/(loss)for the year attributable to owners of the Company	**157,176**	149,275	127,881	60,733	(94,610)
Non-controlling interests	**6,476**	31,836	81,114	38,309	(13,717)
Profit/(loss) for the year	**163,652**	181,111	208,995	99,042	(108,327)

Summary of consolidated statement of financial position

	As at 31 December				
	2012	2011	2010	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(restated)	(restated)	(restated)	(restated)
			(Note)	*(Note)*	*(Note)*
Assets					
Current assets	**7,559,770**	5,882,615	6,820,653	5,922,516	4,965,200
Non-current assets	**9,795,973**	5,840,049	4,656,570	3,314,708	3,023,541
Total assets	**17,355,743**	11,722,664	11,477,223	9,237,224	7,988,741
Liabilities					
Current liabilities	**7,379,410**	5,864,248	6,734,702	5,346,723	4,589,527
Non-current liabilities	**4,050,845**	2,076,233	1,141,793	698,645	549,769
Total liabilities	**11,430,255**	7,940,481	7,876,495	6,045,368	5,139,296
Net assets	**5,925,488**	3,782,183	3,600,728	3,191,856	2,849,445
Equity attributable to:					
Owners of the Company	**5,492,448**	3,606,072	2,224,680	1,911,186	1,604,807
Non-controlling interests	**433,040**	176,111	1,376,048	1,280,670	1,244,638
	5,925,488	3,782,183	3,600,728	3,191,856	2,849,445

Note: Based on the Company's circular dated 29 December 2011.

Report of the Directors

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are set out in note 45 to the consolidated financial statements.

The Group's revenue and segment information for the year ended 31 December 2012 is set out in notes 6 to 7 to the consolidated financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 63 of this report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil). No interim dividend was declared during the year (2011: Nil).

Details of the preference dividend payable during the year are set out in note 14 to the consolidated financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2012 are set out in note 16 to the consolidated financial statements.

Share Capital and Convertible Notes

Details of movements in the Company's share capital and convertible notes during the year ended 31 December 2012 are set out in notes 36 and 33, respectively, to the consolidated financial statements.

Save for the share options as set out below and as set out in note 37 and the convertible notes as set out in note 33 to the consolidated financial statements, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2012.

Report of the Directors

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws or the company laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing Shareholders.

Event After the Reporting Period

On 18 February 2013, the directors of the Company was informed by Daye Non-Ferrous Metals Corporation Holdings Limited ("Daye Corporation") that pursuant to an agreement entered into between State-owned Assets Supervision and Administration Commission of Hubei Provincial People's Government and China Nonferrous Metal Mining (Group) Co., Ltd ("CNMC") dated 18 February 2013, CNMC acquired the right to nominate a majority of the directors on the board of directors of Daye Corporation.

Reserves

Details of movements in the reserves of the Group during the year ended 31 December 2012 are set out in the consolidated statement of changes in equity.

Distributable Reserves

As at 31 December 2012, the Company did not have any reserves available for distribution to the Shareholders.

Purchase, Sale or Redemption of Securities

During the year under review, the Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities.

Directors

The Directors during the year ended 31 December 2012 and up to the date of this report were:

Executive Director [1]

Zhang Lin *(Chairman)*
Long Zhong Sheng
Zhai Baojin
Tan Yaoyu
Wan Bi Qi

Independent Non-executive Directors

Wang Qihong
Wang Guoqi
Qiu Guanzhou

[1] Chen Xiang and Yuan Ping were previously executive Directors until they each resigned on 22 March 2012.

Report of the Directors

Pursuant to Bye-law 87(1) of the Bye-laws of the Company, at each annual general meeting of the Company, one third of the Directors for the time being shall retire from office by rotation. Pursuant to Bye-law 87(2) of the Bye-laws of the Company, a retiring Director shall be eligible for re-election. Accordingly, each of Long Zhong Sheng, Wang Guoqi and Wang Qihong shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Pursuant to Bye-laws 86(2) and 87(2) of the Bye-laws of the Company, any Director appointed as an addition to the Board shall hold office only until the first general meeting of the Company after his or her appointment and shall then be eligible for re-election at that meeting (but shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation). Accordingly, no Directors shall retire and being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

Each of the Directors has entered into a service contract with the Company which is determinable by the Company by not less than three months' notice.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting of the Company has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' and Chief Executive's Interests and Short Positions in Securities

As at 31 December 2012, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	Capacity	Nature of interest	Number of shares	Number of underlying shares *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
Wan Bi Qi	Beneficial Owner	Personal Interest	–	50,000,000 shares	0.288%
Wang Qihong	Beneficial Owner	Personal Interest	1,594,000 shares	–	0.009%
Wang Guoqi	Beneficial Owner	Personal Interest	600,000 shares	–	0.003%

Note 1: All of such underlying shares represent the number of shares of the Company which may be issued upon the exercise of the subscription rights attaching to the options held by the relevant director.

Note 2: The percentage of shareholding is calculated based on 17,327,911,186 issued shares of the Company.

Report of the Directors

Save as disclosed above, none of the Directors, chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the year, the Directors and chief executive of the Company (including their spouse and children under the age of 18) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

Directors' Right to Acquire Shares

The Company's share options scheme was adopted by the Company on 13 October 2003 (the "Scheme") for the purpose of providing incentives or rewards to eligible persons for their contribution to the Group. Under the Scheme, the Board may, at its discretion, grant share options to any eligible participants (as set out in the Company's circular dated 19 September 2003).

The principal terms of the Scheme are summarized as follows:

(i) The maximum number of shares in respect of which options may be granted under the Scheme must not, in aggregate, exceed 10% of the issued share capital of the company as at the approval of the Scheme, unless approval of the Shareholders has been obtained to renew the limit. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes adopted of the Group shall not in aggregate exceed 30% of the shares in issue from time to time.

(ii) The maximum entitlement of each participant under the Scheme in any 12-month period shall not exceed 1% of the shares in issue as at the date of grant.

(iii) The exercise price is determined by the Board in its absolute discretion at a price not less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day (b) the average the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and (c) the nominal value of a share.

(iv) An option may be accepted by a proposed grantee within 7 days from the date of the offer of grant of the option. There is no minimum period for which an option must be held before it can be exercised. An option may be exercised at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.

(v) Upon acceptance of the option, the grantee shall pay of HK$1.00 to the Company by way of consideration for the grant of the option.

(vi) Subject to earlier termination by the Company in general meeting, the Scheme will remain valid for a period of 10 years commencing on 13 October 2003, being the date on which it was adopted.

Report of the Directors

The movements in the Company's share options during the year are set out in below table:

Category of participants	Date of grant/ acceptance	Exercise price per share	Exercise periods	Number of share options: No. of options outstanding at 1 January 2012	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Closing price per share immediately before the date of grant of share option	No. of options outstanding at 31 December 2012
Management										
Wan Bi Qi	19 June 2009	HK$0.61	19 June 2010 – 18 June 2019	50,000,000	–	–	–	–	HK$0.60	50,000,000
Chen Xiang	19 June 2009	HK$0.61	19 June 2010 – 18 June 2019	50,000,000	–	–	–	–	HK$0.60	50,000,000
Yuan Ping	19 June 2009	HK$0.61	19 June 2010 – 18 June 2019	5,000,000	–	–	–	–	HK$0.60	5,000,000
Employees and others	19 June 2009	HK$0.61	19 June 2010 – 18 June 2019	202,700,000	–	–	–	–	HK$0.60	202,700,000
Total				307,000,000	–	–	–	–		307,000,000

As at 31 December 2012, the Company had total share options outstanding entitling the holders thereof to subscribe for 307,000,000 shares under the Scheme. Pursuant to the Company's announcement dated 5 February 2013, 61,500,000 share options were lapsed. On 26 March 2013, the directors of the Company passed a resolution to cancel the remaining share options.

At no time during the year was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of the shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' interest and short Positions in Securities

As at 31 December 2012, so far as is known to the Directors, the following persons, other than the Directors and chief executive of the Company, had interests in the shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Report of the Directors

Long positions in shares/underlying shares of the Company

Name of Shareholder	Capacity	Number of shares	Approximate percentage of total relevant class of shares in issue as at 31 December 2012
China Times Development Limited	Beneficial owner	13,970,671,176 shares	80.63% *(Note 3)*
Daye Nonferrous Metals Corporation Holdings Limited	Interest in a controlled corporation	13,970,671,176 shares *(Note 1)*	80.63% *(Note 3)*
China Cinda (HK) Asset Management Co., Limited	Beneficial owner	936,953,542 shares	5.41% *(Note 3)*
China Cinda Asset Management Co., Limited	Interest in a controlled corporation	936,953,542 shares *(Note 2)*	5.41% *(Note 3)*
Alexis Resources Limited	Beneficial owner	355,987,055 shares	6.37%
Belmont Holdings Group Limited	Interest in a controlled corporation	355,987,055 shares	6.37%
GobiMin Inc.	Interest in a controlled corporation	355,987,055 shares	6.37%
Good Omen Investments Limited	Interest in a controlled corporation	355,987,055 shares	6.37%
Tan Felipe	Interest in a controlled corporation	355,987,055 shares	6.37%
China Times Development Limited	Beneficial owner	5,495 CPS	33.33% *(Note 4)*
Daye Nonferrous Metals Corporation Holdings Limited *(Note 1)*	Interest in a controlled corporation	5,495 CPS	33.33% *(Note 4)*

Notes:

1. These shares were held by China Times Development Limited, the entire issued capital of which were beneficially owned by Daye Nonferrous Metals Corporation Holdings Limited.

2. These shares were held by China Cinda (HK) Asset Management Co., Limited, the entire issued capital of which were beneficially owned by China Cinda Asset Management Co., Limited.

3. This percentage is calculated based on 17,327,911,186 shares of the Company in issue.

4. This percentage is calculated based on 16,485 convertible cumulative redeemable preference shares ("CPS") in issue.

Report of the Directors

Save as disclosed above, as at 31 December 2012, the Directors are not aware of any other persons, other than the Directors and chief executive of the Company who had interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

Directors' Interests in Contracts of Significance

Save as disclosed elsewhere in this report, there is no contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party or in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2012.

Directors' Interests in Competing Business

None of the Directors is interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

Biographical Details of Directors

Brief biographical details of the Directors are set out on pages 3 to 4 of this report.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2012.

Major Customer and Suppliers

During the year ended 31 December 2012, the Group's major income was generated from trading of non-ferrous metals.

The sales generated from the Group's major customers as a percentage to the Group's revenue was as follows:

– The largest customer	16.5%
– Five largest customers	36.8%

The purchases from the Group's major suppliers as a percentage to the Group's cost of inventories recognised as an expense for the year was as follows:

– The largest supplier	6.3%
– Five largest suppliers	18.3%

At no time during the year ended 31 December 2012 did a Director, an associate of a Director or a Shareholder (which to the knowledge of the Directors own more than 5% of the issued capital of the Company) had any beneficial interest in the Group's major customers and suppliers.

Report of the Directors

Connected Transactions

The Company entered into various agreements with Daye Nonferrous Metals Corporation Holdings Limited (the "Parent Company") and certain of the Company's connected persons. Details of their relationship with the Company are set out below:

Entity	**Relationship with the Company**
Parent Company	The Parent Company is the controlling shareholder of the Company and is therefore a connected person of the Company.
Daye Non-ferrous Metals Tonglushan Mining Labour Services Company ("Daye Labour")	Daye Labour is a substantial shareholder of Daye Nonferrous Metals Co., Ltd., a subsidiary of the Company. Therefore, Daye Labour is a connected person of the Company.
Daye Non-ferrous Transportation and Tyre Company Limited ("Daye Transportation")	Daye Transportation is owned as to more than 30% by the Parent Company (through its subsidiary) and is therefore its associate and a connected person of the Company.
Hubei Jilong Mountain Gold Mining Co. Ltd ("Hubei Gold")	Hubei Gold is owned as to more than 30% by the Parent Company and is therefore its associate and a connected person of the Company.
Huangshi Tonghua Hotel Company Limited ("Tonghua Hotel")	Tonghua Hotel is owned as to more than 30% by the Parent Company and is therefore its associate and a connected person of the Company.

Therefore, these agreements constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of such agreements are set out below:

Report of the Directors

A. The Sales Framework Agreement

Date	23 December 2011
Parties	1. Company 2. Parent Company
Term	Until 31 December 2013
Products and materials to be supplied	Copper cathodes, scrap copper, silver, silver extracts, water (to be procured by members of the Group from independent third parties for onward supply to subsidiaries of the Parent Company), electricity (to be procured by members of the Group from independent third parties for onward supply to subsidiaries of the Parent Company, or spare electricity generated from the Group's production process), raw materials, auxiliary equipment, supporting materials, components, production equipment and tools.
Price	Depending on the products or materials to be supplied by the Group, the price at which each transaction to be conducted under the Sales Framework Agreement will be determined on the following basis: (i) according to the government-prescribed price; or (ii) if there is no applicable government-prescribed price, with reference to the market price.
Annual Caps	For the year ended 31 December 2012: RMB2,532,300,000. For the year ending 31 December 2013: RMB2,744,010,000.

Report of the Directors

B. Services Framework Agreement

Date	23 December 2011
Parties	1. Company
	2. Parent Company
Term	Until 31 December 2013
Services to be provided	Design services, surveying services, labour services for construction projects, provision of environment monitoring services, provision of examination of equipment and machineries services
Price	The price at which each transaction to be conducted under the Services Framework Agreement will be determined with reference to the market price of such services.
Annual Caps	For the year ended 31 December 2012: RMB9,640,000.
	For the year ending 31 December 2013: RMB10,610,000.

Report of the Directors

C. Purchase and Production Services Framework Agreement

Date	23 December 2011
Parties	1. Company
	2. Parent Company
Term	Until 31 December 2013
Products and materials to be purchased	Copper concentrates, copper cathodes, coarse, scrap copper, mechanically processed products, natural gas, steam, fume, raw materials, auxiliary equipment, supporting materials, components, production equipment and tools.
Production services to be received	Processing of coarse copper to anode plates, transportation services, construction of production site and installation of related facilities, and sinking and drifting engineering and other related production services.
Price	Depending on the products or materials to be supplied to the Group and the production services to be provided to the Group, the price at which each transaction to be conducted under the Purchase and Production Services Framework Agreement will be determined on the following basis: (i) according to the government-prescribed price; or (ii) if there is no applicable government-prescribed price, with reference to the market price; or (iii) if no such market price is available, the cost incurred by the relevant party in providing the products or materials or services plus a charge not exceeding 15% of such cost.
Annual Caps	For the year ended 31 December 2012: RMB4,797,980,000.
	For the year ending 31 December 2013: RMB5,336,080,000.

D. Hubei Gold Purchase Framework Agreement

Date	23 December 2011
Parties	1. Company
	2. Hubei Gold
Term	Until 31 December 2013
Products to be purchased	Copper concentrates
Price	The price at which each transaction to be conducted under the Hubei Gold Purchase Framework agreement will be determined with reference to the market price.
Annual Caps	For the year ended 31 December 2012: RMB96,810,000.
	For the year ending 31 December 2013: RMB106,500,000.

Report of the Directors

E. Daye Transportation Purchase Framework Agreement

Date	23 December 2011
Parties	1. Company 2. Daye Transportation
Term	Until 31 December 2013
Products and material to be purchased	Tyres, automobile parts and components, petrol and diesel oil
Price	Depending on the products or materials to be supplied to the Group, the price at which each transaction to be conducted under the Daye Transportation Purchase Framework Agreement will be determined with reference to the market price.
Annual Caps	For the year ended 31 December 2012: RMB3,950,000. For the year ending 31 December 2013: RMB4,350,000.

F. Combined Ancillary Services Framework Agreement

Date	23 December 2011
Parties	1. Company 2. Parent Company
Term	Until 31 December 2013
Ancillary Services to be received	Medical services, employee training services, property management services, building maintenance services, telecommunication and related maintenance services, utility services (including water and electricity) and other related ancillary services.
Price	Depending on the ancillary services to be provided by the Parent Company and its subsidiaries, the price at which each transaction to be conducted under the Combined Ancillary Services Framework Agreement will be determined on the following basis: (i) according to the government-prescribed price; or (ii) if there is no applicable government-prescribed price, with reference to the market price.
Annual Caps	For the year ended 31 December 2012: RMB501,720,000. For the year ending 31 December 2013: RMB660,780,000.

Report of the Directors

G. Tonghua Hotel Services Framework Agreement

Date	23 December 2011
Parties	1. Company
	2. Tonghua Hotel
Term	Until 31 December 2013
Services to be received	Hotel services, catering services and business conference services
Price	The price at which each transaction to be conducted under the Tonghua Hotel Services Framework Agreement will be determined with reference to the market price.
Annual Caps	For the year ended 31 December 2012: RMB4,110,000.
	For the year ending 31 December 2013: RMB4,530,000.

H. Land Lease Framework Agreement

Date	23 December 2011
Parties	1. Company
	2. Parent Company
Term	Until 31 December 2039
Price	The rent at which each transaction to be conducted under the Land Lease Framework Agreement will be the annual depreciation amount of the relevant parcel of land, which will be calculated as the total amount paid by the owner of the land to the relevant government authorities for acquiring the relevant land use right, divided by the estimated useful life of such land. The lease will also bear all the taxes and duties payable for lease, which will be calculated by reference to the rent payable. Both the rent and the aggregate taxes and duties payable by the lessee for each parcel of land will be the same for each year during the term of the lease.
Annual Caps	For the year ended 31 December 2012: RMB23,890,000.
	For the year ending 31 December 2013: RMB23,890,000.

Report of the Directors

I. Daye Labour Purchase and Production Services Framework Agreement

Date	23 December 2011
Parties	1. The Company 2. Daye Labour
Term	Until 31 December 2013
Products and materials to be purchased	Iron balls, auxiliary equipment, supporting materials, components, production equipment and tools and labour protection products.
Production services to be received	Provision of cleaning services and provision of recycling services of ore.
Price	Depending on the products or materials to be supplied to the Group and the production services to be provided to the Group, the price at which each transaction to be conducted under the Daye Labour Purchase and Production Services Framework Agreement will be determined with reference to the market price.
Annual Caps	The year ended 31 December 2012 is RMB9,870,000 The year ending 31 December 2013 is RMB10,860,000

Confirmation from the Independent Non-Executive Directors

The independent non-executive Directors have reviewed the continuing connected transactions mentioned above and confirmed that the transactions have been entered into in the ordinary and usual course of the business of the Group, on normal commercial terms and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the Auditor

The Company's auditor has been engaged to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Report of the Directors

In respect of the continuing connected transactions, the Company's auditor confirmed that:

a. nothing has come to its attention that causes it to believe that the continuing connected transactions have not been approved by the Company's board of directors.

b. for transactions involving the provision of goods or services by the Group, nothing has come to its attention that causes it to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.

c. nothing has come to its attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to its attention that causes it to believe that the continuing connected transactions have exceeded the maximum aggregate annual value in respect of each of the continuing connected transactions.

Save as disclosed above, none of the transactions disclosed as related party transactions in note 44 to the consolidated financial statements is a connected transaction or a continuing connected transaction for the Company that must be disclosed under the Listing Rules, and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Independence Confirmation

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

Emolument Policy

Remuneration of the employees of the Group is made/determined by reference to the market, individual performance and their respective contribution to the Group. To provide further incentives to eligible persons, the Company adopted a share option scheme, the details of which are set out above and in note 37 to the consolidated financial statements.

Directors' emoluments are subject to the recommendations of the remuneration committee of the Company and the Board's approval. Other emoluments including discretionary bonus and share option, are determined by the Board with reference to Directors' duties, abilities, reputation and performance.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules during the year ended 31 December 2012 and as of the date of this report.

Report of the Directors

Auditor

Pan-China (H.K.) CPA Limited ("Pan-China"), who had acted as the auditor of the Company in the preceding years, resigned as the auditor of the Company effective from 23 May 2012 and Messrs. Deloitte Touche Tohmatsu ("Deloitte") were appointed as auditor of the Company, following the resignation of Pan-China as auditor of the Company.

The financial statements for the year ended 31 December 2012 have been audited by Deloitte who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Deloitte as the auditor of the Company.

Professional Tax Advice Recommended

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

Board's Responsibilities for the Accounts

The Board is responsible for the preparation of accounts for each financial period, which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these accounts for the year ended 31 December 2012, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable, and has prepared the accounts on a going concern basis.

On behalf of the Board
Zhang Lin
Chairman

Corporate Governance Report

The Company recognized the importance of maintaining a high standard of corporate governance. The Company believes that an effective corporate governance practice is fundamental to enhancing shareholder value and safeguarding the interests of Shareholders and other stakeholders. The Board sets appropriate policies and implements corporate government practices appropriate to the conduct and growth of the Group's business. The principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules have been adopted to shape the Company's corporate governance structure. This corporate governance report describes how the principles of the CG Code have been applied during the year ended 31 December 2012 under different aspects.

CG Code Compliance

For the year ended 31 December 2012, the Company has complied with the code provisions of the CG Code except for deviations from code provision A.4.1 of the CG Code as summarized below:

Pursuant to code provision A.4.1 of the CG Code, non-executive Directors of a listed issuer should be appointed for a specific term, subject to re-election. All non-executive Directors of the Company were not appointed for a specific term in their respective letter of appointment. However, they are subject to retirement by rotation and re-election at least once every three years (after he was elected or re-elected) at the annual general meetings of the Company pursuant to the relevant provisions of the Company's Bye-laws, which achieves the same effect as having the non-executive Directors being appointed for a specific term.

Directors' Securities Transactions

The Company has adopted its own code governing Director' securities transactions on terms no less exacting than those in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries with all the Directors and all of them have confirmed their compliance with the Model Code and the Company's code governing Director' securities transactions for the year ended 31 December 2012. No incident of non-compliance by the Directors has been noted by the Company during the year.

Corporate Governance Report

Board of Directors

Composition of the Board

As at the date of this report, the Board comprises five executive Directors (including the Chairman of the Board) and three independent non-executive Directors, whose biographical details are set out in the "Biographical Details of Directors" section on pages 3 to 4 of this annual report, namely:

Name of Director	Date of first appointment to the Board	Date of last re-election as Director
Executive Directors **(1)**		
Zhang Lin *(Chairman)*	22 March 2012	23 May 2012
Long Zhong Sheng	22 March 2012	23 May 2012
Zhai Baojin	22 March 2012	23 May 2012
Tan Yaoyu	22 March 2012	23 May 2012
Wan Bi Qi (2)	20 April 2009	23 May 2012
Independent Non-Executive Director		
Wang Qihong	21 April 2006	29 June 2010
Wang Guoqi	21 April 2006	29 June 2010
Qiu Guanzhou	14 May 2009	23 May 2012

Note:

(1) Chen Xiang and Yuan Ping were previously executive Directors until they each resigned on 22 March 2012.

(2) Wan Bi Qi was previously also the chairman of the Board until he resigned as the chairman of the Board on 22 March 2012.

Roles and Responsibilities of the Board

The Board is collectively responsible for overseeing the management of the business and affairs of the Group. The Board meets regularly to discuss the overall strategies as well as operational and financial performances of the Group. Certain matters are reserved for decisions by the Board, including matters relating to (i) the formulation of the Group's overall strategy and directions; (ii) any material conflict of interest of substantial Shareholders of the Company or Directors; (iii) approval of the Group's annual results, annual budgets, interim results and other significant operational and financial transactions; (iv) changes to the Company's capital structure; and (v) major appointments to the Board. The Board has delegated the day-to-day management, administration and operation of the Group and implementation and execution of policies and strategies decided by the Board to the executive Directors and management of the Company.

The Board will also responsible for performing the corporate governance duties.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. All executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company.

Corporate Governance Report

Board meetings and Board practices

All Directors have been given sufficient time and support to understand the affairs of the Group and they have full and timely access to all relevant information regarding the Group's affairs and have unrestricted access to the advice and services of the company secretary of the Company (the "Company Secretary"). The Directors may seek independent professional advice at the Company's expenses in carrying out their duties and responsibilities.

During the year ended 31 December 2012, 12 Board meetings and 3 general meetings of the Company were held, respectively. The meetings are structured to allow open discussion. All Directors participated in discussing the strategies, operational and financial performance and internal control of the Group.

Set out below is the attendance of the Directors at the Board and general meetings held during the year:

	No. of meetings attended/ Eligible to attend	
Name of Director	**Board meeting**	**General meeting**
Executive Director		
Zhang Lin *(Chairman)*[(1)]	9/9	1/1
Long Zhong Sheng[(1)]	9/9	1/1
Zhai Baojin[(1)]	9/9	1/1
Tan Yaoyu[(1)]	9/9	1/1
Wan Bi Qi	12/12	3/3
Yuan Ping[(2)]	4/4	2/2
Chen Xiang[(2)]	4/4	2/2
Independent Non-Executive Director		
Wang Qihong	8/12	3/3
Wang Guoqi	8/12	2/3
Qiu Guanzhou	8/12	1/3

Note:

(1) Zhang Lin, Long Zhong Sheng, Zhai Baojin and Tan Yaoyu were appointed on 22 March 2012.

(2) Yuan Ping and Chen Xiang were previously executive Directors who resigned on 22 March 2012.

The Company Secretary or the staff of the company secretarial department of the Company prepared and kept detailed minutes of each Board meeting and, within a reasonable time after each meeting, the draft minutes were circulated to all Directors for comment and the final and approved version of the minutes were sent to all Directors for their records. The same practices and procedures as used in the Board meetings had also been adopted and followed for the Board committees meetings. All the minutes of the meetings recorded sufficient details of the matters considered and decision reached are available for inspection by the Directors at anytime.

Corporate Governance Report

Notices of Board meetings were given to the Directors at least 14 days prior to the date of the meetings. Briefing papers were prepared for all substantive agenda items and were circulated to the Directors at least 3 days before each Board meeting. The Company Secretary is responsible for providing accurate, timely and clear information to the Directors prior to the Board meetings so as to ensure that the Directors are able to make informed decisions regarding the matters to be discussed in the meeting.

If any of the Directors has a potential conflict of interest in a matter being considered in the Board meeting, such Director(s) shall abstain from voting in relation to that particular matter. Independent non-executive Directors with no conflict of interest in such matters would be present at the Board meetings to deal with such conflict of interest issues.

Access to sufficient information of the Group

The management is committed to provide the Board with appropriate and sufficient explanation and information of the Group's affairs through financial reports, business and operational reports and budget statements, in a timely manner, to enable them to make informed decisions.

The Directors are also provided with access to the Group's management and Company Secretary at all times to obtain relevant information for carrying out their duties as Directors of the Company.

Continuing professional development

The Directors keep abreast of their responsibilities and of the conduct, business activities and development of the Company. The Company Secretary from time to time updates and provides written training materials to the Directors, and organizes seminars on the latest development of the Listing Rules, applicable laws, rules and regulations relating to Directors' duties and responsibilities.

During the year ended 31 December 2012, the Company provided two seminars to the Directors and the management of the Company on topics covering the latest developments of the Corporate Governance Code and the Listing Rules. All of the Directors attended these two seminars.

Liability Insurance for the Directors

The Company has appropriate liability insurance in place to indemnify all the Directors for the liabilities arising out of the corporate activities. The Company renews the insurance coverage on an annual basis.

Chairman and Chief Executive Officer

In accordance with code provision A.2.1 of the CG Code, the roles of the Chairman, Mr. Zhang Lin, and those of the Chief Executive Officer, Mr. Long Zhong Sheng, are segregated in order to reinforce their independence and accountability.

Mr. Zhang Lin is responsible for providing leadership of the Board and ensuring all Directors are properly informed on issues to be discussed at the Board meeting. In addition, he is charged with the duty to ensure that all Directors receive in timely manner adequate, complete and reliable information in relation to the Group's affairs. The Chairman also encourages Directors to actively participate in and to make a full contribution to the Board so that the Board functions effectively and acts in the best interest of the Company.

Corporate Governance Report

Mr. Long Zhong Sheng is responsible for the strategic planning, administration and management of the business of the Group. He is also responsible for the formulation and successful implementation of Group policies and assuming full accountability to the Board for all operations of the Group. Mr. Long Zhong Sheng oversees the Group's compliance and internal control matters and maintains an ongoing dialogue with the Chairman and all Directors to keep them fully informed of all major business developments and issues. He has also been focusing on strategic planning and assessment of mergers and acquisitions opportunities for the Company.

Non-Executive Directors

All non-executive Directors were not appointed for a specific term under their respective letter of appointment. However, they are subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws, which achieves the same effect as having the non-executive Directors being appointed for a specific term. In the Board meetings and Board committee meetings held during the year, constructive views and comments are given from the non-executive Directors, who have provided their independent judgment on the issues relating to the strategy, performance, conflict of interest and management process of the Group.

During the year ended 31 December 2012, there are three independent non-executive Directors, representing more than one-third of the Board. Among the three independent non-executive Directors, one of them have appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Company has received from each of its independent non-executive Director a written confirmation of his independence and the Board considers all of them, namely Mr. Wang Qihong, Mr. Wang Guoqi ad Mr. Qiu Guanzhou, to be independent pursuant to Rule 3.13 of the Listing Rules.

Company Secretary

The Company Secretary, Ms Yeung Wing Kwan, plays an important role in supporting the Board by ensuring efficient and effective information flow within the Board and that the Board's policy and procedures are followed.

The Company Secretary has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Board through the Chairman and Chief Executive Officer. All Directors may access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters and facilitate the induction and professional development of the Directors.

The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing the Board opinions on matters in relation to the compliance with the procedures of the Board meetings.

During the year ended 31 December 2012, the Company Secretary had undertaken 20 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

The Board is fully involved in the selection and appointment of the Company Secretary.

Corporate Governance Report

Board Committees

To assist the Board in the execution of its duties, the Board has delegated specific functions to three Board committees, namely the Audit Committee, Remuneration Committee and Nomination Committee, details of which are as follows:

Name of Director	Audit Committee	Remuneration Committee	Nomination Committee
Executive Director			
Zhang Lin *(Chairman)*	–	–	Chairman
Long Zhong Sheng	–	–	–
Zhai Baojin	–	–	–
Tan Yaoyu	–	–	–
Wan Bi Qi	–	–	–
Independent Non-Executive Director			
Wang Qihong	Member	Member	Member
Wang Guoqi	Chairman	Chairman	Member
Qiu Guanzhou	Member	Member	Member

The written terms of reference for each of the Board committees are available at the Company's website and the Stock Exchange's website.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all directors and senior management of the Company, and the remuneration packages of individual executive Directors, non-executive Directors and senior management of the Company.

The remuneration for the executive Directors comprises basic salary, bonus and share options.

Salary adjustments are made where Remuneration Committee takes into account performance, contribution and responsibilities of the individual. Apart from basic salary, executive Directors and employees are eligible to receive a discretionary bonus taking into account factors such as market conditions as well as corporate and individual's performance during the year.

In order to attract, retain and motivate talented eligible staff, including the Directors, the Company has adopted a share option scheme. The scheme enables the eligible persons to obtain an ownership interest in the Company and thus motivating them to optimize their continuing contributions to the Company.

Corporate Governance Report

The following table illustrates the elements of remuneration of executive Directors and senior management.

Remuneration	Purpose	Reward	Policy details
Basic salary	To reflect the market value of each individual	Cash payment monthly	Reviewed annually with market trend
Allowance	To attract and retain the employees	Reimbursement	Market conditions
Discretionary bonus	To motivate employees to deliver high levels of performance of the Company and individual performance goals	Cash payment	– Individual performance – Company performance
Share Option	To motivate the participants and retain the employees	Share option	Eligible participants may be awarded share options in accordance with the share option scheme

The following table shows the breakdown of the Directors' (including those who resigned during 2012) remuneration for the year ended 31 December 2012:

		Other emoluments			
	Fees	**Salaries and other allowances**	**Employee share option benefits**	**Retirement benefit scheme contribution**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2012					
Executive Directors					
Mr. Zhang Lin	–	554	–	166	720
Mr. Long Zhong Sheng	1,087	1,234	–	39	2,360
Mr. Zhai Baojin	–	554	–	166	720
Mr. Tan Yaoyu	–	398	–	124	522
Mr. Wan Bi Qi	1,155	1,008	–	–	2,163
Mr. Chen Xiang	98	90	–	–	188
Ms. Yuan Ping	98	98	–	–	196
Independent Non-executive Directors					
Mr. Wang Guoqi	41	–	–	–	41
Mr. Wang Qihong	41	–	–	–	41
Mr. Qiu Guanzhou	41	–	–	–	41
	2,561	3,936	–	495	6,992

Corporate Governance Report

Members of the Remuneration Committee and the attendance of each member are as follows:

Name of Director	Position	Role in Remuneration Committee	Meetings Attended/ Eligible to Attend
Wang Guoqi	Independent non-executive Director	Chairman	1/1
Wang Qihong	Independent non-executive Director	Member	1/1
Qiu Guanzhou	Independent non-executive Director	Member	1/1

Nomination Committee

The Nomination Committee's responsibilities include reviewing the structure, size and composition of the Board, identifying individuals suitable and qualified to become Board members and making recommendations to the Board (regarding the selection of individuals nominated for directorship, the appointment of Directors and their succession planning) and assessing the independence of the independent non-executive Directors.

The criteria for appointment of a new director are set out below:

- independence (in the case of a potential independent non-executive Director);
- possession of core competencies that meet the needs of the Company;
- ability to commit time and carry out duties and responsibilities.

The Nomination Committee makes recommendations of the appointment of new Directors to the Board after taking the following steps:

- Evaluate the balance of skills, knowledge and experience on the Board and determine the role and desirable competencies for a particular appointment in consultation with the management; and
- Conduct interviews with potential candidates to assess suitability and to ensure that the candidates are aware of the expectations and the level of commitment required.

Corporate Governance Report

During the year ended 31 December 2012, the Nomination Committee held 1 meeting. The Nomination Committee determined the policy for the nomination of Directors during the year. Members of the Nomination Committee and the attendance of each member are as follows:

Name of Director	Position	Role in Nomination Committee	Meetings Attended/ Eligible to Attend
Zhang Lin	Executive Director	Chairman	1/1
Wang Guoqi	Independent non-executive Director	Member	1/1
Wang Qihong	Independent non-executive Director	Member	1/1
Qiu Guanzhou	Independent non-executive Director	Member	1/1

Audit Committee

The principal duties of the Audit Committee include monitoring the integrity of the financial statements of the Company, reviewing the effectiveness of Company's internal control (including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget) and risk management as delegated by the Board, and making recommendations to the Board on the appointment and engagement of the external auditor for the audit and non-audit services. The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

Members of the Audit Committee and the attendance of each member are as follows:

Name of Director	Position	Role in Audit Committee	Meetings Attended/ Eligible to Attend
Wang Guoqi	Independent non-executive Director	Chairman	4/4
Wang Qihong	Independent non-executive Director	Member	4/4
Qiu Guanzhou	Independent non-executive Director	Member	4/4

During the year ended 31 December 2012, the Audit Committee reviewed with the management and the external auditor the interim results and related announcement including the disclosures, financial reporting and the accounting policies adopted by the Group prior to the submission to the Board's approval; discussed with management on significant judgments affecting Group's consolidated financial statements and approved the appointment of auditor; reviewed and discussed the internal control report; reviewed and assessed the adequacy and effectiveness of the Company' internal control and risk management; and reviewed and monitored the external auditor's independence and objectivity and the effectiveness during the audit process.

The Board is responsible for preparing the financial statements that give a true and fair view of the financial position of the Group on a going concern basis. The Audit Committee has reviewed the Company's consolidated financial statements for the year ended 31 December 2012. The Directors acknowledge their responsibilities for preparing a balanced, clear and comprehensive assessment in annual/interim reports, price-sensitive announcements and other financial disclosures. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Corporate Governance Report

Auditor's Remuneration

During the year ended 31 December 2012, Deloitte was appointed as the Group's auditor until the conclusion of next annual general meeting. The remuneration paid/payable to Deloitte in respect of their audit and non-audit services were as follow:

	2012
	RMB'000
Audit Services	3,885
Non-audit Services	235
Total	4,120

The accounts for the year were audited by Deloitte whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that Deloitte be nominated for re-appointment as the auditor of the Company at the forthcoming annual general meeting.

Internal Control

The Board is responsible for the effectiveness of the Group's internal control systems. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against any misstatement or loss.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business operations and publication. Qualified management of the Group maintains and monitors the internal control systems on an ongoing basis.

The Company has engaged Baker Tilly Hong Kong ("Baker Tilly") to conduct an annual review of the effectiveness of internal control system of the Company. The internal control report has been reviewed by the Audit Committee. In addition, the findings and recommendation of the internal control report have been discussed at the Audit Committee meeting with a view to improve the Group's operations.

During the year, the Audit Committee reviewed the effectiveness of the Company's internal control and risk management procedures and was satisfied that the Company's internal control processes are adequate to meet the needs of the Company in its current business environment.

To further strengthen the internal control of the Group, a control department has been established to provide day-to-day management of the compliance and control of the Group in order to eliminate risks of failure of operational systems and the achievement of the Company's objectives.

To enhance the knowledge of relevant staff of the Group, training will be provided to them on the relevant rules and applicable laws when appropriate.

Based on the internal control report, the Board is of the view that the internal controls of the Group are adequate and in compliance with the code provision on internal control as set out in the Listing Rules.

Corporate Governance Report

Green policies

We implement paper recycling policy for papers at our offices in Hong Kong and the PRC. Staffs are also encouraged to practice energy saving habits, such as setting their computers to sleep mode when not in use and using internal communication in the form of electronic direct mail.

During the year, the Group has successfully achieved reduction in the usage of energy and paper.

Investor and Shareholder Relations

Communication with Shareholders and Investors

The Board recognizes the importance of maintaining clear, timely and effective communication with Shareholders of the Company and investors. The Board also recognizes that effective communication with investors is the key to establish investor confidence and to attract new investors. Therefore, the Group is committed to maintaining high degree of transparency to ensure the investors and the Shareholders are receiving accurate, clear, comprehensive and timely information of the Group via the publication of annual reports, interim reports, press announcements, and also the Company's website at www.hk661.com.

Corporate communications issued by the Company have been provided to the Shareholders in both English and Chinese versions to facilitate their understanding of the Group's affairs. A section entitled "Investor relations" is available on the Company's website, of which information is updated on a regular basis.

Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter in accordance with the Listing Rules. Such information includes financial statements, announcements, circulars to Shareholders and notices of general meetings, etc.

The Board continues to maintain regular dialogue with institutional investors and analysts to keep them informed with the Group's strategy, operations, management and plans. The Company's website is also a source of information for its Shareholders and prospective Shareholders. All materials on annual reports, interim reports and announcements are available on our website immediately following confirmation of their release. The contact details of the Investor Relations are also available on the Company's website which allows Shareholders to contact the Company easily.

Corporate Governance Report

The Directors and the Board committees' members are available to answer the questions from the Shareholders through the annual general meeting. External auditor is also available at the annual general meeting to address Shareholders' queries. Separate resolutions are proposed at general meeting on each substantially separate issue.

Our investor relations activities include:

- teleconferencing with analysts and fund managers;
- updating the Company's website regularly;
- holding annual general meetings with Shareholders;
- disclosing information on a time basis via the Company and Stock Exchange's website.

Convening of General Meetings

The Board strives to maintain an on-going dialogue with the Shareholders of the Company. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. The process of the Company's general meeting are monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served. The Company uses annual general meeting as one of the principal channels for communicating with the Shareholders. The Company ensures that Shareholders' views are communicated to the Board.

At the annual general meeting, each substantially separate issue has been considered by a separate resolution, including the election of individual Directors. The Chairman of the Board, chairmen of the respective Board committees and the external auditor usually attend annual general meetings to communicate with and answer questions from the Shareholders.

The last annual general meeting of the Company was the 2011 annual general meeting (the "2011 AGM") which was held on 23 April 2012 at Bowen Room, 7/F, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong. The Directors, including the chairman of the Board, the chairman of each of the Audit Committee, the Remuneration Committee and the Nomination Committee, and the external auditor of the Company at that time, Pan-China (H.K.) CPA Limited, attended the 2011 AGM.

Corporate Governance Report

All resolutions put to Shareholders at the 2011 AGM were passed. The Company's Branch Share Registrars were appointed as scrutineers to monitor and count the poll votes cast at that meeting. The results of the voting by poll were published on the websites of the Company and the Stock Exchange.

	Resolutions proposed at the 2011 AGM	**Percentage of votes**
1	To consider and receive the audited consolidated financial statements of the Company and the reports of the directors and auditor for the year ended 31 December 2011.	100%
2	To re-elect Mr. Zhang Lin as an executive director of the Company.	99.97%
3	To re-elect Mr. Long Zhong Sheng as an executive director of the Company.	100%
4	To re-elect Mr. Zhai Baojin as an executive director of the Company.	100%
5	To re-elect Mr. Tan Yaoyu as an executive director of the Company.	100%
6	To re-elect Mr. Wan Bi Qi as an executive director of the Company.	100%
7	To re-elect Mr. Qiu Guanzhou as an independent non-executive director of the Company.	99.35%
8	To authorize the Board to fix the respective directors' remuneration.	99.98%
9	To appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company and its subsidiaries, to hold office until the conclusion of the next annual general meeting, and to authorize the Board to fix their remuneration.	100%
10	To give a general mandate to the directors to purchase the Company's ordinary shares not exceeding 10% of the aggregate nominal amount of the issued ordinary share capital of the Company as at the date of passing of this resolution. *(Note (i))*	100%
11	To give a general mandate to the directors to issue, allot and deal with additional ordinary shares of the Company not exceeding 20% of the aggregate nominal amount of the issued ordinary share capital of the Company as at the date of passing of this resolution.	99.35%
12	To extend the general mandate granted to the directors to issue, allot and deal with additional ordinary shares in the capital of the Company by the aggregate nominal amount of ordinary shares repurchased by the Company.	99.35%

Corporate Governance Report

Shareholder's Rights

Procedures for Shareholders to convene an extraordinary general meeting

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to put forward proposals at Shareholders' meetings

The Board may whenever it think fit call extraordinary general meetings. Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expense incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may put forward enquiries to the Board through the Company Secretary who will direct the enquiries to the Board for handling.

Contact details of the Company Secretary:
Ms. Yeung Wing Kwan
Unit 2001, World Wide House,
19 Des Voeux Road,
Central, Hong Kong
Fax: (852) 2868 2302

Company's constitutional documents

There was no significant change in the Company's Memorandum of Association and Bye-laws during the year.

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF
CHINA DAYE NON-FERROUS METALS MINING LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Daye Non-Ferrous Metals Mining Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 156 which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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 and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 judgment, 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 Group's state of affairs as at 31 December 2012, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (restated) (Note 2)
Revenue	6, 7	28,878,123	27,144,759
Cost of sales/services		(28,015,144)	(26,223,420)
Gross profit		862,979	921,339
Other income	8	83,012	80,440
Selling expenses		(56,581)	(48,612)
Administrative expenses		(392,220)	(470,716)
Other operating expenses		(33,688)	(31,956)
Other gains/(losses), net	9	86,241	(47,765)
Finance costs	10	(368,100)	(245,095)
Profit before tax		181,643	157,635
Income tax (expense)/credit	11	(17,991)	23,476
Profit for the year	12	163,652	181,111
Other comprehensive income			
Exchange differences arising on translation of foreign operations		7,160	–
Total comprehensive income for the year		170,812	181,111
Profit for the year attributable to:			
Owners of the Company		157,176	149,275
Non-controlling interests		6,476	31,836
		163,652	181,111
Total comprehensive income for the year attributable to:			
Owners of the Company		163,052	149,275
Non-controlling interests		7,760	31,836
		170,812	181,111
Earnings per share	15		
– Basic		RMB0.96fen	RMB1.39fen
– Diluted		RMB0.92fen	N/A

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	At 31 December 2012 RMB'000	At 31 December 2011 RMB'000 (restated) (Note 2)	At 1 January 2011 RMB'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	16	**5,619,479**	4,150,573	3,030,283
Exploration and evaluation assets	17	**90,240**	63,091	58,469
Prepaid lease payments	18	**738,982**	761,269	729,230
Intangible assets	19	**1,156,395**	565,023	588,937
Goodwill	20	**1,961,656**	–	–
Restricted bank deposits	27	**–**	124,553	–
Deferred tax assets	21	**104,781**	120,052	80,617
Deposit for acquisition of intangible assets	22	**32,690**	–	–
Deposits for acquisition of property, plant and equipment	25	**91,750**	55,488	169,034
		9,795,973	5,840,049	4,656,570
CURRENT ASSETS				
Prepaid lease payments	18	**20,510**	20,322	20,230
Inventories	23	**4,764,501**	3,831,801	4,264,095
Trade, bills and notes receivables	24	**634,328**	657,132	549,160
Prepayments and other receivables	25	**663,469**	144,246	372,744
Derivative financial instruments	26	**1,361**	925	–
Restricted deposits and bank balances	27	**444,892**	537,166	925,012
Bank deposits, bank balances and cash	27	**1,030,709**	691,023	689,412
		7,559,770	5,882,615	6,820,653
CURRENT LIABILITIES				
Trade payables	28	**1,383,121**	1,309,683	1,270,071
Other payables and accrued expenses	29	**795,420**	784,743	486,533
Current income tax liabilities		**1,179**	9,170	–
Derivative financial instruments	26	**954**	14,479	137,952
Bank and other borrowings – due within one year	30	**4,970,952**	3,705,157	4,813,781
Provisions	31	**48,642**	22,586	14,815
Cumulative redeemable preference shares	32	**900**	–	–
Convertible notes	33	**163,682**	–	–
Early retirement obligation	35	**14,560**	18,430	11,550
		7,379,410	5,864,248	6,734,702
NET CURRENT ASSETS		**180,360**	18,367	85,951
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,976,333**	5,858,416	4,742,521

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	At 31 December 2012 RMB'000	At 31 December 2011 RMB'000 (restated) (Note 2)	At 1 January 2011 RMB'000 (restated)
CAPITAL AND RESERVES				
Issued equity	36	**705,506**	–	–
Share premium and reserves		**4,786,942**	3,606,072	2,224,680
Equity attributable to owners of the Company		**5,492,448**	3,606,072	2,224,680
Non-controlling interests		**433,040**	176,111	1,376,048
TOTAL EQUITY		**5,925,488**	3,782,183	3,600,728
NON-CURRENT LIABILITIES				
Convertible notes	33	**521,841**	–	–
Bank and other borrowings – due after one year	30	**2,982,384**	1,696,503	857,638
Deferred income	34	**185,458**	112,967	64,037
Provisions	31	**171,967**	207,174	194,632
Early retirement obligation	35	**46,790**	59,589	25,486
Deferred tax liabilities	21	**142,405**	–	–
		4,050,845	2,076,233	1,141,793
		9,976,333	5,858,416	4,742,521

The consolidated financial statements on pages 63 to 156 were approved and authorised for issue by the Board of Directors on 26 March 2013 and are signed on its behalf by:

Zhang Lin
DIRECTOR

Long Zhong Sheng
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company											
	Issued equity											
	Ordinary share capital RMB'000 (Note 36)	Other reserve RMB'000	Share premium RMB'000	Share option reserve RMB'000	Convertible notes equity reserve RMB'000 (Note 33(b))	Capital reserve RMB'000 (Note (i))	PRC statutory reserve RMB'000 (Note (ii))	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011 (restated)	227,646	(227,646)	–	–	–	2,111,426	24,644	–	88,610	2,224,680	1,376,048	3,600,728
Profit and total comprehensive income for the year (restated)	–	–	–	–	–	–	–	–	149,275	149,275	31,836	181,111
Transfer to PRC statutory reserve (restated)	–	–	–	–	–	–	31,434	–	(31,434)	–	–	–
Acquisition of non-controlling interests (restated)	–	–	–	–	–	1,231,773	–	–	–	1,231,773	(1,231,773)	–
Others (restated)	–	–	–	–	–	344	–	–	–	344	–	344
At 31 December 2011 (restated)	227,646	(227,646)	–	–	–	3,343,543	56,078	–	206,451	3,606,072	176,111	3,782,183
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	47,250	47,250
Arising from the Reverse Takeover Transaction (as defined in Note 2)												
– deemed consideration *(Note 38(a))*	477,860	1,781,949	–	–	–	–	–	–	–	2,259,809	–	2,259,809
– recognition of share premium reserve and share option reserve arising from the Reverse Takeover Transaction	–	–	4,157,385	51,648	–	(4,209,033)	–	–	–	–	–	–
– recognition of share premium reserve immediately before completion of the Reverse Takeover Transaction	–	–	2,374,573	–	–	(2,374,573)	–	–	–	–	–	–
– recognition of non-controlling interests *(Note 38(a))*	–	–	–	–	–	–	–	–	–	–	150,216	150,216
– issue of HK$1,003,836,048 zero coupon convertible note, net of income tax *(Note 33(b))*	–	–	–	–	281,298	(817,423)	–	–	–	(536,125)	–	(536,125)
Arising from acquisition of a subsidiary *(Note 38(b))*	–	–	–	–	–	–	–	–	–	–	51,703	51,703
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	5,876	157,176	163,052	7,760	170,812
Transfer to PRC statutory reserve	–	–	–	–	–	–	18,019	–	(18,019)	–	–	–
Transfer from capital reserve	–	–	–	–	–	(139,471)	–	–	139,471	–	–	–
Others	–	–	–	–	–	(360)	–	–	–	(360)	–	(360)
At 31 December 2012	705,506	1,554,303	6,531,958	51,648	281,298	(4,197,317)	74,097	5,876	485,079	5,492,448	433,040	5,925,488

Notes:

(i) The balance of capital reserve mainly comprises capital contribution from the immediate holding company of Prosper Well Group Limited and the reserves arising from the Reverse Takeover Transaction.

(ii) Pursuant to the relevant laws in the People's Republic of China (the "PRC"), each of the subsidiaries established in the PRC is required to transfer 10% of its profit after tax as per statutory financial statements (as determined by the management of the subsidiary) to the reserve fund (including the general reserve fund and enterprise development fund where appropriate). The general reserve fund is discretionary when the fund balance reaches 50% of the registered capital of the respective company and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the subsidiary. The enterprise development fund can only be used for development and is not available for distribution to shareholder.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**181,643**	157,635
Adjustments for:			
Interest income		**(30,110)**	(49,956)
Net exchange gains		**(25,403)**	(61,837)
Finance costs		**368,100**	245,095
Depreciation and amortisation		**391,407**	431,198
Loss on disposal of property, plant and equipment, net		**3,149**	15,431
Allowance for impairment of trade receivables		**705**	1,001
(Reversal of)/allowance for impairment of other receivables		**(6,875)**	15,218
Provision for early retirement and employees medical obligation		**1,540**	72,218
(Gain)/loss on fair value changes in respect of commodity derivatives contracts, currency forward contracts, provisionally priced sales agreements, commodity futures contracts and inventory hedged by commodity futures contracts		**(29,173)**	94,307
Gain on fair value changes in respect of gold loans		**(3,114)**	(12,552)
Gain on derivative component on convertible notes		**(12,271)**	–
Effect of maturity date extension of convertible notes		**(4,980)**	–
Amortisation of deferred income		**(10,216)**	(4,176)
Operating cash flows before movements in working capital		**824,402**	903,582
(Increase)/decrease in inventories		**(933,105)**	293,418
Decrease/(increase) in trade and bills receivables		**22,099**	(62,333)
(Increase)/decrease in prepayments and other receivables		**(485,989)**	225,961
Increase in trade payables		**85,285**	21,620
(Decrease)/increase in other payables and accrued expenses		**(124,876)**	34,881
Benefits paid for early retirement and employees medical obligation		**(36,332)**	(40,793)
Decrease in other deposits		**32,930**	263,784
Cash (used in)/from operations		**(615,586)**	1,640,120
Income taxes paid		**(17,408)**	(6,789)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		**(632,994)**	1,633,331

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,627,350)**	(1,137,998)
Expenditure on exploration and evaluation assets		**(9,331)**	(4,622)
Purchase of intangible assets		**(18,860)**	(4,675)
Addition of prepaid lease payments		**(1,308)**	(51,549)
Net cash inflow arising from the Reverse Takeover Transaction	*38(a)*	**57,799**	–
Net cash inflow arising from acquisition of assets through acquisition of a subsidiary	*38(b)*	**5,012**	–
Proceeds from disposal of property, plant and equipment		**457**	1,002
Receipts of government grants		**85,880**	54,729
Decrease in non-restricted bank deposits with original maturity of more than three months when acquired		**362,659**	22,704
Decrease/(increase) in restricted bank deposits and bank balances		**183,897**	(491)
Interest received		**44,727**	37,275
NET CASH USED IN INVESTING ACTIVITIES		**(916,418)**	(1,083,625)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new borrowings		**9,015,634**	6,767,536
Repayment of borrowings		**(7,990,046)**	(7,263,443)
Advance from Daye Corporation		**2,843,070**	238,700
Repayment to Daye Corporation		**(1,316,982)**	–
Capital contribution from non-controlling interests		**47,250**	–
Finance costs paid		**(354,329)**	(268,184)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**2,244,597**	(525,391)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**695,185**	24,315
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**328,364**	304,049
Effect of foreign exchange rate changes		**7,160**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**1,030,709**	328,364
REPRESENTED BY:			
Bank balances and cash		**1,030,709**	328,364

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. GENERAL INFORMATION

China Daye Non-Ferrous Metals Mining Limited (the "Company", together with its subsidiaries, collectively referred to as the "Group") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The address of the registered office and principal place of business of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Unit 2001, World Wide House, 19 Des Voeux Road Central, Hong Kong, respectively. The principal activity of the Company is investment holding. The Company's subsidiaries are principally involved in mining and processing of mineral ores and trading of metal products. In the opinion of the directors of the Company, as at 31 December 2012, the ultimate holding company is Daye Non-Ferrous Metals Corporation Holdings Limited ("Daye Corporation"), a company incorporated with limited liability under the laws of the People's Republic of China (the "PRC") which is owned as to 51% and 49% by the State-owned Assets Supervision and Administration Commission of Hubei Provincial People's Government ("Hubei SASAC") and China Nonferrous Metal Mining (Group) Co., Ltd ("CNMC"), a company established in the PRC with limited liability and wholly-owned by State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China.

Upon the completion of the Reverse Takeover Transaction (as defined hereinunder), the Group changed the presentation currency of its consolidated financial statements from Hong Kong Dollar ("HK$") to Renminbi ("RMB") because, in the opinion of the directors of the Company, this could better reflect the Group's business (majority of which is located in the PRC) since then and could provide users with more comparable information with other companies in similar industries. Comparative figures have been represented in RMB.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

On 7 March 2012, a very substantial acquisition, connected transaction and reverse takeover involving a new listing application was completed. The Group acquired the entire issued share capital of Prosper Well Group Limited ("Prosper Well", a company incorporated in British Virgin Islands ("BVI") with limited liability) from China Times Development Limited ("China Times") and China Cinda (HK) Asset Management Co., Limited ("Cinda HK") by the allotment and issue of 10,799,762,092 and 936,953,542 ordinary shares of the Company with nominal value of HK$0.05 each (collectively referred to as the "Consideration Shares") to China Times and Cinda HK, respectively, as well as the issue of HK$1,003,836,048 zero coupon convertible note to China Times. Prosper Well is an investment holding company which is owned as to 93.18% by China Times (a company wholly-owned by Daye Corporation) and 6.82% by Cinda HK (an independent third party), respectively, immediately before the completion of the reverse takeover transaction (the "Reverse Takeover Transaction"). Prosper Well and its subsidiaries (the "Prosper Well Group") are principally engaged in mining and processing of mineral ores and trading of metal products in the PRC. The details of the Reverse Takeover Transaction are set out in the Company's circular dated 29 December 2011 and the Company's supplemental circular dated 17 February 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

The Reverse Takeover Transaction

The Reverse Takeover Transaction has been accounted for as a reverse acquisition under Hong Kong Financial Reporting Standard 3 (Revised 2008) Business Combination ("HKFRS 3 (Revised 2008)") because the issuance of the Consideration Shares and the convertible note in exchange of the entire shareholding in Prosper Well resulted in China Times, previously holding 20.8% shareholding in the Company, becoming the controlling shareholder of the Company holding 69.04% equity interests upon completion of the Reverse Takeover Transaction. For accounting purpose, the Company (together with its subsidiaries before the completion of the Reverse Takeover Transaction, collectively referred to as the "Existing Group") is deemed to have been acquired by Prosper Well which is deemed as the accounting acquirer. These consolidated financial statements have been prepared as a continuation of the consolidated financial statements of the Prosper Well Group and accordingly:

(i) The assets and liabilities of the Prosper Well Group are recognised and measured at their carrying amounts;

(ii) The identified assets and liabilities of the Existing Group are recognised and measured initially at their fair value in accordance with the HKFRS 3 (Revised 2008); and

(iii) The comparative information presented in these consolidated financial statements is restated to be that of the Prosper Well Group.

In preparing these consolidated financial statements, the Prosper Well Group has applied the acquisition method to account for the acquisition of the Existing Group. In applying the acquisition method, the consideration deemed to be given by Prosper Well was HK$2,775,156,000 (equivalent to approximately RMB2,259,809,000), which is the sum of (i) the deemed consideration of HK$2,711,730,000 (equivalent to approximately RMB2,208,161,000) (calculated based on the market price of HK$0.485 each of the Company's 5,591,195,552 ordinary shares in issue on 7 March 2012 immediately before the completion of the Reverse Takeover Transaction); and (ii) the fair value of Company's share options outstanding on 7 March 2012 immediately before the completion of the Reverse Takeover Transaction classified as equity of HK$63,426,000 (equivalent to approximately RMB51,648,000) (collectively referred to as the "Deemed Consideration"). The separately identifiable assets and liabilities of the Existing Group were recorded in the consolidated statement of financial position at their fair value upon the completion date of the Reverse Takeover Transaction. Goodwill arising on the acquisition of the Existing Group of approximately RMB1,961,656,000, being the excess of the Deemed Consideration over the identifiable assets and liabilities of the Existing Group upon the completion date of the Reverse Takeover Transaction, was recorded. The results of the Existing Group have been consolidated to the Company's consolidated financial statements since the completion date of the Reverse Takeover Transaction. Further details of the Reverse Takeover Transaction are set out in note 38(a) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted certain amendments to standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are mandatorily effective for the annual period beginning on or after 1 January 2012.

- amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets; and

- amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

Except for the disclosure requirements set out in the amendments to HKFRS 7, the adoption of the above amendments to standards in the current year has had no material impact on the Group's financial performance and position for the current year and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the year.

As at 31 December 2012, the Group has discounted bills receivable amounted to RMB21,850,000 (31 December 2011(restated): RMB12,000,000) and notes receivable amounted to RMB60,000,000 (31 December 2011(restated): RMB60,000,000) to banks on a with recourse basis and endorsed bills receivable amounted to RMB238,015,000 (31 December 2011(restated): RMB383,948,000) to suppliers in exchange for goods or services. The Group continues to recognise the bills receivable and notes receivable and the corresponding borrowings and trade payables because the transfers do not satisfy the derecognition criteria set out in HKAS 39 Financial Instruments: Recognition and Measurement.

Relevant disclosures are set out in note 41.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRs") *(Continued)*

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRs") *(Continued)*

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

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on these consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

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

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

Allocation of total comprehensive income to non-controlling interests

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Property, plant and equipment

Property, plant and equipment (other than construction in progress) is stated in the consolidated statement of financial position at historical cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of mining infrastructure and property is calculated using the units-of-production method based on the estimated proven and probable mineral reserves unless their useful life is less than that of the mine.

All other items of mining related property are depreciated over the shorter of the asset's useful life of 5 to 40 years on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation for other property, plant and equipment (other than construction in progress) is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10 to 40 years
Plant and machinery	8 to 20 years
Motor vehicles	8 to 12 years
Electricity equipment and others	5 to 10 years

Due to new technology employed by the Group in the second half of 2011, the directors of the Company decided to gradually phase out certain plant and machinery for processing copper concentrate and production of sulphuric acid with total carrying amount of RMB89,585,000 as at 1 July 2011 and accelerated their depreciation in full in the second half of 2011 that resulted in an increase in depreciation charges during the year ended 31 December 2011.

The assets' residual values and useful lives 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses), net" in the consolidated statement of comprehensive income.

Construction in progress, which represents assets under construction, is stated at cost less impairment loss, if any. When the assets are completed and ready for use, the carrying amount of the assets will be reclassified to property, plant and equipment and depreciated in accordance with the policy as set out above.

Exploration and evaluation expenditures

The Group capitalises only expenditures directly attributable to exploration and evaluation activities, including acquisition of exploration or mining rights, topographical and geological studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource during exploration and evaluation phase related to a specific area of interest to the extent that:

- the Group's right to tenure of the area of interest is current; and
- the costs incurred are expected to be recouped through successful development and exploitation of the area of interest.

Details of these capitalised expenditures are set out in note 17.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Exploration and evaluation expenditures *(Continued)*

All other exploration and evaluation expenditures are charged to profit and loss as incurred.

These capitalised expenditures are stated at cost less impairment and are presented within non-current assets as "exploration and evaluation assets" on the consolidated statement of financial position.

A "feasibility study" consists of a comprehensive study of the viability of a mineral project that has advanced to a phase where the mining method has established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering and operating economic factors, and the evaluation of other relevant factors. The feasibility study allows the Group to conclude whether it is demonstrable that it will obtain future economic benefits from the expenditures.

Once the final feasibility study has been completed and a development decision has been taken, accumulated capitalised exploration and evaluation expenditures in respect of an area of interest are transferred to non-current assets as either "Intangible assets" for the exploration and mining rights or "Property, plant and equipment", as appropriate. In circumstances when an area of interest is abandoned or management decides it is not commercially viable, any accumulated costs in respect of that area are written off in the period the decision is made.

Capitalised exploration and evaluation expenditures are assessed for impairment when facts and circumstances indicate that the carrying amount of an exploration and evaluation expenditure may exceed its recoverable amount. Once a development decision has been taken, the capitalised expenditures are also assessed for impairment before reclassification. An impairment test is performed if any of the following indicators are present:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For the purposes of assessing impairment, the capitalised exploration and evaluation expenditures subject to testing are grouped with other operating assets located in the same geographical region as one cash generating unit.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for mining rights is provided on a straight-line basis over their respective licence periods of 3 to 23 years. Amortisation for other intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives of 5 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for mining rights is provided on a straight-line basis over their respective licence periods.

Amortisation for other intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives of 5 years.

Impairment losses on tangible and intangible assets other than goodwill

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets other than goodwill *(Continued)*

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

Leasing

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

The Group as lessee

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

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Provisions

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Mine rehabilitation, restoration and dismantling

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mine or production facilities. These costs, as discounted to net present value, are provided for and a corresponding amount is capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to profit or loss over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The cost estimates are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown as a finance cost in profit or loss.

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

Research costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Financial instruments

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Financial assets are classified into the following specified categories: "financial assets at fair value through profit or loss" (FVTPL) and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other gains and losses, net" line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 40.

Loans and receivables

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

For financial assets, objective evidence of impairment could include:

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

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

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities at FVTPL

Financial liabilities at FVTPL comprise derivative that is not designated and effective as a hedging instrument and cumulative redeemable preference shares.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability. Fair value is determined in the manner described in note 40.

Other financial liabilities

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

Effective interest method

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Convertible notes

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds or fair value of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

If the conversion option of convertible notes will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the ordinary shares of the Company and exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component and the liability component of the convertible notes are measured at fair value.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity/derivative components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method. Transaction costs relating to the derivative component is recognised immediately in profit and loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Embedded derivatives

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

Hedge accounting

The Group designates certain derivatives as hedges of the fair value of recognised assets (fair value hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 40. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging commodity price risk on inventories. When an inventory is designated as a hedged item, the subsequent cumulative change in the fair value of the inventory attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, when the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Government grants

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

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

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

Related party transactions

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

Gold loans

The gold loans are measured at the fair value of gold bullion borrowed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in these consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Cost of inventories also includes gains and losses on qualifying fair value hedge in respect of inventories designated as hedged items. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the ordinary course of business. Revenue is shown net of value-added tax, returns, rebates and discounts.

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 estimates 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 from the sale of goods is recognised when the goods are delivered and titles have passed.

For certain copper cathodes sales of the Group, the sales price is determined on a provisional basis at the date of sale, as the final selling price is subject to the movements in market price up to the date of final pricing. Revenue on provisionally priced sales is recognised based on the grades of copper and the fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales agreement has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised in profit or loss. In all cases, fair value is estimated by reference to forward market prices.

(b) *Rendering of services*

The Group provided copper processing services. Service income is recognised when services are provided.

(c) *Interest income*

Interest income is recognised using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Employees benefits

Pension obligation

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

Moreover, the Group's contributions to the defined contribution retirement scheme set up pursuant to the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "MPF" Scheme) for all qualifying employees are expensed as incurred. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Early retirement obligation

Early retirement 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 early retirement 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. The early retirement is offered for a clearly defined period and once the termination plan is confirmed by the employee and the Group, there is no possibility of new participant. Benefits falling due more than 12 months after the end of reporting period are discounted to present value using the projected unit credit actuarial valuation method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employees benefits *(Continued)*

Other social insurance and housing funds

The Group provides other social insurance and housing funds to the qualified employees in the PRC based on certain percentages of their salaries. These percentages are not to exceed the upper limits of the percentages prescribed by Ministry of Human Resources and Social Security of the PRC. These benefits are paid to social security organisation and the amounts are expensed as incurred. The Group has no legal or constructive obligations for further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to their current and past services.

Share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in share option reserve.

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are 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 for the next twelve months.

i. Impairment of non-financial assets other than goodwill

Non-current assets include property, plant and equipment, prepaid lease payments, mining rights and other intangible assets, which are carried at cost less accumulated depreciation/amortisation and accumulated impairment losses, and deposits for acquisition of intangible assets, property, plant and equipment and exploration and evaluation assets that are stated at cost less impairment loss, if any. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts 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.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, 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 net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; 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 or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

ii. Exploration and related expenses

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, facts and circumstances change and new information becomes available suggesting that the recoverable amounts of capitalised expenditures are less than its carrying amounts, the amount capitalised is written off in profit or loss in the period when the new information becomes available. The carrying amount of exploration and evaluation assets at the end of reporting period was detailed in note 17.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

iii. Revenue recognition

Certain copper cathodes of the Group are sold under provisionally priced sales agreement where the final selling price is subject to the movements in market price up to the date of final pricing. Revenue is recognised when title and risk pass to the customer using history of grades of copper and the fair value of the total consideration receivable. Changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in copper market prices result in the existence of an embedded derivative in the trade receivables. This embedded derivative is recorded at fair value, with changes in fair value is recognised in profit or loss.

iv. Income taxes

Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The tax liabilities recognised are based on management's assessment of the likely outcome. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the accounting period in which such determination is made.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits will be available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

v. 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 depreciation rate of mining infrastructure and property. The carrying amount of mining infrastructure and property and the related depreciation was detailed in note 16.

vi. Mine rehabilitation, restoration and dismantling obligation

Provision is made for the anticipated costs of future restoration, rehabilitation and dismantling of mining areas from which natural resources have been extracted. These provisions include future cost estimates associated with plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues.

These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine rehabilitation, restoration and dismantling provisions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

vii. Early retirement obligation

The Group establishes liabilities in connection with benefits paid to certain early retired employees. The amounts of employee benefit expenses and liabilities are determined using actuarial valuations, which are calculated by independent valuation professionals who conduct assessment of the actuarial position of the Group's retirement plans. These actuarial valuations involve making assumptions on discount rates, benefit inflation rates, and other factors. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Actual results that differ from the assumptions are recognised immediately and therefore, affect recognised expenses in the period in which such differences arise. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the expenses related to the early retirement obligation.

viii. Employees medical obligation

Provision is made for the anticipated costs of compensation paid to those employees injured at work or suffered occupational disease and do not cover by the external insurance plan as required by the relevant rules and regulation in the PRC.

These future cost estimates including reimbursement of medical expenses and other compensation as required by the relevant rules and regulation are discounted to their present value. The calculation of these provision estimates requires assumptions including future medical cost estimates, application of relevant rules and regulation in respect of the amount of compensation, discount rates and the mutual confirmation with the Huangshi Labour and Social Security Bureau on the transfer of the obligation to social security system of Huangshi City, including the timing and the settlement principle, more details have been disclosed in note 31(b). Because of the significant uncertainties involved in view of the absence of formal transfer agreement, this estimate is subject to a high degree of measurement uncertainty. A change in any of the assumptions used may have a material impact on the carrying amount of the employee medical obligation provision.

6. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and services rendered, after trade discounts and sales related tax, for the year.

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

	2012 ***RMB'000***	2011 *RMB'000* (restated)
Revenue from sale of goods	**28,711,872**	26,938,291
Revenue from the rendering of services	**166,251**	206,468
	28,878,123	27,144,759

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

7. SEGMENT INFORMATION

Information reported to the chief executive officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

As the Existing Group are mainly involved in exploration of mineral resources and are integrated into those of the Prosper Well Group upon the completion of the Reverse Takeover Transaction, the Group has one reportable operating segment, being production and sale of copper and other related products. No operating segment information is presented other than entity-wide disclosures. The chief executive officer of the Company reviewed the consolidated financial statements of the Group prepared in accordance with HKFRSs as a whole.

The following is an analysis of the Group's revenue by major product and service categories:

	2012 ***RMB'000***	2011 *RMB'000* (restated)
Sales of goods		
– copper cathodes	**20,091,529**	19,170,117
– other copper products	**588,689**	663,502
– gold and other gold products	**4,862,223**	3,958,785
– silver and other silver products	**2,514,869**	2,396,505
– sulphuric acid and sulphuric concentrate	**226,041**	268,159
– iron ores	**232,107**	300,387
– others	**196,414**	180,836
	28,711,872	26,938,291
Rendering of services		
– copper processing	**152,709**	197,384
– others	**13,542**	9,084
	166,251	206,468
Total revenue	**28,878,123**	27,144,759

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

7. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group operates in three principal geographical areas – the PRC, Hong Kong and The Republic of Mongolia ("Mongolia").

The Group's revenue from external customers by location of operations and information about its non-current assets (excluding deferred tax assets and restricted bank deposits) by location of assets are detailed below:

	Revenue from external customers 31 December		Non-current assets 31 December		1 January
	2012	2011	**2012**	2011	2011
	RMB'000	*RMB'000* (restated)	***RMB'000***	*RMB'000* (restated)	*RMB000* (restated)
PRC	**28,420,543**	26,864,671	**9,689,568**	5,595,444	4,575,953
Hong Kong	**457,580**	280,088	**937**	–	–
Mongolia	**–**	–	**687**	–	–
	28,878,123	27,144,759	**9,691,192**	5,595,444	4,575,953

Information about major customers

Details of customers who accounted for 10% or more of total consolidated revenue are as follows:

	2012 ***RMB'000***	2011 *RMB'000* (restated)
Percentage to consolidated revenue		
– Customer A	**16.5%**	10.7%

8. OTHER INCOME

	2012 ***RMB'000***	2011 *RMB'000* (restated)
Interest income on bank deposits	**30,110**	49,956
Value-added tax refund	**16,411**	14,342
Government grants received *(Note)*	**26,275**	11,966
Deferred income recognised *(Note 34)*	**10,216**	4,176
	83,012	80,440

Note: The government grants mainly represented subsidies for imported copper ores and refunds of river mention maintenance fee.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

9. OTHER GAINS/(LOSSES), NET

	2012 *RMB'000*	2011 *RMB'000* (restated)
Losses on disposal of property, plant and equipment, net	**(3,149)**	(15,431)
Fair value changes (transactions not qualified as fair value hedges) from:		
– Commodity derivatives contracts	**25,077**	(89,647)
– Currency forward contracts	**4,620**	(4,774)
– Gold loans designated as financial liabilities at fair value through profit or loss	**3,114**	12,552
– Provisionally priced sales agreement	**(626)**	–
Fair value changes (transactions qualified as fair value hedges) from:		
– Inventory hedged by commodity futures contracts	**(1,085)**	(684)
– Fair value gains of commodity futures contracts designated as hedging instrument	**1,187**	798
Gain on derivative component on convertible notes *(Note 33 (a))*	**12,271**	–
Effect of maturity date extension of convertible notes *(Note 33 (a))*	**4,980**	–
Exchange gains, net	**25,403**	61,837
(Allowance for)/reversal of impairment of:		
– trade receivables (Note 24)	**(705)**	(1,001)
– other receivables (Note 25)	**6,875**	(15,218)
Others	**8,279**	3,803
	86,241	(47,765)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

10. FINANCE COSTS

	2012 RMB'000	2011 RMB'000 (restated)
Interest on bank and other borrowings:		
– wholly repayable within five years	(224,353)	(219,978)
– wholly repayable beyond five years	(7,466)	(3,976)
– Interest on loans from Daye Corporation	(106,173)	(43,761)
Interest expenses on convertible notes *(Note 33 (a) and (b))*	(55,659)	–
Unwind interest of provisions *(Note 31(a) and (b))*	(6,892)	(27,881)
Unwind interest of early retirement obligation *(Note 35)*	(2,080)	(1,990)
Total borrowing costs	(402,623)	(297,586)
Less: Borrowing costs capitalised in construction in progress	34,523	52,491
	(368,100)	(245,095)
The weighted average capitalisation rate on funds borrowed, generally (per annum)	4.45%	3.07%

11. INCOME TAX (EXPENSE)/CREDIT

	2012 RMB'000	2011 RMB'000 (restated)
PRC Enterprise Income Tax	(9,417)	(15,959)
Deferred income tax *(Note 21)*	(8,574)	39,435
	(17,991)	23,476

No provision for Hong Kong profits tax has been made as the Group has no assessable profit generated in Hong Kong for both years. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the Group was 25% for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

11. INCOME TAX (EXPENSE)/CREDIT *(Continued)*

Income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2012	2011
	RMB'000	*RMB'000*
		(restated)
Profit before tax	**181,643**	157,635
Tax at applicable income tax rate of 25%	**(45,411)**	(39,409)
Effect of tax concession	**4,670**	23,302
Income not subject to tax *(Note)*	**43,440**	47,214
Expenses not deductible for tax purposes	**(12,093)**	(7,631)
Tax losses not recognised	**(7,426)**	–
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	**(1,171)**	–
Income tax (expense)/credit for the year	**(17,991)**	23,476
Effective tax rate	**9.90%**	-14.89%

Note: Income not subject to tax mainly represents exempted income from the Group's sales of metal products produced using prescribed resources, including silver and vitriol, pursuant to the Article 33 of the EIT Law and the Article 99 of the PRC EIT Detailed Implementation Regulations. According to these tax regulations, 10% of the income derived from the sales of particular products can be deducted from taxable income of an entity if it utilises certain prescribed resources, that are not restricted or prohibited by the PRC government and satisfy the relevant State and industrial criteria, as the major materials in the production of those products.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

12. PROFIT FOR THE YEAR

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

	2012	2011
	RMB'000	*RMB'000*
		(restated)
Depreciation of property, plant and equipment	**341,699**	383,191
Amortisation of intangible assets (included in administrative expenses)	**29,205**	28,589
Amortisation of prepaid lease payments	**20,503**	19,418
Auditor's remuneration	**4,120**	549
Staff costs:		
Salaries, wages and welfare (including directors' remuneration as disclosed in note 13 to the extent since the completion of the Reverse Takeover Transaction)	**451,818**	481,820
Retirement benefit schemes contributions	**170,957**	134,962
Total staff costs	**622,775**	616,782
Cost of inventories recognised as an expense	**27,856,674**	26,036,303
Research costs	**12,496**	17,971
Donations	**2,500**	3,296
Minimum lease payments in respect of land and buildings	**18,500**	13,449

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

13. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid to the directors of the Company for the year are as follows:

		Other emoluments			
	Fees *RMB'000*	**Salaries and other allowances** *RMB'000*	**Employee share option benefits** *RMB'000*	**Retirement benefit scheme contribution** *RMB'000*	**Total** *RMB'000*
2011					
Executive Directors					
Mr. Wan Bi Qi	972	382	–	–	1,354
Mr. Chen Xiang *(Note (a))*	778	310	–	–	1,088
Ms. Yuan Ping	778	324	–	–	1,102
Mr. Long Zhong Sheng *(Note (b))*	–	–	–	–	–
Independent Non-executive Directors					
Mr. Wang Guoqi	42	–	–	–	42
Mr. Wang Qihong	42	–	–	–	42
Mr. Qiu Guanzhou	42	–	–	–	42
	2,654	1,016	–	–	3,670
2012					
Executive Directors					
Mr. Zhang Lin *(Note (c))*	**–**	**554**	**–**	**166**	**720**
Mr. Long Zhong Sheng *(Note (c), (d))*	**1,087**	**1,234**	**–**	**39**	**2,360**
Mr. Zhai Baojin *(Note (c))*	**–**	**554**	**–**	**166**	**720**
Mr. Tan Yaoyu *(Note (c))*	**–**	**398**	**–**	**124**	**522**
Mr. Wan Bi Qi	**1,155**	**1,008**	**–**	**–**	**2,163**
Mr. Chen Xiang *(Note (a))*	**98**	**90**	**–**	**–**	**188**
Ms. Yuan Ping *(Note (e))*	**98**	**98**	**–**	**–**	**196**
Independent Non-executive Directors					
Mr. Wang Guoqi	**41**	**–**	**–**	**–**	**41**
Mr. Wang Qihong	**41**	**–**	**–**	**–**	**41**
Mr. Qiu Guanzhou	**41**	**–**	**–**	**–**	**41**
	2,561	**3,936**	**–**	**495**	**6,992**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

13. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors *(Continued)*

Notes:

(a) Mr. Chen Xiang was also the Chief Executive Officer of the Company before his resignation on 22 March 2012. His emoluments disclosed above include those for services rendered by him as the Chief Executive Officer before 22 March 2012.

(b) Mr. Long Zhong Sheng was appointed as an executive director on 13 June 2011 and resigned on 15 June 2011.

(c) Mr. Zhang Lin, Mr. Long Zhong Sheng, Mr. Zhai Baojin and Mr. Tan Yaoyu were appointed as executive directors of the Company on 22 March 2012.

(d) Mr. Long Zhong Sheng is also the Chief Executive Officer of the Company from 22 March 2012. His emoluments disclosed above include those for services rendered by him as the Chief Executive Officer from 22 March 2012.

(e) Ms. Yuan Ping resigned as an executive director on 22 March 2012.

(f) The emoluments paid or payable to the directors prior to the Reverse Takeover Transaction are not included in the consolidated statements of comprehensive income for both years.

Employees

Of the five individuals with the highest emoluments in the Group, two (2011: three) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2011: two) individuals were as follows:

	2012 ***RMB'000***	2011 *RMB'000*
Salaries and other allowances	**4,500**	1,849
Retirement benefit schemes contributions	**28**	10
	4,528	1,859

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

	Number of employees	
	2012	2011
HK$ Nil to HK$1,000,000	**–**	–
HK$1,000,000 to HK$2,000,000	**3**	2

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

14. DIVIDENDS

No dividend in respect of ordinary shares has been paid or declared by the Company for both years.

During the year, the Company accrued dividends of approximately RMB4,000 (2011: RMB4,000) on its 16,485 cumulative redeemable preference shares. Such accrued dividends are included in finance costs of the Group.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary shareholders of the Company is based on the following data:

	2012 *RMB'000*	2011 *RMB'000* (restated)
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	157,176	149,275
Effect of dilutive potential ordinary shares:		
– HK$220,000,000 1% convertible notes		
• Interest expenses	12,180	
• Effect on maturity date extension	(4,980)	
• Gain on derivative component	(12,271)	
– Dividends on cumulative redeemable preference shares	4	
Earnings for the purpose of diluted earnings per share	152,109	N/A

	'000	*'000* (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	16,319,663	10,775,777
Effect of dilutive potential ordinary shares:		
– HK$220,000,000 1% convertible notes	240,416	
– Cumulative redeemable preference shares	1,877	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	16,561,956	N/A

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

15. EARNINGS PER SHARE *(Continued)*

The weighted average number of shares used for the purpose of calculating basic earnings per share for the year ended 31 December 2011 is determined by reference to the pre-combination capital of the Prosper Well Group multiplied by the exchange ratio established in the Reverse Takeover Transaction.

The weighted average number of shares used for the purpose of calculating basic earnings per share for the year ended 31 December 2012 is determined by reference to the pre-combination capital of the Prosper Well Group multiplied by the exchange ratio established in the Reverse Takeover Transaction and the weighted average total actual shares of the Company in issue after the completion of the Reverse Takeover Transaction.

No diluted earnings per share for the year ended 31 December 2011 is presented because the Prosper Well Group did not have potential ordinary shares outstanding during that year.

The computation of diluted earnings per share for the year ended 31 December 2012 does not assume the conversion of the Company's outstanding HK$1,003,836,048 zero coupon convertible note, which was issued upon the completion of the Reverse Takeover Transaction since its exercise would result in an increase in earnings per share for the year ended 31 December 2012.

The computation of diluted earnings per share for the year ended 31 December 2012 does not assume the exercise of the Company's options, which were assumed by the Group upon the completion of the Reverse Takeover Transaction, because the exercise price of those options was higher than the market prices of the Company's ordinary shares for the year ended 31 December 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Mining infrastructure and property	Plant and machinery	Electricity equipment and others	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Costs:							
At 1 January 2011 (restated)	1,022,997	985,873	1,609,579	3,107	92,464	1,036,859	4,750,879
Reclassification (restated)	301,661	(311,489)	(1,908)	21,475	1,471	(11,210)	–
Additions (restated)	187,824	–	232,360	13,589	10,142	1,122,639	1,566,554
Transfer from construction in progress (restated)	805,124	286,265	310,154	–	–	(1,401,543)	–
Disposals (restated)	(64,991)	–	(101,251)	(45)	(3,670)	–	(169,957)
At 31 December 2011 (restated)	2,252,615	960,649	2,048,934	38,126	100,407	746,745	6,147,476
Additions	30,865	–	529,952	402	44,362	1,119,945	1,725,526
Arising from the Reverse Takeover Transaction *(Note 38(a))*	7,595	–	4,741	1,988	1,659	72,483	88,466
Arising from the acquisition of assets through acquisition of a subsidiary *(Note 38(b))*	253	–	–	51	117	–	421
Transfer from construction in progress	842,438	10,158	53,927	17,215	–	(923,738)	–
Disposals	(2,748)	–	(22,015)	(1,623)	(1,799)	–	(28,185)
Exchange realignment	(17)	–	(78)	(38)	(164)	–	(297)
At 31 December 2012	3,131,001	970,807	2,615,461	56,121	144,582	1,015,435	7,933,407
Accumulated depreciation:							
At 1 January 2011 (restated)	(421,135)	(383,203)	(877,002)	(906)	(38,350)	–	(1,720,596)
Reclassification (restated)	(176,089)	174,615	9,797	(8,668)	345	–	–
Depreciation (restated)	(132,441)	(48,596)	(187,350)	(4,446)	(10,358)	–	(383,191)
Disposals (restated)	31,059	–	72,304	43	3,478	–	106,884
At 31 December 2011 (restated)	(698,606)	(257,184)	(982,251)	(13,977)	(44,885)	–	(1,996,903)
Depreciation	(123,104)	(55,390)	(149,769)	(2,779)	(10,657)	–	(341,699)
Disposals	1,920	–	20,725	207	1,727	–	24,579
Exchange realignment	4	–	11	18	62	–	95
At 31 December 2012	(819,786)	(312,574)	(1,111,284)	(16,531)	(53,753)	–	(2,313,928)
Carrying amounts:							
At 31 December 2012	2,311,215	658,233	1,504,177	39,590	90,829	1,015,435	5,619,479
At 31 December 2011 (restated)	1,554,009	703,465	1,066,683	24,149	55,522	746,745	4,150,573
At 1 January 2011 (restated)	601,862	602,670	732,577	2,201	54,114	1,036,859	3,030,283

Notes to the Consolidated Financial Statements

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17. EXPLORATION AND EVALUATION ASSETS

	RMB'000
At 1 January 2011 (restated)	58,469
Additions (restated)	4,622
At 31 December 2011 (restated)	63,091
Additions	9,331
Arising from acquisition of assets through acquisition of a subsidiary *(Note 38(b))*	17,818
At 31 December 2012	90,240

The exploration and evaluation expenditures of the Group mainly represented the capitalised costs incurred during the evaluation phase for the construction-in-progress of mine structures and plant and machinery for which the installation or modification have not yet been completed with respect to the mines located in Fengshan, Tonglushan and Tongshankou in the PRC.

During the year ended 31 December 2012, there have been no changes in facts and circumstances that the carrying amount of the exploration and evaluation expenditures may not be recoverable and hence a full impairment review is not required. The capitalised expenditures would be assessed for impairment before reclassifying to property, plant and equipment (Note 16).

Notes to the Consolidated Financial Statements

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18. PREPAID LEASE PAYMENTS

	RMB'000
Cost:	
At 1 January 2011 (restated)	823,612
Additions (restated)	51,549
At 31 December 2011 (restated)	875,161
Arising from the Reverse Takeover Transaction *(Note 38(a))*	1,396
Additions	1,308
Disposal	(4,300)
At 31 December 2012	873,565
Accumulated amortisation:	
At 1 January 2011 (restated)	(74,152)
Amortisation (restated)	(19,418)
At 31 December 2011 (restated)	(93,570)
Amortisation	(20,503)
At 31 December 2012	(114,073)
Carrying amounts:	
At 31 December 2012	759,492
At 31 December 2011 (restated)	781,591
At 1 January 2011 (restated)	749,460

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Analysed as:			
Current assets	**20,510**	20,322	20,230
Non-current assets	**738,982**	761,269	729,230
	759,492	781,591	749,460

The prepared lease payments comprise land in the PRC under medium term lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

19. INTANGIBLE ASSETS

	Mining rights *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2011 (restated)	603,002	3,945	606,947
Additions (restated)	–	4,675	4,675
At 31 December 2011 (restated)	603,002	8,620	611,622
Additions	–	1,767	1,767
Arising from the Reverse Takeover Transaction *(Note 38(a))*	376,000	–	376,000
Arising from acquisition of assets through acquisition of a subsidiary *(Note 38(b))*	242,810	–	242,810
At 31 December 2012	1,221,812	10,387	1,232,199
Accumulated amortisation:			
At 1 January 2011 (restated)	(16,485)	(1,525)	(18,010)
Amortisation (restated)	(28,003)	(586)	(28,589)
At 31 December 2011 (restated)	(44,488)	(2,111)	(46,599)
Amortisation	(27,497)	(1,708)	(29,205)
At 31 December 2012	(71,985)	(3,819)	(75,804)
Carrying amounts:			
At 31 December 2012	1,149,827	6,568	1,156,395
At 31 December 2011 (restated)	558,514	6,509	565,023
At 1 January 2011 (restated)	586,517	2,420	588,937

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20. GOODWILL

The amount represents goodwill arising from the Reverse Takeover Transaction as disclosed in note 2. The directors of the Company consider the Company and its subsidiaries upon completion of the Reverse Takeover Transaction as a whole would benefit from the synergies of the Reverse Takeover Transaction. Therefore, goodwill is allocated to one cash generating unit, being the Group after the completion of the Reverse Takeover Transaction, which also represents the single operating segment of the Group as disclosed in note 7 and they would be under one operating segment.

The recoverable amount of this single cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period and a discount rate of 17.11%.

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 3% per annum growth rate which is the projected long-term average growth rate for the industry. The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed its recoverable amount.

21. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Deferred tax assets	**104,781**	120,052	80,617
Deferred tax liabilities	**142,405**	–	–
	(37,624)	120,052	80,617

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

21. DEFERRED TAXATION *(Continued)*

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

	Accrued expenses *RMB'000*	Mining rights *RMB'000*	Convertible note *RMB'000*	Provisions *RMB'000*	Early retirement obligation *RMB'000*	Impairment losses *RMB'000*	Tax losses *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2011 (restated)	15,182	–	–	52,362	9,259	5,967	–	(2,153)	80,617
Credited to profit or loss (restated)	4,240	–	–	5,078	10,246	4,055	189	15,627	39,435
At 31 December 2011 (restated)	19,422	–	–	57,440	19,505	10,022	189	13,474	120,052
Arising from the Reverse Takeover Transaction *(Note 38(a))*	–	(94,000)	–	–	–	–	–	–	(94,000)
Arising from acquisition of assets through acquisition of a subsidiary *(Note 38(b))*	–	–	–	–	–	–	477	–	477
Issue of HK$1,003,836,048 zero coupon convertible note and charged directly to convertible notes equity reserve	–	–	(55,586)	–	–	–	–	–	(55,586)
(Charge)/credit to profit or loss	(8,486)		7,174	(2,288)	(4,167)	(1,543)	4,896	(4,160)	(8,574)
Exchange realignment	–	–	7	–	–	–	–	–	7
At 31 December 2012	10,936	(94,000)	(48,405)	55,152	15,338	8,479	5,562	9,314	(37,624)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB658,637,000 as at 31 December 2012 (31 December 2011 (restated): RMB453,530,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31 December 2012, the Group has unused tax losses of RMB29,703,000 (31 December 2011 (restated): RMB756,000) available for offset against future profits. These unused tax losses as at 31 December 2012 may be carried forward indefinitely. The Group has not recognised deferred tax asset for these unused tax losses as at 31 December 2012 due to the unpredictability of future profit streams (31 December 2011 (restated): deferred tax assets of RMB189,000 was recognised).

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22. DEPOSIT FOR ACQUISITION OF INTANGIBLE ASSETS

As at 31 December 2012, the deposit of RMB32,690,000 (HK$40,316,000) comprises cash of HK$21,080,000 and fair value of the third tranche of HK$220,000,000 1% convertible notes with principal amount of HK$21,000,000 estimated on 31 December 2012 of HK$19,236,000 (See Note 33(a)).

In addition to the mining licence in respect of a copper mine located about 115 km southwest of Hami, a city in the eastern part of the Xingjiang Uygur Autonomous Region, the PRC (the "Mine") obtained in August 2012 pursuant to an agreement dated 14 July 2010 between the Company and Alexis Resources Limited (the "Vendor"), the Company further paid the aforesaid deposit on 31 December 2012 pursuant to a supplementary agreement dated 30 December 2010 entered between the Company and the Vendor for the acquisition of another mining licence in respect of a mining area of approximately 0.4625 square kilometers situated in the east of the Mine (the "New Mining Area").

According to the technical report dated 17 December 2012 issued by Roscoe Postle Associates Inc., a professional geologist appointed by the Vendor, the indicated copper resources in the New Mining Area is 36,400 tonnes. Therefore, pursuant to the supplementary agreement, the consideration of the mining licence in respect of the New Mining Area is determined at HK$84,160,000 (based on the rate of HK$2,312.10 per tonne of copper).

The aforesaid deposit paid by the Company represents 50% of the consideration of the mining licence in respect of the New Mining Area. The Group is applying for the mining licence and the costs associated with the application of the mining licence are borne by the Vendor according to the supplementary agreement. The remainder of the consideration, after deducting the costs so incurred, will be paid to the Vendor upon obtaining the mining licence. In the event the cost of obtaining the mining licence in respect of the New Mining Area exceeds HK$42,080,000, the difference shall be refunded by the Vendor.

Further details of the mining licences in respect of the Mine and the New Mining Area are set out in note 38 (b).

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23. INVENTORIES

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Raw materials	**2,149,063**	1,551,465	2,975,570
Work in progress	**2,010,348**	1,675,895	1,007,987
Finished goods	**605,090**	604,441	280,538
	4,764,501	3,831,801	4,264,095

24. TRADE, BILLS AND NOTES RECEIVABLES

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Trade receivables	**258,003**	132,957	51,484
Less: Allowance of doubtful debts	**(4,722)**	(4,017)	(3,016)
	253,281	128,940	48,468
Bills receivable:			
– On hand	**60,682**	72,244	8,646
– Discounted to banks *(Note 30)*	**21,850**	12,000	115,055
– Endorsed to suppliers	**238,015**	383,948	298,991
Notes receivable on hand	**500**	–	–
Notes receivable discounted to banks *(Note 30)*	**60,000**	60,000	78,000
Total trade, bills and notes receivables	**634,328**	657,132	549,160

The majority of sales are made under contractual arrangements whereby a significant portion of amount of each sale is received before delivery or promptly after delivery and the remainder is received within 6 months after delivery. The following is an aged analysis of trade receivables, presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised, net of allowance for doubtful debts.

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24. TRADE, BILLS AND NOTES RECEIVABLES *(Continued)*

	At 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(restated)
Trade receivables, net		
Within 1 year	**252,806**	128,061
More than 1 year, but less than 2 years	**311**	599
More than 2 years, but less than 3 years	**155**	244
Over 3 years	**9**	36
	253,281	128,940

The Group's notes receivable represents the commercial acceptance notes issued by third parties. The maturity period of both bills and notes receivable are within 6 months.

Included in the Group's trade receivable balance as at 31 December 2012 are debtors with aggregate carrying amount of RMB188,620,000 (31 December 2011 (restated): RMB79,370,000); which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The ageing of these receivables are as follows:

Ageing of trade receivables which are past due but not impaired

	At 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(restated)
Less than 1 year	**188,145**	78,491
1 – 2 years	**311**	599
2 – 3 years	**155**	244
Over 3 years	**9**	36
Total	**188,620**	79,370

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24. TRADE, BILLS AND NOTES RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts on trade receivables

	RMB'000
At 1 January 2011 (restated)	3,016
Impairment losses recognised, net (restated)	1,001
At 31 December 2011 (restated)	4,017
Impairment losses recognised, net	705
At 31 December 2012	4,722

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB4,722,000 as at 31 December 2012 (31 December 2011(restated): RMB4,017,000) which have either been placed under liquidation or in severe financial difficulties.

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

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Fellow subsidiaries	**55,434**	65,663	3,289

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

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25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Non-current:			
Deposits for acquisition of property, plant and equipment	**91,750**	55,488	169,034
Current:			
Prepayments for inventories	**447,909**	58,747	310,169
Value-added tax recoverable *(Note)*	**155,803**	40,245	5,766
Other receivables	**88,951**	81,323	77,660
Less: Provision for impairment	**(29,194)**	(36,069)	(20,851)
	663,469	144,246	372,744

Movement in the allowance for doubtful debts on other receivables

	RMB'000
At 1 January 2011 (restated)	20,851
Impairment losses recognised, net (restated)	15,218
At 31 December 2011 (restated)	36,069
Impairment losses reversed, net	(6,875)
At 31 December 2012	29,194

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25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

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

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Prepayments made to			
– Daye Corporation	**–**	39,665	–
– Fellow subsidiaries	**8,136**	11,464	14,794
Other receivables due from			
– Daye Corporation	**–**	–	33,821
– Fellow subsidiaries	**4,302**	6,272	40

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

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Current Assets			Current Liabilities		
	At 31 December		At 1 January	At 31 December		At 1 January
	2012	2011	2011	**2012**	2011	2011
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*
		(restated)	(restated)		(restated)	(restated)
Carried at fair value						
– Copper futures contracts	**1,333**	925	–	**146**	127	137,952
– Gold futures contracts	**–**	–	–	**–**	9,578	–
– Currency forward contracts	**28**	–	–	**182**	4,774	–
– Provisionally priced sales agreement	**–**	–	–	**626**	–	–
	1,361	925	–	**954**	14,479	137,952

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26. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Contract type

		Buy			Sell		
		At 31 December		At 1 January	**At 31 December**		At 1 January
		2012	2011 (restated)	2011 (restated)	**2012**	2011 (restated)	2011 (restated)
Copper futures contracts							
Quantity	(tonnes)	**4,110**	670	–	**710**	200	18,055
Contract price	(RMB)	**56,370 – 57,740**	53,450 – 54,550	N/A	**57,390 – 57,250**	55,720 – 54,700	59,680 – 67,984
Gold futures contracts							
Quantity	(kg)	**–**	359	–	**–**	–	–
Contract price	(RMB)	**N/A**	322,700 – 359,020	N/A	**N/A**	N/A	N/A
Currency forward contracts							
Currency	(US$'000)	**6,017**	3,240	–	**12**	–	–
Exercise price	(RMB)	**6.2465**	6.506	N/A	**6.2133**	N/A	N/A
Currency	(EUR'000)	**–**	7,500	–	**–**	–	–
Exercise price	(RMB)	**N/A**	8.7247	N/A	**N/A**	N/A	N/A

The Group uses commodity derivative contracts to hedge its commodity price risk. Commodity derivative contracts utilised by the Group include standardised copper futures contracts in Shanghai Futures Exchange ("SHFE") and others. Besides, the Group also entered into currency forward contracts with certain banks to hedge certain of its currency risk arising from certain of its bank loans denominated in US$ and EUR.

Under hedge accounting

The Group utilises commodity derivative contracts (copper future contracts) to hedge its exposure to variability in fair value changes attributable to price fluctuation risk associated with inventories, mainly includes copper concentrate, copper cathodes and other copper products. For the purpose of hedge accounting, those hedging transactions of the Group are classified as fair value hedge.

The Group formally designates and documents the hedging relationship at the inception of the hedge, risk management objective and strategy for undertaking the hedges. The fair value hedges of the Group were assessed to be highly effective and qualified for hedge accounting.

Details of the fair value gains/losses of commodity derivative contracts designated as fair value hedges of the Group and the net fair value losses/gains of the hedged items, inventories, attributable to the risk hedged have been disclosed in note 9.

Not under hedge accounting

The Group did not formally designate or document the hedging transactions with respect to the gold futures contracts, the currency forward contracts and others. Therefore, these transactions were not qualified for hedge accounting.

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27. BANK DEPOSITS, BANK BALANCES AND CASH

(i) Restricted deposits and balances

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Current			
Bank deposits *(Note (a))*	**162,266**	450,973	424,587
Bank balances *(Note (b))*	**241,572**	12,209	162,657
Other deposits *(Note (c))*	**41,054**	73,984	337,768
	444,892	537,166	925,012
Non-current			
Bank deposits *(a)*	**–**	124,553	–

Notes:

(a) Bank deposits are pledged to banks as security for certain banking facilities of the Group. The effective interest rates of these bank deposits are as follows:

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Weighted average effective interest rate (per annum)	**3.47%**	3.1%	4.0%

Further details are set out in note 30(a).

(b) Bank balances are held in designated bank accounts as security for the Group's letters of credit. Bank balances earn interest at floating rates based on daily bank deposit rates.

(c) Other deposits are held in certain financial institutions as security for the commodities derivative and currency forward contracts.

Notes to the Consolidated Financial Statements

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27. BANK DEPOSITS, BANK BALANCES AND CASH *(Continued)*

(ii) Bank deposits

As at 31 December 2012, the Group did not have non-pledged bank deposits with original maturity of more than three months when acquired. As at 31 December 2011, non-pledged bank deposits with original maturity of more than three months when acquired of RMB362,659,000 (restated) carry interest at market rates ranging from 3.0% to 3.3% per annum.

(iii) Bank balances and cash

Bank balances carry interest at market rates ranging from 0.4% to 0.5% (2011(restated): 0.4% to 0.5%) per annum at the end of each reporting period.

(iv) Cash and cash equivalents

Reconciliation from cash and cash equivalents in the consolidated statement of cash flows to bank deposits, bank balances and cash in the consolidated statement of financial position is set out below:

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Cash and cash equivalents in the consolidated statement of cash flows	**1,030,709**	328,364	304,049
Non-pledged bank deposits with original maturity of more than three months when acquired	**–**	362,659	385,363
Bank deposits, bank balances and cash in the consolidated statement of financial position	**1,030,709**	691,023	689,412

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28. TRADE PAYABLES

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

	2012 RMB'000	2011 RMB'000 (restated)
Within 1 year	1,371,670	1,298,688
More than 1 year, but less than 2 years	4,850	4,068
More than 2 years, but less than 3 years	608	1,190
Over 3 years	5,993	5,737
	1,383,121	1,309,683

The carrying amounts of the Group's trade payables approximate their fair values and are denominated in the following currencies:

	2012 RMB'000	2011 RMB'000 (restated)
RMB	850,453	952,658
US$	532,668	357,025
	1,383,121	1,309,683

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

	At 31 December		At 1 January
	2012 RMB'000	2011 RMB'000 (restated)	2011 RMB'000 (restated)
Daye Corporation	–	–	491
Fellow subsidiaries	215,414	16,433	19,333
An associate of Daye Corporation	–	–	1,212

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

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29. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Receipts in advance from customers	**59,157**	131,128	117,551
Salaries and welfare payables	**55,867**	86,660	106,276
Interest payables	**18,687**	35,024	35,493
Current portion of deferred income *(Note 34)*	**6,217**	3,044	1,421
Other payables and accruals	**655,488**	528,887	225,792
Dividend payable	**4**	–	–
	795,420	784,743	486,533

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

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Receipts in advance from customers			
– Fellow subsidiaries	**773**	3,781	32,896
Other payables			
– Daye Corporation	**1,169**	–	–
– Fellow subsidiaries	**41,298**	35,120	43,880

The Group's other payables are denominated in RMB and approximate their fair values. Balances with related parties are unsecured, interest-free and repayable on demand.

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30. BANK AND OTHER BORROWINGS

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Bank borrowings			
– secured *(Note (a))*	**37,713**	875,272	694,140
– unsecured *(Note (b))*	**5,573,766**	3,624,529	3,589,005
Other borrowings			
– Loans from Daye Corporation, unsecured *(Note (c))*	**2,260,007**	733,919	495,219
– Advance from banks for discounted bills	**21,850**	12,000	115,055
– Advance from banks for discounted notes	**60,000**	60,000	78,000
– Gold loans *(Note (d))*	**–**	95,940	–
– Debentures *(Note (e))*	**–**	–	700,000
	7,953,336	5,401,660	5,671,419
Carrying amounts repayable:			
Within one year and on demand	**4,970,952**	3,705,157	4,813,781
More than one year, but not exceeding two years	**1,249,007**	270,794	57,542
More than two years, but not exceeding five years	**1,616,500**	1,368,000	691,028
More than five years	**116,877**	57,709	109,068
	7,953,336	5,401,660	5,671,419
Less: Amounts shown under current liabilities	**(4,970,952)**	(3,705,157)	(4,813,781)
	2,982,384	1,696,503	857,638
Total borrowings:			
– at fixed rates	**2,104,720**	3,029,038	3,716,476
– at floating rates	**5,848,616**	2,372,622	1,954,943
Analysis of borrowings by type/currency:			
– denominated in RMB	**5,506,722**	3,339,289	4,234,293
– denominated in USD	**2,436,038**	1,884,653	1,437,126
– denominated in EUR	**–**	81,778	–
– denominated in HK$	**10,576**	–	–
– gold loans	**–**	95,940	–

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30. BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) As at 31 December 2012, secured bank borrowings of the Group amounting to RMB37,713,000 (31 December 2011 (restated): RMB875,272,000) bearing interest rate of 5.04% to 5.79% (31 December 2011 (restated): 3.43% to 6.10%) per annum were secured by bank deposits of RMB37,713,000 (31 December 2011 (restated): RMB450,973,000).

(b) As at 31 December 2012, included in unsecured bank borrowings of the Group amounting to RMB590,000,000 (31 December 2011(restated): RMB770,000,000) bearing interest rate of 1.50% to 6.35% (31 December 2011 (restated): 1.50% to 5.90%) per annum were guaranteed by Daye Corporation.

(c) The details of unsecured loans from Daye Corporation are as follows:

		At 31 December		At 1 January
Interest rate	**Terms of repayment**	**2012**	2011	2011
		RMB'000	*RMB'000*	*RMB'000*
			(restated)	(restated)
Fixed rate at 4.98% per annum	Repayable on 15 October2015	**490,000**	490,000	490,000
Fixed rate at 4.98% per annum	Repayable on 1 December 2016	**90,000**	90,000	–
Fixed rate at 5.79% per annum	Repayable on 17 January 2017	**500,000**	–	–
Floating rate quoted by People's Bank of China	Not demand for repayment before 1 January 2013	**–**	153,919	–
Floating rate quoted by People's Bank of China	Not demand for repayment before 2 January 2014	**1,180,007**	–	–
Floating rate quoted by People's Bank of China	Repayable on demand	**–**	–	5,219
		2,260,007	733,919	495,219

(d) As at 31 December 2012, the Group did not have any outstanding gold loans. The unrealised gain arising from change in fair value of gold loans designated as financial instruments of RMB12,552,000 (restated) has been charged to profit or loss for the year ended 31 December 2011.

(e) As approved by the National Association of Financial Market Institutional Investors, the Group issued certain short-term debentures on 19 March 2010 at par value of RMB700,000,000, with a maturity of 365 days from the date of issuance. The debentures are secured by guarantees by Beijing Yangtze Power Innovation Investment Management Co., Ltd., a then non-controlling interest holder of the Group, and bear interest at a fixed rate of 2.75% per annum. The debentures were fully repaid on 22 March 2011.

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31. PROVISIONS

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Provision for mine rehabilitation, restoration and dismantling *(Note (a))*	**38,028**	36,921	27,155
Employees medical obligation *(Note (b))*	**182,581**	192,839	182,292
	220,609	229,760	209,447
Analysed as:			
Current	**48,642**	22,586	14,815
Non-current	**171,967**	207,174	194,632
	220,609	229,760	209,447

(a) Provision for mine rehabilitation, restoration and dismantling

	RMB'000
At 1 January 2011 (restated)	27,155
Interest cost (restated)	9,766
At 31 December 2011 (restated)	36,921
Interest cost	1,107
At 31 December 2012	38,028

Analysed as:

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Non-current	**38,028**	36,921	27,155

The provision for mine rehabilitation, restoration and dismantling includes the anticipated costs of future rehabilitation, restoration and dismantling of mining areas from which natural resources have been extracted. These provisions include future cost estimates associated with plant closures, waste site closures, monitoring, demolition, decontamination, water purification, and permanent storage of historical residues. The discount rate using in determining this provision is 3% (Year ended 31 December 2011(restated): 3%).

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31. PROVISIONS *(Continued)*

(b) Employees medical obligation

	RMB'000
At 1 January 2011 (restated)	182,292
Provision recognised for the year (restated)	9,254
Interest cost (restated)	18,115
Payments (restated)	(16,822)
At 31 December 2011 (restated)	192,839
Interest cost	5,785
Payments	(16,043)
At 31 December	182,581

Analysed as:

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Current	**48,642**	22,586	14,815
Non-current	**133,939**	170,253	167,477
	182,581	192,839	182,292

This provision represents the anticipated costs of compensation paid to those employees injured at work or suffered occupational disease that do not cover by the external insurance plan as required by the relevant rules and regulation in the PRC. These future cost estimates including reimbursement of medical expenses and other compensation as required by the relevant rules and regulation are discounted to their present value. The discount rate using in determining this provision is 3% (Year ended 31 December 2011 (restated): 3%) at the end of the reporting period.

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31. PROVISIONS *(Continued)*

(b) Employees medical obligation *(Continued)*

In 2007, management of the Group and the Huangshi Labour and Social Security Bureau reached a mutual confirmation on the details of the transfer of the Group's employees medical obligation to the social security system of Huangshi City (the "Transfer"), including the timing and the settlement principle, when a number of guidance and notices have been issued by Ministry of Labour and Social Security in 2005 and 2007. Due to the time incurred to finish certain government administrative procedures, the transfer of the Group's employees medical obligation to the social security system of Huangshi City has been delayed and management is advised that such transfer will occur in the second quarter of 2013. Therefore, management is in the opinion that a future transfer is confirmed and the provision is determined by management based on the available information and the best estimates.

The Group has made periodic contribution to external insurance plans for its employee since 2005 and is not obligated to any further liabilities in respect of the employee injuries since then.

32. CUMULATIVE REDEEMABLE PREFERENCE SHARES

As at 31 December 2012, the amount represents fair value of 16,485 cumulative redeemable preference shares ("CPS") outstanding which arose from the Reverse Takeover Transaction (Note 38(a)). A holder of the CPS is entitled to receive a fixed cumulative preferential dividend at the rate of 6% per annum on the notional value of HK$5 per CPS to be paid half-yearly on 30 June and 31 December in each year.

A holder of the CPS may convert his shares held at any time into ordinary shares of the Company at the conversion price of HK$0.036 per share, subject to adjustment.

The CPS may be redeemed by the holders of the CPS at any time after 30 June 1996 at a redemption price per share equal to the notional value plus accrued dividend.

The Company has the option to redeem all or some of the CPS at any time at the notional value of the CPS if the average of the closing prices of the ordinary share of the Company quoted on the Hong Kong Stock Exchange over the preceding 30 consecutive dealing days ending on the seventh day prior to the date upon which notice of redemption is given is greater than or equal to 150% of the conversion price in effect on such seventh day.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

33. CONVERTIBLE NOTES

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Liability component:			
HK$220,000,000 1% convertible notes *(Note (a))*	**158,793**	–	–
HK$1,003,836,048 zero coupon convertible note (Note (b))	**521,841**	–	–
	680,634	–	–
Derivative component:			
HK$220,000,000 1% convertible notes *(Note (a))*	**4,889**	–	–
	685,523	–	–
Analysed as:			
Current	**163,682**	–	–
Non-current	**521,841**	–	–
	685,523	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

33. CONVERTIBLE NOTES *(Continued)*

(a) HK$220,000,000 1% convertible notes

The HK$220,000,000 1% convertible notes comprises 3 tranches:

(i) The first tranche

As part of the deposit for acquisition of 100% shareholding in Qianyi Limited as disclosed in note 38(b), the first tranche of the convertible notes in the principal sum of HK$110 million was issued by the Company on 22 July 2010 and recognised as its fair value on 7 March 2012 pursuant to the Reverse Takeover Transaction (see Note 38(a)).

(ii) The second tranche

On 3 August 2012, the Company was informed that the mining license of the Mine has been granted by the Department of Land and Resources of Xinjiang Uygur Autonomous Region, the PRC. Pursuant to the supplemental agreement with the Vendor dated 30 December 2010, the Company delivered the second tranche of the convertible notes in the principal sum of HK$89 million to the Vendor on 8 August 2012 (see Note 38(b)).

(iii) The third tranche

On 31 December 2012, as part of the deposit for the acquisition mining licence in respect of the New Mining Area, the Company delivered the third tranche of the convertible notes in the principal sum of HK$21 million to the Vendor (see Note 22).

The convertible notes carry coupon interest rate of 1% per annum, which shall be payable by the Company upon redemption of the notes and entitle the holders to convert into ordinary shares of the Company at an initial conversion price of HK$0.618 (subject to adjustments in accordance with the terms of the convertible notes) at any time during the period commencing from the date of issue of convertible notes. The conversion price has been changed from HK$0.618 to HK$0.528 upon completion of the Reverse Takeover Transaction. Due to the effect of certain adjustments to conversion price, the conversion option may not result in the conversion of the convertible notes into a fixed number of the Company's ordinary shares. Hence, the conversion option is accounted for as a derivative.

Unless previous converted and cancelled by the Company, the Company shall redeem any outstanding convertible notes at the principal amount together with accrued interest on the maturity date which is the date falling two years after the issue date.

Notes to the Consolidated Financial Statements

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33. CONVERTIBLE NOTES *(Continued)*

(a) HK$220,000,000 1% convertible notes *(Continued)*

Pursuant to the supplemental agreement entered with the Vendor on 30 January 2012, if the Vendor does not exercise the conversion right attached to the convertible notes on or before the maturity date (that is, 22 July 2012) (the "Original Maturity Date"), the Company has the right to choose either:

(i) defer the Company's payment obligation on redemption of the convertible notes at its principal amount together with interest outstanding to 31 October 2013. No interest will be accrued on principal amount together with interest under the convertible notes for the period from 22 July 2012 to 31 October 2013. For the avoidance of doubt, the Vendor cannot exercise the conversion right attached to the convertible notes after 22 July 2012; or

(ii) amend the terms of the convertible notes and extend the maturity date and the conversion period of the convertible notes to 30 June 2013. No interest will be accrued on principal amount together with interest under the convertible notes for the period from 22 July 2012 to 31 October 2013.

Pursuant to the supplemental agreements with the Vendor dated 31 May 2012 and 29 June 2012, respectively, the Original Maturity Date has been extended from 22 July 2012 to 31 December 2013 (the "New Maturity Date"), on which the convertible notes shall be redeemed by the Company at its principal amount together with interest outstanding; and interest on the convertible notes shall be accrued on and from the date of issue of the convertible notes up to and including the Original Maturity Date only. No interest shall be accrued on the convertible notes for the period from the Original Maturity Date to the New Maturity Date.

Details of the HK$220,000,000 1% convertible notes are set out in the Company's announcements dated 16 April 2010, 16 July 2010, 30 December 2010, 30 August 2011, 31 January 2012, 31 May 2012, 29 June 2012, 8 August 2012, 12 October 2012 and 31 December 2012.

The Company determined the fair value of the derivative component (conversion right of convertible notes holders) on 7 March 2012 for the first tranche convertible note, on 3 August 2012 for the second tranche convertible note and on 31 December 2012 for the third tranche convertible note of overall HK$220 million 1% convertible note based on the valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle") using the Binominal Model and such amounts are carried as derivative components until extinguished on conversion or redemption. Changes in fair value of derivative components are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

33. CONVERTIBLE NOTES *(Continued)*

(a) HK$220,000,000 1% convertible notes *(Continued)*

The liability components of the first tranche convertible note on 7 March 2012, the second tranche convertible note on 8 August 2012 and the third tranche convertible note on 31 December 2012 were measured at fair value and measured at amortised cost basis until extinguished on conversion or redemption. The effective interest rates of the first, the second and third tranche convertible notes were 14.91%, 14.64% and 14.79%, respectively.

The movements of the liability component and the derivative component of the HK$220,000,000 1% convertible notes during the period from 7 March 2012 and 31 December 2012 are as follows:

	Liability component	**Derivative component**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
The first tranche acquired in the Reverse Takeover Transaction	76,105	10,256	86,361
The delivery of the second tranche to the Vendor on 8 August 2012	61,227	6,496	67,723
The delivery of the third tranche to the Vendor on 31 December 2012	15,130	467	15,597
Effect of maturity date extension	(4,980)	–	(4,980)
Interest expense	12,180	–	12,180
Fair value adjustment	–	(12,271)	(12,271)
Exchange realignment	(869)	(59)	(928)
At 31 December 2012	158,793	4,889	163,682

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For the year ended 31 December 2012

33. CONVERTIBLE NOTES *(Continued)*

(b) HK$1,003,836,048 zero coupon convertible note

Part of the consideration in respect of the Reverse Takeover Transaction was the issue of HK$1,003,836,048 zero coupon convertible note to China Times on 7 March 2012.

This zero coupon convertible note entitles the holders to convert to ordinary shares of the Company at an initial conversion price of HK$0.5 (subject to the anti-dilutive adjustments in accordance with the terms of the convertible note) at any time during the period commencing from the issue date of the convertible note.

Unless previous converted and cancelled by the Company, the Company shall redeem any outstanding convertible note at the principal amount on the maturity date which is the date falling five years after the issue date.

The Group determined the fair value of the liability component based on the valuations performed by Jones Lang LaSalle using discounted cash flow approach. The effective interest rate is 11.2%. The residual amount was assigned as the equity component for the conversion option and was included in the convertible notes equity reserve of the Group.

The liability component is carried as a non-current liability on an amortised cost basis until extinguished on conversion or redemption.

The movements of the liability component and equity component of the convertible note from the issue date to 31 December 2012 is as follows:

	Liability component *RMB'000*	Equity component *RMB'000*	Total *RMB'000*
At 7 March 2012	480,539	336,884	817,423
Interest expense	43,479	–	43,479
Exchange realignment	(2,177)	–	(2,177)
At 31 December 2012	521,841	336,884	858,725

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34. DEFERRED INCOME

	RMB'000
At 1 January 2011 (restated)	65,458
Government grants obtained (restated)	54,729
Credited to profit or loss (restated)	(4,176)
At 31 December 2011 (restated)	116,011
Government grants obtained	85,880
Credited to profit or loss	(10,216)
At 31 December 2012	191,675

Analysed as:

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Current *(Note 29)*	**6,217**	3,044	1,421
Non-current	**185,458**	112,967	64,037
	191,675	116,011	65,458

Deferred income represents grants obtained from the PRC government in relation to the construction and the purchase of certain plant and machinery by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

35. EARLY RETIREMENT OBLIGATION

	RMB'000
At 1 January 2011 (restated)	37,036
Additions (restated)	62,964
Interest cost (restated)	1,990
Benefits paid (restated)	(23,971)
At 31 December 2011 (restated)	78,019
Additions	1,540
Interest cost	2,080
Benefits paid	(20,289)
At 31 December 2012	61,350

Analysed as:

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Current	**14,560**	18,430	11,550
Non-current	**46,790**	59,589	25,486
	61,350	78,019	37,036

The Group had made offers to certain employees for encouraging them to accept voluntary redundancy before their normal retirement date (the "Early Retirement Scheme"). Early retirement benefits are recognised when the Group enters into agreements specifying the terms of early retirement or after the individual employees have been advised of the specific terms.

The above obligation was determined based on actuarial valuations performed by an independent firm of actuaries, Towers Watson Management Consulting Company (Shenzhen) Beijing Branch, using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	At 31 December		At 1 January
	2012	2011	2011
		(restated)	(restated)
Discount rate	**3%**	3%	3.5%
Expected living cost inflation rate	**5%**	5%	5%

Mortality is assumed to be the average life of expectancy of residents in the PRC.

Notes to the Consolidated Financial Statements

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36. ISSUED EQUITY

Issued equity represents the issued equity instruments of Prosper Well before the Reverse Takeover Transaction and, in the case of after the Reverse Takeover Transaction, plus the deemed consideration to be given by Prosper Well for the Reverse Takeover Transaction, represented by the fair value of the Company's shares immediately prior to the Reverse Takeover Transaction.

Ordinary share capital of Prosper Well

Prosper Well was incorporated on 1 December 2010 with an initial authorised ordinary share capital of US$50,000 divided into 50,000 shares of US$1 each. On the date of incorporation, 1 ordinary share was issued with ordinary share capital of US$1. Since then, Prosper Well did not have any change in its share capital.

As at 1 January and 31 December 2011, the issued equity of the Group reflects the ordinary share capital of Prosper Well of US$1.

Ordinary share capital of the Company

	Number of shares	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.05 each		
At 1 January 2011, 31 December 2011		
and 31 December 2012	30,000,000,000	1,500,000
		RMB'000
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
At 1 January 2011 and 31 December 2011	5,591,195,552	227,646
Issue of Consideration Shares *(Note)*	11,736,715,634	477,860
At 31 December 2012	17,327,911,186	705,506

Note:

As disclosed in note 2 above, the consideration of the Reverse Takeover Transaction was partly satisfied by the allotment and issue of 10,799,762,092 ordinary shares of the Company and 936,953,542 ordinary shares of the Company to China Times and Cinda HK, respectively. The Reverse Takeover Transaction was completed on 7 March 2012. The Consideration Shares issued on the completion date was based on the closing price of HK$0.485 per share on 7 March 2012, resulting in credits to ordinary share capital of the Company of RMB477,860,000 (HK$586,836,000) and share premium of the Company of RMB4,157,385,000 (HK$5,105,471,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

37. SHARE OPTIONS SCHEME

The Company's share options scheme was adopted by the Company on 13 October 2003 (the "Scheme") for the purpose of enabling the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme, the board of directors of the Company may, at its discretion, invite eligible participants (as contained in the Company's circular of 19 September 2003) to take up options to subscribe for shares of the Company. The principal terms of the Scheme are as follows:

(i) The maximum number of shares in respect of which options may be granted under the Scheme must not, in aggregate, exceed 10% of the issued ordinary share capital of the Company as at the date of approval of the Scheme, unless approval of the shareholders has been obtained to renew the limit, and which must not in aggregate (including all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group) exceed 30% of the ordinary shares of the Company in issue from time to time.

(ii) The number of ordinary shares in respect of which options may be granted to any individual in any 12-month period must not exceed 1% of the ordinary shares of the Company in issue as at the date of grant.

(iii) The exercise price is determined by the directors of the Company in its absolute discretion at a price not less than the highest of (a) the closing price of the ordinary shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (b) the average closing prices of the ordinary shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and (c) the nominal value of ordinary share of the Company.

(iv) An option may be accepted by a proposed grantee within 7 days from the date of the offer of grant of the option. There is no minimum period for which an option must be held before it can be exercised. An option may be exercised at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.

(v) Upon acceptance of the option, the grantee shall pay of HK$1.00 to the Company by way of consideration for the grant of the option.

(vi) The Scheme will remain valid for a period of 10 years commencing in October 2003.

Notes to the Consolidated Financial Statements

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37. SHARE OPTIONS SCHEME *(Continued)*

Details of the vested share options granted by the Company under the Scheme are as follows:

Date of grant:	19 June 2009
Exercisable period:	19 June 2009 – 18 June 2019
Number of share options on 7 March 2012 (completion date of the Reverse Takeover Transaction):	
– Directors	50,000,000
– Employees	62,700,000
– Consultants	195,000,000
Total	307,700,000
Exercise price:	HK$0.61
Price of ordinary share of the Company as at 7 March 2012:	HK$0.485
Expected volatility:	49.12%
Interest rate as at the valuation date:	0.9%
Maturity (years)	7.285

The Company determined the fair value of the vested equity-settled share options amounted to RMB51,648,000 upon the completion of the Reverse Takeover Transaction on 7 March 2012 based on the valuations performed by Jones Lang LaSalle using the Binomial Model.

Apart from the above, no share option has been granted, exercised, cancelled or lapsed during the year.

On 5 February 2013, the Company announced that 61,500,000 share options were lapsed.

On 26 March 2013, the directors of the Company passed a resolution to cancel the remaining 246,200,000 share options.

Notes to the Consolidated Financial Statements

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38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of the Existing Group

As disclosed in note 2, on 7 March 2012, the Company issued Consideration Shares and HK$1,003,836,048 zero coupon convertible note in exchange for the entire shareholdings in Prosper Well. In accordance with HKFRS 3 (Revised 2008), Prosper Well is deemed to be the accounting acquirer of the Existing Group. Reverse acquisition accounting is adopted to account for the Reverse Takeover Transaction.

The fair value of the identifiable assets and liabilities of the Existing Group and goodwill arising from the Reverse Takeover Transaction are as follows:

	RMB'000
Purchase consideration:	
Consideration deemed to have been paid by the Prosper Well Group *(Note 2)*	2,259,809
Less: Fair value of the Existing Group's identifiable assets acquired and liabilities assumed attribute to the Reverse Takeover Transaction (see below for details)	(298,153)
Goodwill	1,961,656

The recognised amounts of identifiable assets acquired and liabilities assumed of the Existing Group on the completion date of the Reverse Takeover Transaction were as follows:

	Notes	*RMB'000*
Property, plant and equipment	*16*	88,466
Prepaid lease payments	*18*	1,396
Mining rights	*19*	376,000
Deposit for acquisition of Qianyi Limited	*38(b)*	138,431
Other receivables		36,224
Bank balances and cash		57,799
Trade and other payables		(68,682)
Cumulative redeemable preference shares		(904)
First tranche of HK$220,000,000 1% convertible notes	*33(a)*	(86,361)
Deferred tax liabilities	*21*	(94,000)
Total identifiable net assets		448,369
Non-controlling interests*		(150,216)
		298,153

* The amount is measured based on proportionate share of net assets acquired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Acquisition of the Existing Group *(Continued)*

	RMB'000
Satisfied by:	
Total deemed consideration transferred	2,259,809
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	57,799

The Existing Group generated revenue of RMB197,743,000 and incurred a net loss of RMB66,487,000 to the Group for the period from 7 March 2012 (completion date of the Reverse Takeover Transaction) to 31 December 2012. If the Reverse Takeover Transaction had occurred on 1 January 2012, the Group's revenue and profit attributable to owners of the Company for the year ended 31 December 2012 would have been approximately RMB28,878,123,000 and RMB153,252,000, respectively.

(b) Acquisition of assets through acquisition of a subsidiary

On 14 July 2010, the Company entered into an agreement with the Vendor for the acquisition of 100% shareholding in Qianyi Limited, a company which will, upon completion of its reorganisation, indirectly hold 80% equity interest in 新疆同興礦業有限責任公司 (Xinjiang Tong Xing Mining Company Limited) ("Tong Xing") at a total consideration of HK$280 million (the "Tong Xing Consideration"). The Tong Xing Consideration would be satisfied as to HK$60 million by cash and as to HK$220 million by the Company issuing convertible notes to the Vendor. In respect of the convertible notes to the Vendor, only 50% of the convertible notes (the first tranche, that is, in the principal sum of HK$110 million), together with the cash of HK$60 million, had been delivered to the Vendor and the remaining 50% of the convertible notes (that is, in the principal sum of HK$110 million) will be delivered to the Vendor within 3 business days after the mining licence in respect of the Mine granted to Tong Xing.

On 30 December 2010, the Company entered into a supplementary agreement with the Vendor, pursuant to which in view of the fact that according to the blueprint announced by the government of the PRC, a new railway will be built in Xinjiang Uygur Autonomous Region and which will go across part of the Mine and affect part of the controllable resources reserves of copper in the Mine, the Vendor agrees to, on the basis that it will continue to fulfill its obligation to complete the mining licence of the Mine, conduct exploration works in the New Mining Area in order to supplement and increase the mining resources reserves of Tong Xing.

Notes to the Consolidated Financial Statements

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38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Acquisition of assets through acquisition of a subsidiary *(Continued)*

According to the supplementary agreement, the Tong Xing Consideration is reduced from HK$280 million to HK$259 million, but it will be increased in accordance with the amount of the controllable resources/reserves of copper found in the New Mining Area (in the proportion of HK$2,312.10 per ton of copper), provided always that after the aforesaid adjustments, the total amount of the consideration for both the Mine and the New Mining Area will be capped at HK$365 million and the Group shall not be liable to pay any additional consideration for the extra amount of controllable resources/reserves of copper.

The increase in the amount of the Tong Xing Consideration for the acquisition in relation to the New Mining Area will be payable by the Group (i) as to 50% by cash upon the report on the amount of reserves of the New Mining Area is issued; and (ii) as to the remaining 50% will be kept by the Group for payment of the cost of the mining licence in respect of the New Mining Area. The Vendor shall be responsible for payment of all expenses related to the exploration, the preparation of the reserves report and the application of the mining licence of the New Mining Area.

In respect of the remaining 50% of the convertible notes (that is, in the principal sum of HK$110 million), it will be delivered to the Vendor as to (i) HK$89 million (i.e. the second trache) within 3 business days after the mining licence of the Mine is granted to Tong Xing; and as to (ii) HK$21 million (i.e. the third tranche) upon the amount of the controllable resources/reserves of copper in the New Mining Area has been determined.

On 3 August 2012, the Company was informed by Tong Xing that the mining license of the Mine has been granted to Tong Xing by the Department of Land and Resources of Xinjiang Uygur Autonomous Region and the Company completed the acquisition of the following assets and liabilities through acquisition of Qianyi Limited at a consideration of approximately HK$259,000,000, satisfied as to deposit for acquisition of Qianyi Limited acquired in the Reverse Takeover Transaction (which represents cash of HK$60,000,000 and the first tranche of HK$220,000,000 1% convertible note in principal sum of HK$110,000,000 paid by the Company in 2010) and the delivery of the second tranche of HK$220,000,000 1% convertible note in principal sum of HK$89,000,000 in August 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Acquisition of assets through acquisition of a subsidiary *(Continued)*

	Notes	*RMB'000*
Property, plant and equipment	*16*	421
Deferred tax assets	*21*	477
Mining rights	*19*	242,810
Exploration and evaluation assets	*17*	17,818
Other receivables		452
Bank balances and cash		5,012
Other payables		(8,526)
Total identifiable net assets		258,464
Non-controlling interests*		(51,703)
		206,761

* The amount is measured based on proportionate share of net assets acquired.

	RMB'000
Satisfied by:	
Deposit for acquisition of Qianyi Limited	139,037
Fair value of the second tranche HK$220,000,000 1% convertible note in principal sum of HK$89,000,000 delivered	67,724
	206,761
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	5,012

(c) Major non-cash transactions

The acquisition of the Existing Group and Qianyi Limited involve the issue of the Consideration Shares, the HK$1,003,836,048 zero coupon convertible note and the first and second tranche of HK$220,000,000 convertible notes in principal sum of HK$110,000,000 and HK$89,000,000, respectively, which are non-cash in nature.

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39. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

The capital structure of the Group consists of net debts (which includes bank and other borrowings, convertible notes and cumulative redeemable preference shares), restricted bank deposits and bank balances, bank deposits, bank balances and cash and equity attributable to owners of the Company (comprising issued equity, share premium, reserves and retained profits).

Gearing ratio

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

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

		At 31 December		At 1 January
		2012	2011	2011
	Notes	***RMB'000***	*RMB'000*	*RMB'000*
			(restated)	(restated)
Debts	*(i)*	**8,639,759**	5,401,660	5,671,419
Less: Restricted bank deposits and bank balances, bank deposits, bank balances and cash		**(1,434,547)**	(1,278,758)	(1,276,656)
Net debts		**7,205,212**	4,122,902	4,394,763
Equity	*(ii)*	**5,492,448**	3,606,072	2,224,680
Net debts to equity ratio		**131.2%**	114.3%	197.5%

Notes:

(i) Debts comprise non-current and current bank and other borrowings, cumulative redeemable preference shares, and convertible notes as detailed in notes 30, 32 and 33, respectively.

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

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40. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 December		At 1 January
	2012	2011	2011
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Financial assets			
Loans and receivables	**2,169,686**	2,055,128	2,220,393
Derivatives	**1,361**	925	–
Financial liabilities			
Amortised costs	**10,709,998**	7,196,334	7,236,245
Gold loan	**–**	95,940	–
Cumulative redeemable preference shares	**900**	–	–
Derivatives	**954**	14,479	137,952
Derivative component of convertible notes	**4,889**	–	–

Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and notes receivables, other receivables, restricted deposits and bank balances, bank deposits, bank balances and cash, trade payables, other payables, bank and other borrowings, gold loans, convertible notes (including both liability and derivative components) and cumulative redeemable preference shares and derivatives. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Commodity price risk

The Group is principally engaged in the mining and processing of mineral ores and trading of non-ferrous metal in the PRC and borrowed gold loans. The major products of the Group include copper cathodes and gold, and other products include silver, iron ores and sulphuric acid. As the commodity market is influenced by global as well as PRC supply and demand conditions, any unexpected price change in the market might affect the Group's earnings and performance. To mitigate this risk, the Group closely monitors any significant exposures, and may enter into commodity derivative contracts from time to time in accordance with the policies approved by the directors of the Company to manage the exposure with respect to its inventories, forecast sell or firm sell commitments mainly includes copper and certain other metal products. The Group does not enter into any commodity derivative contracts in respect of iron ores and other commodities and gold loans.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Commodity price risk *(Continued)*

Financial assets and liabilities of the Group that expose to the commodity price risk – the fair value change, primarily with respect to its outstanding derivative financial instruments, mainly the copper and other metal derivative contracts, gold loan contracts, inventories that effectively hedged by commodity futures contracts in accordance with HKFRSs, and the provisional price arrangements in respect of sales of copper concentrate.

The Group enters into copper and other metal derivative contracts for the purpose of manage its exposure to copper and other metal product price risk.

The Group formally designates and documents the hedging relationship at inception of its hedging transactions in respect of its inventories, therefore, a significant portion of the outstanding futures contracts related to copper were assessed to be highly effective accounted for as fair value hedges at each reporting date. The fair value changes of these outstanding copper futures contracts will be significantly offset by the corresponding fair value changes in the hedged inventories, as a result, management is of the opinion that any reasonable changes in copper price would not result in a significant change in the Group's results in respect of these contracts.

The following table details the Group's sensitivity to movement in prices in respect of its outstanding commodity derivative contracts and provisionally priced sales agreement for copper cathodes (those are not qualified as hedging accounting) and gold at each reporting date. At each reporting date, if the prices of these commodity derivative contracts, copper cathodes and gold increased/decreased by a reasonable possible change, with all other variables were held constant, the Group's profit before tax would have been affected as set out below:

	At 31 December		At 1 January
	2012	2011	2011
	Increase/ (decrease) in profit before tax	Increase/ (decrease) in profit before tax	Increase/ (decrease) in profit before tax
	RMB'000	*RMB'000* (restated)	*RMB'000* (restated)
The prices of the commodity derivative contracts, copper cathodes and gold:			
– Increased by 30%	**35,183**	(31,655)	(816)
– Decreased by 30%	**(35,183)**	31,655	816

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk

The Group is exposed to interest rate volatility on bank deposits, bank balances and borrowings. Bank deposits, bank balances and borrowings at variable rates expose the Group to cash flow interest rate risk. Bank deposits, bank balances, convertible notes and borrowings at fixed rates expose the Group to fair value interest rate risk. The Group does not use derivative financial instruments to hedge its interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on floating rate deposits and borrowings.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rate, with all other variables held constant, (such effect on restricted bank balances and bank balances, however, had been ignored as most of them bore interest at minimal rate at the end of each reporting period.), of the Group's profit before tax as a result of the change in interest income/expense for floating rate deposits and borrowings:

	At 31 December				At 1 January	
	2012		2011		2011	
	+100 basis points Increase/(Decrease) in profit before tax RMB'000	-100 basis points Increase/(Decrease) in profit before tax RMB'000	+100 basis points Increase/(Decrease) in profit before tax RMB'000 (restated)	-100 basis points Increase/(Decrease) in profit before tax RMB'000 (restated)	+100 basis points Increase/(Decrease) in profit before tax RMB'000 (restated)	-100 basis points Increase/(Decrease) in profit before tax RMB'000 (restated)
Financial assets						
– Bank balances	13,133	–	2,900	–	8,033	–
Financial liabilities						
– Bank and other borrowings	(49,821)	49,821	(19,687)	19,687	(16,626)	16,626
Total	(36,688)	49,821	(16,787)	19,687	(8,593)	16,626

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Foreign exchange risk

The Group operates in the PRC with most of the transactions settled in RMB except for certain purchases from international market that are conducted in United States dollars (US$) and Euros (Euro) and certain borrowings that are denominated in US$ and Euro.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entities' functional currency. The Group is exposed to foreign exchange risk primarily with respect to US$ and Euro.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into currency forward contracts, when necessary, to manage its foreign exchange exposure. During the year, certain currency forward contracts had been entered by the Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB-HK$, RMB-US$ and RMB-Euro exchange rates, with all other variables held constant, of the Group's profit before tax due to changes in the carrying value of monetary assets and liabilities, and certain derivative financial instruments.

	At 31 December		At 1 January
	2012	2011	2011
	Increase/ (decrease) in profit before tax	Increase/ (decrease) in profit before tax	Increase/ (decrease) in profit before tax
	RMB'000	*RMB'000* (restated)	*RMB'000* (restated)
HK$			
Weaken by 5%	**34,019**	–	–
Strengthen by 5%	**(34,019)**	–	–
US$			
Weaken by 5%	**146,019**	111,974	86,368
Strengthen by 5%	**(146,019)**	(111,974)	(86,368)
Euro			
Weaken by 5%	**–**	4,295	–
Strengthen by 5%	**–**	(4,295)	–

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For the year ended 31 December 2012

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk

The carrying amount of trade, bills, notes and other receivables, derivative financial instruments, restricted deposits and bank balances, bank deposits, bank balances and cash included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history. The credit risk arising from sales to major non-ferrous metals customers are managed by contracts that stipulate an upfront payment of significant portion of the amount of each sale and the remaining balance is normally received within 6 months. The Group performs periodic credit evaluations of its customers and slow moving debts, if any, are regular monitored with timely follow-up action taken. With diversified customer bases and the credit policy as stated above, the Group has no significant concentrations of credit risk with respect to a particular customer. Normally the Group does not require collaterals from trade debtors. The existing debtors have no significant defaults in the past. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances.

Bills and notes receivables are only drawn from major state-owned financial institutions in the PRC. Substantially all the bank deposits, bank balances and restricted deposits as detailed in note 27 are held in major state-owned financial institutions located in the PRC and substantially all derivative financial instruments also directly entered into with the Shanghai Futures Exchange and banks with high credit rating, which management believes are of high credit quality. The Group has a policy to limit the amount of credit exposure to any financial institution and management does not expect any loss arising from non-performance by these counterparties.

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40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk

The Group's treasury department monitors the Group's cash flow positions on a regular basis to ensure the cash flows of the Group are positive and closely controlled. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. To the extent that interest flows are variable rate, the undiscounted amount is driven from interest rate at the end of reporting period.

	Weighted average interest rate	Less than 1 year and on demand	1 to 2 years	2 to 5 years	More than 5 years	Total undiscounted cash flows	Carrying amounts
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
1 January 2011 (restated)							
Trade payables		1,270,071	–	–	–	1,270,071	1,270,071
Other payables		294,755	–	–	–	294,755	294,755
Bank and other borrowings	3.81	5,029,902	93,290	805,042	143,589	6,071,823	5,671,419
Derivative financial instruments		137,952	–	–	–	137,952	137,952
		6,732,680	93,290	805,042	143,589	7,774,601	7,374,197
31 December 2011 (restated)							
Trade payables		1,309,683	–	–	–	1,309,683	1,309,683
Other payables		580,941				580,941	580,941
Bank and other borrowings	4.94	3,983,138	308,005	1,670,579	60,783	6,022,505	5,401,660
Derivative financial instruments		14,479	–	–	–	14,479	14,479
		5,888,241	308,005	1,670,579	60,783	7,927,608	7,306,763
31 December 2012							
Trade payables		1,383,121	–	–	–	1,383,121	1,383,121
Other payables		692,907	–	–	–	692,907	692,907
Bank and other borrowings	4.54%	5,332,276	1,353,804	1,744,250	144,274	8,574,604	7,953,336
Cumulative redeemable preference shares		900	–	–	–	900	900
Convertible notes	0% – 1%	181,955	–	813,960	–	995,915	685,523
Derivative financial instruments		954	–	–	–	954	954
		7,592,113	1,353,804	2,558,210	144,274	11,648,401	10,716,741

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of derivative financial instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

- The fair values of other financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets, financial liabilities recorded at amortised cost in these consolidated financial statements approximate their fair values at the end of each reporting period.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Fair value of financial instruments *(Continued)*

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
1 January 2011 (restated)				
Financial liabilities				
Derivative financial instruments	–	137,952	–	137,952
31 December 2011 (restated)				
Financial assets				
Derivative financial instruments	–	925	–	925
Financial liabilities				
Derivative financial instruments	–	14,479	–	14,479
Gold loans	–	95,940	–	95,940
31 December 2012				
Financial assets				
Derivative financial instruments	**–**	**1,361**	**–**	**1,361**
Financial liabilities				
Derivative financial instruments	**–**	**954**	**–**	**954**
Derivative component of convertible notes	**–**	**4,889**	**–**	**4,889**

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For the year ended 31 December 2012

41. TRANSFERS OF FINANCIAL ASSETS

The following were the financial assets of the Group (measured at amortised cost) transferred to banks or suppliers, which did not qualify for derecognition in their entirety, at the end of the reporting period:

31 December 2011 (restated)

	Bills receivable discounted to banks	Bills receivable endorsed to suppliers	Notes receivable discounted to banks
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of transferred assets	12,000	383,948	60,000
Carrying amount of associated liabilities	12,000	383,948	60,000
Net position	–	–	–

31 December 2012

	Bills receivable discounted to banks with recourse	**Bills receivable endorsed to suppliers with recourse**	**Notes receivable discounted to banks with recourse**
	RMB'000	***RMB'000***	***RMB'000***
Carrying amount of transferred assets	**21,850**	**238,015**	**60,000**
Carrying amount of associated liabilities	**21,850**	**238,015**	**60,000**
Net position	**–**	**–**	**–**

Under the above arrangements, the Group transferred the contractual rights to receive cash flows from the bills receivable and notes receivable to the respective banks by discounting the bills receivable and notes receivable for cash on a full recourse basis. Therefore, the directors of the Company consider the Group retained substantially all of the risk and rewards of ownership of the bills receivable and notes receivable and continued to recognise the bills receivable and notes receivable. Associated liabilities have been recognised and included in bank and other borrowings.

In addition, the Group endorsed certain bills receivable to suppliers to exchange for goods and services from those suppliers which transferred the contractual rights to receive cash flows from those bills receivable to the respective supplier on a full recourse basis. Therefore, the directors of the Company consider the Group retained substantially all of the risk and rewards of ownership of the bills receivable and continued to recognise the bills receivable and the associated trade payables.

Notes to the Consolidated Financial Statements

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42. OPERATING LEASE – THE GROUP AS LESSEE

The Group leases certain lands under non-cancellable operating leases from Daye Corporation for 30 years. The Group has also leases certain of office properties and staff apartments under non-cancellable operating leases from independent third parties with an average life ranging from 1 to 3 years. The Group does not have an option to purchase the leased assets at the expiry of the lease periods.

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

	2012	2011
	RMB'000	*RMB'000*
		(restated)
Within one year	**15,767**	12,910
In the second to fifth year inclusive	**53,226**	51,641
Over five years	**286,568**	293,033
	355,561	357,584

43. CAPITAL COMMITMENTS

	2012	2011
	RMB'000	*RMB'000*
		(restated)
Capital expenditure authorised but not contracted for in respect of:		
– acquisition of property, plant and equipment	**2,160,570**	2,123,194
Capital expenditure contracted but not provided for in respect of:		
– acquisition of an intangible asset	**32,690**	–
– acquisition of property, plant and equipment	**277,461**	260,053

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

44. RELATED PARTY TRANSACTIONS

(a) Other than the transactions and balances with related parties disclosed elsewhere in these consolidated financial statements, the Group also had the following significant transactions with related parties during the year:

	Notes	**Related parties**	**2012** **RMB'000**	2011 RMB'000 (restated)
Income:				
– Sales of non-ferrous metals	*(i)*	Fellow subsidiaries	**584,316**	1,889,798
– Sales of other materials	*(i)*	Daye Corporation	**–**	131
	(i)	Fellow subsidiaries	**127,564**	126,981
– Rendering of services	*(i)*	Daye Corporation	**237**	572
	(i)	Fellow subsidiaries	**3,527**	967
Expenses:				
– Transportation fees	*(i)*	An associate of Daye Corporation	**224**	–
– Utilities fees	*(i)*	Fellow subsidiaries	**291,701**	290,874
	(i)	An associate of Daye Corporation	**4,051**	3,741
– Purchases of non-ferrous metals	*(i)*	Daye Corporation	**115,398**	564,811
	(i)	Fellow subsidiaries	**2,002,706**	938,449
	(i)	An associate of Daye Corporation	**67,657**	83,042
– Rental expense	*(i)*	Daye Corporation	**12,754**	12,754
	(i)	Fellow subsidiaries	**2,084**	695
– Medical service fees	*(i)*	Fellow subsidiary	**13,456**	16,887
– Interest expense	*(i), (ii)*	Daye Corporation	**106,173**	43,761
Capital expenditure:				
– Construction contract fees	*(i)*	Fellow subsidiaries	**667,808**	492,363
– Other service fees	*(i)*	Fellow subsidiaries	**75,644**	400

Notes:

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

(ii) The interest expense arose from unsecured loans from Daye Corporation. Further details of the loans at the end of the reporting period are set out in note 30.

(b) The key management personnel remuneration for the Group is set out in note 13.

(c) Certain of the Group's bank borrowings are guaranteed by Daye Corporation at nil consideration. Details of these bank borrowings are set out in note 30.

Notes to the Consolidated Financial Statements

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45. DETAILS OF SUBSIDIARIES

Particulars of the subsidiaries at the end of reporting period are as follows:

Name of subsidiaries	Place and date of incorporation	Issued and fully paid-up capital	Equity interest attributable to the Company as at 2012	Equity interest attributable to the Company as at 2011	Principal activities
Prosper Well Group Limited *(Note (a))*	BVI 1 December 2010	US$1	**100%**	100%	Investment holding
Rainbow Treasure Holdings Limited *(Note (b))*	Hong Kong/ 30 November 2010	HK$1	**100%**	100%	Investment holding
Daye Non-ferrous Metals Co., Ltd. ("大冶有色金屬有限責任公司") *(Note (b))*	PRC/ 31 March 2005	RMB1,490,977,877	**95.35%**	95.35%	Mining and processing of mineral ores and trading of metal concentrates
Daye Non-ferrous San You Industry Company Limited ("大冶有色三友實業有限責任公司") *(Note (b))*	PRC/ 22 May 1999	RMB7,323,951	**85.18%**	85.18%	Ore processing and selling of metal products
Daye Non-ferrous Xingke Construction Works Quality Inspection Company Limited ("大冶有色興科建設工程質量檢測有限公司") *(Note (b))*	PRC/ 27 July 2006	RMB1,000,000	**95.35%**	95.35%	Quality testing of construction projects
Daye Non-ferrous Design and Research Institute Company Limited ("大冶有色設計研究院有限公司") *(Note (b))*	PRC/ 1 June 2007	RMB6,800,000	**95.35%**	95.35%	Research and development
Ample Year Limited *(Note (a))*	BVI/ 10 November 2004	US$1	**100%**	–	Investment holding
China National Recycling Int'l Trading Limited ("中國再生資源國際貿易有限公司") *(Note (b))*	Hong Kong/ 14 February 2005	HK$1	**100%**	–	Dormant

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45. DETAILS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place and date of incorporation	Issued and fully paid-up capital	Equity interest attributable to the Company as at 2012	2011	Principal activities
China Daye Hong Kong Investment Limited ("中國大冶香港投資有限公司") (Formerly: China National Information Resources Holdings Limited) ("中國資訊資源集團有限公司") *(Note (b))*	Hong Kong/ 29 January 2003	HK$2	100%	–	Trading
China National Resources Investments Limited ("中國資源投資有限公司") *(Note (b))*	Hong Kong/ 30 June 1992	HK$2	100%	–	Dormant
China Reservoir Mining Limited *(Note (b))*	BVI/ 9 August 2011	US$10,000	51%	–	Investment holding
Fuken Investments Limited ("富勤投資有限公司") *(Note (b))*	BVI/ 5 March 2007	US$1	100%	–	Investment holding
Giant Strong International Limited ("鉅強國際有限公司") *(Note (b))*	BVI/ 2 March 2007	US$3	100%	–	Investment holding
Gold Way Investment International Limited ("匯金投資國際有限公司") *(Note (b))*	Hong Kong/ 1 February 2007	HK$100	100%	–	Investment holding
Golden Brand Investments Limited ("金名投資有限公司") *(Note (b))*	BVI/ 18 May 2007	US$1	100%	–	Investment holding
Goldright Finance Limited *(Note (a))*	BVI/ 18 February 2004	US$1	100%	–	Securities trading
Max Alliance International Limited ("兆聯國際有限公司") *(Note (a))*	BVI/ 4 January 2010	US$1	100%	–	Investment holding
Max Alliance Gold Resource Investment Limited ("兆聯黃金資源投資有限公司") *(Note (b))*	Hong Kong/ 8 April 2010	HK$1	100%	–	Dormant
Reservoir (Mongolia) Limited *(Note (b))*	The Republic of Mongolia/ 4 November 2005	US$100,000	51%	–	Mineral exploitation

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45. DETAILS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place and date of incorporation	Issued and fully paid-up capital	Equity interest attributable to the Company as at 2012	2011	Principal activities
Jetlight Investment Limited *(Note (a))*	BVI/ 20 January 2006	US$1	100%	–	Investment holding
Keytrade Investments Limited (Note (a))	BVI/ 3 December 2004	US$1	100%	–	Security trading
Profit Jumbo Investment Limited *(Note (a))*	BVI/ 6 July 2007	US$1	100%	–	Investment holding
Shinemax Group Ltd. *(Note (a))*	BVI/ 13 March 2003	US$1	100%	–	Investment holding
Vintage International Financial Holding Group Limited ("豐匯國際金融控股集團有限公司") *(Note (a))*	BVI/ 6 December 2007	US$1	100%	–	Investment holding
Xinjiang Hui Xiang Yong Jin Mining Co., Ltd. ("新疆匯祥永金礦業有限公司") *(Note (b))*	PRC/ 9 May 2007	RMB121,000,000	55%	–	Mineral exploitation
Qianyi Limited *(Note (b))*	BVI/ 1 September 2009	US$1	100%	–	Investment holding
Billion Honour Development Limited *(Note (b))*	Hong Kong/ 2 October 2009	HK$100	100%	–	Investment holding
Xinjiang Tong Xing Mining Co., Ltd. ("新疆同興礦業有限責任公司") *(Note (b))*	PRC/ 28 May 2007	RMB20,000,000	80%	–	Mineral exploitation
Shenzhen Rainbow Nonferrous Metals Co., Ltd. ("深圳潤寶有色金屬有限公司") *(Note (b), (c))*	PRC/ 15 June 2012	HK$10,000,000	100%	–	Trading

Notes:

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

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

(c) This company is newly setup during the year.

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46. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	31 December 2012 *RMB'000*	1 January 2012 *RMB'000*
NON-CURRENT ASSETS		
Unlisted investments in subsidiaries	**5,659,431**	–
Amounts due from subsidiaries	**649,709**	624,712
Property, plant and equipment	**937**	1,363
Deposit for acquisition of intangible assets	**–**	138,431
	6,310,077	764,506
CURRENT ASSETS		
Prepayments and other receivables	**2,528**	8,332
Bank balances and cash	**1,511**	36,208
	4,039	44,540
CURRENT LIABILITIES		
Other payables and accruals	**2,019**	53,648
Cumulative redeemable preference shares	**900**	904
Convertible notes	**163,682**	84,235
	166,601	138,787
NET CURRENT LIABILITIES	**(162,562)**	(94,247)
TOTAL ASSETS LESS TOTAL LIABILITIES	**6,147,515**	670,259
CAPITAL AND RESERVES		
Issued equity	**705,506**	227,646
Share premium and reserves	**4,791,900**	419,733
TOTAL EQUITY	**5,497,406**	647,379
NON-CURRENT LIABILITIES		
Amounts due to subsidiaries	**79,863**	22,880
Convertible notes	**521,841**	–
Deferred tax liabilities	**48,405**	–
	650,109	22,880
	6,147,515	670,259

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46. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	Share capital *RMB'000*	Share premium *RMB'000*	Share option reserve *RMB'000*	Convertible notes equity reserve *RMB'000*	Capital redemption reserve *RMB'000*	Translation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2012	227,646	2,374,573	69,217	–	1,825	–	(2,025,882)	647,379
Issue of ordinary shares upon completion of the Reverse Takeover Transaction *(Note 36)*	477,860	4,157,385	–	–	–	–	–	4,635,245
Issue of HK$1,003,836,048 zero coupon convertible note, net of income tax *(Note 33(b))*	–	–	–	281,298	–	–	–	281,298
Loss and total comprehensive expense for the year	–	–	–	–	–	1,319	(67,835)	(66,516)
At 31 December 2012	**705,506**	**6,531,958**	**69,217**	**281,298**	**1,825**	**1,319**	**(2,093,717)**	**5,497,406**

47. EVENT AFTER THE REPORTING PERIOD

On 18 February 2013, the directors of the Company was informed by Daye Corporation that pursuant to an agreement entered into between Hubei SASAC and CNMC dated 18 February 2013, CNMC acquired the right to nominate a majority of the directors on the board of directors of Daye Corporation.