HUNAN NONFERROUS METALS CORP., LTD.

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

(Stock Code: 02626)

2013 Annual Report

Contents

SUMMARY OF FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 December				
	2009 (RMB'000) (Restated)	2010 (RMB'000)	2011 (RMB'000)	2012 (RMB'000) (Restated)	**2013 (RMB'000)**
CONTINUING OPERATIONS					
REVENUE	18,038,751	21,594,348	24,546,146	25,582,719	**31,097,611**
Cost of sales	(16,661,431)	(19,345,755)	(22,032,228)	(23,844,947)	**(29,167,475)**
Gross profit	1,377,320	2,248,593	2,513,918	1,737,772	**1,930,136**
Other income	155,755	264,091	321,996	497,978	**796,517**
Selling and distribution costs	(311,670)	(403,236)	(437,233)	(411,913)	**(438,076)**
Administrative expenses	(882,115)	(1,019,583)	(1,373,058)	(1,289,521)	**(1,287,887)**
Other expenses, net	(38,045)	(48,267)	(87,311)	(63,392)	**(8,191)**
Impairment of intangible assets	—	—	(10,000)	—	**—**
Impairment of property, plant and equipment	(122,014)	(209,316)	(154,499)	(51,913)	**(2,100)**
(Provision for)/reversal of impairment of trade and other receivables	(10,555)	(66,953)	(38,580)	19,276	**(7,202)**
Finance income	43,883	55,965	88,883	30,703	**22,981**
Finance costs	(454,354)	(586,451)	(684,295)	(791,954)	**(704,667)**
Share of (losses) /profits of associates	(3,916)	2,597	12,344	15,523	**10,162**
(LOSS)/PROFIT BEFORE TAX	(245,711)	237,440	152,165	(307,441)	**311,673**
Income tax expense	(67,051)	(95,572)	(193,228)	(129,167)	**(69,642)**
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	(312,762)	141,868	(41,063)	(436,608)	**242,031**
DISCONTINUING OPERATIONS					
Profit for the year from discontinuing operations	—	—	—	—	**—**
NET (LOSS)/PROFIT FOR THE YEAR	(312,762)	141,868	(41,063)	(436,608)	**242,031**
Attributable to:					
Owners of the Company	(378,522)	12,239	293,399	6,602	**203,990**
Non-controlling interests	65,760	129,629	(334,462)	(443,210)	**38,041**
	(312,762)	141,868	(41,063)	(436,608)	**242,031**

EXTRACTS FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2009 (RMB'000) (Restated)	2010 (RMB'000)	2011 (RMB'000) (Restated)	2012 (RMB'000) (Restated)	**2013 (RMB'000)**
Total non-current assets	10,905,096	11,485,668	12,144,917	12,754,787	**13,492,763**
Total current assets	10,038,664	10,255,346	11,726,020	11,049,424	**11,672,137**
Total assets	20,943,760	21,741,014	23,870,937	23,804,211	**25,164,900**
Total current liabilities	7,153,254	10,358,956	13,722,816	12,810,004	**13,258,372**
Total non-current liabilities	7,308,662	4,879,425	4,051,058	5,510,702	**5,588,115**
Equity attributable to owners of the Company	4,309,990	4,268,632	4,319,386	4,298,524	**4,020,375**
Non-controlling interests	2,171,854	2,234,001	1,777,677	1,184,981	**2,298,038**
Total equity	6,481,844	6,502,633	6,097,063	5,483,505	**6,318,413**

CORPORATE INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PLACE OF BUSINESS IN HONG KONG

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

LEGAL REPRESENTATIVE

Li Fuli

AUTHORISED REPRESENTATIVES

Deng Yingjie
Hou Xiaohong

JOINT COMPANY SECRETARIES

Hou Xiaohong
Liu Wei

DEPARTMENT FOR CORPORATE INFORMATION AND INQUIRY

Finance and Securities Department

CORPORATE INFORMATION AND ENQUIRY HOTLINE

(86) 731 85385556

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK EXCHANGE

The Stock Exchange of Hong Kong Limited

STOCK NAME

Hunan Nonferrous Metals Corporation Limited (HNC)

STOCK CODE

02626

PRINCIPAL BANKERS

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

AUDITORS

Hong Kong:
Baker Tilly Hong Kong Limited

Mainland China:
Baker Tilly China Certified Public Accountants

LEGAL ADVISORS

As to Hong Kong law:
DLA Piper UK LLP

As to PRC law:
Jia Yuan Law Offices

CORPORATE PROFILE

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

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

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

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Li Fuli (李福利), aged 48, is currently the executive director, the chairman of the Board of the Company.

Mr. Li graduated from the Financial Accounting Department of Renmin University of China in 1988, and obtained an EMBA degree from Cheung Kong Graduate School of Business in June 2006. Mr. Li served as an accountant of the finance department of South-west Resources United Company (西南能源聯合開發公司) under China International Trust Investment Corporation from August 1988 to January 1991. From January 1991 to October 1994, Mr. Li worked in the finance department of China Minmetals Corporation Metals & Minerals Import and Export Corporation (中國五金礦產進出口總公司). From October 1994 to January 1997, Mr. Li was the vice general manager of Minmetals Finance Co. Ltd. of China National Metals and Minerals Import and Export Corporation. From January 1997 to October 2001, Mr. Li was the general manager of Minmetals Finance Co. Ltd. of China National Metals and Minerals Import and Export Corporation. He was the vice general manager of the Finance Branch of China National Metals and Minerals Import and Export Corporation and the general manager of Minmetals Finance Co. Ltd. from October 2001 to March 2002. From March 2002 to July 2005, Mr. Li acted as the vice general manager of Minmetals Investment & Development Co. Ltd. of China National Metals and Minerals Import and Export Corporation (renamed as China Minmetals Corporation (中國五礦集團公司) in January 2004, hereinafter referred to as "China Minmetals.") and the general manager of Minmetals Finance Co. Ltd. He served as the general manager of Minmetals Investment & Development Co. Ltd. of China Minmetals. from July 2005 to March 2009. From June 2007 to October 2008, he was the assistant to president of China Minmetals. Mr. Li has been the vice president of China Minmetals since October 2008 and has been the director and vice general manager of China Minmetals Corporation Limited and the chairman of Hunan Nonferrous Metals Holding Group Co., Ltd. ("HNG") since December 2010. He has been the chairman of Minmetals Nonferrous Metals Holdings Company Limited since December 2011. Mr. Li has extensive experience in corporate finance management and strategic investment.

Li Li (李立), aged 50, is currently the executive director and general manager of the Company. He is a senior administrator (高級政工師).

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

Deng Yingjie (鄧英傑), aged 49, is currently the executive director, deputy general manager and secretary of the Board of the Company. She is an associate senior translator.

Ms. Deng graduated in July 1985 from the Foreign Language Department, Sichuan University with a bachelor's degree in English Language and Literature. She graduated in July 1988 from the Foreign Language Department, Sichuan University with a master's degree in English Language and Literature. In July 2006, Miss Deng graduated from Business School of Central South University and received her doctoral degree in management science and engineering. Prior to joining HNG, Ms. Deng served with Hunan Technology Import & Export Co., Ltd. from July 1988 to October 1994. She acted as the deputy general manager, executive deputy general manager and general manager of Hunan Jinguo Industrial Co., Ltd. ("Jinguo Industrial") from October 1994 to October 2005, during which she also was the legal representative of Hengyang Jinguo Foreign Trade Co., Ltd. (衡陽金果對外貿易有限公司), the legal representative and general manager of Hengyang Natural Gas Co., Ltd. (衡陽市天然氣有限責任公司), the legal representative of Hengyang Cable Factory (衡陽市電纜廠) and the legal representative of Resort Intime Sanya Hainan (海南三亞銀泰度假酒店). In December 2004, Ms. Deng was elected as an executive member of the 10th Woman's Congress of Hunan Province. Then she served as a member of the party committee and the deputy general manager of Hunan Electronic Information Industry Group Co., Ltd. from October 2005 to November 2007. Ms. Deng served as the deputy general manager of the Company from November 2007 to November 2010. She served as the secretary of the board of HNG from November 2010 to December 2013. Since January 2012, Ms. Deng has been a member of the CPC committee of HNG. She has been the executive director, vice general manager and secretary of the Board of the Company since December 2013. Ms. Deng serves also as a director of Abra Mining Limited, HNC (Australia) Resources Investment Co., Ltd. and Beaver Brook Antimony Mine Inc..

Guo Wenzhong (郭文忠), aged 51, is currently the executive Director and financial controller of the Company.

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

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

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Cao Xiuyun (曹修運), aged 52, is currently the non-executive director, the vice chairman of the Board of the Company. He is a professor and senior engineer.

Mr. Cao received his master's degree in engineering from Central South University of Technology in 1989. He gained extensive experience in quality control and research and development in the nonferrous metal industry when he was working for Zhuzhou Smelter Group Co., Ltd. ("Zhuye") (and its predecessors) and CNNCCS between 1992 and 2004. He was in charge of quality control, environmental protection, energy technology and management at Zhuye. Mr. Cao studied and conducted research at Mitsubishi Materials Group in Japan in 1990 and 1991. From February 1992 to August 2004, Mr. Cao served in various executive positions, such as a deputy chief of a zinc roasting plant and the head of a leaching plant, a deputy head of Zhuye, a director, a deputy general manager and the general manager of Hunan Zhuye Torch Metals Co., Ltd. ("Zhuye Torch") and a director and the general manager of Zhuye. Since August 2004, Mr. Cao has been a director, deputy secretary of party committee and the general manager of HNG. Since September 2005, Mr. Cao served as the vice chairman of the Company. Since November 2010, Mr. Cao served as the managing director and the deputy secretary of HNG. Form July 2012 to November 2013, Mr. Cao served as Chairman of Zhuzhou Smelter Group Holding Co., Ltd. and Zhuzhou Smelter Group Co., Ltd.. Since November 2013, Mr. Cao also served as the chairman, general manager of Zhuzhou Smelter Group Holding Co., Ltd. and the chairman of Zhuzhou Smelter Group Co., Ltd.

Huang Guoping (黃國平), aged 51, is currently the non-executive director of the Company.

He graduated from Central South Institute of Mining and Metallurgy in July 1983 with a major in Nonferrous Metals Metallurgy. In 1997, Mr. Huang graduated from Renmin University of China with a major in Political Economy and obtains post graduate certificate of Education.

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

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

Chen Zhixin (陳志新), aged 58, is currently the non-executive director. He is a senior accountant and a member of the Chinese Institute of Certified Public Accountants.

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

Yang Guang (楊光), aged 40, is currently the non-executive director.

Mr. Yang graduated from Renmin University of China majoring finance and accounting. Mr. Yang worked for the audit department at the headquarters of Bank of China from July 1993 to October 1999. He was transferred to China Orient Asset Management Corporation in October 1999 and worked for the audit department at the headquarters of China Orient Asset Management Corporation from October 1999 to October 2005. He served as assistant general manager for the Qingdao Office of China Orient Asset Management Corporation from October 2005 to July 2007. Mr. Yang acted as vice general manager for the Shijiazhuang Office of China Orient Asset Management Corporation from July 2007 to April 2009. He worked for the investment and management department at the headquarters of China Orient Asset Management Corporation from April 2009 to March 2010. Since March 2010, he has been the deputy general manager of Bangxin Asset Management Co., Ltd., a wholly-owned subsidiary of China Orient Asset Management Corporation. Mr. Yang is an accountant with rich experience in the operation and management of business, investment and financing business. Mr. Yang has been the non-executive director of the Company since January 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Kang graduated from Central-South Institute of Mining and Metallurgy (中南礦冶學院) with a university diploma in nonferrous metals metallurgy in 1965. He is a professor of engineering. He served as director of Qingtongxia Aluminum Factory (青銅峽鋁廠), party secretary and director of the economy committee of Ningxia Autonomous Region, Minister of the Organisation Department, member of the standing committee and vice secretary of the party committee of Ningxia Autonomous Region, vice party secretary and vice general manager of China Nonferrous Metals Industry Corporation (中國有色金屬工業總公司) and deputy commissioner and member of the party committee of the National Nonferrous Metals Industry Bureau (國家有色金屬工業局). He is currently the honorary chairman of the China Nonferrous Metals Industry Association (中國有色金屬工業協會). He also serves as council member of the Nonferrous Metals Society of China (中國有色金屬學會) and independent non-executive director of Baoji Titanium Industry Co., Ltd. and other listed companies.

Gu Desheng (古德生), aged 76, is currently an independent non-executive director.

Mr. Gu is a professor and an academic adviser to Ph.D. students at Central South University. Mr. Gu graduated from Central South University in July 1960 and joined the faculty thereafter as a professor and academic adviser to its Ph.D. students, department head, head of the research institute and a member of the degree-awarding committee (校學位委員會) and has been teaching to date. In 1995, Mr. Gu became a fellow of the Chinese Academy of Engineering. Mr. Gu received one first prize in the National Technology Advancement Award (國家科技進步一等獎), four second prizes of National Technological Advancement Awards, one third prize of National Invention Prize and has published five professional works. Mr. Gu was a committee member of the 9th and 10th National Committee of the Chinese People's Political Consultative Conference, and he also serves as consultant of various companies and the independent director of Western Mining Co., Ltd.

Chen Xiaohong (陳曉紅), aged 51, is currently an independent non-executive director.

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

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

Wan Ten Lap (溫天納), aged 44, is currently an independent non-executive Director.

He is an expert in finance and investment banking, serving as the Vice Chairman of CUAA Finance Association and a committee member of Hong Kong Securities Institute. He previously serve as chair professor (講座教授) at the School of Business of Renmin University of China (中國人民大學商學院) and was the founding managing director of BOCOM International. He is a registered officer under the SFC and a member of the Hong Kong Securities Institute. Mr. Wan has been repeatedly appointed by Hong Kong Securities Institute as a working group member for the Ad Hoc Working Group in relation to the papers on the licensing examination for the securities and futures intermediaries on the basis of his substantial knowledge and expertise in financial markets and the corresponding practices in Hong Kong. Mr. Wan graduated from the London School of Economics and Political Science with a master's degree in international accounting and finance. He joined the corporate finance department of Standard Chartered Asia Limited in 1993, and then joined Creditanstalt Group as an associate director in 1996. Mr. Wan later joined Sun Hung Kai International Limited as a director in 1998. Mr. Wan specialised in corporate financing, mergers and acquisitions, restructurings and insolvencies before he assisted in the establishment of BOCOM International in 2006. And he was awarded several prizes for his excellence in the industry in the past.

Choi Man Chau, Michael (蔡文洲), aged 57, is currently an independent non-executive director.

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

SUPERVISORS

Shareholders' Representative Supervisors

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

Mr. Jin graduated from Zhuzhou Metallurgy Industrial School in July 1981. Mr. Jin studied in the Accounting Department of Cental China Finance University from May 1984 to September 1989 and obtained a bachelor's degree. From July 1981 to July 1986, Mr. Jin worked in various positions at Zhuzhou Cemented Carbides Alloy Factory ("Zhuzhou") including the capital department manager, assistant to the manager (at deputy level), the deputy manager and the manager of the department of finance. From July 1994 to July 1998, Mr. Jin was the manager of the department of finance of Zhuzhou. From December 1997 to December 2002, he was appointed to HNMC to serve as deputy general manager of HNMC Finance and general manager of Shenzhen Securities business department. Between January 2003 and August 2004, Mr. Jin was a researcher at HNMC and the deputy general manager and general manager of HNME Finance. Mr. Jin joined HNG in August 2004. From October 2004 to July 2006, Mr. Jin is the department head of the finance department of HNG. From July 2006 to November 2010, Mr. Jin was the deputy finance controller of HNG and the manager of Finance department. Mr. Jin is the assistant to the general manager from November 2010 until now. He has served as the financial controller of the tungsten business department of Minmetals Nonferrous Metals Holdings Company Limited since July 2013.

He Hongsen (賀洪森), aged 53, is currently a shareholders' representative supervisor.

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

Chen Hui (陳輝), aged 43, is currently a shareholders' representative supervisor. He is a member of the Chinese Institute of Certified Public Accountants.

Mr. Chen graduated from The University of International Business & Economics in July 1992 with a major in International Finance. He joined the workforce in 1992. From August 1992 to October 1997, he worked in China Minerals Import and Export Company of China Minmetals From October 1997 to July 1999, Mr. Chen was the deputy manager of financial department of China Minerals Import and Export Company of China Minmetals From July 1999 to April 2000, Mr. Chen was the department manager of financial department of China Minerals Import and export company of China Minmetals From April 2000 to May 2001, Mr. Chen was the accounting manager of financial department of China Minmetals From May 2001 to November 2002, he was the assistant of general manager of financial department of Minmetals Development Co., Ltd. From November 2002 to November 2010, he was the deputy general manager of financial department of China Minmetals. Mr. Chen acted as the head of the finance and assets department of HNG. from November 2010 to April 2013 and the deputy financial controller of HNG from November 2010 to July 2013. Since April 2013 to date, he was the deputy general manager of the finance department of China Minmetals. From December 2010 to August 2013, Mr. Chen also served as a director of Zhuzhou Smelter Group Co., Ltd.

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

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

INDEPENDENT SUPERVISORS

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

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

Fan Haiyong (樊海勇), aged 47, is currently an independent supervisor.

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

EMPLOYEES' REPRESENTATIVE SUPERVISORS

He Guoxin (何國新), aged 46, is currently an employees' representative supervisor.

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

Xu Xiaoyan (許小燕), aged 51, is currently an employees' representative Supervisor. Ms. Xu is a member of Chinese Institute of Certified Public Accountants and a senior International Finance Manager.

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

Yang Daiyao (陽戴遙), aged 41, is currently an employees' representative Supervisor. Mr. Yang holds the qualifications of senior economist, senior marketing manager and senior human resources manager.

Mr. Yang graduated from the Department of Mathematics of Xiangnan University in July 1994 with a college degree, and obtained a bachelor's degree in accounting from Hunan University in May 2004. Mr. Yang served as a teacher and the deputy secretary of the general League branch in the School for Children of Employees of Shizhuyuan from September 1994 to June 1996. He successively worked as a comprehensive management officer of Gaofeng Reservoir Hengshanling Zone (高峰水庫横山嶺工區), a comprehensive management officer of multi-metal mining sites and a secretary to the Pricing Committee of Shizhuyuan from June 1996 to March 2006. From March 2006 to October 2008, he was seconded to the State-Owned Assets Supervision and Administration Commission of Hunan Province. Mr. Yang successively served as an officer in charge of the Department of Human Resource and the Board Office of HNG from October 2008 to September 2012, the deputy head of the Secretariat Office of the Company from September 2012 until now, and the deputy head of such office in charge of the overall work since May 2013. Mr. Yang has served as an employees' representative Supervisor of the Company since August 2013.

OTHER SENIOR MANAGEMENT

Liao Luhai (廖魯海), aged 43, is currently the deputy general manager of the Company. He is a senior economist.

Mr. Liao graduated in July 1992 from the Department of Exploration, China University of Petroleum (East China) with a bachelor's degree in engineering in oil geology and exploration. He received his master of engineering degree in geology and exploration of coal fields, petroleum and natural gas (煤田油氣地質與勘探) in July 1995 from China University of Petroleum (Beijing) (中國石油大學) where he also obtained a doctoral degree in mine exploration of management engineering in July 1998. Prior to joining HNG, Mr. Liao served as an officer and division head at China Development Bank from July 1998 to February 2005 and successively engaged in credit, project evaluation, the central enterprise group consolidated financial services, etc. From March 2005 to August 2005, Mr. Liao served as the deputy general manager of HNG. Mr. Liao has severed as the deputy general manager of the Company since August 2005. From August 2005 to December 2013, Mr. Liao also served as the executive director and secretary of the Board of the Company. From August 2005 to November 2010, Mr. Liao served as a member of party group of HNG. Since November 2010, Mr. Liao has served as a member of party committee of HNG.

Sheng Zhongjie (盛忠傑), aged 52, is a deputy general manager of the company.

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

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

Hou Xiaohong (侯曉鴻), aged 43, is currently one of the joint company secretaries of the Company. He is a senior engineer and senior economist.

Mr. Hou graduated from Central South University with a major in geological and mining exploration and obtained a bachelor degree of engineering in July 1992. He was a candidate of MBA advanced studies in Central South University from February 1993 to March 1995. He graduated from Central South University and obtained a master degree of engineering with a major of geophysical prospecting research in May 1995 and a doctorate degree of management with a major of business administration in July 1999. He graduated from Fudan University with a major of applied economics and obtained a post-doctoral certificate of applied economics in 2004. Prior to joining the Company, he worked as a marketing manager and assistant of general manager in a subsidiary of Hunan foreign construction Group Company (湖南對外建設總公司) from July 1995 to August 1996. He worked for the General Office of Hunan Provincial Committee from August 1999 to July 2002, and worked for Shanghai Futures Exchange in August 2002. He served as chief analyst in Tai Yang Future Agent Company (泰陽期貨經紀公司) in 2005 and vice general chairman of Hunan Tali Engineering Machinery Co., Ltd (湖南天立工程機械公司) in 2006. He joined the Company in July 2009 and worked for the Finance and Securities Department of the Company as senior officer from July 2009 to November 2010. He worked as the vice director of the Secretariat Office and was in charge of the Secretariat Office of the Company from November 2010 to November 2011. He served as an employees' representative Supervisor from December 2012 to August 2013. He has been the head of the Finance and Securities Department of the Company since November 2011. Mr. Hou has severed as one of the joint company secretaries of the Company since August 2013.

Liu Wei (劉巍), aged 56, is currently one of the joint company secretaries of the Company.

Dr. Liu is currently chairman of the China Group and managing partner of DLA Piper's Beijing Office. Dr. Liu has PRC lawyer qualification and is also a solicitor qualified to practice law in Hong Kong and England. Dr. Liu graduated from the Northwest University of China, the Chinese University of Political Science and Law and the University of Cambridge with a bachelor's degree in Chinese literature, a master's degree in law and a PhD in Law in 1982, 1986 and 1996, respectively. He also completed his Postgraduate Certificate in Laws (PCLL) with the University of Hong Kong in 2000. Dr. Liu has been one of the joint company secretaries of the Company since 31 August 2013.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I hereby present the report of Hunan Nonferrous Metals Corporation Limited ("HNC" or the "Company") and the report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013. On behalf of the board of directors (the "Board") and all the employees of the Company, I would like to express our sincere gratitude to all our shareholders for their care and support given to the Group.

RESULTS AND DIVIDEND

In 2013, the turnover of the Group was RMB31,097.61 million, representing an increase of 21.56% as compared with 2012. The profit attributable to equity holders of the parent was RMB204.00 million (2012: RMB6.60 million). The basic earnings per share of the Group was RMB5.56 cents. The Board does not recommend the payment of dividend for the twelve months ended 31 December 2013 (2012: RMBNil).

BUSINESS REVIEW

2013 was marked by a sluggish recovery of world economy, slowdown economic growth in China and persisting weak demand for non-ferrous metals. Except for tungsten concentrates which recorded a year-on-year surge in price driven by news about rising purchase and inventory volume in China, most of the Group's main products recorded different extents of decrease in average sales price, especially for the price of antimony products which decreased sharply as compared with the corresponding period last year. Facing with an operating environment which was more challenging than last year, the Group targeted at turning loss into profit while ensuring security and stability, fully implemented measures for "three decreases, two increases and one acceleration" (i.e., reducing our costs, general expenses and the proportion of our three major expense items, enhancing our productivity and efficiency as well as accelerating our projects in progress), carried out stringent control of operation risks and comprehensive tapping of potential benefits, hence better achieving smooth operation of production and improved business efficiency.

During the reporting period of 2013, the Group's production of zinc was 536,739 tonnes, representing an increase of 7.59% as compared with the corresponding period last year; production of lead was 100,339 tonnes, representing an increase of 16.91% as compared with the corresponding period last year; production of antimony was 30,579 tonnes, representing a decrease of 14.13% as compared with the corresponding period last year; production of cemented carbides was 8,354 tonnes, representing an increase of 7.85% as compared with the corresponding period last year; production of tungsten concentrates was 10,224 tonnes, representing an increase of 6.77% as compared with the corresponding period last year; production of lead concentrates was 9,247 tonnes, representing a decrease of 16.57% as compared with the corresponding period last year; production of zinc concentrates was 23,342 tonnes, representing an increase of 3.64% as compared with the corresponding period last year; production of antimony concentrates was 12,082 tonnes, representing a decrease of 17.71% as compared with the corresponding period last year.

During the reporting period of 2013, the Group spared no effort in pushing through all safety and environmental protection work starting from "key industries, key enterprises, key sectors and key components". As of the end of the reporting period, the Group has fully completed construction of its mine safety standards and "6+1" system, while major enterprises engaging in production activities have passed auditing and certification by independent third parties in HSE system, and 43 potential environmental hazards were rectified, further solidifying the foundation for the Company to carry out its production in a safe and environmental friendly manner. The security situation of the Group has been stable and good in the whole year.

During the reporting period of 2013, the Group operated with flexibility and prudence according to situations. On one hand, the Group timely adjusted its production structure on the basis of effective production in response to market changes and business characteristics. All mining enterprises fully released their production capacity by strengthening output of underground mining and steadily enhancing the economic indicators of mining technologies. All smelting enterprises ensured as much as possible full capacity production of profitable products with focus on strengthening integrated recovery, while cemented carbides production enterprises strived to achieve increase in production and efficiency of competitive products despite differential treatment under the principle of assisting some industry sectors while suppressing others. On the other hand, focus was put on marketing management and marketing strategy, scientific co-ordination of operation systems and production systems, and strengthened market consolidation and expansion to evade operation risks. In 2013, overall production environment of the Group was significantly better than last year, with production and sales of certain major products striking record high.

During the reporting period of 2013, the Group motivated active participation of all staff in systematic tapping of potential and did everything possible to control and cut costs. Starting from production process, effort was made on strengthening production management and on-going improvement of production costs; on strict control of non-production expenditure leading to decrease in expenses as compared with last year; on devising creative methods to manage and assess the proportion of three major expense items, and on stringent control of indicators growth, resulting in significant decrease in the proportion of three major expense items.

During the reporting period of 2013, the Group followed through its project construction plan and continued to strengthen industrial and resource integration in Hunan Province. Meanwhile, the Group actively sought funding from state policy support for energy conservation and emission reduction, mining and resource comprehensive utilization of its subsidiaries, so as to accelerate the construction of key projects.

During the reporting period of 2013, the Group increased investments in technology and actively promoted industrialization of scientific and technological achievements, with new progress in collaborative models of creative technologies. In 2013, the Group applied for 190 patents, of which 129 (including 50 for invention) were granted, undertook 13 world-class technology projects (or topics), and was granted 13 technology awards at provincial and ministerial level.

CHAIRMAN'S STATEMENT

MARKET REVIEW

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

Tungsten Market

Domestically, the demand for tungsten was sluggish in 2013 and tungsten price was mainly driven by rising purchase and inventory volume. Price of tungsten lingered at low levels between January and March, surged all the way up in April due to anticipation of rising purchase and inventory volume, and hit the highest point of the year in late July, with the price of tungsten concentrates and Ammonium Tungstate ("APT") reaching RMB159,000 per tonne and RMB226,000 per tonne respectively. In early August, the price of tungsten began to fall sharply. By early October, the price of tungsten concentrates fell to RMB123,000-RMB127,000 per tonne and the price of APT fell to RMB188,000-RMB192,000 per tonne. As the market price of tungsten approximated cost price, some companies began their purchase which led to slight increase in tungsten price. However, the price soon began to fall due to weak demand. At the end of the year, the prices of tungsten concentrates and APT were RMB117,000-RMB118,000 per tonne and RMB177,000-RMB182,000 per tonne respectively. The average price of tungsten concentrates for the year was RMB130,300 per tonne and the average price of APT was RMB191,100 per tonne, representing an increase of 10.8% and 4.79% respectively as compared with the corresponding period last year.

Internationally, demand for tungsten has never improved throughout the year. The APT market in Europe also showed a trend of rise followed by drop, with high prices recorded in the middle of the year and relatively lower prices recorded at the beginning and the end of the year. In 2013, the average price of APT in Europe was US$368 per tonne unit, representing a decrease of 1.84% as compared with the corresponding period last year. The highest price was US$425 per tonne unit while the lowest price was US$280 per tonne unit.

In 2014, the supply of tungsten will remain stable and the demand will improve. It is expected that domestic average price of tungsten concentrates will be RMB140,000 per tonne and the price of APT will be RMB210,000 per tonne.

Antimony Market

Domestically, the price of antimony in 2013 showed a downward trend with fluctuations. During the first half of the year, the price of antimony kept declining; during the second half of the year, the depressed antimony market was supported to a certain extent by anticipation of rising purchase and inventory volume coupled with the driving effect of rising purchase and inventory volume of antimony. However, due to lack of support from downstream consumption, the price of antimony resumed the downward trend after completion of increase in purchase and inventory volume in November. The annual average price of antinomy in domestic market in 2013 was approximately RMB65,000 per tonne, representing a decrease of 12% as compared with the corresponding period last year.

Internationally, the trend of antimony price was basically in line with domestic market. Due to ample supply and persisting weak demand, the European market twice experienced rapid decline in the price of antimony. In 2013, the average price of antinomy (Class II) in the international market was US$10,210 per tonne, representing a decrease of 19.7% as compared with the corresponding period last year.

It is expected that the average price of antimony will be RMB63,000-RMB65,000 per tonne in the domestic market, while the average price of antimony (Class II) will be US$9,600-US$9,800 per tonne in the international market.

Lead Market

Internationally, lead price quoted by the London Metal Exchange ("LME") experienced a challenging year in 2013. Driven by restorative growth in foreign demand, the price showed an obvious upward trend as compared with 2012. In the first half of the year, the price of LME 3-month lead contract hit the highest point for the year at US$ 2,499 per tonne at the beginning of the year, tumbled all the way afterwards, especially in mid to late April due to crash of international gold price, and hit the lowest point at US$1,938 per tonne in early May. In the second half of the year, the price of LME 3-month lead future contract fluctuated within US$2,000-US$2,200 per tonne, and closed at US$2,219 per tonne at the end of the year. The average price of LME 3-month lead contract was US$2,158 per tonne for the year, representing an increase of 5.0% as compared with the corresponding period last year.

Domestically, the trend of lead price quoted in the Shanghai Futures Exchange ("SHFE") was basically in line with that in LME, despite a significantly lower range of fluctuation. In January, the dominant contract price of Shanghai lead hit the highest point at RMB15,625 per tonne, afterwards kept falling with fluctuation due to factors such as domestic weak fundamentals, and in early May fell to its lowest point at RMB13,480 per tonne since the launch of the SHFE lead future contract. Nevertheless, driven by the movement of external markets, the price strongly rebounded in early August to the level at the beginning of the year, fell with fluctuation afterwards and closed at RMB14,275 per tonne at year end. The annual average dominant contract price of Shanghai lead was RMB14,275 per tonne, representing a decrease of 8.0% as compared with the corresponding period last year, while the average price was RMB14,184 per tonne in the domestic spot market, representing a decrease of 7.2% as compared with the corresponding period last year.

Against a backdrop of oversupply in domestic market, it is difficult to have a big improvement in lead price despite limited space for moving downward due to cost factors. It is expected that the average price of LME 3-month lead future will be US$ 2,250 per tonne, while the average dominant contract price of Shanghai lead will be RMB14,500 per tonne.

Zinc Market

Internationally, in the first half of 2013, the price of LME 3-month zinc future hit the highest point at US$2,230 per tonne in mid-February, kept falling with fluctuation afterwards, and reached the lowest point of the year at US$1,812 per tonne in mid-May. In the second half of the year, zinc price fluctuated mainly within the range of US$1,810-US$2,010. In late December, favored by investors due to concerns about zinc concentrates supply, zinc price kept rising for about half a month and broke through the previous range of fluctuation to reach the highest at US$2,100 per tonne. The annual average price of LME 3-month zinc future was US$1,939 per tonne, representing a decrease of 1.3% as compared with the corresponding period last year, and the LME spot average price was US$1,909 per tonne, representing a decrease of 2% as compared with the corresponding period last year.

Domestically, the trend of zinc price was generally in line with international market. The average dominant contract price of Shanghai zinc showed a V-shaped upward trend as international market at the beginning of the year, hit the highest point at RMB16,255 per tonne in early February, and went all the way down afterwards. In mid-April, it fell to the lowest point at RMB14,060 per tonne for the year, fluctuated and consolidated within RMB14,150 and RMB15,300 per tonne afterwards, and once again drew closer to the price at the beginning of the year in December following the upward trend of international market. The annual average dominant contract price of Shanghai zinc was RMB14,896 per tonne, representing a decrease of 1.1% as compared with the corresponding period last year, while the average domestic spot price of 0# zinc was RMB14,938 per tonne, representing a decrease of 0.33% as compared with the corresponding period last year.

It is expected that in 2014 dominant contract price of Shanghai zinc will fluctuate within RMB14,500-RMB15,500 per tonne, while LME 3-month zinc price will fluctuate within US$1,880-US$2,300 per tonne.

BUSINESS PROSPECTS AND OUTLOOK

In 2014, general demand for non-ferrous metals is expected to be better than 2013. According to the report in World Economic Outlook released by The World Bank in January 2014, after five years of global financial crisis, developing countries and high income economies have finally bottomed out gradually and the global economy is expected to strengthen gradually. However, affected by factors such as shift in monetary policies of Federal Reserve and industry restructuring and overcapacity in China, the prices of most non-ferrous metals are expected to remain volatile at low level in 2014 in general. To actively respond to changes from external markets, the Group will firmly grasp the two keys, i.e., quality efficiency and transformation upgrade, and steadily pushed forward safety and environmental protection as well as stringent control of operation risk, with "structural adjustment, quality enhancement and excellent management" as the general principle of production, ensuring improved performance and enhanced quality while maintaining stability.

In 2014, the Group will continue to optimize its business structure, rationalize production and operation arrangements, striving to achieve a moderate scale for smooth operation of the enterprises and dynamic equilibrium in enhancement of quality and efficiency. The Group will coordinate marketing strategies, integrate sales channels and strengthen upstream and downstream connection, so as to enhance its market influence.

In 2014, the Group will strengthen its control measures, further focus on management of the proportion of three major expense items, continue to promote cost efficiency, and practically improve the operation efficiency and profitability of assets. With a focus on economic efficiency, the Group will guide the use of funds and strengthen supervision thereof, so as to further enhance its resource allocation capability.

In 2014, the Group will further implement internal industrial integration and consolidation, strengthen internal collaboration, further develop operation and management synergies, and strive to enhance the overall efficiency of the enterprises.

In 2014, the Group will further strengthen investment budget management, effect post investment project evaluation, and pay close attention to the optimization progress of construction projects in progress, with focus on the construction of a number of key projects including the technological improvement project for CNC blades production line of Zhuying, the technological improvement project for tungsten, molybdenum, bismuth polymetallic ores of Shizhuyuan and Chaishan, and the 4,500t /d mining, alteration and expansion project of Xin Tianling, so as to realize effective production of new investment projects as soon as possible, laying the foundation for product upgrade and structural adjustment of the Company.

In 2014, the Group will further improve the organization and management system for safety and environmental protection, fully implement a related personal responsibility system, further improve the contingency plan, contingency exercises etc., for safety and environmental protection, and strive to promote occupational health management, so as to ensure a sustainable and steadily improving environmentally friendly environment.

In 2014, the Group will vigorously push forward scientific and technological innovation while enhancing the efficiency from combining production with research. With clear major directions, efforts will be put on improving technical standards in areas such as exploration, exploitation and integrated recovery of resources as well as back-end product upgrades as soon as possible; on continuous strengthening of production with research to accelerate scientific and technological achievements while increasing technical support of technology to the industry; and on improving assessment and incentive mechanism as well as enhancing the effectiveness of production and research cooperation.

In 2014, the board of directors and senior management of the Company will continue to work diligently and make every effort to create value for shareholders. With the joint efforts of all our employees on the back of global economic recovery, I strongly believe that the Group will set to seize forthcoming development opportunities, strengthen core competitiveness and further improve its operating results.

Li Fuli
Chairman

Changsha, the PRC
26 March 2014

CORPORATE GOVERNANCE REPORT

The Company strictly complies with the relevant regulations of the China Securities Regulatory Commission, the Stock Exchange of Hong Kong as well as other competent regulatory authorities. The Articles of Association of the Company (the "Articles"), the rules for the meetings of the General Meeting, the Board and the Supervisory Committee, the terms of reference for the audit committee, the remuneration and assessment committee, the nomination committee and the strategy committee, information disclosure system, investor relations management and the Model Code for Securities Transactions by directors and specific employees constitute the bases of the Company's corporate governance, in order to maintain a high standard of corporate governance. The Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "Listing Rules") during the financial year ended 31 December 2013. The Company will further improve its corporate governance and enhance its transparency to the shareholders.

BOARD OF DIRECTORS

Our board of directors is responsible for the overall leadership and governance of the Company, and is collectively responsible for directing and supervising the affairs of the Company. Our board of directors consists of 13 directors, four of whom are executive directors including Mr. Li Fuli, Mr. Li Li, Ms. Deng Yingjie (appointed in December 2013 to replace Mr. Liao Luhai) and Mr. Guo Wenzhong; another four of whom are non-executive directors including Mr. Cao Xiuyun, Mr. Huang Guoping, Mr. Chen Zhixin and Mr. Yang Guang (appointed on 30 January 2013 to replace Lu Yuanjing); the remaining five of whom are independent non-executive directors including Mr. Kang Yi, Mr. Gu Desheng, Ms. Chen Xiaohong, Mr. Wan Ten Lap and Mr. Choi Man Chau, Michael. Mr. Li Fuli is the chairman. Our directors were elected at Shareholders' Meetings for a term of three years. For corporate governance, the board of directors has determined the policy for the corporate governance, and the terms of reference for the remuneration and assessment committee, the nomination committee and the audit committee under the Board. During the year, the board of directors organized training for the directors and senior management, and has reviewed the Company's compliance with the Corporate Governance Code as set out in Appendix 14 and the corporate governance report. During the year, all directors participated in continuous professional development to develop and refresh their knowledge and skills so as to ensure that their contribution to the board remains informed and relevant. The Company has received records of the training of all directors and the code provision A.6.5 was fully complied.

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

The Company has one general manager and several deputy general managers, who shall be appointed or dismissed by the Board. The general manager of the Company shall be accountable to the Board. The responsibilities of the general manager include but not limited to: taking charge of the Company's production and management; organizing and implementing the Company's annual business plans and investment plans; making proposals in relation to the Company's internal management structure and institution establishment; preparing the basic rules and regulations of the Company; making proposals in relation to the appointment and the termination of appointment of the deputy general manager and the financial controller of the Company; and appointing or dismissing the management personnel other than those required to be appointed or dismissed by the Board, etc.

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

The Finance and Securities Department of the Company offers comprehensive services to the shareholders and answers their enquiries promptly in order to enhance their timely understanding of the Company. It also maintains effective communications with the shareholders and ensures that the views of the shareholders will be communicated to the Board.

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

Pursuant to Rule 3.13 of the Listing Rules, the Company has appointed five independent non-executive directors, one of whom has professional qualification in accounting and has expertise in financial management. The Company has requested each of the independent non-executive directors to submit an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and has examined the independence of the independent non-executive directors, and considered that these five independent non-executive directors remained fully independent.

In 2013, the Company held 9 regular board meetings. Attendance rates of them are as follows:

Li Fuli	9/9
Li Li	9/9
Liao Luhai	8/8
Deng Yingjie	0/0
Guo Wenzhong	9/9
Cao Xiuyun	9/9
Huang Guoping	9/9
Chen Zhixin	9/9
Lu Yuanjing (Resigned on 30 January 2013)	1/1
Yang Guang (Appointed on 30 January 2013)	8/8
Kang Yi	9/9
Gu Desheng	9/9
Chen Xiaohong	9/9
Wan Ten Lap	9/9
Choi Man Chau, Michael	9/9

Note: Ms. Deng Yingjie was appointed as an executive director of the Company on 27 December 2013 to replace Mr. Liao Luhai.

Minutes of all the meetings were recorded by a designated officer. All proposals approved in the meetings were passed as resolutions and were recorded and filed in accordance with relevant laws and regulations. The principal activities of the Board in 2013 were as follows:

1. to consider the resolution re the Annual Work Report of the General Manager for 2012

2. to consider the resolution re the appointment of auditing firms of the Company for the 2013 financial statements

3. to consider the resolution re the increase of capital to Hsikwangshan to meet the requirement of certain projects for capital fund for upgrading and modifying antimony smelter

4. to consider the resolution re the resignation of the Company Secretary and the appointment of joint Company Secretaries

5. to consider the resolution re the establishment of Hunan Nonferrous Jinsha Fluorite Company Limited

6. to consider the resolution re the appointment of Ms. Deng Yingjie as an executive director of the Company, the secretary of the Board, the vice general manager and authorized representative of the Company

7. to consider the resolution re the development of a Board diversity policy

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

Details of the directors' and supervisors' remunerations are disclosed in note 9 to the financial statements.

Appointments, re-election and removal

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

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

Capacities and responsibilities of the directors

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

Model Code for Directors' Securities Transactions

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

Availability and use of information

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

Company Secretary

The Company Secretaries support the Chairman, Board and Board Committees by ensuring good information flow and that Board policy and procedures are followed. The Company Secretaries advise the Board on corporate governance matters and facilitates the induction and professional development of Directors. The Company Secretaries are appointed by the Board. Although the Company Secretaries report to the Chairman and general manager, all Directors may call upon the Company Secretaries for advice and assistance at any time in respect to their duties and the effective operation of the Board and Board Committees. The Company Secretaries also play an essential role in the relationship between the Company and its shareholders, including assisting the Board in discharging its obligations to shareholders pursuant to the Listing Rules. Mr. Hou Xiaohong and Dr. Liu Wei, the joint Company Secretaries of the Company, have confirmed that they participated in relevant professional training for not less than 15 hours during the year 2013, respectively.

Committees of the board of directors and their managerial functions

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

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

STRATEGY COMMITTEE

A strategy committee has been established by the Board. The duties of the Committee are to evaluate and provide suggestions to the Company for its long-term strategic development and substantial investment decisions. The Committee consists of four executive directors, Mr. Li Fuli, Mr. Li Li, Ms. Deng Yingjie (appointed in December 2013 to replace Mr. Liao Luhai), Mr. Guo Wenzhong; two non-executive directors, Mr. Cao Xiuyun and Mr. Yang Guang (appointed on 30 January 2013 to replace Mr. Lu Yuanjing) and three independent non-executive directors, Mr. Kang Yi, Mr. Gu Desheng and Mr. Wan Ten Lap. Mr. Li Fuli is the chairman of the Strategy Committee. One meeting discussing the progress of investment projects in 2012 and the work plan for 2013 of the Company was held by the Committee during the reporting period. All members attended the meeting.

AUDIT COMMITTEE

An audit committee has been established by the Board. The Audit Committee's main duties are to give suggestions for appointment and replacement of external auditors, monitor the internal audit system of the Company and its execution, communicate between external and internal auditors, review financial information and its disclosure and review internal control system. The Committee consists of two independent non-executive directors including Mr. Choi Man Chau, Michael and Mr. Wan Ten Lap, and one non-executive director, Mr. Chen Zhixin. Mr. Choi Man Chau, Michael is the chairman of the Committee. The Audit Committee meetings shall be held at least twice a year. Two meetings were held in the reporting period with all committee members attending the meetings to review the annual report and other related issues under the Listing Rules for the year 2012 and the interim report for 2013. One meeting was held on 25 March 2014 with all committee member attending the meeting to review the Company's annual report and other related issues under the Listing Rules for the year ended 31 December 2013.

REMUNERATION AND ASSESSMENT COMMITTEE

A remuneration and assessment committee has been established by the Board. The duties of the Remuneration and Assessment Committee include: to evaluate the standard for assessing the performance of directors and managers, conduct assessment and provide recommendation, propose the remuneration package of individual executive director and senior management to the Board, evaluate and review the remuneration policy and plan of directors and senior management. The Committee consists of one non-executive director, Mr. Cao Xiuyun, one executive director, Ms. Deng Yingjie (appointed in December 2013 to replace Liao Luhai), and three independent non-executive directors, Mr. Choi Man Chau, Michael, Mr. Gu Desheng and Mr. Wan Ten Lap. Mr. Wan Ten Lap is the chairman of the Remuneration and Assessment Committee. The Remuneration and Assessment Committee reviews the structure of the Board, the number of directors in the Board and the performance of directors regularly. For the avoidance of doubt, the directors and their connected persons do not participate in decisions making relating to their own remuneration. A meeting discussing the resolution re the determination and grant of remuneration of directors and senior management of the Company in 2012 was held by the Committee during the reporting period. All members attended the meeting.

NOMINATION COMMITTEE

A nomination committee has been established by the Board. The duties of the Nomination Committee include: to make recommendation for the structure of the board, the standard and procedure for selection of directors and senior management as well as the appointment and re-appointment of directors, nominate and review the qualification of directors and senior management and evaluate the independence of independent non-executive directors. The Committee consists of Ms. Chen Xiaohong, Mr. Gu Desheng and Mr. Huang Guoping. Ms. Chen Xiaohong is the Chairwoman of the Committee. All members are non-executive directors and the majority of them are independent non-executive directors. Two meetings discussing the resolutions re the nomination of Mr. Yang Guang as a candidate of non-executive director of the Company and Ms. Deng Yingjie as a candidate of executive director of the Company were held by the Committee during the reporting period. All members attended the meetings.

The duties of the committees are governed by their respective terms of reference.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional qualification and experience, cultural and education background, race and ethnicity, gender, age, and length of service. The Company will also take factors into consideration based on its own business scope and specific needs from time to time in determining the optimum composition of the Board. On recommendation from the Nomination Committee of the Board, the Board will set measurable objectives to implement the Board diversity policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee of the Board of the Company is mainly responsible for ascertaining the qualification of Board members, and the board diversity policy will be fully taken into consideration when it performs such responsibility. The Nomination Committee of the Board will review the board diversity policy, when appropriate, to ensure its continued effectiveness from time to time. The Nomination Committee will also discuss any amendments necessary for the policy and propose them to the Board for its consideration and approval.

EXTERNAL AUDITORS

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

During the year, the fees paid/payable to the external auditors of the Company for their audit and non-audit services delivered to the Group amounted to RMB4,946,000 and RMB781,000 (mainly fees for interim review report).

SUPERVISORY COMMITTEE

The Company's Supervisory Committee consists of nine Supervisors. Mr. Jin Liangshou is the Chairman of the Supervisory Committee. Six of the Supervisors are elected by our shareholders at General Meetings, including two independent non-executive Supervisors and four Supervisors elected as shareholders' representatives. The other three Supervisors are elected by our employees as their representatives. Supervisors serve for a term of three years and are entitled to re-election. The Supervisory Committee is responsible for supervision of the board of directors and its members and the senior management, preventing them from abusing their power and authority and jeopardising the legal interests of the shareholders, the Company and its employees. Two meetings were held by the Supervisory Committee during the reporting period in 2013. During the meetings, the Committee reviewed the financial position and operation of the Company according to rules of law as well as the review of due diligence, integrity and pro-activity of the senior management. All supervisors attended the meetings.

SHAREHOLDERS' MEETING AND INVESTOR RELATIONS

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

SHAREHOLDERS' MEETING

The Shareholders' Meeting provides an opportunity for direct communications and the establishment of a good relationship between the Board and the shareholders of the Company. Therefore, the Company attaches great importance to such meetings. During the reporting period in 2013, one Shareholders' Meeting was conducted at which, among other things, the following matters were considered and passed:

In the annual shareholders' general meeting held on 20 May 2013, resolutions regarding reports of the Board and Supervisors in 2012 and the audited combined financial statements of the Company for the year ended 31 December 2012 were approved; the appointment of the international and domestic auditors of the Company and the Board of the Company was authorised to determine their remuneration; the consideration and election of Mr. Yang Guang as the non-executive director of the Board; the grant of an unconditional and general mandate to allot, issue and deal with new domestic shares and foreign listed shares to the Board of the Company were considered and approved;

The Vice Chairman of the Board chaired the shareholders' meeting and explained the procedures of voting. Chairmen or failing him a member of the Audit Committee, Remuneration and Assessment Committee and Nomination Committee were present at the annual shareholders' general meeting to answer questions. Shareholders considered and voted on each resolution. Except Chairman Li Fuli who failed to attend the meeting in person due to business engagement, all the remaining directors were served by the notices of such meetings and the relevant directors attended the meetings in accordance with the Listing Rules.

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

CALLING AN EXTRAORDINARY GENERAL MEETING

Shareholder(s) holding not less than 10 percent of the Company's Shares with voting rights may propose an Extraordinary General Meeting of the Company. The requisition must (1) state the objects of the meeting, (2) be signed by the requisitionist(s) and (3) be deposited at the Company's registered office. It may also consist of several documents in the same format, each signed by one or more requisitionist(s). The requisition must also (1) state the name(s) of the requisitionist(s), (2) the contact details of the requisitionist(s) and (3) the number of ordinary shares of the Company held by the requisitionist(s). The directors must proceed to convene an Extraordinary General Meeting within 30 days from the date of the receipt of the requisition. Such meeting should be held on a day more than 45 days after the date on which the notice convening the meeting is given. If the directors fail to convene the Extraordinary General Meeting as aforesaid, the requisitionist(s) may themselves convene the meeting. Any meeting so convened shall not be held after the expiration of 4 months from the date of the Board's receipt of the requisition. A meeting so convened by the requisitionist(s) shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the directors. Any reasonable expenses incurred by the requisitionist(s) by reason of the failure of the directors duly to convene a meeting shall be repaid to the requisitionist(s) by the Company. Such expenses shall be deducted from the amounts due by the Company to the director(s) who have neglected their duties.

Putting Forward Proposals at General Meetings

Shareholders holding not less than 5 percent of the voting shares of the Company may put forward proposal at the general meeting. Furthermore, such shareholders may propose in written a person other than a retiring director of the Company for election as a director of the Company on such occasion at the annual general meeting. For such purpose, those shareholders must send to the Company's registered address (for the attention of the Company's Company Secretary) a written notice which identifies the candidate and includes a notice in writing by that candidate of his/her willingness to be so elected. Such interim proposal and intention shall be delivered to the Company within a period of 30 days commencing the day after the dispatch of the notice of the relevant meeting.

Putting Enquiries to the Board

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

Shareholders Communication Policy

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

INTERNAL CONTROL AND CORPORATE MANAGEMENT

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

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

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

Our Company conducts an annual review on the effectiveness of its internal control system which includes but not limit to corporate governance, financial, operation and risk management controls. In 2013, an annual review was conducted by Audit and Supervision Department to review the internal control system of the Company.

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

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

ACCOUNTABILITY AND AUDIT

Financial Report

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

Our Company shall announce the annual and interim results within three months and two months of the completion of the accounting periods, respectively. The directors of the Company acknowledged that they have the responsibility to ensure the accuracy of the accounts prepared by our Company. As at 31 December 2013, none of the directors was aware of any potential material issues or situations that might affect the continuous operation of the business. Our directors have prepared our accounts on the ongoing basis.

The responsibilities of the external auditors are detailed in the independent auditor's report in the 2013 consolidated financial statements of our Company.

Internal Audit

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

OVERVIEW

Profit before income tax amounted to RMB312 million for the year ended 31 December 2013, representing an increase of RMB619 million, or 201.63% from loss before income tax amounting to RMB307 million for the year ended 31 December 2012. The profit attributable to equity holders of the parent was RMB204 million, representing an increase of RMB197 million, or 2814.29% from RMB7 million for the year ended 31 December 2012.

The following is the comparison of the two years ended 31 December 2013 and 31 December 2012 (the following comparatives stated in the analysis were restated in respect of the consolidation of Zhongwu Gaoxin Materials Company Limited ("Zhongwu Gaoxin") into the Group):

TURNOVER

Turnover increased to RMB31,098 million for the year ended 31 December 2013, from RMB25,583 million for the year ended 31 December 2012, representing an increase of RMB5,515 million, or 21.56%, primarily due to the slight decrease in turnover before sales tax and surcharge of RMB53 million or 0.92% for the nonferrous metals mine segment, the increase of RMB3,886 million or 31.89% for the nonferrous metals smelting segment, and the increase of RMB1,699 million or 21.88% for the cemented carbides, tungsten, molybdenum, tantalum, niobium and their compounds segment.

Our gross profit increased by RMB192 million or 11.05% from RMB1,738 million for the year ended 31 December 2012 to RMB1,930 million for the year ended 31 December 2013. The gross profit margins were 6.79% and 6.21% for the years ended 31 December 2012 and 2013 respectively.

NONFERROUS METALS MINE SEGMENT

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

	2013		2012	
	Sales volume (tonnes)	**Average selling price (RMB/tonne)**	Sales volume (tonnes)	Average selling price (RMB/tonne)
Shizhuyuan				
Tungsten concentrates	**4,808**	**115,130**	4,948	98,805
Oxidized molybdenum	**—**	**—**	340	75,491
Bismuth products	**809**	**86,868**	1,025	111,491
Huangshaping Branch				
Zinc concentrates	**4,157**	**8,964**	9,385	8,749
Lead concentrates (containing silver)	**3,820**	**14,938**	7,349	17,290
Hsikwangshan				
Antimony products	**35,767**	**50,707**	33,079	58,355
Zinc products	**17,835**	**12,244**	23,556	13,293
Xin Tianling				
Tungsten concentrates	**1,691**	**120,186**	1,810	101,715
Hengyang Yuanjing				
Tungsten concentrates	**1,089**	**116,048**	503	101,365

Turnover before sales tax and surcharge of the nonferrous metals mine segment decreased by RMB53 million, or 0.92%, from RMB5,760 million for the year ended 31 December 2012 to RMB5,707 million for the year ended 31 December 2013. The turnover decreased primarily due to decrease in both sales volume and selling prices of the lead concentrate (containing silver) products in 2013.

Gross profit from nonferrous metals mine segment increased by RMB61 million or 9.24% from RMB660 million for the year ended 31 December 2012 to RMB721 million for the year ended 31 December 2013. Gross profit margin for the year ended 31 December 2013 increased by 1.17% to 12.63% from 11.46% for the year ended 31 December 2012, which was attributable to the increase in gross profit margin of tungsten concentrates.

NONFERROUS METALS SMELTING SEGMENT

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

	2013		2012	
	Sales volume (tonnes)	**Average selling price (RMB/tonne)**	Sales volume (tonnes)	Average selling price (RMB/tonne)
Zinc products	**557,769**	**13,019**	505,616	13,322
Lead products	**101,492**	**12,700**	82,119	13,929
Precious metal - indium	**122**	**3,461,070**	47	3,042,652
Precious metal - silver	**319**	**3,901,013**	147	5,483,651

Turnover before sales tax and surcharge of the nonferrous metals smelting segment increased by RMB3,886 million, or 31.89% from RMB12,186 million for the year ended 31 December 2012 to RMB16,072 million for the year ended 31 December 2013. The increase in turnover was primarily due to the significant increase in the sales volumes of all types of products.

Gross profit from nonferrous metals smelting segment increased by RMB323 million or 1900% from gross loss of RMB17 million for the year ended 31 December 2012 to gross profit of RMB306 million for the year ended 31 December 2013. The gross profit margin increased by 2.04% from gross loss margin of 0.14% for the year ended 31 December 2012 to gross profit margin of 1.90% for the year ended 31 December 2013. The gross profit margin significantly increased as the production has been increasing steadily and created a historical new high record, the retail price difference has improved, saved tapping latent potentialities and increased the main technical and economical standards.

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

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

	2013		2012	
	Sales volume	**Average selling price (RMB)**	Sales volume	Average selling price (RMB)
Cemented carbides	**7,015 tonnes**	**442,195/tonne**	6,615 tonnes	519,220/tonne
Tungsten and its compounds	**8,830 tonnes**	**244,318/tonne**	8,834 tonnes	232,461/tonne
Molybdenum and its compounds	**834 tonnes**	**270,684/tonne**	762 tonnes	302,402/tonne
Tantalum, niobium and their compounds	**191 tonnes**	**1,076,438/tonne**	205 tonnes	1,125,557/tonne
Indexable insert tips	**4,345 thousand pieces**	**59,626/ thousand piece**	3,466 thousand pieces	67,576/ thousand piece
PCB drills	**180,762 thousand pieces**	**2,734/ thousand piece**	148,132 thousand pieces	2,926/ thousand piece

Turnover before sales tax and surcharge of the cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment increased by RMB1,699 million, or 21.87%, from RMB7,767 million for the year ended 31 December 2012 to RMB9,466 million for the year ended 31 December 2013. The increase of turnover was attributable to the increase in sales volume of tungsten and its compounds and sales volume of PCB drills.

Gross profit from the cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment decreased by RMB190 million or 17.35% from RMB1,095 million for the year ended 31 December 2012 to RMB905 million for the year ended 31 December 2013. Gross profit margin for the year ended 31 December 2013 decreased by 4.55% to 9.56% from 14.11% for the year ended 31 December 2012. The decrease was primarily due to the decline rate in average selling price of cemented carbides products being higher than the decline rate of their costs.

OTHER INCOME

Other income increased by RMB299 million, or 59.95% from RMB498 million for the year ended 31 December 2012 to RMB797 million for the year ended 31 December 2013. The increase was primarily due to the increase in government grants recognised as other income by RMB206 million. The net gains on disposal of available-for-sales financial asset including the disposal of the shares in Western Mining Company Limited ("Western Mining") increased by RMB85 million.

SELLING AND DISTRIBUTION COSTS

The selling and distribution costs increased by RMB26 million, or 6.31% from RMB412 million for the year ended 31 December 2012 to RMB438 million for the year ended 31 December 2013. The increase was due to the increase of handling and transportation fees compared with last year, caused by the change of payment terms for the transportation fees and increase of sales volume of some products.

ADMINISTRATIVE EXPENSES

The administrative expenses slightly decreased by RMB2 million, or 1.55% from RMB1,290 million for the year ended 31 December 2012 to RMB1,288 million for the year ended 31 December 2013. The decrease was due to the slightly decrease in staff costs of management and administration, as well as a decrease in bank charges, despite of an increase in research and development costs for the year.

OTHER EXPENSES, NET

Other expenses, net decreased by RMB55 million, or 87.08% from RMB63 million for the year ended 31 December 2012 to RMB8 million for the year ended 31 December 2013. The decrease was primarily due to the suspension of production of Beaver Brook Antimony Mine Inc., a subsidiary of the Group, such that no price participation payments were paid to its former shareholders for the year (2012: RMB36 million), and no impairment loss was recognized for other assets (2012: RMB7 million).

PROVSION FOR IMPAIRMENT OF PROPERTY, PLANT AND EQUIPEMENT

Provision for impairment of property, plant and equipment decreased by RMB50 million, or 96.15% to RMB2 million for the year ended 31 December 2013 from RMB52 million for the year ended 31 December 2012. Provision for impairment for the current year was made primarily for the tailing pond of Hunan Nonferrous Xintianling Tungsten Company Limited, a subsidiary of the Group.

PROVISION FOR/REVERSAL OF PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

Provision for impairment of trade and other receivables of RMB7 million was made for the year, albeit reversal of RMB19 million was made for last year. The main reason for the reversal last year was due to the recovery of part of the investment receivable from Compass Resources Company in Australia for which provision had been fully made in prior periods. And provision for the current year was mainly provision charged for estimated possible bad debts in trade and other receivables.

FINANCE COSTS

The finance costs decreased by RMB87 million, or 10.98% from RMB792 million for the year ended 31 December 2012 to RMB705 million for the year ended 31 December 2013. The decrease was primarily due to the decrease in the loan interest rate of current interest-bearing bank and other borrowings.

INCOME TAX EXPENSE

The income tax expense decreased by RMB59 million, or 46.08% from RMB129 million for the year ended 31 December 2012 to RMB70 million for the year ended 31 December 2013. The decrease was primarily due to the recognition of deferred tax assets in respect of tax losses of a subsidiary of the Company, Zhuying Cemented Carbides Group Corp. Ltd. ("Zhuying").

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The net profit attributable to the owners of the Company increased by RMB197 million, or 2814.29% from RMB7 million for the year ended 31 December 2012 to the profit of RMB204 million for the year ended 31 December 2013. The increase in the profits attributable to owners of the Company was primarily due to the significant turnaround from loss to profit of Zhuzhou Smelter Group Co., Ltd., a subsidiary of the Company in the year of 2013, because of the significant turnaround from gross loss to gross profit, significant gain on disposal of the shares of Western Mining and instant value-added tax refund of 50% plus environmental protection grant for its comprehensive utilization of resources on its products.

PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests increased by RMB481 million or 108.58% from loss of RMB443 million for the year ended 31 December 2012 to profit of RMB38 million for the year ended 31 December 2013. The increase was mainly due to the significant turnaround from loss to profit of Zhuzhou Smelter Group Holding Co., Ltd. and its subsidiaries during the year.

LIQUIDITY, SOURCE OF FUNDS AND CAPITAL STRUCTURE

For the year ended 31 December 2013, interest-bearing bank and other borrowings were the main sources of funds. The funds of the Group were applied mainly to the operating activities, the capital expenditures and the repayment of bank loans. For the year ended 31 December 2013, the cash and cash equivalents of the Group amounted to RMB1,782 million, which were denominated in currencies as follows:

Currencies	RMB'000	Percentage
Renminbi ("RMB")	1,562,211	87.66%
Australian dollars	124,793	7.00%
United States dollars ("USD")	34,350	1.92%
European Euros ("EUR")	50,781	2.85%
Hong Kong dollars ("HKD")	4,576	0.25%
Canadian dollars ("CAD")	5,210	0.29%
Others	53	0.03%
	1,781,974	100.00%

For the year ended 31 December 2013, total amount of interest-bearing bank and other borrowings was RMB14,124 million denominated in currencies as follows:

Currencies	RMB'000	Percentage
RMB	13,122,027	92.91%
USD	890,842	6.31%
HKD	69,008	0.49%
EUR	36,628	0.26%
CAD	1,489	0.01%
Others	4,010	0.02%
	14,124,004	100.00%

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

Repayable:	RMB'000	Percentage
Within one year	10,107,094	71.56%
In the second year	1,685,720	11.94%
In the third to fifth year, both inclusive	2,301,027	16.29%
Beyond five years	30,163	0.21%
	14,124,004	100.00%

Interest rate basis:	RMB'000	Percentage
Floating rate	3,410,063	24.14%
Fixed rate	10,713,941	75.86%
	14,124,004	100.00%

Nature of debts:	RMB'000	Percentage
Unsecured	12,946,562	91.66%
Secured	1,177,442	8.34%
	14,124,004	100.00%

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2013, the proportions of purchase and sales from our major suppliers and major customers to our total purchase and sales were as follows:

Purchases

The total purchase from our largest supplier was approximately 2.51% of our total purchase value.

The total purchase from our five largest suppliers was approximately 9.62% of our total purchase value.

Sales

The total sales to our largest customer was approximately 4.13% of our total sales value.

The total sales to our five largest customers was approximately 17.28% of our total sales value.

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

ASSET MORTGAGE OF THE GROUP

At the balance sheet date, the interest-bearing bank and other borrowings were secured by certain of the Group's assets:

	2013	2012
	RMB'000	RMB'000
Property, plant and equipment	**234,710**	459,319
Land lease prepayments	**205,233**	214,839
Trade receivables	**549,226**	791,703
Pledged deposits	**2,400**	—

Part of the Group's deposits for derivatives were secured by certain of the Group's inventories, with a carrying amount of RMB1,780,000 (2012: RMB Nil).

Cash and time deposits amounting to RMB3,000,000 (2012: RMB68,410,000) were pledged to banks for the issuance of bills payable.

Certain of the Group's bills receivable amounting to RMB Nil (2012: RMB9,500,000) were pledged to banks for issuance of bills payable.

ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

During the year 2013, the Group acquired an additional interest in a subsidiary. The details are as follows:

Name of a subsidiary	Date of acquisition	Additional equity interest acquired
Held by a subsidiary, Zhuying		
– Shenzhen Jinzhou Jinggong Scientific and Technological Company Limited	20 June 2013	2.92%

DISPOSAL OF A SUBSIDIARY

On 12 December 2013, Shizhuyuan, a 97.35% owned subsidiary of the Company, disposed of 32.48% equity interests in Changsha Jintang Bismuth Company Limited to an independent third party at a cash consideration of approximately RMB583,000, and has ceased to be a subsidiary of the Group.

NEWLY ESTABLISHED SUBSIDIARIES

For the year ended 31 December 2013, the Group established two direct subsidiaries, namely Hunan Nonferrous Tai Li Mining Company Limited ("Tai Li") and Hunan Nonferrous Jinsha Fluorite Company Limited ("Jinsha Flourite"), in which the Group held 51% equity interests in both subsidiaries.

Tai Li was registered with a paid-up share capital of RMB10 million and its principal activity was trading of mineral products; Jinsha Flourite was registered with a paid-up share capital of RMB15 million, and its principal activity is engaged in recovery of fluorite in the polymetallic tailings of the Huangshaping Mining Branch.

GROUP REORGANISATION

On 23 June 2012, the Company entered into a sale and purchase agreement with Zhongwu Gaoxin and, pursuant to the supplemental agreement entered into on 8 September 2012, the Company conditionally agreed to dispose of its 100% equity interests in Zhuying and 80% equity interests in Zigong to Zhongwu Gaoxin in consideration of the issue and allotment of approximately 304.6 million shares of Zhongwu Gaoxin to the Company. The transaction was conditionally agreed by the China Securities Regulatory Commission on 14 August 2013, and the equity transfer of Zhuying and Zigong was completed on 22 September and 24 September 2013 respectively, the share register of Zhongwu Gaoxin was accepted and confirmed by China Securities Depository and Clearing Corporation Limited on 25 October 2013. Each of Zhuying and Zigong became indirect subsidiaries of the Group, through the Company's shareholding in Zhongwu Gaoxin. The Group's equity interests in Zhuying and Zigong were diluted by approximately 27.33% and 21.86% from 100% and 80% to 72.67% and 58.14% respectively, and the Group's equity interests in Zhongwu Gaoxin increased by approximately 37.39% from 35.28% to 72.67%.

On 6 December 2013, the directors resolved to approve Zhongwu Gaoxin to issue additional 101.5 million shares by way of private placement to not more than 10 target subscribers to raise funds up to an amount of RMB915.7 million. Upon the completion of the share issue, the Group's equity interests in Zhongwu Gaoxin, Zhuying and Zigong were further diluted by approximately 11.73%, 11.73% and 9.39% from 72.67%, 72.67% and 58.14% to 60.94%, 60.94% and 48.75% respectively.

Except the above, there was no other material acquisition or disposal of subsidiaries and associates during the year 2013.

DEBT TO TOTAL ASSETS RATIO

As at 31 December 2013, the debt to total assets ratio of the Group decreased from 76.96% in 2012 to 74.89% in 2013. The debt to total assets ratio is equivalent to total liabilities divided by total assets and multiplied by 100%. The debt to total assets ratio decreased primarily due to the total asset increased caused by Zhongwu Gaoxin raising fund from non-controlling interests.

FLUCTUATION RISK IN FOREIGN EXCHANGE RATE

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

RISK IN COMMODITY PRICES

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

RISK IN INTEREST RATE

The risk in the interest rate concerning the Group primarily relates to our short-term and long-term bank loans and other borrowings (amounting to RMB14,124 million as at 31 December 2013). Any rise in the current interest rate will increase the interest cost of our short-term loans upon extension. To date, the Group has neither executed any form of interest rate agreement or derivative to hedge against the fluctuation in interest rate.

DONATIONS

Donations maintained at RMB2 million for the year ended 31 December 2012 and 2013. The donations were mainly given to the local villages and the projects development by local government.

CONTINGENT LIABILITIES

As at 31 December 2013 and 2012, the Group had no contingent liabilities.

HISTORICAL CAPITAL EXPENDITURE

The following table sets out the capital expenditure of each segment of the Group and their proportions to the segmented capital expenditure of the Group for the year ended 31 December 2013 and 2012:

	2013		2012	
	RMB'000	**Percentage**	RMB'000	Percentage
Nonferrous metals mine	**963,748**	**49.14%**	800,218	48.68%
Nonferrous metals smelting	**446,256**	**22.75%**	267,150	16.25%
Cemented, carbides, tungsten, molybdenum, tantalum, niobium and their compounds	**550,452**	**28.06%**	571,993	34.79%
The Company and others	**974**	**0.05%**	4,548	0.28%
	1,961,430	**100.00%**	1,643,909	100.00%

EMPLOYEES

As at 31 December 2013, the Group had a total of about 27,054 full-time employees, classified by functions and departments as follows:

Department	**Employees**	**Percentage**
Management and adminstration	3,245	11.99%
Engineering and technical personnel	3,376	12.48%
Production personnel	16,495	60.97%
Repair and maintenance	1,471	5.44%
Inspection	1,689	6.24%
Sales	778	2.88%
Total	27,054	100.00%

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

The Group provides training for employees of different functions in accordance with annual plans. During 2013, the Group completed a total of 375 training projects with 31,086 attendance and cumulative 23,666 training hours. Skill-development trainings were provided for front-line operation personnel, modern management philosophy and training for management methods were provided to management, trainings on all safety education, legal education, education and training on construction of enterprise culture and teamwork are provided to all employees.

TREASURY POLICIES

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

REPORT OF THE DIRECTORS

The directors are pleased to present their 2013 report and the audited combined financial statements of the Group for the year ended 31 December 2013.

GROUP REORGANISATION

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

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

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and mining, processing and sale of nonferrous metals. Details of the principal activities of the principal subsidiaries are set out in note 20 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's result for the year ended 31 December 2013 and the financial positions of the Company and the Group as at that date are set out in the consolidated financial statements on pages 63 to 195. To the knowledge of the Directors, there was no arrangement under which a shareholder waived or agreed to waive any dividend.

The board of directors did not recommend any final dividend for 2013.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the Company's audited consolidated financial statements for the year ended 31 December 2013, if appropriate, is set out on pages 2 to 3. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 36 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAXATION

As stipulated by the Notice on Issues relating to Enterprise Income Tax Withholding over Dividends Distributable to Their H-Share Holders Who are Overseas Non-resident Enterprises by Chinese Resident Enterprises published by the State Administration of Taxation (Guoshuihan [2008] No.897), when Chinese resident enterprises distribute annual dividends for the year 2008 and years thereafter to the shareholders of H shares who are overseas non-resident enterprises, enterprise income tax shall be withheld at a uniform rate of 10%. Pursuant to Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises whose shares have been issued in Hong Kong to the overseas resident individual shareholders is subject to individual income tax with a tax rate of 10% in general. However, the tax rates applicable to respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries where they are residing and Mainland China. Pursuant to the aforesaid Notice, the Company will withhold 10% of the final dividend as individual income tax unless otherwise specified by the relevant tax agreements, tax treaties or the Notice. Shareholders may apply for a tax refund in accordance with the relevant requirements such as the tax agreements (arrangements) upon receipt of any dividends. Shareholders are recommended to consult their tax advisors for relevant tax impact in Mainland China, Hong Kong and others on the possession and disposal of the H shares of the Company.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the reporting period and as at the date of this report.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 37 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Details of distributable reserves of the Company are set out in note 37 to the consolidated financial statements.

Service Contracts of Directors and Supervisors

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

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

Remuneration of Directors, Supervisors and Senior Management

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

The emoluments of senior management were within the following bands:

Emoluments were within the following bands	**2013** **Name of senior management**	2012 Name of senior management
HKDNil to HKD1,000,000	**Liao Luhai**	—
HKDNil to HKD1,000,000	**Hong Mingyang**	Hong Mingyang
HKDNil to HKD1,000,000	**Sheng Zhongjie**	Sheng Zhongjie
HKDNil to HKD1,000,000	**Hou Xiaohong**	—
HKDNil to HKD1,000,000	**Liu Wei**	Lam Kai Yeung

Note: Mr. Hong Mingyang resigned as the deputy general manager on 25 November 2013, and Mr. Liao Luhai resigned as the executive director of the Company on 27 December 2013.

Interests of Directors, Supervisors and Chief Executive in Contracts

During the reporting period, none of the directors nor supervisors had a material interest, either directly or indirectly, in any contract which was subsisting and significant to the business of the Group at the end of the year and at any time during the year.

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

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

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

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

Stock Appreciation Rights Plan ("SARs")

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

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

Name	Number of Stock Appreciation Rights	Note
He Renchun	1,282,051	Former chairman of board of directors and executive director (Resigned on 23 August 2010)
Cao Xiuyun	1,025,641	Vice chairman of board of directors and non-executive director
Li Li	897,436	Executive director and general manager
Zeng Shaoxiong	769,231	Former chairman of the supervisory committee (Resigned on 10 November 2010)
Liao Luhai	769,231	Former executive director (Resigned on 27 December 2013)
Chen Zhixin	769,231	Non-executive director
Wu Longyun	641,027	Former non-executive director (Resigned on 10 November 2010)
He Hongsen	641,026	Supervisor
Zhang Yixian	641,026	Former non-executive director (Resigned on 10 November 2010)
Yang Bohua	512,820	Senior manager of a subsidiary
Fu Shaowu	512,820	Former senior manager of a subsidiary (Resigned on 19 July 2012)
Yang Lingyi	512,820	Former senior manager of a subsidiary (Resigned in December 2009)
Hong Mingyang	512,820	Former deputy general manager (Resigned on 25 November 2013)
Zhu Chongzhou	512,820	Former senior manager of a subsidiary (Resigned in May 2010)
Total:	10,000,000	

The initial exercise price of the stock appreciation rights, which will be determined as the higher of the closing price of the first trading day following the 30th trading day after the Company being listed and the average closing price of the five trading days following the 30th trading day after the Company being listed, was HK$2.8 per share. The stock appreciation rights would expiry after eight years from the date of issued. No SARs were exercised by the grantees during the year ended 31 December 2013.

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

As at 31 December 2013, none of the directors, supervisors, chief executive and their respective associates had interests nor short positions in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which would be required (a) pursuant to Section 352 of the SFO, to be entered into the register referred to therein or (b) as otherwise notified to the Company and the Stock Exchange of Hong Kong pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' interests in a competing business

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

1. Mr. Li Fuli, the Chairman of the Company also served as the director and deputy general manager of China Minmetals Corporation Limited;

   Although the Group has engaged in some similar businesses in the areas of tungsten, lead and zinc as well as antimony with the above-mentioned company, the Group and such company are independent entities operated by separate and independent management, and such director does not control the Board of the Company. Therefore, the Company is independent from China Minmetals Corporation Limited, and they carry on their own businesses based on their respective interests.

2. Mr. Li Fuli, Mr. Cao Xiuyun, Mr. Li Li, Mr. Huang Guoping and Mr. Chen Zhixin are also the directors of HNG, and provide the management services to the company.

   Although the Group has engaged in some similar businesses in the areas of tungsten, lead and zinc with HNG, as the board of directors of the Company is independent from the board of directors of HNG and the above directors do not control the Board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of HNG.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, as recorded in the register required to be kept under section 336 of the SFO, the following persons (other than Directors, Supervisors and the chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company:

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

Notes:

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

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

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

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

Save as disclosed above, as at 31 December 2013, the directors are not aware of any other person (other than a Director, supervisor or the chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would be required to be recorded in the register kept under section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Non-exempt Continuing Connected Transactions for the Year of 2013

Mutual Supply Agreement entered into with China Minmetals

The Company and China Minmetals renewed the mutual supply agreement on 24 August 2012. Pursuant to which, the Group has agreed to purchase production supplies and ancillary services from China Minmetals, and the Group has agreed to sell production supplies and ancillary services to China Minmetals. Details of the transactions were set out in an announcement of the Company published on the websites of the Stock Exchange of Hong Kong and the Company dated 24 August 2012. The mutual supply agreement has a term of three years commencing from 1 January 2013 and ending on 31 December 2015.

The goods and services will be priced according to the following polices in the following order of priority:

(1) price prescribed by the state (including any price prescribed by any relevant local government), if applicable;

(2) the price recommended under the state pricing guidelines, when no state-prescribed price is available;

(3) the market price, when neither the state-prescribed price nor the state-recommended price is available; or

(4) the price determined by the parties on a reasonable basis when none of the above is available, applicable or practicable.

China Minmetals is the ultimate controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules.

During the reporting period, the amount payable by the Group to China Minmetals under the mutual supply agreement was RMB3,401.9 million and the amount payable by China Minmetals to the Group under the mutual supply agreement was approximately RMB3,205.96 million. Such amounts did not exceed their respective annual caps of RMB5,200 million and RMB3,750 million.

Comprehensive Services Agreement entered into with China Minmetals

The Company and China Minmetals renewed the comprehensive services agreement on 24 August 2012. Pursuant to which, China Minmetals has agreed to provide the Group with supporting services including security and fire services, public safety, property management, environmental hygiene and hotel accommodations. Details of the transactions were set out in an announcement published on the websites of the Stock Exchange of Hong Kong and the Company dated 24 August 2012. The comprehensive services agreement has a term of three years commencing from 1 January 2013 and ending on 31 December 2015.

The supporting services shall be provided according to the following pricing policy:

(1) the price prescribed by the state (including any price prescribed by any relevant local government), if applicable;

(2) where there is no state-prescribed price but there is a state-guidance price, then the state-guidance price;

(3) where there is neither a state-prescribed price nor a state-guidance price, the market price; or

(4) the agreed price when none of the above is available.

China Minmetals is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules.

During the reporting period, the amount payable by the Group to China Minmetals under the comprehensive services agreement was approximately RMB14.8 million and did not exceed the annual cap of RMB30 million.

Land Leasing Agreement entered into with HNG

Since 1 September 2005, the Company has leased from HNG certain parcels of land for general commercial use. Pursuant to the land leasing agreement, the Company and HNG have agreed that HNG would lease to the Company 35 parcels of land in Hunan of approximately 2.09 million square meters in aggregate for the Company's production facilities.

The annual rental shall be determined between the parties based on the relevant laws and regulations then in force and the local market rate. The lease has a term of 20 years commencing from 1 September 2005 and ending on 31 August 2025. On 24 August 2012, the Company and HNG entered into the rental arrangement under the land leasing agreement to determine the annual caps of rentals for the three years ending on 31 December 2015. Details of the transactions were set out in an announcement of the Company published on the websites of the Stock Exchange of Hong Kong and the Company dated 24 August 2012.

HNG is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules.

During the reporting period, the annual rentals payable by the Group to HNG under the land leasing agreement were RMB15.125 million and did not exceed the annual cap of RMB15.125 million.

Futures Contract with China Minmetals

The Company and Minmetals Futures Company Limited (五礦期貨有限公司) ("Minmetals Futures"), an indirect wholly-owned subsidiary of China Minmetals, entered into the futures contract on 24 August 2012. Pursuant to which, Minmetals Futures has agreed to provide the Group with futures brokerage and advisory services in the PRC. Details of the transactions were set out in an announcement published on the websites of the Stock Exchange of Hong Kong and the Company dated 24 August 2012. The futures contract has a term of three years commencing from 1 January 2013 and ending on 31 December 2015.

Pricing determination

The level of Security Deposit to be maintained will vary and depend on the type and volume of metal, market conditions and the listing stage of the futures contract (i.e. between the date of listing and the date of delivery), as prescribed by the Shanghai Futures Exchange from time to time.

The Transaction Fees is based on the fees chargeable by the Shanghai Futures Exchange, on top of which, Minmetals Futures will normally charge a premium, ranging from 150% to 300%, depending on the type of customers, the amount of capital and transaction volume. Pursuant to the futures contract, Minmetals Futures will charge the Company a premium of 30%.

Minmetals Futures is an indirect wholly-owned subsidiary of China Minmetals and is therefore a connected person of the Company under the Listing Rules.

During the reporting period, under the futures contract, (i) the maxmum daily outstanding balances of Security Deposit placed by the Group with Minmetals Futures did not exceed the annual cap of RMB435 million, and (ii) the Transaction Fees payable by the Group to Minmetals Futures amounted to RMB0.105 million and did not exceed the annual cap of RMB8 million.

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

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

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

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

(iv) the total amount of the respective continuing connected transactions did not exceed the annual caps disclosed in the announcement of the Company dated 24 August 2012.

The Board has received a letter from the auditors confirming that the non-exempt continuing connected transactions of the Group for the year ended 31 December 2013:

(i) were approved by the Board;

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

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

(iv) did not exceed the annual caps disclosed in the announcement of the Company dated 24 August 2012.

Non-exempt Connected Transaction for the Year of 2013

On 11 December 2013, the Company and Hunan Nonferrous Metals Investment Limited ("Hunan Nonferrous Investment", a wholly-owned subsidiary of HNG) entered into the Project Cooperation Agreement, pursuant to which the Company agrees to contribute RMB7.65 million to jointly establish the Hunan Nonferrous Jinsha Fluorite Company Limited ("Jinsha Fluorite") with Hunan Nonferrous Investment. Jinsha Fluorite will be owned as to 51% and 49% by the Company and Hunan Nonferrous Investment, respectively.

Hunan Nonferrous Investment is a wholly-owned subsidiary of the controlling shareholder of the Company and is therefore a connected person of the Company. Such connected transaction is not required to be approved by the independent shareholders of the Company under the Listing Rules. The principal terms of the relevant agreements are summarized as follows:

The Equity Transfer Agreement

Date:	11 December 2013
Parties:	The Company, as Party A; and Hunan Nonferrous Investment, as Party B
Establishment of a subsidiary:	Pursuant to the Project Cooperation Agreement, the Company agrees to contribute RMB7.65 million and Hunan Nonferrous Investment agrees to contribute RMB7.35 million to jointly establish Jinsha Fluorite to be responsible for the recovery of all the fluorite tailings of the Huangshaping Mine. Jinsha Fluorite will have a registered capital of RMB15 million, and will be owned as to 51% and 49% by the Company and Hunan Nonferrous Investment, respectively.
Consideration and payment terms:	Pursuant to the Project Cooperation Agreement and in light of the potential capital need of Jinsha Fluorite, the Parties agreed that Jinsha Fluorite will have a registered capital of RMB15 million, and the Company will contribute RMB7.65 million to hold 51% equity interests in Jinsha Fluorite. Such capital contributions shall be paid on a lump-sum basis at the time of establishment of Jinsha Fluorite. The consideration was arrived after arm's length negotiations between the parties on normal commercial terms after taking into account of the potential capital need of Jinsha Fluorite.
Special terms:	Hunan Nonferrous Investment undertakes that it will not contribute its proprietary fluorite recovery technology and related intellectual property to Jinsha Fluorite as consideration and will allow Jinsha Fluorite to use the same for free, and it will be responsible for the process design, engineering construction and operation after commencement of production of Jinsha Fluorite to ensure the project of recovery of fluorite in the polymetallic tailings of Jinsha Fluorite to reach its production targets.

Huangshaping Mining Branch of the Company (i.e. "Huangshaping Mine") is an integrated mine enterprise for mining and processing of tungsten, molybdenum, lead and zinc, of which the reserve of associated fluorite resource is about 9 million tonnes. At present, due to the reasons in respect of fluorite recovery technology, product quality and downstream application demands, such fluorite resource has not been utilized yet. Hunan Nonferrous Investment currently possesses the mature critical technologies in the recovery of associated fluorite in tailings and the application of low-grade fluorite in the fluorine chemical industry which has been awarded the first prize for scientific and technological advancement by China Association of Resource Comprehensive Utilization, and owns a number of relevant patents and intellectual property rights. Both the Company and Hunan Nonferrous Investment are members of the Controlling Shareholder. In order to give full play to the resource advantages of the Company and the technical and market advantages of Hunan Nonferrous Investment, the Company and Hunan Nonferrous Investment intend to jointly implement the project of recovery of fluorite in the polymetallic tailings of the Huangshaping Mine, with a view to maximizing the industrial synergies between the members of China Minmetals.

Saved as disclosed above, during the year ended 31 December 2013, no other related party transaction or continuing related party transaction which was set out in Note 43 of these consolidated financial statements constituted a connected transaction and continuing connected transaction that need to be disclosed under the Listing Rules. In respect of connected transactions or continuing connected transactions, the Company has complied with the disclosure requirements specified from time to time under the Listing Rules.

Non-competition Agreement

On 12 March 2006, the Company entered into a non-competition agreement with HNG (the "Non-Competition Agreement"), under which HNG has undertaken not to compete with us directly or indirectly and granted us the first right options to acquire the competitive retained businesses.

During the reporting period, HNG confirmed that it has complied with the non-competition undertakings according to the Non-Competition Agreement, and has provided the Group with all necessary information for the enforcement of its undertakings granted under the Non-Competition Agreement.

During the reporting period, the independent non-executive directors of the Company have reviewed the relevant content according to the Non-Competition Agreement and did not make any decision on exercising or non-exercising the first right options or not.

Public float

Based on public information and to the knowledge of the Directors, the Company maintained the public float over 25% of the Company's total issued share capital as of the date of this report.

Management Contracts

There was no management and administrative contract relating to the business as a whole or any principal operations of the Company entered into by the Company or subsisted as at 31 December 2013.

Annual General Meeting and Closure of Share Register

The Annual General Meeting of the Company will be held at 10:00 a.m. on 30 May 2014 at No. 290 Labor Road West, Changsha City, Hunan, the PRC. The register of shareholders of the Company will be closed from 30 April 2014 to 30 May 2014 (both days inclusive). In order to be eligible to attend the AGM of the Company as directors, instruments of transfer accompanied by relevant share certificates must be lodged with the Company's share registrar no later than 4:30 p.m. on 29 April 2014.

AUDITORS

The 2013 consolidated financial statements of the Company are audited by Baker Tilly Hong Kong Limited who retire and being eligible to be reappointed as auditor of the Company at the next Annual General Meeting. In the past three financial years, the Company has retained Baker Tilly Hong Kong Limited as its auditor.

By order of the Board
Li Fuli
Chairman

Changsha, the PRC
26 March 2014

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

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

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

I. MEETING CONVENED DURING THE REPORTING PERIOD

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

II. PRINCIPAL DUTIES OF THE SUPERVISORY COMMITTEE

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

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

During the reporting period in 2013, the Supervisory Committee mainly carried out the following work:

1. Inspection over Implementation of Resolutions of the General Meetings

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

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

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

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

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

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

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

The Supervisory Committee is optimistic about the prospect of the Company. In 2014, the Supervisory Committee will continue to carry out its duties in strict compliance with the Articles of Association and the relevant laws and regulations so as to protect the interests of shareholders.

Jin Liangshou
Chairman of the Supervisory Committee

Changsha, the PRC
26 March 2014

BAKER TILLY
HONG KONG | 天職香港

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

We have audited the consolidated financial statements of Hunan Nonferrous Metals Corporation Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 63 to 195, which comprise the consolidated and Company's statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Andrew David Ross
Practising Certificate Number P01183
Hong Kong, 26 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Revenue	5	**31,097,611**	25,582,719
Cost of sales		**(29,167,475)**	(23,844,947)
Gross profit		**1,930,136**	1,737,772
Other income	6	**796,517**	497,978
Selling and distribution costs		**(438,076)**	(411,913)
Administrative expenses		**(1,287,887)**	(1,289,521)
Other expenses, net	7	**(8,191)**	(63,392)
Impairment of property, plant and equipment		**(2,100)**	(51,913)
(Provision for)/reversal of impairment of trade and other receivables		**(7,202)**	19,276
Finance income	8	**22,981**	30,703
Finance costs	8	**(704,667)**	(791,954)
Share of profit of an associate	21	**10,162**	15,523
Profit/(loss) before income tax	7	**311,673**	(307,441)
Income tax expense	10	**(69,642)**	(129,167)
Profit/(loss) for the year		**242,031**	(436,608)
Attributable to:			
Owners of the Company		**203,990**	6,602
Non-controlling interests		**38,041**	(443,210)
Profit/(loss) for the year		**242,031**	(436,608)
Earnings per share			
Basic and diluted	13	**RMB5.56 cents**	RMB0.18 cents

The notes on pages 74 to 195 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013 RMB'000	2012 RMB'000 (Restated)
Profit/(loss) for the year	**242,031**	(436,608)
Other comprehensive (loss)/income for the year, net of tax:		
Item that will not be reclassified to profit or loss		
Remeasurements of defined benefit retirement schemes	**24,815**	1,716
Item that will not be reclassified to profit or loss	**24,815**	1,716
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**(171,064)**	4,754
Disposal of available-for-sale financial assets	**(130,132)**	(11,731)
Changes in fair value of available-for-sale financial assets	**2,175**	(4,600)
Items that may be reclassified subsequently to profit or loss	**(299,021)**	(11,577)
Other comprehensive loss for the year, net of tax	**(274,206)**	(9,861)
Total comprehensive loss for the year	**(32,175)**	(446,469)
Attributable to:		
Owners of the Company	**16,308**	(1,433)
Non-controlling interests	**(48,483)**	(445,036)
Total comprehensive loss for the year	**(32,175)**	(446,469)

The notes on pages 74 to 195 form an integral part of these consolidated financial statements.

	Note	31 December 2013 RMB'000	31 December 2012 RMB'000 (Restated)	1 January 2012 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**9,954,412**	9,181,833	8,606,546
Investment properties	15	**—**	—	3,405
Land lease prepayments	16	**949,704**	958,034	977,488
Intangible assets	17	**1,543,375**	1,332,110	1,293,567
Other assets	18	**731,908**	876,978	801,588
Goodwill	19	**79,547**	79,547	79,547
Interest in an associate	21	**63,489**	66,977	55,744
Available-for-sale financial assets	22	**41,963**	181,084	226,100
Deferred tax assets	23	**128,365**	78,224	100,932
Total non-current assets		**13,492,763**	12,754,787	12,144,917
CURRENT ASSETS				
Inventories	24	**6,022,444**	6,361,344	6,253,246
Trade receivables	25	**1,210,499**	1,660,269	732,367
Bills receivable	26	**961,262**	786,370	1,338,075
Prepayments, deposits and other receivables	27	**1,662,433**	1,455,589	1,374,926
Tax recoverable		**22,184**	66,956	64,040
Pledged deposits	28	**6,900**	78,116	55,093
Non-pledged time deposits with maturity over three months from date of deposits	28	**4,441**	771	5,000
Cash and cash equivalents	28	**1,781,974**	640,009	1,903,273
Total current assets		**11,672,137**	11,049,424	11,726,020
CURRENT LIABILITIES				
Trade payables	29	**1,244,948**	1,519,075	1,208,865
Bills payable	30	**42,493**	513,279	87,518
Other payables and accruals	31	**1,737,227**	3,347,037	2,091,308
Interest-bearing bank and other borrowings	32	**10,107,094**	7,324,397	10,182,461
Tax payable		**64,709**	44,315	90,731
Dividend payable		**61,901**	61,901	61,933
Total current liabilities		**13,258,372**	12,810,004	13,722,816
NET CURRENT LIABILITIES		**(1,586,235)**	(1,760,580)	(1,996,796)
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,906,528**	10,994,207	10,148,121

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2013

	Note	**31 December 2013 RMB'000**	31 December 2012 RMB'000 (Restated)	1 January 2012 RMB'000 (Restated)
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	32	**4,016,910**	3,863,969	2,642,093
Other liabilities	33	**659,325**	702,192	721,994
Payables for mining rights	34	**101,120**	103,694	105,320
Government grants	35	**609,518**	628,103	332,913
Deferred tax liabilities	23	**201,242**	212,744	248,738
Total non-current liabilities		**5,588,115**	5,510,702	4,051,058
NET ASSETS		**6,318,413**	5,483,505	6,097,063
EQUITY				
Equity attributable to owners of the Company				
Share capital	36	**3,668,058**	3,668,058	3,668,058
Reserves		**352,317**	630,466	651,328
		4,020,375	4,298,524	4,319,386
Non-controlling interests		**2,298,038**	1,184,981	1,777,677
TOTAL EQUITY		**6,318,413**	5,483,505	6,097,063

Approved and authorised for issue by the board of directors on 26 March 2014.

Li Fuli
Director

Guo Wenzhong
Director

The notes on pages 74 to 195 form an integral part of these consolidated financial statements.

	Note	Attributable to owners of the Company							Non-controlling interests	Total equity
		Issued share capital	Capital reserve	Statutory reserves	Exchange fluctuation reserve	Other reserves	Accumulated losses	Total		
		RMB'000	RMB'000	RMB'000 (note 37(a))	RMB'000 (note 37(c))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012 (Restated)		3,668,058	752,879	95,597	58,777	30,171	(286,096)	4,319,386	1,777,677	6,097,063
Comprehensive income/(loss)										
Profit/(loss) for the year		—	—	—	—	—	6,602	6,602	(443,210)	(436,608)
Other comprehensive income/(loss), net of tax										
Exchange differences arising on translation of foreign operations		—	—	—	5,132	—	—	5,132	(378)	4,754
Disposal of available-for-sale financial assets, net of tax		—	—	—	—	(11,731)	—	(11,731)	—	(11,731)
Changes in fair value of available-for-sale financial assets, net of tax		—	—	—	—	(2,862)	—	(2,862)	(1,738)	(4,600)
Remeasurements of defined benefit retirement schemes, net of tax	23, 33(a)	—	—	—	—	—	1,426	1,426	290	1,716
Other comprehensive loss for the year, net of tax		—	—	—	5,132	(14,593)	1,426	(8,035)	(1,826)	(9,861)
Total comprehensive loss for the year		—	—	—	5,132	(14,593)	8,028	(1,433)	(445,036)	(446,469)
Transactions with owners										
Appropriation to reserve		—	—	78,889	—	—	(78,889)	—	—	—
Disposal of subsidiaries	39	—	—	—	—	—	—	—	(38,148)	(38,148)
Acquisition of non-controlling interests	38	—	(19,429)	—	—	—	—	(19,429)	(46,931)	(66,360)
Dividend paid and payable to non-controlling interests		—	—	—	—	—	—	—	(62,581)	(62,581)
Total transactions with owners		—	(19,429)	78,889	—	—	(78,889)	(19,429)	(147,660)	(167,089)
At 31 December 2012 (Restated)		3,668,058	733,450	174,486	63,909	15,578	(356,957)	4,298,524	1,184,981	5,483,505

The notes on pages 74 to 195 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

		Attributable to owners of the Company								
	Note	Issued share capital RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000 (note 37(a))	Exchange fluctuation reserve RMB'000 (note 37(b))	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013 (Restated)		3,668,058	733,450	174,486	63,909	15,578	(356,957)	4,298,524	1,184,981	5,483,505
Comprehensive income/(loss)										
Profit for the year		–	–	–	–	–	203,990	203,990	38,041	242,031
Other comprehensive income/(loss), net of tax										
Exchange differences arising on translation of foreign operations		–	–	–	(170,344)	–	–	(170,344)	(720)	(171,064)
Disposal of available-for-sale financial assets, net of tax		–	–	–	–	(40,922)	–	(40,922)	(89,210)	(130,132)
Changes in fair value of available-for-sale financial assets, net of tax		–	–	–	–	2,197	–	2,197	(22)	2,175
Remeasurements of defined benefit retirement schemes, net of tax	23, 33(a)	–	–	–	–	–	21,387	21,387	3,428	24,815
Other comprehensive loss for the year, net of tax		–	–	–	(170,344)	(38,725)	21,387	(187,682)	(86,524)	(274,206)
Total comprehensive loss for the year		–	–	–	(170,344)	(38,725)	225,377	16,308	(48,483)	(32,175)
Transactions with owners										
Appropriation to reserve		–	–	(29,401)	–	–	29,401	–	–	–
Disposal of a subsidiary	39	–	–	–	–	–	–	–	(695)	(695)
Acquisition of non-controlling interests	38	–	(3,187)	–	–	–	–	(3,187)	(5,515)	(8,702)
Group restructuring	40	–	(291,270)	–	–	–	–	(291,270)	1,164,823	873,553
Capital injection from non-controlling interests	20(d)	–	–	–	–	–	–	–	12,250	12,250
Dividend paid and payable to non-controlling interests		–	–	–	–	–	–	–	(9,323)	(9,323)
Total transactions with owners		–	(294,457)	(29,401)	–	–	29,401	(294,457)	1,161,540	867,083
At 31 December 2013		3,668,058	438,993	145,085	(106,435)	(23,147)	(102,179)	4,020,375	2,298,038	6,318,413

The notes on pages 74 to 195 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000 (Restated)
OPERATING ACTIVITIES			
Profit/(loss) before income tax		**311,673**	(307,441)
Adjustments for:			
Finance costs	8	**704,667**	791,954
Share of profit of an associate	21	**(10,162)**	(15,523)
Interest income	8	**(22,981)**	(30,703)
Dividend income	6	**(3,442)**	(3,066)
Net losses/(gains) on disposal of property, plant and equipment	6/7	**402**	(3,647)
Gains on disposal of investment properties	6	**—**	(4,301)
Net gains on disposal of land lease prepayments	6	**(1,862)**	—
Loss/(gain) on disposal of subsidiaries	6/7	**141**	(17,736)
Net gains on disposal of available-for-sale financial Assets	6	**(96,264)**	(11,649)
Net realised and unrealised gains on derivative financial instruments	6	**(23,844)**	(31,873)
Depreciation of property, plant and equipment	7	**888,549**	789,387
Depreciation of investment properties	7	**—**	173
Amortisation of land lease prepayments	7	**23,471**	23,587
Amortisation of intangible assets	7	**55,941**	51,318
Amortisation of other assets	7	**—**	17,108
Provision for/(reversal of) impairment of trade and other receivables	7	**7,202**	(19,276)
Write-down of inventories	7	**133,892**	252,765
Stock appreciation rights	7	**(4,977)**	2,067
Cost of supplementary pension subsidies and early retirement benefits	7	**20,173**	15,213
Recognition of government grants	6	**(439,951)**	(233,666)
Impairment of property, plant and equipment	7	**2,100**	51,913
Impairment of other assets	7	**—**	7,482
Impairment of available-for-sale financial assets	7	**236**	2,692
Exchange losses/(gains), net		**17,075**	(21,715)
Operating cash flows before changes in working capital		**1,562,039**	1,305,063

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Decrease/(increase) in inventories		**205,008**	(361,041)
Decrease/(increase) in trade receivables		**444,176**	(934,764)
(Increase)/decrease in bills receivable		**(174,892)**	551,705
Increase in prepayments, deposits and other receivables		**(189,536)**	(198,718)
(Decrease)/increase in trade payables		**(274,127)**	310,655
(Decrease)/increase in bills payable		**(79,786)**	425,761
Increase/(decrease) in other payables and accruals		**209,270**	(539,599)
Cash generated from operations		**1,702,152**	559,062
Income tax paid		**(55,004)**	(169,162)
Net cash generated from operating activities		**1,647,148**	389,900
INVESTING ACTIVITIES			
Interest received		**22,981**	30,703
Dividend received		**3,442**	3,066
Additions to intangible assets		**(104,487)**	(14,044)
Additions to land lease prepayments		**(26,738)**	(4,210)
Purchase of property, plant and equipment and other assets		**(1,793,260)**	(1,400,773)
Proceeds from disposal of property, plant and equipment		**7,597**	40,780
Proceeds from disposal of investment properties		**—**	7,533
Proceeds from disposal of land lease prepayments		**13,103**	—
Proceeds from disposal of available-for-sale financial assets		**107,299**	12,463
Disposal of subsidiaries	39	**578**	(35,662)
Proceeds from disposal of financial instruments		**—**	28,384
Receipt of government grants		**421,366**	528,856
Payment for mining rights		**(76,431)**	(186,657)
Decrease/(increase) in pledged deposits		**71,216**	(23,023)
Increase in non-pledged time deposits with maturity over three months from date of deposits		**(3,670)**	(771)
Net cash used in investing activities		**(1,357,004)**	(1,013,355)

	Note	2013 RMB'000	2012 RMB'000 (Restated)
FINANCING ACTIVITIES			
Additions of borrowings		**15,370,775**	14,038,374
Repayment of bank borrowings		**(12,817,344)**	(15,704,720)
(Repayment)/receipt of loans from immediate holding company		**(1,763,617)**	1,968,700
Interest paid		**(787,127)**	(851,669)
Acquisition of non-controlling interests		**(29)**	(30,630)
Dividend paid to non-controlling interests		**(9,323)**	(62,613)
Capital injections from non-controlling interests	20(d)	**12,250**	—
Group restructuring	40	**873,553**	—
Net cash generated from/(used in) financing activities		**879,138**	(642,558)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,169,282**	(1,266,013)
Cash and cash equivalents at beginning of year		**640,009**	1,903,273
Effect of foreign exchange rate changes, net		**(27,317)**	2,749
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	**1,781,794**	640,009

The notes on pages 74 to 195 form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	31 December 2013 RMB'000	31 December 2012 RMB'000 (Restated)	1 January 2012 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**499,275**	387,909	366,777
Land lease prepayments	16	**81,761**	83,731	85,701
Intangible assets	17	**457,404**	222,819	111,984
Other assets	18	**—**	133,193	41,852
Interests in subsidiaries	20	**5,341,807**	5,352,595	5,293,871
Available-for-sale financial assets	22	**7,304**	7,541	10,047
Deferred tax assets	23	**13,396**	8,529	10,798
Total non-current assets		**6,400,947**	6,196,317	5,921,030
CURRENT ASSETS				
Inventories	24	**32,243**	29,987	32,460
Trade receivables	25	**5,144**	74,999	58,694
Bills receivable	26	**11,250**	47,200	23,595
Prepayments, deposits and other receivables	27	**760,377**	782,050	1,413,848
Cash and cash equivalents	28	**132,708**	176,996	472,081
Total current assets		**941,722**	1,111,232	2,000,678
CURRENT LIABILITIES				
Trade payables	29	**21,300**	33,626	26,074
Other payables and accruals	31	**321,777**	529,047	813,482
Interest-bearing bank and other borrowings	32	**1,398,920**	1,133,449	2,737,188
Tax payable		**7,451**	4,772	10,188
Total current liabilities		**1,749,448**	1,700,894	3,586,932
NET CURRENT LIABILITIES		**(807,726)**	(589,662)	(1,586,254)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,593,221**	5,606,655	4,334,776
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	32	**2,072,198**	1,837,465	469,629
Other liabilities	33	**353,247**	367,069	369,568
Government grants	35	**6,896**	7,254	10,282
Total non-current liabilities		**2,432,341**	2,211,788	849,479
NET ASSETS		**3,160,880**	3,394,867	3,485,297

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	**31 December 2013 RMB'000**	31 December 2012 RMB'000 (Restated)	1 January 2012 RMB'000 (Restated)
EQUITY				
Equity attributable to owners of the Company				
Share capital	36	**3,668,058**	3,668,058	3,668,058
Reserves	37	**(507,178)**	(273,191)	(182,761)
TOTAL EQUITY		**3,160,880**	3,394,867	3,485,297

Approved and authorised for issue by the board of directors on 26 March 2014.

Li Fuli
Director

Guo Wenzhong
Director

The notes on pages 74 to 195 form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

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

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

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

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

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

HNG currently directly holds 53.08% (2012: 53.08%) and indirectly holds 4.36% (2012: 4.36%) of the issued share capital of the Company through its wholly owned subsidiary, Hunan Nonferrous Metals Jinsheng Development Co., Ltd.. Accordingly, CM's indirect interests in the Company are 57.44%.

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

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company, unless otherwise stated. The consolidated financial statements have been approved and authorised for issue by the board of directors on 26 March 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("the IASB") on historical cost basis, except certain financial assets and liabilities measured at fair value. The statements are also in compliance with the relevant disclosure provisions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the relevant investment market rules.

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

(a) New and amended standards adopted by the Group

The following amendments to IFRSs are mandatory for the first time adoption for the accounting period beginning on 1 January 2013:

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

Except as described below, the adoption of these amendments to IFRSs had no material effects on the amounts reported and disclosures set out in this consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

IFRS 10 Consolidated financial statements

IFRS 10 replaces the parts of IAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and SIC – Interpretation 12 "Consolidation – Special purpose entities". IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all of the three criteria, including (a) an investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns, must be met. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Much more guidance has been included in IFRS 10 to explain when an investor has control over an investee. In particular, detailed guidance has been established in IFRS 10 to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. For example, in assessing whether an investor with less than a majority of the voting rights in an investee has a sufficiently dominant voting interest to meet the power criterion, IFRS 10 requires the investor to take into account all relevant facts and circumstances including the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders, rights arising from other contractual arrangements, and any additional facts and circumstances, including voting patterns at previous shareholders' meetings.

The adoption of IFRS 10 has affected the Group's accounting for the interest in Zhongwu Gaoxin Materials Company Limited ("Zhongwu Gaoxin").

On 12 October 2006, the Company completed the acquisition of 27.78% and 3.15% equity interests in Zhongwu Gaoxin, a company listed on Shenzhen Stock Exchange, from two independent third parties. Zigong Cemented Carbides Company Limited ("Zigong"), a 80% owned subsidiary of the Company, also held a 14.97% equity interests in Zhongwu Gaoxin, thus the Company directly and indirectly held 42.91% equity interests in Zhongwu Gaoxin after the acquisitions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

IFRS 10 Consolidated financial statements (Continued)

Pursuant to the share reform plan of Zhongwu Gaoxin implemented on 26 October 2006, the Group is required to grant certain of their shareholdings in Zhongwu Gaoxin to the public shareholders of Zhongwu Gaoxin in order to convert the state-owned non-tradable shares held by the Company and Zigong into tradable shares. Thereafter the shareholding of the Group was diluted from 42.91% to 32.98%.

During 2008, the Company acquired the shares of Zhongwu Gaoxin owned by Zigong, and thus the Company held 35.28% equity interests in Zhongwu Gaoxin since then. The remaining 64.72% of the shares are owned by numerous widely dispersed shareholders. No other individual shareholders holds more than 5% interests in Zhongwu Gaoxin since 12 October 2006 and up to the date of these condensed consolidated interim financial information. At present, the directors nominated by the Company have formed the majority of the board of directors of Zhongwu Gaoxin.

In current year, the directors examined the effect of application of IFRS 10 taking into account all the relevant facts and circumstances, including the Group's dominant voting interest in Zhongwu Gaoxin, dispersion of holding of other vote holders, participation rates of shareholders and voting patterns in previous shareholders' meetings and concluded that the Group did not lose control over Zhongwu Gaoxin since 12 October 2006 despite its shareholding therein has been less than 50% and that Zhongwu Gaoxin qualified as a subsidiary of the Group under IFRS 10 throughout the relevant reporting periods. Accordingly, the financial information of Zhongwu Gaoxin is consolidated retrospectively for all relevant periods as if the Group has not lost control over Zhongwu Gaoxin since 12 October 2006. The impact of the Group's consolidated financial statements is set out below.

In addition, the Group has applied the transitional guidance under IFRS 10 which only requires an entity to present the quantitative information for the annual period immediately preceding the date of initial application of IFRS 10 notwithstanding the requirements of paragraph 28 of IAS 8 "Accounting policies, changes in accounting estimates and errors". As such, the Group has not presented the impacts on consolidated financial statements for the year ended 31 December 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

Summary of the effect of the above changes in accounting policies

The effect of changes in accounting policies described above on the results for the year ended 31 December 2012 is as follows:

	As originally stated RMB'000	IFRS 10 adjustments RMB'000	Restated amount RMB'000
Revenue	26,591,821	(1,009,102)	25,582,719
Cost of sales	(24,812,695)	967,748	(23,844,947)
Gross profit	1,779,126	(41,354)	1,737,772
Other income	453,228	44,750	497,978
Selling and distribution costs	(411,896)	(17)	(411,913)
Administrative expenses	(1,236,664)	(52,857)	(1,289,521)
Other expenses, net	(63,151)	(241)	(63,392)
Impairment of property, plant and equipment	(51,913)	—	(51,913)
Reversal of impairment for trade and other receivables	19,511	(235)	19,276
Finance income	30,372	331	30,703
Finance costs	(790,640)	(1,314)	(791,954)
Share of (losses)/profits of associates	(2,616)	18,139	15,523
Loss before income tax	(274,643)	(32,798)	(307,441)
Income tax expense	(129,049)	(118)	(129,167)
Loss for the year	(403,692)	(32,916)	(436,608)
Attributable to:			
Owners of the Company	6,602	—	6,602
Non-controlling interests	(410,294)	(32,916)	(443,210)
Loss for the year	(403,692)	(32,916)	(436,608)
Earnings per share			
Basic and diluted	RMB0.18 cents	—	RMB0.18 cents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

Summary of the effect of the above changes in accounting policies (Continued)

The effect of changes in accounting policies described above on the results for year ended 31 December 2012 is as follows: (Continued)

	As originally Stated RMB'000	IFRS 10 adjustments RMB'000	Restated amount RMB'000
Loss for the year	(403,692)	(32,916)	(436,608)
Other comprehensive (loss)/income for the year, net of tax:			
Item that will not be reclassified to profit or loss			
Remeaurements of defined benefit retirement schemes	1,716	—	1,716
Item that will not be reclassified to profit or loss	1,716	—	1,716
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations	4,754	—	4,754
Disposal of available-for-sale financial assets	(11,731)	—	(11,731)
Changes in fair value of available-for-sale financial assets	(4,600)	—	(4,600)
Items that may be reclassified subsequently to profit or loss	(11,577)	—	(11,577)
Other comprehensive loss for the year, net of tax	(9,861)	—	(9,861)
Total comprehensive loss for the year	(413,553)	(32,916)	(446,469)
Attributable to:			
Owners of the Company	(1,433)	—	(1,433)
Non-controlling interests	(412,120)	(32,916)	(445,036)
Total comprehensive loss for the year	(413,553)	(32,916)	(446,469)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

Summary of the effect of the above changes in accounting policies (Continued)

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 January 2012 and 31 December 2012 are as follows:

	1 January 2012 RMB'000 (originally stated)	IFRS 10 adjustments RMB'000	1 January 2012 RMB'000 (restated)	31 December 2012 RMB'000 (originally stated)	IFRS 10 adjustments RMB'000	31 December 2012 RMB'000 (restated)
NON-CURRENT ASSETS						
Property, plant and equipment	8,457,345	149,201	8,606,546	9,028,532	153,301	9,181,833
Investment properties	—	3,405	3,405	—	—	—
Land lease prepayments	977,488	—	977,488	958,034	—	958,034
Intangible assets	1,291,380	2,187	1,293,567	1,329,924	2,186	1,332,110
Other assets	801,588	—	801,588	876,978	—	876,978
Goodwill	79,547	—	79,547	79,547	—	79,547
Interests in associates	172,896	(117,152)	55,744	165,990	(99,013)	66,977
Available-for-sale financial assets	218,419	7,681	226,100	173,643	7,441	181,084
Deferred tax assets	98,073	2,859	100,932	75,479	2,745	78,224
Total non-current assets	12,096,736	48,181	12,144,917	12,688,127	66,660	12,754,787

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

Summary of the effect of the above changes in accounting policies (Continued)

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 January 2012 and 31 December 2012 are as follows: (Continued)

	1 January 2012 RMB'000 (originally stated)	IFRS 10 adjustments RMB'000	1 January 2012 RMB'000 (restated)	31 December 2012 RMB'000 (originally stated)	IFRS 10 adjustments RMB'000	31 December 2012 RMB'000 (restated)
CURRENT ASSETS						
Inventories	6,037,335	215,911	6,253,246	6,180,731	180,613	6,361,344
Trade receivables	759,085	(26,718)	732,367	1,662,327	(2,058)	1,660,269
Bills receivables	1,338,075	—	1,338,075	823,604	(37,234)	786,370
Prepayments, deposits and other receivables	1,368,453	6,473	1,374,926	1,460,003	(4,414)	1,455,589
Tax recoverable	63,799	241	64,040	66,956	—	66,956
Pledged deposits	55,093	—	55,093	78,116	—	78,116
Non-pledged time deposits with maturity over three months from date of deposits	5,000	—	5,000	771	—	771
Cash and cash equivalents	1,895,760	7,513	1,903,273	623,699	16,310	640,009
Total current assets	11,522,600	203,420	11,726,020	10,896,207	153,217	11,049,424

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

Summary of the effect of the above changes in accounting policies (Continued)

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 January 2012 and 31 December 2012 are as follows: (Continued)

	1 January 2012 RMB'000 (originally stated)	IFRS 10 adjustments RMB'000	1 January 2012 RMB'000 (restated)	31 December 2012 RMB'000 (originally stated)	IFRS 10 adjustments RMB'000	31 December 2012 RMB'000 (restated)
CURRENT LIABILITIES						
Trade payables	1,197,207	11,658	1,208,865	1,511,861	7,214	1,519,075
Bills payable	87,518	—	87,518	513,279	—	513,279
Other payables and accruals	2,068,529	22,779	2,091,308	3,317,497	29,540	3,347,037
Interest-bearing bank and other borrowings	10,182,461	—	10,182,461	7,324,397	—	7,324,397
Tax payable	89,638	1,093	90,731	44,315	—	44,315
Dividend payable	61,206	727	61,933	61,206	695	61,901
Total current liabilities	13,686,559	36,257	13,722,816	12,772,555	37,449	12,810,004
NET CURRENT LIABILITIES	(2,163,959)	167,163	(1,996,796)	(1,876,348)	115,768	(1,760,580)
TOTAL ASSETS LESS CURRENT LIABILITIES	9,932,777	215,344	10,148,121	10,811,779	182,428	10,994,207
NON-CURRENT LIABILITIES						
Interest-bearing bank and other borrowings	2,642,093	—	2,642,093	3,863,969	—	3,863,969
Other liabilities	721,994	—	721,994	702,192	—	702,192
Payables for mining rights	105,320	—	105,320	103,694	—	103,694
Government grants	332,913	—	332,913	628,103	—	628,103
Deferred tax liabilities	248,738	—	248,738	212,744	—	212,744
Total non-current liabilities	4,051,058	—	4,051,058	5,510,702	—	5,510,702
NET ASSETS	5,881,719	215,344	6,097,063	5,301,077	182,428	5,483,505

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

Summary of the effect of the above changes in accounting policies (Continued)

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 January 2012 and 31 December 2012 are as follows: (Continued)

	1 January 2012 RMB'000 (originally stated)	IFRS 10 adjustments RMB'000	1 January 2012 RMB'000 (restated)	31 December 2012 RMB'000 (originally stated)	IFRS 10 adjustments RMB'000	31 December 2012 RMB'000 (restated)
EQUITY						
Equity attributable to owners of the Company						
Share capital	3,668,058	—	3,668,058	3,668,058	—	3,668,058
Reserves	651,328	—	651,328	630,466	—	630,466
	4,319,386	—	4,319,386	4,298,524	—	4,298,524
Non-controlling interests	1,562,333	215,344	1,777,677	1,002,553	182,428	1,184,981
TOTAL EQUITY	5,881,719	215,344	6,097,063	5,301,077	182,428	5,483,505

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

Summary of the effect of the above changes in accounting policies (Continued)

The effects of the above changes in accounting policies on the financial positions of the Company as at 1 January 2012 and 31 December 2012 are as follows:

1 January 2012	As originally Stated RMB'000	IFRS 10 adjustments RMB'000	Restated amount RMB'000
Interests in subsidiaries	5,072,421	221,450	5,293,871
Interest in an associate	221,450	(221,450)	—

31 December 2012	As originally Stated RMB'000	IFRS 10 adjustments RMB'000	Restated amount RMB'000
Interests in subsidiaries	5,131,145	221,450	5,352,595
Interest in an associate	221,450	(221,450)	—

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

The following new standards and amendments to standards and interpretations have been issued but are not yet effective for the accounting period beginning on 1 January 2013 and have not been early adopted:

IFRS 9	Financial Instruments[3]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 10, IFRS 12 and IAS 27 (as revised in 2011) (Amendments)	Investment Entities[1]
IFRS 14	Regulatory Deferral Accounts[4]
IAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
IAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
IAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
IFRIC Interpretation - 21	Levies[1]
IFRS (Amendments)	Annual Improvements to IFRSs 2010 – 2012 cycle[2]
IFRS (Amendments)	Annual Improvements to IFRSs 2011 – 2013 cycle[2]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application – the mandating effective date will be determined when the outstanding phases of IFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 January 2016.

The directors of the Company anticipate that the application of these new and revised IFRSs will have no material impact on the results and the financial position of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over the entity and is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (note 2.8). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in consolidated statement of profit or loss.

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

In the Company's statement of financial position, the interests in subsidiaries are stated at cost less provision for impairment losses (note 2.11). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

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

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

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

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

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

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

The Group's share of post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of loss in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further loss, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(c) Associates (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the assocate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss and other comprehensive income.

Dilution gains or losses arising from investments in associates are recognised in profit or losses.

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses (note 2.11). The cost of an item of property, plant and equipment comprises its purchase price and directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.11).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Investment properties

Investment properties are interests in buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the straight line method to write off the cost of each investment property over its estimated useful life as follows:

	Estimated useful life	**Residual value**
Buildings	20 to 40 years	3% to 5%

Gains or losses on disposals or retirement of investment properties are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss and other comprehensive income.

2.7 Land lease prepayments

Land lease prepayments represent the purchase cost of land use rights in the PRC's government authorities. Land lease prepayments are stated at cost less any impairment losses (note 2.11) and are amortised on the straight-line basis over the terms of the land use rights of 50 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Goodwill

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

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing (note 2.11). The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

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

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

2.9 Intangible assets (other than goodwill)

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Intangible assets (other than goodwill) (Continued)

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses (note 2.11). The mining rights are amortised over the estimated useful lives of the mines based on the proven and probable reserves of the mines using the units of production method.

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

Technical know-how

Technical know-how is stated at cost less accumulated amortisation and any impairment losses (note 2.11). The technical know-how is amortised on the straight-line basis over a period of 10 to 20 years.

Other intangible assets

Other intangible assets that are acquired are stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (note 2.11). The other intangible assets are amortised on the straight-line basis over a period of 10 years.

Research and development costs

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Exploration and evaluation assets

Exploration and evaluation assets (presented as other assets in the consolidated and the Company's statements of financial position) include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. Exploration and evaluation assets acquired in a business combination are initially recognised at fair value. They are subsequently stated at cost less accumulated impairment and accumulated amortisation (note 2.11).

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets

(a) Classification

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

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

(b) Recognition and measurement

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

(b) Recognition and measurement (Continued)

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

(c) Impairment of financial assets

(i) Financial assets carried at amortised cost

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

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

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

The Group first assess whether objective evidence of impairment exists.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

(c) Impairment of financial assets (Continued)

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

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

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

(ii) Assets classified as available for sale

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Financial liabilities and equity instruments

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

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held-for-trading or it is designated as at fair value through profit or loss on initial recognition.

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

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

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

Interest expense is recognised on an effective interest basis.

2.14 Financial guarantee contracts

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Provisions

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

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

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

2.16 Borrowing costs

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

All other borrowing costs are recognised as expenses in the consolidated statement of profit or loss in the period in which they are incurred.

2.17 Operating leases

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Share capital

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

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

2.19 Borrowings

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

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

2.20 Government grants

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition

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

(a) *Sales of goods*

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

(b) *Rental income from operating leases*

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

(c) *Service income*

Revenue is recognised when the related service is rendered.

(d) *Interest income*

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

(e) *Dividend income*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits

(a) Pension obligations

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

In addition, the Group also pays supplementary pension subsidies to its employees after they reach the normal retirement age. As detailed in note 33 below, these supplementary pension payables are assessed using the projected unit credit cost method; the costs of providing such subsidies are charged to the consolidated statement of profit or loss, in accordance with the actuarial reports which contain full valuations of plans. These benefits are unfunded.

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

(b) Termination benefits

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

(c) Stock appreciation rights

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits (Continued)

(c) Stock appreciation rights (Continued)

The cost of the SARs is measured initially at fair value at the grant date using a binomial model, taking into account the terms and conditions upon which the SARs were granted (note 33). The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each financial reporting date up to and including the settlement date with changes in fair value recognised in the consolidated statement of profit or loss.

2.23 Current and deferred income tax

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Inventories

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

2.25 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (note 2.12(c)(i)).

2.26 Cash and cash equivalents

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

2.27 Trade payables

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Interest rate risk

The Group's interest rate risk relates primarily to variable rate interest-bearing bank and other borrowings, which mainly float at rates offered by the People's Bank of China (the "Prime Rate"), Export Seller's credit interest rate and London Interbank Offered Rate ("LIBOR"). The management monitors interest rate exposures and to obtain the most favorable interest rates available. The Group has not used any derivatives to mitigate its interest rate risk exposure.

Sensitivity analysis

At 31 December 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and increase/decrease the accumulated losses by approximately RMB25,536,000 (2012: increase/decrease the Group's loss after tax and accumulated losses by approximately RMB35,728,000). Other components of consolidated equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit/(loss) after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit/(loss) after tax (and accumulated losses) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2012.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Foreign currency risk

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

(i) Exposure to currency risk

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

The Group

	Exposure to foreign currencies (expressed in RMB)											
	2013						2012					
	USD	HKD	AUD	EUR	CAD	JPY	USD	HKD	AUD	EUR	CAD	JPY
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Available-for- sale financial assets	–	–	7,304	–	–	–	–	–	16,654	–	–	–
Cash and bank balances and time deposits	34,350	4,576	125,434	50,781	5,209	48	35,391	4,477	237,602	37,541	19,815	682
Trade receivables	47,528	2,474	434	26,755	–	8	63,870	12,683	–	31,343	5,591	–
Trade payables, other payables and accruals	(34,934)	(8,287)	(1,933)	(46,809)	(1,095)	(2,902)	(1,948)	–	–	(30)	–	–
Interest-bearing bank and other borrowings	(890,842)	(69,008)	–	(36,628)	(1,489)	(4,010)	(832,987)	(24,477)	–	–	(2,287)	(7,791)
	(843,898)	(70,245)	131,239	(5,901)	2,625	(6,856)	(735,674)	(7,317)	254,256	68,854	23,119	(7,109)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Foreign currency risk (Continued)

(i) Exposure to currency risk (Continued)

The Company

	Exposure to foreign currencies (expressed in RMB)							
	2013				2012			
	USD	**HKD**	**AUD**	**CAD**	USD	HKD	AUD	CAD
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets	**—**	**—**	**7,304**	**—**	—	—	16,654	—
Cash and bank balances and time deposits	**55**	**—**	**84,735**	**—**	56	1,115	155,300	—
Amounts due from subsidiaries	**37,218**	**—**	**747,316**	**82,133**	36,969	—	914,077	32,789
Prepayments, deposits and other receivables	**—**	**—**	**21,720**	**—**	—	—	—	—
Interest-bearing bank and other borrowings	**(259,118)**	**—**	**—**	**—**	(300,892)	—	—	—
	(221,845)	**—**	**861,075**	**82,133**	(263,867)	1,115	1,086,031	32,789

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Foreign currency risk (Continued)

(ii) Sensitivity analysis

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

	2013			2012		
	Increase/ decrease in foreign exchange rates	**Increase/ (decrease) on profit after tax**	**Increase/ (decrease) on accumulated losses**	Increase/ decrease in foreign exchange rates	Increase/ (decrease) on loss after tax	Increase/ (decrease) on accumulated losses
	%	**RMB'000**	**RMB'000**	%	RMB'000	RMB'000
USD	**5**	**(31,646)**	**31,646**	5	27,588	27,588
HKD	**5**	**(2,634)**	**2,634**	5	275	275
AUD	**5**	**4,921**	**(4,921)**	5	(9,563)	(9,563)
EUR	**5**	**(221)**	**221**	5	(2,582)	(2,582)
CAD	**5**	**98**	**(98)**	5	(867)	(867)
JPY	**5**	**(257)**	**257**	5	266	266

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations in the Group's presentation currency. The analysis is performed on the same basis for 2012.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk

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

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

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

At the end of the reporting period, the Group has a certain concentration of credit risk on trade receivables as 4% (2012: 10%) and 10% (2012: 13%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

(d) Liquidity risk

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

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

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

The Group

	2013						2012					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount	Within 1 year or demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	1,244,948	–	–	–	1,244,948	1,244,948	1,519,075	–	–	–	1,519,075	1,519,075
Bills payable	42,493	–	–	–	42,493	42,493	513,279	–	–	–	513,279	513,279
Other payables and accruals	1,704,603	–	–	–	1,704,603	1,704,603	3,308,489	–	–	–	3,308,489	3,308,489
Dividend payable	61,901	–	–	–	61,901	61,901	61,901	–	–	–	61,901	61,901
Bank loans	5,228,218	803,477	814,494	–	6,846,189	6,619,293	5,783,304	946,835	859,008	181,366	7,770,513	7,402,523
Entrusted loans	5,025,640	970,835	1,987,223	–	7,983,698	7,409,660	1,584,668	661,258	936,181	899,618	4,081,725	3,573,000
Other loans	59,702	3,350	2,395	37,917	103,364	95,051	118,511	63,043	1,639	48,714	231,907	212,843
	13,367,505	1,777,662	2,804,112	37,917	17,987,196	17,177,949	12,889,227	1,671,136	1,796,828	1,129,698	17,486,889	16,591,110

The Company

	2013						2012					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount	Within 1 year or demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	21,300	–	–	–	21,300	21,300	33,626	–	–	–	33,626	33,626
Other payables and accruals	317,052	–	–	–	317,052	317,052	523,526	–	–	–	523,526	523,526
Bank loans	594,963	207,955	579,896	–	1,382,814	1,276,118	457,423	109,556	383,245	181,366	1,131,590	980,914
Entrusted loans	789,803	773,098	841,335	–	2,404,236	2,195,000	621,100	661,258	820,643	–	2,103,001	1,900,000
Other loans	–	–	–	–	–	–	93,989	–	–	–	93,989	90,000
	1,723,118	981,053	1,421,231	–	4,125,402	3,809,470	1,729,664	770,814	1,203,888	181,366	3,885,732	3,528,066

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(e) Commodity price risk

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

(f) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale financial assets (note 22) as at 31 December 2013. The Group's listed investments are listed on the Shenzhen, Shanghai and Australia stock exchanges and are valued at quoted market prices at the end of the reporting period.

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

	31 December 2013	**2013 High/low**	31 December 2012	2012 High/low
Shanghai – A share index	**2,116**	**2,434/1,950**	2,269	2,461/1,960
Shenzhen – A share index	**8,122**	**9,989/7,495**	9,117	10,613/7,711
Australia – ASX200 index	**5,352**	**5,441/4,656**	4,649	4,671/3,985

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(f) Equity price risk (Continued)

	2013		2012	
	Carrying amount of equity investments RMB'000	**Increase/ decrease in equity RMB'000**	Carrying amount of equity investments RMB'000	Increase/ decrease in equity RMB'000
Investments listed in:				
Shanghai				
– Available-for-sale	**947**	**71**	134,498	10,087
Shenzhen				
– Available-for-sale	**9,869**	**740**	3,760	282
Australia				
– Available-for-sale	**7,304**	**548**	7,541	566

3.2 Capital management

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

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management (Continued)

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt includes trade payables, bills payables, other payables and accruals, interest-bearing bank and other borrowings and long-term payables for mining rights, less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt. The gearing ratios at 31 December 2013 and 2012 were as follows:

The Group	**2013**	2012
	RMB'000	RMB'000
		(Restated)
Trade payables	**1,244,948**	1,519,075
Bills payable	**42,493**	513,279
Other payables and accruals	**1,737,227**	3,347,037
Interest-bearing bank and other borrowings	**14,124,004**	11,188,366
Payables for mining rights	**101,120**	103,694
Less: Cash and cash equivalents	**(1,781,974)**	(640,009)
Net debt	**15,467,818**	16,031,442
Equity attributable to the owner of the Company	**4,020,375**	4,298,524
Capital and net debt	**19,488,193**	20,329,966
Gearing ratio	**79%**	79%

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

(a) Financial instruments carried at fair value

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

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

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets – Listed equity investments	18,120	—	—	18,120
Total assets	**18,120**	**—**	**—**	**18,120**
Liabilities				
Derivative financial liabilities	20,853	—	—	20,853
Stock appreciation rights plan	—	2,809	—	2,809
Total liabilities	**20,853**	**2,809**	**—**	**23,662**

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets				
– Listed equity investments	145,799	—	—	145,799
Derivative financial assets	6,054	—	—	6,054
Total assets	151,853	—	—	151,853
Liabilities				
Stock appreciation rights plan	—	7,786	—	7,786
Total liabilities	—	7,786	—	7,786

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

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

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

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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

Specific valuation techniques used to value financial instruments include:

— Quoted market prices or dealer quotes for similar instruments.

— The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

— The fair value of forwards foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value.

— Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(b) Financial instruments carried at other than fair value

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying the entity's accounting policies

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

Impairment of assets

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

Exploration and evaluation expenditure

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

Income tax

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

Mine reserves

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

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

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

Useful lives and impairment of property, plant and equipment

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

The impairment loss for property, plant and equipment is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount of the assets, or, where appropriate, the cash generating unit to which they belong, is the higher of its fair value less costs to sell and value in use. The fair value less costs to sell are based on the best information available to reflect the amount obtainable at the end of the reporting period, from the disposal of the asset in an arm's length transaction between knowledgeable and willing parties, after deducting the costs of disposal. For the estimation of value in use, the Group's management estimates future cash flows from the cash generating units and chooses a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of property, plant and equipment at 31 December 2013 was RMB9,954,412,000 (2012: RMB9,181,833,000).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made. The carrying amount of goodwill at 31 December 2013 was RMB79,547,000 (2012: RMB79,547,000). More details are given in note 19.

Impairment of available-for-sale financial assets

The Group classifies certain financial assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the consolidated statement of profit or loss. The carrying amount of available-for-sale financial assets at 31 December 2013 was RMB41,963,000 (2012: RMB181,084,000).

Impairment of receivables

The Group's policy for impairment of receivables is based on the evaluation of collectability and the aging analysis of trade and other receivables and on judgement of management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of the customers. Management reassesses the collectability of receivables at the end of each reporting period. The carrying amount of trade receivables at 31 December 2013 was RMB1,210,499,000 (2012: RMB1,660,269,000).

Provision for inventories

Management reviews the condition of inventories of the Group at the end of each reporting period and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the net realisable value for these inventories based primarily on the latest invoice prices and current market conditions. Management reassesses the estimation at the end of each reporting period. The carrying amount of inventories at 31 December 2013 was RMB6,022,444,000 (2012: RMB6,361,344,000).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets at 31 December 2013 was approximately RMB128,365,000 (2012: RMB78,224,000).

Pension benefits

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

5. SEGMENT INFORMATION

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

Summary details of the business segments are as follows:

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

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

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

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

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

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

5. SEGMENT INFORMATION (Continued)

(a) Business segments

The segment information provided to the board of directors for the reportable segments for the year ended 31 December 2013 and 2012 is as follows:

Year ended 31 December 2013	Nonferrous metal mine sites RMB'000	Nonferrous metal smelting RMB'000	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:						
Sales to external customers	5,706,886	16,072,217	9,465,637	—	—	31,244,740
Inter-segment sales	273,771	425	—	—	(274,196)	—
Less: Sales tax and surcharges	(69,169)	(11,711)	(66,249)	—	—	(147,129)
Total	5,911,488	16,060,931	9,399,388	—	(274,196)	31,097,611
Segment profit/(loss)	419,622	250,158	432,805	(196,113)	—	906,472
Dividend income and gains on disposal of available-for-sale financial assets	—	—	—	—	—	99,706
Finance costs	—	—	—	—	—	(704,667)
Share of profit of an associate	—	—	—	—	—	10,162
Profit before income tax						311,673
Income tax expense	—	—	—	—	—	(69,642)
Profit for the year						242,031

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Year ended 31 December 2013	Nonferrous metal mine sites RMB'000	Nonferrous metal smelting RMB'000	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds RMB'000	Corporate and others RMB'000	Consolidated RMB'000
Assets and liabilities:					
Segment assets	12,344,010	6,272,280	6,146,682	145,927	24,908,899
Interest in an associate	—	—	—	—	63,489
Unallocated assets	—	—	—	—	192,512
Total assets					25,164,900
Segment liabilities	1,635,778	1,219,228	1,109,781	491,745	4,456,532
Unallocated liabilities	—	—	—	—	14,389,955
Total liabilities					18,846,487
Other segment information:					
Depreciation and amortisation	283,265	198,793	482,447	3,456	967,961
Write-down of inventories	13,845	97,876	22,171	—	133,892
Impairment of available-for-sales financial assets	—	—	236	—	236
Impairment of property, plant and equipment	2,100	—	—	—	2,100
Provision for impairment of trade and other receivables	1,602	1,838	3,762	—	7,202
Capital expenditures	963,748	446,256	550,452	974	1,961,430

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Year ended 31 December 2012 (Restated)	Nonferrous metal mine sites RMB'000	Nonferrous metal smelting RMB'000	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:						
Sales to external customers	5,760,047	12,186,165	7,766,956	—	—	25,713,168
Inter-segment sales	411,915	631	—	—	(412,546)	—
Less: Sales tax and surcharges	(59,803)	(9,683)	(60,963)	—	—	(130,449)
Total	6,112,159	12,177,113	7,705,993	—	(412,546)	25,582,719
Segment profit/(loss)	126,894	(265,765)	591,248	1,898	—	454,275
Dividend income and gains on disposal of available-for-sale financial assets	—	—	—	—	—	14,715
Finance costs	—	—	—	—	—	(791,954)
Share of profit of an associate	—	—	—	—	—	15,523
Loss before income tax						(307,441)
Income tax expense	—	—	—	—	—	(129,167)
Loss for the year						(436,608)

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Year ended 31 December 2012 (Restated)	Nonferrous metal mine sites RMB'000	Nonferrous metal smelting RMB'000	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds RMB'000	Corporate and others RMB'000	Consolidated RMB'000
Assets and liabilities:					
Segment assets	8,706,516	6,156,738	8,363,379	184,337	23,410,970
Interest in an associate	—	—	—	—	66,977
Unallocated assets	—	—	—	—	326,264
Total assets					23,804,211
Segment liabilities	1,679,761	1,615,271	3,134,068	446,181	6,875,281
Unallocated liabilities	—	—	—	—	11,445,425
Total liabilities					18,320,706
Other segment information:					
Depreciation and amortisation	303,570	194,111	380,578	3,314	881,573
Write-down of inventories	72,420	154,489	25,856	—	252,765
Impairment of other assets	7,482	—	—	—	7,482
Impairment of available-for-sales financial assets	2,451	—	241	—	2,692
Impairment of property, plant and equipment	51,913	—	—	—	51,913
Provision for/(reversal of) impairment of trade and other receivables	2,637	903	8,587	(31,403)	(19,276)
Capital expenditures	800,218	267,150	571,993	4,548	1,643,909

(b) Geographical segment

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

(c) Major customers

No single customer accounted for 10% or more of the total revenue for the year ended 31 December 2013 and 2012.

6. OTHER INCOME

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Dividend income		**3,442**	3,066
Profit from sales of scrap products and raw materials		**198,362**	144,742
Penalty income		**1,137**	583
Gains on disposal of subsidiaries		**—**	17,736
Net gains on disposal of available-for-sale financial assets		**96,264**	11,649
Net gains on disposal of property, plant and equipment		**—**	3,647
Gains on disposal of investment properties		**—**	4,301
Net gains on disposal of land lease prepayments		**1,862**	—
Gross rental income		**13,977**	10,215
Recognition of government grants	(a)	**439,951**	233,666
Rendering of services		**973**	10,973
Net realised and unrealised gains on derivative financial instruments		**23,844**	31,873
Trade and other payables and accruals waived		**—**	9,461
Others		**16,705**	16,066
		796,517	497,978

Note:

(a) The Group's government grants (note 35) are recognised as follows:

	2013 RMB'000	2012 RMB'000 (Restated)
Subsidies for payment of staff salaries and benefits	**7,129**	2,610
Subsidies for business development and recovery of accumulated losses	**230,880**	178,788
Subsidies to encourage export sales	**6,885**	7,485
Instant value-added tax refund	**64,436**	3,931
Subsidies for environmental protection	**91,565**	150
Others	**39,056**	40,702
	439,951	233,666

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

7. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Cost of inventories sold	24	**29,167,475**	23,844,947
Staff costs (including directors' and supervisors' remuneration as set out in note 9):			
– Wages, salaries and bonuses		**1,416,212**	1,369,131
– Stock appreciation rights*	33(b)	**(4,977)**	2,067
– Contributions to defined contribution pension schemes	7(a)	**403,020**	447,889
– Cost of supplementary pension subsidies and early retirement benefits:	33(a)		
– current service costs*		**3,454**	3,455
– amortisation of prior service costs*		**1,585**	(3,384)
– interest costs*		**15,134**	15,142
		20,173	15,213
– Welfare and other expenses		**350,250**	294,386
		2,184,678	2,128,686
Auditor's remuneration*			
– Audit services		**6,051**	8,400
– Non-audit services		**4,748**	4,643
		10,799	13,043
Depreciation of property, plant and equipment	14	**888,549**	789,387
Depreciation of investment properties	15	**—**	173
Amortisation of land lease prepayments	16	**23,471**	23,587
Amortisation of intangible assets:	17		
– Mining rights		**42,565**	38,475
– Technical know-how and others*		**13,376**	12,843
		55,941	51,318

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

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

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Amortisation of other assets	18	—	17,108
Minimum lease payments under operating leases in respect of land:			
– Lease of land from HNG	43(c)	15,125	15,125
– Lease of land from other parties		10,110	9,439
		25,235	24,564
Write-down of inventories		133,892	252,765
Impairment of property, plant and equipment	14	2,100	51,913
Provision for/(reversal of) impairment of trade and other receivables		7,202	(19,276)
Exchange losses/(gains), net*		7,200	(25,907)
Research and development costs*		190,349	167,419
Donations*		2,055	2,082
Other expenses, net:			
Price participation payment to ex-owner of a subsidiary		—	35,670
Loss on disposal of a subsidiary	39	141	—
Impairment of available-for-sales financial assets	22	236	2,692
Impairment of other assets	18	—	7,482
Net losses on disposal of property, plant and equipment		402	—
Net losses on disposal of utilities		3,442	16,379
Others		3,970	1,169
		8,191	63,392

* Items classified under "Administrative expenses" on the face of the consolidated statement of profit or loss.

Note:

(a) All of the Group's full-time employees in the PRC (excluding Hong Kong) are covered by government-regulated defined contribution pension schemes pursuant to which the Group is required to make monthly contributions to the government-regulated retirement schemes at a percentage of 20% (2012: 20%) of the employees' salaries and the relevant municipal and provincial governments are responsible for the pension liabilities to the Group's current and retired employees. The related pension costs are expensed as incurred.

8. FINANCE INCOME AND COSTS

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Finance costs:			
Interest on bank and other borrowings wholly repayable within five years		**(753,669)**	(801,945)
Interest on bank and other borrowings wholly repayable beyond five years		**(35,334)**	(49,719)
Less: Interest capitalised on qualifying assets	14,18	**84,336**	59,710
		(704,667)	(791,954)
Finance income:			
Interest income on short-term deposits		**22,981**	30,703
Net finance costs		**(681,686)**	(761,251)

The interest rates used to determine the amount of related borrowing costs for capitalisation varied from 5.00% to 6.55% (2012: from 4.63% to 8.00%) per annum.

During the year, interest expenses on bank and other borrowings are RMB704,667,000 (2012: RMB791,954,000), including RMB397,919,000 (2012: RMB204,066,000) being paid in respect of the loans granted by HNG through the banks.

9. EMPLOYEE BENEFIT EXPENSE

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

	2013 RMB'000	2012 RMB'000
Wages, salaries and bonus	**5,758**	6,809
Stock appreciation rights	**(2,042)**	848
Pension scheme contributions	**949**	1,149
	4,665	8,806

(a) Directors' and supervisors' remuneration

During the year, SARs were granted to senior executives and key employees, in respect of their services to the Group, under the stock appreciation rights plan of the Company, further details of which are set out in note 33(b) to the consolidated financial statements. The (gain)/loss arising from these SARs is included in the above directors' and supervisors' remuneration disclosures.

9. EMPLOYEE BENEFIT EXPENSE (Continued)

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

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

Year ended 31 December 2013

	Note	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance - related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000	Stock appreciation rights RMB'000
Executive directors:							
Li Fuli		—	—	—	—	—	—
Li Li		—	194	559	151	904	(447)
Liao Luhai	(g)	—	173	480	131	784	(383)
Guo Wenzhong		—	173	480	131	784	—
Deng Yingjie	(h)	—	—	—	—	—	—
		—	540	1,519	413	2,472	(830)
Non-executive directors:							
Cao Xiuyun		—	—	—	—	—	(510)
Huang Guoping		—	—	—	—	—	—
Chen Zhixin		—	173	480	131	784	(383)
Lu Yuanjing	(b)	58	—	—	—	58	—
Yang Guang	(d)	42	—	—	—	42	—
		100	173	480	131	884	(893)
Independent non-executive directors:							
Kang Yi		100	—	—	—	100	—
Gu Desheng		100	—	—	—	100	—
Chen Xiaohong		100	—	—	—	100	—
Wan Ten Lap		262	—	—	—	262	—
Choi Man Chau, Michael		262	—	—	—	262	—
		824	—	—	—	824	—
		924	713	1,999	544	4,180	(1,723)

9. EMPLOYEE BENEFIT EXPENSE (Continued)

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

Year ended 31 December 2013 (Continued)

	Note	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance - related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000	Stock appreciation rights RMB'000
Supervisors:							
Jin Liangshou		—	173	480	131	784	—
He Hongsen		—	173	480	131	784	(319)
Liu Xiaochu		50	—	—	—	50	—
Chen Hui		—	—	—	—	—	—
Hou Xiaohong	(e)	—	89	146	47	282	—
He Guoxin	(c)	—	78	128	41	247	—
Xu Xiaoyan	(c)	—	83	104	37	224	—
Yang Daiyao	(f)	—	35	53	18	106	—
		50	631	1,391	405	2,477	(319)
Independent supervisors:							
Liu Dongrong		50	—	—	—	50	—
Fan Haiyong	(c)	—	—	—	—	—	—
		50	—	—	—	50	—
		100	631	1,391	405	2,527	(319)
		1,024	1,344	3,390	949	6,707	(2,042)

9. EMPLOYEE BENEFIT EXPENSE (Continued)

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

Year ended 31 December 2012

	Note	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance - related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000	Stock appreciation rights RMB'000
Executive directors:							
Li Fuli		—	—	—	—	—	—
Li Li		—	161	493	131	785	186
Liao Luhai		—	160	493	131	784	159
Guo Wenzhong		—	160	185	69	414	—
		—	481	1,171	331	1,983	345
Non-executive directors:							
Cao Xiuyun		—	144	616	152	912	212
Huang Guoping		—	144	616	152	912	—
Chen Zhixin		—	160	493	130	783	159
Zou Jian	(a)	115	—	—	—	115	—
Lu Yuanjing	(b)	10	—	—	—	10	—
Yang Guang	(d)	—	—	—	—	—	—
		125	448	1,725	434	2,732	371
Independent non-executive directors:							
Kang Yi		100	—	—	—	100	—
Gu Desheng		100	—	—	—	100	—
Chen Xiaohong		100	—	—	—	100	—
Wan Ten Lap		267	—	—	—	267	—
Choi Man Chau, Michael		267	—	—	—	267	—
		834	—	—	—	834	—
		959	929	2,896	765	5,549	716

9. EMPLOYEE BENEFIT EXPENSE (Continued)

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

Year ended 31 December 2012 (Continued)

	Note	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance - related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000	Stock appreciation rights RMB'000
Supervisors:							
Jin Liangshou		—	160	143	60	363	—
He Hongsen		—	160	493	130	783	132
Liu Xiaochu		50	—	—	—	50	—
Chen Hui		—	—	—	—	—	—
Qi Yang	(a)	—	—	—	—	—	—
Hou Xiaohong	(e)	—	127	208	67	402	—
He Guoxin	(c)	—	127	202	66	395	—
Xu Xiaoyan	(c)	—	135	170	61	366	—
		50	709	1,216	384	2,359	132
Independent supervisors:							
Liu Dongrong		50	—	—	—	50	—
Xiao Yinong	(a)	—	—	—	—	—	—
Fan Haiyong	(c)	—	—	—	—	—	—
		50	—	—	—	50	—
		100	709	1,216	384	2,409	132
		1,059	1,638	4,112	1,149	7,958	848

9. EMPLOYEE BENEFIT EXPENSE (Continued)

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

Note:

(a) Resigned on 29 May 2012

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

(c) Appointed on 29 May 2012

(d) Appointed on 30 January 2013

(e) Resigned on 31 August 2013

(f) Appointed on 31 August 2013

(g) Resigned on 27 December 2013

(h) Appointed on 27 December 2013

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

No emoluments were paid by the Group to the directors or the supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office in both years.

9. EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Five highest paid employees' remuneration

The five individuals whose emoluments were the highest in the Group for the year included one director (2012: four directors) whose emoluments are reflected above. The emoluments payable to the remaining four (2012: one) employees during the year are as follows:

	2013 RMB'000	2012 RMB'000
Salaries, allowances and benefits in kind	**3,169**	160
Performance-related bonus	**480**	493
Pension scheme contributions	**342**	130
Share appreciation rights	**—**	132
	3,991	915

Their emoluments were within the following bands:

	2013 No. of employees	2012 No. of employees
HKDNil to HKD1,000,000	**2**	—
HKD1,000,001 to HKD1,500,000	**3**	5

No emoluments were paid by the Group to the highest paid employees as an inducement to join or upon joining the Group or as a compensation for loss of office in both years.

10. INCOME TAX EXPENSE

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

The PRC corporate income tax ("CIT") has been provided at a rate of 25% (2012: 25%) on the taxable income as reported in the statutory accounts of the companies comprising the Group, which are prepared in accordance with the relevant PRC accounting standards (the "PRC GAAP"), as adjusted for income and expense items which are not assessable or deductible for income tax purposes, except for the following subsidiaries of the Company which are qualified as high and new technology enterprises and subject to a preferential CIT rate of 15%:

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

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

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

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

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

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

(g) Zigong

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

(i) Zigong Tungsten Carbide Co., Ltd.

(j) Zigong AsiaTech High-Tech Ltd.

(k) Zhongwu Gaoxin Materials Company Limited Zigong Cemented Carbides Branch

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

	2013	2012
	RMB'000	RMB'000
		(Restated)
Current tax – CIT		
Provision for the year	**118,166**	111,669
Under-provision in respect of prior years	**2,003**	8,461
	120,169	120,130
Deferred tax (note 23)		
Temporary differences	**(50,527)**	9,037
Income tax expense	**69,642**	129,167

10. INCOME TAX EXPENSE (Continued)

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

	2013 RMB'000	2012 RMB'000 (Restated)
Profit/(loss) before income tax	**311,673**	(307,441)
Tax at the applicable income tax rate 25% (2012: 25%)	**77,918**	(76,860)
Tax effect of:		
– Share of profit of an associate	**(2,541)**	(3,881)
– Income not subject to tax	**(127,110)**	(120,874)
– Tax losses not recognised	**49,877**	181,317
– Differential tax rates on the assessable profits and losses of certain subsidiaries	**(40,909)**	25,499
– Income tax benefit from purchase of local machinery	**—**	(18,811)
– Expenses not deductible for tax and others	**188,350**	139,435
– Utilisation of tax losses previously not recognised	**(77,946)**	(5,119)
Under-provision in respect of prior years	**2,003**	8,461
Income tax expense	**69,642**	129,167

Income tax recognised in other comprehensive loss

	2013 RMB'000	2012 RMB'000 (Restated)
Deferred tax		
Arising from recognition of other comprehensive income:		
– Remeasurements of defined benefit retirement scheme	**(4,701)**	(805)
– Changes in fair value of available-for-sale financial assets	**(426)**	23,334
– Disposal of available-for-sale financial assets	**—**	2,070
	(5,127)	24,599

11. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB238,393,000 (2012: RMB89,225,000)(note 37).

12. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year (2012: RMBNil).

13. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of approximately RMB203,990,000 (2012: RMB6,602,000) by the weighted average number of ordinary shares of approximately 3,668,058,000 shares (2012: 3,668,058,000 shares) in issue during the year.

(b) Diluted

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

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings and mining structures RMB'000	Plant, machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2012 (Restated)				
Cost	4,624,992	7,780,272	1,642,804	14,048,068
Accumulated depreciation and impairment	(1,710,831)	(3,730,691)	—	(5,441,522)
Net carrying amount	2,914,161	4,049,581	1,642,804	8,606,546
Year ended 31 December 2012 (Restated)				
Opening net carrying amount	2,914,161	4,049,581	1,642,804	8,606,546
Additions	22,853	348,484	1,053,436	1,424,773
Interest capitalised (note 8)	—	—	53,402	53,402
Disposals	(2,541)	(47,450)	(103)	(50,094)
Disposal of subsidiaries (note 39)	(16,752)	(2,882)	—	(19,634)
Depreciation charge (note 7)	(194,783)	(594,604)	—	(789,387)
Impairment charge (note 7)	(35,742)	(16,171)	—	(51,913)
Exchange differences	2,805	3,645	1,690	8,140
Transfers	202,765	424,600	(627,365)	—
Closing net carrying amount	2,892,766	4,165,203	2,123,864	9,181,833
At 31 December 2012 (Restated)				
Cost	4,825,313	8,399,983	2,123,864	15,349,160
Accumulated depreciation and impairment	(1,932,547)	(4,234,780)	—	(6,167,327)
Net carrying amount	2,892,766	4,165,203	2,123,864	9,181,833

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

	Buildings and mining structures RMB'000	Plant, machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2013				
Cost	4,825,313	8,399,983	2,123,864	15,349,160
Accumulated depreciation and impairment	(1,932,547)	(4,234,780)	—	(6,167,327)
Net carrying amount	2,892,766	4,165,203	2,123,864	9,181,833
Year ended 31 December 2013				
Opening net carrying amount	2,892,766	4,165,203	2,123,864	9,181,833
Additions	142,631	197,256	1,364,522	1,704,409
Interest capitalised (note 8)	—	—	77,447	77,447
Disposals	(1,278)	(7,215)	(3,506)	(11,999)
Disposal of a subsidiary (note 39)	—	(13)	(103)	(116)
Depreciation charge (note 7)	(208,853)	(679,696)	—	(888,549)
Impairment charge (note 7)	(2,100)	—	—	(2,100)
Exchange differences	(48,943)	(41,780)	(15,790)	(106,513)
Transfers	681,176	1,204,443	(1,885,619)	—
Closing net carrying amount	3,455,399	4,838,198	1,660,815	9,954,412
At 31 December 2013				
Cost	5,498,529	9,634,100	1,660,815	16,793,444
Accumulated depreciation and impairment	(2,043,130)	(4,795,902)	—	(6,839,032)
Net carrying amount	3,455,399	4,838,198	1,660,815	9,954,412

As at 31 December 2013, the Group's bank loans were secured by certain of the Group's buildings and mining structures and plant, machinery and equipment with an aggregate net carrying amount of RMB263,785,000 (2012: RMB459,319,000) (note 32).

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

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

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company (Continued)

	Buildings and mining structures RMB'000	Plant, machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2013				
Cost	278,490	248,991	125,291	652,772
Accumulated depreciation and impairment	(124,356)	(140,507)	—	(264,863)
Net carrying amount	154,134	108,484	125,291	387,909
Year ended 31 December 2013				
Opening net carrying amount	154,134	108,484	125,291	387,909
Additions	5,274	10,386	122,418	138,078
Interest capitalised	—	—	10,770	10,770
Disposals	—	(489)	—	(489)
Depreciation charge	(10,421)	(26,572)	—	(36,993)
Transfers	5,116	—	(5,116)	—
Closing net carrying amount	154,103	91,809	253,363	499,275
At 31 December 2013				
Cost	288,880	257,013	253,363	799,256
Accumulated depreciation and impairment	(134,777)	(165,204)	—	(299,981)
Net carrying amount	154,103	91,809	253,363	499,275

15. INVESTMENT PROPERTIES

	2013 RMB'000	2012 RMB'000 (Restated)
At 1 January	—	3,405
Disposals	—	(3,232)
Depreciation charge	—	(173)
At 31 December	—	—

16. LAND LEASE PREPAYMENTS

The Group

	2013 RMB'000	2012 RMB'000
Net carrying amount at 1 January	**958,034**	977,488
Additions	**26,738**	4,210
Amortisation charge (note 7)	**(23,471)**	(23,587)
Disposals	**(11,241)**	—
Disposal of subsidiaries (note 39)	**—**	(117)
Exchange differences	**(356)**	40
Net carrying amount at 31 December	**949,704**	958,034

The Company

	2013 RMB'000	2012 RMB'000
Net carrying amount at 1 January	**83,731**	85,701
Amortisation charge	**(1,970)**	(1,970)
Net carrying amount at 31 December	**81,761**	83,731

At 31 December 2013, the Group's bank loans were secured by certain of the Group's land lease prepayments with an aggregate net carrying amount of RMB205,233,000 (2012: RMB214,839,000) (note 32).

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

17. INTANGIBLE ASSETS

The Group

	Mining rights RMB'000	Technical know-how RMB'000	Others RMB'000	Total RMB'000
At 1 January 2012 (Restated)				
Cost	1,536,485	49,273	48,777	1,634,535
Accumulated amortisation and impairment	(289,583)	(20,932)	(30,453)	(340,968)
Net carrying amount	1,246,902	28,341	18,324	1,293,567
Year ended 31 December 2012 (Restated)				
Opening net carrying amount	1,246,902	28,341	18,324	1,293,567
Additions	121,302	915	13,129	135,346
Disposal of subsidiaries (note 39)	(45,477)	—	(8)	(45,485)
Amortisation charge (note 7)	(38,475)	(1,970)	(10,873)	(51,318)
Closing net carrying amount	1,284,252	27,286	20,572	1,332,110
At 31 December 2012 (Restated)				
Cost	1,612,310	49,706	62,380	1,724,396
Accumulated amortisation and impairment	(328,058)	(22,420)	(41,808)	(392,286)
Net carrying amount	1,284,252	27,286	20,572	1,332,110

17. INTANGIBLE ASSETS (Continued)

The Group (Continued)

	Mining rights RMB'000	Technical know-how RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013				
Cost	1,612,310	49,706	62,380	1,724,396
Accumulated amortisation and impairment	(328,058)	(22,420)	(41,808)	(392,286)
Net carrying amount	1,284,252	27,286	20,572	1,332,110
Year ended 31 December 2013				
Opening net carrying amount	1,284,252	27,286	20,572	1,332,110
Additions	97,114	2,231	5,142	104,487
Reclassified from other assets (note 18)	163,101	—	—	163,101
Disposal of a subsidiary (note 39)	—	(382)	—	(382)
Amortisation charge (note 7)	(42,565)	(3,233)	(10,143)	(55,941)
Closing net carrying amount	1,501,902	25,902	15,571	1,543,375
At 31 December 2013				
Cost	1,872,524	51,197	100,434	2,024,155
Accumulated amortisation and impairment	(370,622)	(25,295)	(84,863)	(480,780)
Net carrying amount	1,501,902	25,902	15,571	1,543,375

17. INTANGIBLE ASSETS (Continued)

The Company

	Mining rights	Others	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2012			
Cost	213,554	1,398	214,952
Accumulated amortisation	(101,733)	(1,235)	(102,968)
Net carrying amount	111,821	163	111,984
Year ended 31 December 2012			
Opening net carrying amount	111,821	163	111,984
Additions	112,501	1,464	113,965
Amortisation charge	(1,763)	(1,367)	(3,130)
Closing net carrying amount	222,559	260	222,819
At 31 December 2012			
Cost	326,055	2,862	328,917
Accumulated amortisation	(103,496)	(2,602)	(106,098)
Net carrying amount	222,559	260	222,819
At 1 January 2013			
Cost	**326,055**	**2,862**	**328,917**
Accumulated amortisation	**(103,496)**	**(2,602)**	**(106,098)**
Net carrying amount	**222,559**	**260**	**222,819**
Year ended 31 December 2013			
Opening net carrying amount	**222,559**	**260**	**222,819**
Additions	**76,602**	**1,497**	**78,099**
Reclassified from other assets (note 18)	**163,101**	**—**	**163,101**
Amortisation charge	**(5,358)**	**(1,257)**	**(6,615)**
Closing net carrying amount	**456,904**	**500**	**457,404**
At 31 December 2013			
Cost	**565,758**	**4,359**	**570,117**
Accumulated amortisation	**(108,854)**	**(3,859)**	**(112,713)**
Net carrying amount	**456,904**	**500**	**457,404**

18. OTHER ASSETS

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Exploration and evaluation assets	**731,908**	876,978	**—**	133,193

The movements in exploration and evaluation assets during the year ended 31 December 2013 and 2012 are as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**876,978**	801,588	**133,193**	41,852
Additions	**125,796**	79,580	**29,908**	91,341
Interest capitalised (note 8)	**6,889**	6,308	**—**	—
Reclassified to intangible assets (note17)	**(163,101)**	—	**(163,101)**	—
Amortisation charge (note 7)	**—**	(17,108)	**—**	—
Impairment charge (note 7)	**—**	(7,482)	**—**	—
Exchange differences	**(114,654)**	14,092	**—**	—
At 31 December	**731,908**	876,978	**—**	133,193

19. GOODWILL

The Group

	2013	2012
	RMB'000	RMB'000
		(Restated)
At 1 January and 31 December		
Cost	**337,027**	337,027
Accumulated impairment	**(257,480)**	(257,480)
Net carrying amount	**79,547**	79,547

19. GOODWILL (Continued)

Impairment testing of goodwill

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

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

The recoverable amount of the cash-generating units of other subsidiaries has been determined based on a value-in-use calculation using pre-tax cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is a real rate of 7% and cash flow beyond the budget period is extrapolated using a growth rate of 1-10%. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows or outflows which include budgeted sales and gross margin. This estimation is based on the cash-generating unit's past performance and management's expectations for market developments.

20. INTERESTS IN SUBSIDIARIES

The Company

	2013 RMB'000	2012 RMB'000 (Restated)
Listed shares, at cost	**2,770,688**	403,244
Unlisted shares, at cost	**2,343,262**	4,597,956
Due from subsidiaries	**866,667**	990,205
	5,980,617	5,991,405
Accumulated impairment[#]	**(638,810)**	(638,810)
Carrying value	**5,341,807**	5,352,595
Market value of listed shares	**4,727,577**	952,634

[#] An impairment was recognised for certain investments with costs of RMB818,063,000 (2012: RMB818,063,000). The recoverable amount of the interests in Abra has been determined based on the fair value of Abra's net identifiable assets less disposal costs. The fair value of Abra's exploration tenements, which are its main assets, were determined based on the PEM method.

20. INTERESTS IN SUBSIDIARIES (Continued)

Pursuant to the loan agreement signed on 31 October 2007, the balances due from HNC (Australia) Resources Holding Pty Ltd.("HNC Australia") totaling RMB659,783,000 (equivalent to AUD119,872,000) (2012: RMB782,567,000 (equivalent to AUD119,872,000)) are unsecured, bearing interest based on lending interest rates quoted by loan banks to the lender, but not higher than base rate +0.3% quoted by the Reserve Bank of Australia, and payable by installments before 2016. Pursuant to the revised loan agreement signed on and effective from 1 January 2009, the interest does not become due and payable until such a time that the HNC Australia has generated net profit.

Pursuant to the loan agreement signed on 16 June 2009, the balance due from HNC Australia totaling RMB54,301,000 (equivalent to AUD10,000,000) (2012: RMB65,363,000 (equivalent to AUD10,000,000)) is unsecured, interest-free and repayable in 2013.

The balance due from Beaver Brook Antimony Mine Inc., ("BBAM") totaling RMB37,218,000 (equivalent to USD5,932,000) (2012: RMB36,969,000 (equivalent to USD5,752,000)) bears interest based on the lower of the interest rate of 5-year and above quoted by the People's Bank of China and Bank of Canada. The loan will be settled in full in the ninth year from the first drawdown date which was 29 September 2009. The interest does not become due and payable until such a time that BBAM has generated net profit. Interest will be accrued from 1 January of the year when the borrower has generated net profit.

On 27 April 2012, the Company signed a loan agreement with BBAM. The balance of RMB31,758,000 (equivalent to CAD5,523,000) (2012: RMB32,789,000 (equivalent to CAD5,190,000) is unsecured, interest-bearing at 2-year loan lending rate of People's Bank of China and repayable on 5 June 2014.

On 5 March 2013, the Company signed a new loan agreement with BBAM. The balance of RMB50,375,000 (equivalent to CAD8,798,000) is unsecured, interest-bearing at 2-year loan lending rate of People's Bank of China and repayable on 6 June 2015.

On 27 April 2012, the Company signed a loan agreement with Abra. The balance of RMB21,720,000 (equivalent to AUD4,000,000) (2012: RMB26,145,000 (equivalent to AUD4,000,000)) is unsecured, interest-free and repayable on 26 June 2014. As at 31 December 2013, the balance is classified as current assets and grouped under other receivables.

On 27 December 2013, the board of directors of the Company resolved that the above capital supports provided to HNC Australia and BBAM are net investments in nature as settlement of these loans are not expected in the foreseeable future, the involved balance amounts to RMB866,667,000 (equivalent to the total of AUD135,992,000, CAD14,321,000 and USD5,932,000).

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

20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2013 and 2012 are as follows:

Name	Note	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company				Principal activities
				2013		2012		
				Direct %	Indirect %	Direct %	Indirect %	
Zhuzhou Smelter Group Holding Co., Ltd. (株洲冶煉集團有限責任公司)		the PRC 6 July 1992	RMB872,888	63.31	—	63.31	—	Investment holding
Zhuzhou Smelter Group Co., Ltd.*/# (株洲冶煉集團股份有限公司)		the PRC 20 December 1993	RMB527,458	3.28	28.16	3.28	28.16	Smelting of zinc products and nonferrous metals
Hunan Zhuye Torch Metals Import and Export Company Limited*/& (湖南株冶火炬金屬進出口有限公司)		the PRC 2 July 2001	RMB80,000	—	31.44	—	31.44	Trading of commercial products and technology
Chenzhou Huoju Kuangye Ltd.*/& (郴州火炬礦業有限責任公司)		the PRC 16 April 2003	RMB2,000	—	31.44	—	31.44	Trading of metal ingots
Shanghai Jinhuoju Metals Ltd.*/& (上海金火炬金屬有限公司)		the PRC 14 April 1999	RMB1,500	—	31.44	—	31.44	Trading of metal ingots
Foshan City Nanhai Jinhuoju Metals Ltd.*/& (佛山市南海金火炬金屬有限公司)		the PRC 17 November 2000	RMB3,000	—	31.44	—	31.44	Trading of metal ingots
Torch Metal Limited */& (火炬金屬有限公司)		Hong Kong 15 December 1992	HKD5,000	—	31.44	—	31.44	Trading of metal ingots
Torch Zinc Limited */& (火炬鋅業有限公司)		Hong Kong 16 April 2004	USD100	—	28.30	—	28.30	Trading of metal ingots
Zhongwu Gaoxin Materials Company Limited (中鎢高新材料股份有限公司)	(c)	the PRC 18 March 1993	RMB628,654 (2012: RMB222,575)	60.94	—	35.28	—	Manufacturing and trading of hard alloy
Zhuzhou Cemented Carbides Group Corp., Ltd. (株洲硬質合金集團有限公司)	(c)	the PRC 15 November 1980	RMB1,645,761	—	60.94	100.00	—	Manufacturing of hard alloys and refractory metal compounds
ZCC Import and Export Company Limited (株洲硬質合金進出口公司)	(c)	the PRC 29 October 1987	RMB50,000 (2012: RMB30,000)	—	61.69	—	99.95	Trading of metal compounds

20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2013 and 2012 are as follows: (Continued)

Name	Note	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company				Principal activities
				2013		2012		
				Direct %	Indirect %	Direct %	Indirect %	
Zhuzhou Diamond Cutting Tools Company Limited* (株洲鑽石切削刀具股份有限 公司)	(c)	the PRC 7 June 2002	RMB500,000	—	**49.57**	—	81.35	Manufacturing of metal and alloy products
Shenzhen Jinzhou Jinggong Scientific and Technological Company Limited* (深圳市金洲精工科技股份有限公司)	(a)/(b)/(c)	the PRC 10 June 1986	RMB61,109	—	**45.71**	—	72.08	Manufacturing of metal and alloy products
Zhuzhou Changjiang Cemented Carbides Tools Company Limited ("Zhuzhou Changjiang") (株洲長江硬質合金工具有限公司)	(a)/(c)	the PRC 20 April 1992	RMB59,764	—	**60.94**	—	100.00	Manufacturing of metal and alloy products
Zhuzhou Yinzhi Hejin Jiagong Ltd. ("Zhuzhou Jiagong") (株洲市硬質合金加工有限公司)	(a)/(c)	the PRC 23 January 2001	RMB6,000	—	**60.94**	—	100.00	Manufacturing of metal and alloy products
Zhuzhou Jinyuan Feijiu Huishou Ltd. ("Zhuzhou Jinyuan") (株洲市金源廢舊回收有限公司)	(a)/(c)	the PRC 23 August 2001	RMB1,000	—	**60.94**	—	100.00	Recycling of productive waste materials
Chenzhou Diamond Tungsten Products Company Limited (郴州鑽石鎢製品有限責任公司)	(c)	the PRC 18 December 2001	RMB120,000	—	**75.50**	—	98.94	Manufacturing of chemical products
Zigong Cemented Carbides Company Limited* (自貢硬質合金有限責任公司)	(c)	the PRC 28 July 1998	RMB500,000	—	**48.75**	80.00	—	Manufacturing of hard alloys and refractory metal compounds
Zigong Keruide New Materials Co., Ltd.* (自貢科瑞德新材料有限責任公司)	(c)	the PRC 24 January 2003	RMB21,454	—	**28.92**		47.46	Manufacturing and trading of hard alloys products
Zigong AsiaTech High-Tech Ltd.* (自貢亞西泰克高新技術有限責任公司)	(c)	the PRC 11 September 2001	RMB6,600	—	**26.59**	—	43.64	Manufacturing hard alloys equipment

20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2013 and 2012 are as follows: (Continued)

Name	Note	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company				Principal activities
				2013		2012		
				Direct %	Indirect %	Direct %	Indirect %	
Zigong Cemented Carbide Import and Export Company Limited* (自貢硬質合金進出口貿易有限責任公司)	(c)	the PRC 22 September 2003	RMB3,000	—	48.75	—	78.40	Trading of 1metal compounds
Hsikwangshan Twinkling Star Antimony Co., Ltd. (錫礦山閃星銻業有限責任公司)		the PRC 4 June 2001	RMB567,310 (2012: RMB467,310)	100.00	—	100.00	—	Mining and smelting of nonferrous metals
Shanghai Shanxing Diye Ltd. ("Shanghai Shanxing") (上海閃星銻業貿易有限公司)	(a)	the PRC 20 October 2004	RMB2,000	—	100.00	—	100.00	Trading of nonferrous metals
Guangzhou Shanxing Diye Ltd. ("Guangzhou Shanxing") (廣州閃星銻業有限公司)	(a)	the PRC 10 May 2005	RMB2,000	—	100.00	—	100.00	Trading of nonferrous metals
Beijing Shanxing Diye Ltd. ("Beijing Shanxing") (北京閃星銻貿易有限公司)	(a)	the PRC 29 August 2006	RMB5,000	—	100.00	—	100.00	Trading of nonferrous metals
Hsikwangshan Twinkling Star Imp. & Exp. Company Limited (湖南錫礦山閃星銻業進出口有限責任公司)		the PRC 17 November 2006	RMB15,000	—	100.00	—	100.00	Trading of nonferrous metals
Hunan Shizhuyuan Nonferrous Metals Co., Ltd. (湖南柿竹園有色金屬有限責任公司)		the PRC 19 December 1981	RMB461,704	97.35	—	97.35	—	Mining of nonferrous metals
Hunan Bismuth Co., Ltd.* (湖南鉍業有限責任公司)		the PRC 18 June 2008	RMB150,000	—	49.65	—	49.65	Trading of bismuth and nonferrous metals
Chenzhou Wuling Ming Resource Perambulation Company Limited (郴州五嶺礦產資源勘查有限責任公司)		the PRC 25 May 2007	RMB20,000	70.00	—	70.00	—	Perambulating of nonferrous metal resources
Hunan Nonferrous Xintianling Tungsten Co., Ltd. ("Xintianlin") (湖南有色新田嶺鎢業有限公司)		the PRC 10 January 2008	RMB518,000	96.53	—	96.53	—	Mining of nonferrous metals

20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2013 and 2012 are as follows: (Continued)

Name	Note	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company				Principal activities
				2013		2012		
				Direct %	Indirect %	Direct %	Indirect %	
Hengyang Yuanjing Tungsten Co., Ltd. (衡陽遠景鎢業有限責任公司)		the PRC 23 January 2003	RMB25,840	**98.33**	**—**	98.33	—	Mining of nonferrous metals
Hunan Nonferrous Xitian Mning Co.,Ltd. (湖南有色錫田礦業有限公司)		the PRC 2 February 2008	RMB30,000	**70.00**	**—**	70.00	—	Perambulating of nonferrous metal resources
HNC (Australia) Resources Holding Pty Ltd. (湖南有色澳洲資源投資有限公司)		Australia 28 March 2007	AUD47,000	**100.00**	**—**	100.00	—	Developing of nonferrous metal resources
Abra Mining Pty Limited (愛博礦業有限公司)		Australia 27 July 2004	AUD33,215	**100.00**	**—**	100.00	—	Mineral exploration and project evaluation
Beaver Brook Antimony Mine Inc. (加拿大水獺溪銻礦有限公司)		Canada 11 September 2009	CAD12,833	**100.00**	**—**	100.00	—	Mineral exploration and project valuation
Hunan Nonferrous Jinsha Fluorite Company Limited ("Jinsha Fluorite") (湖南有色金沙螢石有限公司)	(d)	the PRC 20 December 2013	RMB15,000	**51.00**	**—**	—	—	Recovery of fluorite in the polymetallic tailings of the Huangshaping Mining Branch
Hunan Nonferrous Tai Li Mining Company Limited ("Tai Li") (湖南有色泰利礦業有限公司)	(d)	the PRC 29 March 2013	RMB10,000	**51.00**	**—**	—	—	Trading of mineral products

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

Zhuye is controlled by the Group by virtue of the dominant voting interest in Zhuye, dispersion of holding of other vote holders, participation rate of shareholders and previous shareholders' meetings.

& These companies are subsidiaries of Zhuye.

The above table lists the subsidiaries of the Company which, principally affected the results for the year ended 31 December 2013 or formed a substantial portion of the net assets of the Group.

20. INTERESTS IN SUBSIDIARIES (Continued)

Notes:

(a) During the year 2012, the Company has acquired further interests in Shanghai Shanxing, Guangzhou Shanxing, Beijing Shanxing, Shenzhen Jinzhou, Zhuzhou Changjiang, Zhuzhou Jiagong and Zhuzhou Jinyuan from non-controlling interests. Upon the completion of the further acquisition, except the Company hold 72.08% equity interest in Shenzhen Jinzhou, the Company holds 100% equity interest in the above entities. Please refer to note 38 for details.

(b) During the year 2013, the Company has acquired a further interest of 2.92% in Shenzhen Jinzhou. Upon the completion of the further acquisition, the Company holds 75% equity interest in Shenzhen Jinzhou. Please refer to note 38 for details.

(c) During the year 2013, the directors reassess the control of Zhongwu Gaoxin by the Company, please refer to note 2.1 for details.

During the year 2013, Zhongwu Gaoxin issued and allotted approximately 304.6 million shares to the Company to purchase 100% equity interests in Zhuying and 80% equity interests in Zigong, the Group's equity interests in Zhongwu Gaoxin were increased from 35.28% to 72.67% and the Group's equity interests in Zhuying and Zigong were diluted by approximately 27.33% and 21.86% to 72.67% and 58.14% respectively.

On 6 December 2013, the directors resolved to approve Zhongwu Gaoxin to issue additional 101.5 million shares by way of private placement. Upon the completion of the share issue, the Group's equity interests in Zhongwu Gaoxin, Zhuying and Zigong were further diluted by approximately 11.73%, 11.73% and 9.39% to 60.94%, 60.94% and 48.75% respectively. Please refer to note 40 for details. The Group's equity interests in the subsidiaries of Zhongwu Gaoxin, Zhuying and Zigong were diluted accordingly.

(d) The Company entered into a project cooperation agreement with Hunan Nonferrous Metals Investment Limited ("Nonferrous Investment"), a wholly owned subsidiary of HNG, to establish Jinsha Fluorite to engage in recovery of fluorite in the polymetallic tailings of the Huangshaping Mining Branch. Nonferrous Investment injected a capital of RMB7,350,000. The Group held 51% equity interests in Jinsha Fluorite.

The Company sign a cooperation agreement with an independent third party to establish Tai Li, the independent third party injected a capital of RMB4,900,000. The Group held 51% equity interests in Tai Li.

The total non-controlling interests at the end of the reporting period are RMB2,298,038,000, of which RMB444,310,000 is attributable to Zhuye. The non-controlling interests in respect of remaining subsidiaries are not material.

20. INTERESTS IN SUBSIDIARIES (Continued)

Summarized financial information on subsidiaries with material non-controlling interests

Set out below are the summarized financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised statement of financial position

	Zhuye	
	2013	2012
	RMB'000	RMB'000
Non-current assets	**3,669,038**	3,630,735
Current assets	**2,270,245**	2,699,285
Current liabilities	**(4,773,706)**	(4,154,802)
Non-current liabilities	**(517,517)**	(1,401,208)
Net assets	**648,060**	774,010
Carrying amount of non-controlling interests	**444,310**	530,661
Percentage of non-controlling interests	**68.56%**	68.56%

Summarised statement of profit or loss

	Zhuye	
	2013	2012
	RMB'000	RMB'000
Revenue	**9,975,578**	8,904,164
Profit/(loss) before income tax	**4,182**	(567,614)
Income tax expense	**—**	(15,830)
Profit/(loss) for the year	**4,182**	(583,444)
Other comprehensive loss	**(130,132)**	—
Total comprehensive loss	**(125,950)**	(583,444)
Total comprehensive loss allocated to non-controlling interests	**(86,351)**	(400,009)
Dividends paid to non-controlling interests	**—**	—

20. INTERESTS IN SUBSIDIARIES (Continued)

Summarised statement of cash flows

	Zhuye 2013 RMB'000	Zhuye 2012 RMB'000
Net cash generated from operating activities	**637,355**	272,944
Net cash used in investing activities	**(130,828)**	(176,318)
Net cash used in financing activities	**(394,727)**	(141,050)
Net increase/(decrease) in cash and cash equivalents	**111,800**	(44,424)
Cash and cash equivalents at beginning of year	**68,436**	113,508
Effect of foreign exchange rate changes, net	**21**	(648)
Cash and cash equivalents at end of year	**180,257**	68,436

21. INTEREST IN AN ASSOCIATE

	2013 RMB'000	2012 RMB'000 (Restated)
Unlisted shares, at cost	**44,037**	44,037
Share of profit of an associate, net of dividends declared	**19,452**	22,940
Carrying value	**63,489**	66,977

Particulars of the associate as at 31 December 2013 and 2012 are as follows:

Name	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Group 2013 Indirect %	Percentage of equity interests attributable to the Group 2012 Indirect %	Principal activities
Hunan Nonferrous Chenzhou Fluorine Chemistry Co., Ltd. (湖南有色郴州氟化學有限公司)	the PRC 8 April 2009	RMB110,000	**37.97**	37.97	Manufacturing and trading of fluorine products

21. INTEREST IN AN ASSOCIATE (Continued)

Summarised financial information in respect of the Group's unlisted associate is as follows:

	2013 RMB'000	2012 RMB'000 (Restated)
Revenue	**250,938**	232,695
Profit for the year	**26,056**	39,803
Dividend declared	**35,000**	11,000
Non-current assets	**304,602**	307,918
Current assets	**141,667**	90,832
Current liabilities	**(268,073)**	(210,298)
Non-current liabilities	**(12,596)**	(13,106)
Net assets	**165,600**	175,346
Shared by the Group:		
Profit for the year	**10,162**	15,523
Dividend declared	**13,650**	4,290
Net assets	**63,489**	66,977

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
At 1 January	**181,084**	226,100	**7,541**	10,047
Cost of disposals	**(11,035)**	(814)	**—**	—
Exchange differences	**(319)**	225	**—**	—
Impairment charge (note 7)	**(236)**	(2,692)	**—**	—
Net realised gains transferred from equity	**(130,132)**	(13,801)	**—**	—
Net unrealised gains/(losses) transferred to equity	**2,601**	(27,934)	**(237)**	(2,506)
At 31 December	**41,963**	181,084	**7,304**	7,541
Listed equity investments, at fair value	**18,120**	145,799	**7,304**	7,541
Unlisted equity investments, at cost	**23,843**	35,285	**—**	—
	41,963	181,084	**7,304**	7,541

During the year, the net gains of the Group's available-for-sale financial assets recognised directly in equity amounted to RMB127,531,000 (2012: RMB14,133,000) of which gain of RMB130,132,000 arising from disposal of shares in Western Mining Company Limited (2012: RMB13,801,000 arising from disposal of shares in Western Metal Materials Co. Ltd.) was removed from equity and recognised in the consolidated statement of profit or loss for the year.

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

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

23. DEFERRED TAX

Deferred income tax – Group and Company

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

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Deferred tax assets	**(128,365)**	(78,224)	**(13,396)**	(8,529)
Deferred tax liabilities	**201,242**	212,744	**—**	—
Deferred tax liabilities/(assets), net	**72,877**	134,520	**(13,396)**	(8,529)

Deferred tax assets

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

The Group

	Asset impairment	Property, plant and equipment with higher tax base	Remeasurements of defined benefit retirement schemes	Tax losses	Other temporary differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012 (Restated)	39,780	18,294	24,962	7,620	10,276	100,932
(Charged)/credited to consolidated statement of profit or loss (note 10)	(7,925)	102	(4,720)	(7,222)	(2,138)	(21,903)
Charged to other comprehensive loss	—	—	(805)	—	—	(805)
At 31 December 2012 and 1 January 2013 (Restated)	**31,855**	**18,396**	**19,437**	**398**	**8,138**	**78,224**
(Charged)/credited to consolidated statement of profit or loss (note 10)	**(5,809)**	**1,080**	**3,987**	**40,456**	**15,128**	**54,842**
Charged to other comprehensive loss	**—**	**—**	**(4,701)**	**—**	**—**	**(4,701)**
At 31 December 2013	**26,046**	**19,476**	**18,723**	**40,854**	**23,266**	**128,365**

23. DEFERRED TAX (Continued)

The Company

	Assets impairment	Remeasurements of defined benefit retirement schemes	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2012	507	10,291	10,798
Charged to other comprehensive income	(99)	(1,736)	(1,835)
Credited to reserves	—	(434)	(434)
At 31 December 2012 and 1 January 2013	**408**	**8,121**	**8,529**
Charged to other comprehensive income	**(107)**	**6,522**	**6,415**
Charged to reserves	**—**	**(1,548)**	**(1,548)**
At 31 December 2013	**301**	**13,095**	**13,396**

The Group has tax losses arising in the PRC and overseas of RMB1,881,418,000 and RMB796,745,000 (equivalent to AUD146,727,500) (2012: RMB2,235,052,000 and RMB802,298,000 (equivalent to AUD122,745,000)) respectively that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company and certain subsidiaries of the Group which have been loss-making, and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Under current tax legislation, the tax losses arising in the PRC will expire in 5 years, and the tax losses arising in Australia have no expiry date.

23. DEFERRED TAX (Continued)

Deferred tax liabilities

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

The Group

	Revaluation surplus RMB'000	Recognition of unrealised gains on available-for-sale financial assets RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2012	149,837	43,320	55,581	248,738
Credited to consolidated statement of profit or loss (note 10)	(1,948)	—	(10,918)	(12,866)
Credited to other comprehensive loss	—	(25,404)	—	(25,404)
Exchange differences	—	—	2,276	2,276
At 31 December 2012 and 1 January 2013	**147,889**	**17,916**	**46,939**	**212,744**
(Credited)/charged to consolidated statement of profit or loss (note 10)	**(1,748)**	**—**	**6,063**	**4,315**
Charged to other comprehensive loss	**—**	**426**	**—**	**426**
Exchange differences	**—**	**—**	**(16,243)**	**(16,243)**
At 31 December 2013	**146,141**	**18,342**	**36,759**	**201,242**

24. INVENTORIES

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Raw materials	**1,943,916**	2,181,875	**23,771**	21,117
Work in progress	**2,199,612**	2,034,419	**—**	—
Finished goods	**2,038,860**	2,434,169	**9,675**	10,501
	6,182,388	6,650,463	**33,446**	31,618
Less: write-down of inventories	**(159,944)**	(289,119)	**(1,203)**	(1,631)
	6,022,444	6,361,344	**32,243**	29,987

The cost of inventories recognised as expense and included in "cost of sales" amounted to RMB29,167,475,000 (2012: RMB23,844,947,000) (note 7).

At 31 December 2013, part of the Group's deposits for derivatives were secured by certain of the Group's inventories, with a carrying amount of RMB1,780,000 (2012: RMBNil) (note 32).

25. TRADE RECEIVABLES

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

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

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Within 1 year	**1,209,095**	1,658,579	**5,105**	74,944
Over 1 year but within 2 years	**16,589**	12,803	**—**	23
Over 2 years but within 3 years	**6,889**	2,979	**—**	—
Over 3 years	**48,351**	54,058	**5,412**	5,412
	1,280,924	1,728,419	**10,517**	80,379
Less: Provision for impairment	**(70,425)**	(68,150)	**(5,373)**	(5,380)
	1,210,499	1,660,269	**5,144**	74,999

25. TRADE RECEIVABLES (Continued)

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

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
At 1 January	**68,150**	63,783	**5,380**	5,412
Provision for/(reversal of) impairment	**5,593**	6,862	**(7)**	(32)
Uncollectible amounts written off	**(3,318)**	(2,495)	**—**	—
At 31 December	**70,425**	68,150	**5,373**	5,380

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB70,425,000 (2012: RMB68,150,000). The individually impaired trade receivables relate to customers that were in financial difficulties and almost all of the receivables cannot be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Neither past due nor impaired	**691,020**	1,360,344	**5,105**	74,944
Less than 3 months past due	**466,243**	261,896	**—**	—
3 to 9 months past due	**38,360**	27,549	**—**	—
More than 9 months past due	**14,876**	10,480	**39**	55
	1,210,499	1,660,269	**5,144**	74,999

25. TRADE RECEIVABLES (Continued)

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

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

At 31 December 2013, included in the trade receivables of the Group are balance due from HNG and its subsidiaries ("HNG Group") and CMC and its subsidiaries ("Minmetals Group") of RMB1,325,000 and RMB135,370,000 respectively (2012: RMB443,471,000 and RMB425,003,000 respectively) which are unsecured, interest-free and receivable on demand.

At 31 December 2013, included in the trade receivables of the Group is the balance due from an associate of RMB3,856,000 (2012: RMB506,000) which is unsecured, interest-free and receivable in accordance with normal credit terms to those offered to the major customers of the Group.

At 31 December 2013, the Group's bank loans were secured by certain of the Group's trade receivables, with an aggregate net carrying amount of RMB549,226,000 (2012: RMB791,703,000) (note 32).

26. BILLS RECEIVABLE

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Within 120 days	**516,400**	524,126	**11,050**	17,400
Over 121 days but within 1 year	**444,862**	262,244	**200**	29,800
	961,262	786,370	**11,250**	47,200

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

At 31 December 2013, the Group's bills payable were secured by certain of the Group's bills receivable, with an aggregate net carrying amount at RMBNil (2012: RMB9,500,000) (note 30).

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Prepayments to suppliers (note (a),(b))	**470,025**	453,260	**3,499**	1,327
Deposit for acquisition of additional interest in a subsidiary	**—**	8,673	**—**	—
Deposits for derivative financial instruments (note (c))	**99,559**	13,264	**—**	—
Derivative financial assets (note (d))	**—**	6,054	**—**	—
Other receivables (note (a),(b),(e))	**1,274,384**	1,168,559	**809,773**	843,899
	1,843,968	1,649,810	**813,272**	845,226
Less: Provision for impairment	**(181,535)**	(194,221)	**(52,895)**	(63,176)
	1,662,433	1,455,589	**760,377**	782,050

(a) At 31 December 2013, included in the prepayments to suppliers and other receivables of the Group are balances from the HNG Group and Minmetals Group of RMB74,664,000 and RMB21,466,000 respectively (2012: RMB32,316,000 and RMB2,270,000 respectively) which are unsecured, interest-free and receivable on demand.

(b) At 31 December 2013, included in the prepayments to suppliers and other receivables of the Group is balance due from an associate of RMB20,919,000 (2012: RMB5,781,000) which is unsecured, interest-free and receivable on demand.

(c) The Group placed deposits with independent futures trading agents and Minmetals Futures Company Limited ("Minmetals Futures"), an indirectly wholly-owned subsidiary of CMC, for commodity derivative contracts entered by the Group in the normal course of business primarily to protect the Group from the impact of price fluctuation in nonferrous metals commodities. As at 31 December 2013, the deposit placed with Minmetals Futures amounted to RMB89,046,000 (2012: RMBNil).

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

(e) The other amounts with third parties are unsecured, interest-free and have no fixed terms of repayment. At 31 December 2013, the Group does not hold any collateral or other credit enhancements over these balances except for other receivables amounted to approximately RMB69,380,000 (equivalent to AUD12,777,000) (2012: RMB79,320,000 (equivalent to AUD12,135,000)) being secured by way of charges over the third party's assets in the mining tenements.

28. CASH AND BANK BALANCES AND TIME DEPOSITS

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Cash and bank balances	**1,784,446**	696,520	**132,708**	176,996
Time deposits	**8,869**	22,376	**—**	—
	1,793,315	718,896	**132,708**	176,996
Less: pledged cash and time deposits	**(6,900)**	(78,116)	**—**	—
Less: non-pledged time deposits with maturity over three months from date of deposits	**(4,441)**	(771)	**—**	—
Cash and cash equivalents	**1,781,974**	640,009	**132,708**	176,996

At the end of the reporting period, the cash and bank balances and time deposits denominated in RMB amounted to RMB1,572,911,000 (2012: RMB382,610,000). The RMB is not freely convertible into other currencies; however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

29. TRADE PAYABLES

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

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Within 1 year	**1,187,667**	1,478,298	**19,111**	32,241
Over 1 year but within 2 years	**38,308**	25,466	**1,160**	975
Over 2 years but within 3 years	**4,777**	2,963	**639**	44
Over 3 years	**14,196**	12,348	**390**	366
	1,244,948	1,519,075	**21,300**	33,626

At 31 December 2013, included in trade payable of the Group are balance due to HNG Group and Minmetals Group of RMB6,232,000 and RMB246,968,000 respectively (2012: RMB87,297,000 and RMB357,536,000 respectively) which are unsecured, interest-free and repayable within trade credit periods.

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

30. BILLS PAYABLE

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

	The Group	
	2013	2012
	RMB'000	RMB'000
Within 120 days	**10,000**	237,500
Over 121 days but within 1 year	**32,493**	275,779
	42,493	513,279

Cash and time deposits amounting to RMB3,000,000 (2012: RMB68,410,000) were pledged to banks for the issuance of bills payable.

At 31 December 2013, certain of the Group's bills receivable amounting to RMBNil (2012: RMB9,500,000) were pledged to banks for issuance of bills payable (note 26).

31. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Advances from customers	**722,685**	612,296	**9,247**	11,830
Accrued taxes other than income tax	**60,640**	41,539	**6,808**	8,905
Accrued salaries, wages and benefits	**93,996**	93,492	**10,529**	11,115
Payables for mining rights – current portion (note 34)	**237,443**	306,618	**74,447**	74,447
Derivative financial liabilities (note 27(d))	**20,853**	—	**—**	—
Accrued expenses and other payables	**601,610**	2,293,092	**220,746**	422,750
	1,737,227	3,347,037	**321,777**	529,047

At 31 December 2013, included in other payables and accruals of the Group (excluding the payables for mining rights – current portion) are balances due to the HNG Group and Minmetals Group of RMB254,209,000 and RMB23,926,000 respectively (2012: RMB1,936,818,000 and RMB6,515,000 respectively) which are unsecured, interest-free and repayable on demand.

At 31 December 2013, included in other payables and accruals of the Group and the Company are the current portion of payables to HNG of RMB230,733,000 (2012: RMB299,908,000) and RMB74,447,000 (2012: RMB74,447,000) respectively, in connection with the purchase of mining rights (note 34).

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

	2013			2012		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current:						
Bank loans – unsecured	**1.24-6.50**	**2014**	**3,711,274**	0.97-6.90	2013	4,228,386
Bank loans – unsecured	**—**	**—**	**—**	Export seller's credit interest rate of the People's Bank of China	2013	80,000
Bank loans – unsecured	**—**	**—**	**—**	105% of Prime Rate	2013	300,000
Bank loans – unsecured	**90% of Prime Rate**	**2014**	**70,000**	90% of Prime Rate	2013	54,000
Bank loans – unsecured	**95% of Prime Rate**	**2014**	**270,000**	95% of Prime Rate	2013	240,000
Bank loans – unsecured	**LIBOR+1.3**	**2014**	**30,484**	LIBOR+1.3	2013	25,142
Bank loans – unsecured	**LIBOR+2.6**	**2014**	**27,436**	LIBOR+2.6	2013	28,285
Bank loans – secured	**2.90-6.15**	**2014**	**1,048,432**	5.21-6.15	2013	431,522
Bank loans – secured	**—**	**—**	**—**	105% of Prime Rate	2013	218,900
Bank loans – secured	**—**	**—**	**—**	110% of Prime Rate	2013	70,000
Bank loans – secured	**—**	**—**	**—**	95% of Prime Rate	2013	10,000
Loans from HNG	**3.90-6.15**	**2014**	**4,889,660**	5.4-6.00	2013	1,523,000
Other borrowings – unsecured	**2.15-4.54**	**2014**	**59,798**	4.58	2013	25,126
Other borrowings – unsecured	**—**	**—**	**—**	90% of Prime Rate	2013	90,000
Other borrowings – secured	**2.90**	**2014**	**10**	5.21	2013	36
			10,107,094			7,324,397
Non-current:						
Bank loans – unsecured	**4.20-6.98**	**2015-2016**	**1,131,470**	4.76-6.90	2014-2016	1,254,323
Bank loans – unsecured	**—**	**—**	**—**	105% of Prime Rate	2015	40,000
Bank loans – unsecured	**—**	**—**	**—**	90% of Prime Rate	2014	75,000
Bank loans – unsecured	**LIBOR+1.3**	**2016**	**91,453**	LIBOR+1.3	2016	125,710
Bank loans – unsecured	**LIBOR+2.6**	**2018**	**109,744**	LIBOR+2.6	2018	121,755
Bank loans – secured	**6.40-6.98**	**2015**	**129,000**	6.15	2014	99,500
Loans from HNG	**5.32-6.15**	**2015-2018**	**2,520,000**	5.32-6.15	2014-2018	2,050,000
Other borrowings – unsecured	**2.10-4.45**	**2015-2023**	**35,243**	2.10-6.98	2014-2023	72,671
Other borrowings – unsecured	**—**	**—**	**—**	105% of Prime Rate	2014	25,000
Other borrowings – secured	**—**	**—**	**—**	2.90	2014	10
			4,016,910			3,863,969
			14,124,004			11,188,366

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

The Company

	2013			2012		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current:						
Bank loans – unsecured	5.60-6.40	2014	581,000	4.76-6.00	2013	338,000
Bank loans – unsecured	LIBOR+1.3	2014	30,484	LIBOR+1.3	2013	25,142
Bank loans – unsecured	LIBOR+2.6	2014	27,436	LIBOR+2.6	2013	28,285
Bank loans – secured	—	—	—	6.00	2013	12,022
Bank loans – secured	—	—	—	105% of Prime Rate	2013	30,000
Bank loans – secured	—	—	—	95% of Prime Rate	2013	10,000
Loans from HNG	5.40-6.15	2014	760,000	6.00	2013	600,000
Other borrowings – unsecured	—	—	—	Prime Rate-10	2013	90,000
			1,398,920			1,133,449
Non-current:						
Bank loans – unsecured	6.15	2015-2016	436,000	6.15-6.40	2014-2016	290,000
Bank loans – unsecured	LIBOR+1.3	2016	91,454	LIBOR+1.3	2016	125,710
Bank loans – unsecured	LIBOR+2.6	2018	109,744	LIBOR+2.6	2018	121,755
Loans from HNG	5.54-6.15	2015-2016	1,435,000	6.15	2014-2015	1,300,000
			2,072,198			1,837,465
			3,471,118			2,970,914

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

The Company (Continued)

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year	**5,157,626**	5,686,235	**638,920**	443,449
In the second year	**802,369**	870,000	**190,000**	100,000
In the third to fifth year, inclusive	**659,298**	724,533	**447,198**	315,710
Beyond five years	**—**	121,755	**—**	121,755
	6,619,293	7,402,523	**1,276,118**	980,914
Loans from HNG repayable:				
Within one year	**4,889,660**	1,523,000	**760,000**	600,000
In the second year	**880,000**	600,000	**700,000**	600,000
In the third to fifth year, inclusive	**1,640,000**	800,000	**735,000**	700,000
Beyond five years	**—**	650,000	**—**	—
	7,409,660	3,573,000	**2,195,000**	1,900,000
Other borrowings repayable:				
Within one year	**59,808**	115,162	**—**	90,000
In the second year	**3,350**	58,360	**—**	—
In the third to fifth year, inclusive	**1,730**	1,632	**—**	—
Beyond five years	**30,163**	37,689	**—**	—
	95,051	212,843	**—**	90,000
	14,124,004	11,188,366	**3,471,118**	2,970,914

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

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

	2013	2012
	RMB'000	RMB'000
Property, plant and equipment	**263,785**	459,319
Land lease prepayments	**205,233**	214,839
Trade receivables	**549,226**	791,703
Pledged deposits	**2,400**	—

At 31 December 2013, loans amounting to RMB7,409,660,000 (2012: RMB3,573,000,000) are granted by HNG to the Group through the banks.

At 31 December 2013, certain of the Group's bank loans to the extent of RMB750,587,900 and RMB90,000,000 (2012: RMB967,715,000 and RMB90,000,000) are guaranteed by HNG and CMC respectively.

33. OTHER LIABILITIES

	The Group		**The Company**	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Provision for supplementary pension subsidies and early retirement benefits (note (a))	**359,294**	396,693	**52,383**	62,024
Stock appreciation rights plan (note (b))	**2,809**	7,786	**2,809**	7,786
Provision for reclamation and rehabilitation	**27,068**	26,692	**—**	—
Special fiscal funds (note (c))	**302,780**	302,780	**302,780**	302,780
Balance as at 31 December	**691,951**	733,951	**357,972**	372,590
Represented by:				
Current portion included in other payables and accruals	**32,626**	31,759	**4,725**	5,521
Long-term liabilities	**659,325**	702,192	**353,247**	367,069
	691,951	733,951	**357,972**	372,590

33. OTHER LIABILITIES (Continued)

Notes:

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

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

	The Group	
	2013	2012
	RMB'000	RMB'000
Defined benefit obligations at 1 January	**396,693**	420,023
Interest costs recognised in administrative expenses (note 7)	**15,134**	15,142
Current service costs recognised in administrative expenses (note 7)	**3,454**	3,455
Prior services costs recognised in administrative expenses (note 7)	**1,585**	(3,384)
Remeasurements recognised in equity	**(29,516)**	(2,521)
Benefits paid	**(28,056)**	(36,022)
Defined benefit obligations at 31 December	**359,294**	396,693

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

	2013	2012
	%	%
Discount rate	**4.75**	3.75

The above obligations are determined based on actuarial valuations performed by an independent firm of actuaries, Towers Watson Consulting (Shanghai) Ltd., using the projected unit credit cost method.

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

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

33. OTHER LIABILITIES (Continued)

Notes: (Continued)

(b) Stock appreciation rights plan

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

Name	Stock appreciation rights (Number of shares)	Note
He Renchun	1,282,051	Chairman of board of directors and executive director (Resigned on 23 August 2010)
Cao Xiuyun	1,025,641	Vice chairman of the board of directors and Non-executive director
Li Li	897,436	Executive director and general manager
Zeng Shaoxiong	769,231	chairman of the supervisory committee (Resigned on 10 November 2010)
Liao Luhai	769,231	Executive director (Resigned on 27 December 2013)
Chen Zhixin	769,231	Non-executive director
Wu Longyun	641,027	Non-executive director (Resigned on 10 November 2010)
He Hongsen	641,026	Supervisor
Zhang Yixian	641,026	Non-executive director (Resigned on 10 November 2010)
Yang Bohua	512,820	Senior manager of a subsidiary company
Fu Shaowu	512,820	Senior manager of a subsidiary company (Resigned on 19 July 2012)
Yang Lingyi	512,820	Senior manager of a subsidiary company (Resigned in December 2009)
Hong Mingyang	512,820	Deputy general manager (Resigned on 25 November 2013)
Zhu Chongzhou	512,820	Senior manager of a subsidiary company (Resigned in May 2010)
	10,000,000	

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

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

The gain arising from the SARs during the year is RMB4,977,000 (2012: loss of RMB2,067,000) and the carrying amount of the liability relating to the SARs at 31 December 2013 is RMB2,809,000 (2012: RMB7,786,000). No SARs were exercised during the year ended 31 December 2013 and 2012.

33. OTHER LIABILITIES (Continued)

Notes: (Continued)

(b) Stock appreciation rights plan (Continued)

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

	The Group and the Company	
	2013	2012
Dividend yield (%)	**1**	1
Expected volatility (%)	**60**	60
Risk–free interest rate (%)	**0.16**	0.10
Expected life of option (years)	**0.73**	1.60
Weighted average share price (RMB)	**2.2808**	0.7785
Model used	**Binominal**	Binomial

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

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

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

34. PAYABLES FOR MINING RIGHTS

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Payables in connection with the purchases of mining rights	**338,563**	410,312	**74,447**	74,447
Less: Portion classified as current liabilities (note 31)	**(237,443)**	(306,618)	**(74,447)**	(74,447)
Classifed as non-current liabilities	**101,120**	103,694	**—**	—

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

In 2008, according to a resolution of the government of Hunan province, certain payables of the Group and the Company for purchasing the mining rights amounting of RMB358,553,000 and RMB95,921,000 respectively were transferred to HNG by the government. During the year, RMB69,175,000 and RMBNil (2012: RMB58,645,000 and RMB21,474,000) were repaid by the Group and the Company respectively. Accordingly, the payables for mining rights of the Group were unsecured, interest-free and had no fixed terms of repayment.

35. GOVERNMENT GRANTS

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**628,103**	332,913	**7,254**	10,282
Received during the year	**421,366**	528,856	**32,804**	18,250
Recognised as other income during the year (note 6)	**(439,951)**	(233,666)	**(33,162)**	(21,278)
At 31 December	**609,518**	628,103	**6,896**	7,254

36. SHARE CAPITAL

	2013 RMB'000	2012 RMB'000
Registered, issued and fully paid:		
– Domestic shares of RMB1.00 each	**2,035,330**	2,035,330
– H shares of RMB1.00 each	**1,632,728**	1,632,728
	3,668,058	3,668,058

37. RESERVES

The Group

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

37. RESERVES (Continued)

The Company

	Capital reserve RMB'000	Statutory reserve RMB'000 (note (a))	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2012	427,927	93,977	(20,244)	(684,421)	(182,761)
Comprehensive loss					
Loss for the year	—	—	—	(89,225)	(89,225)
Other comprehensive loss, net of tax					
Changes in fair value of available-for-sale financial assets, net of tax	—	—	(2,506)	—	(2,506)
Remeasurements of defined benefit retirement schemes, net of tax	—	—	—	1,301	1,301
Other comprehensive loss for the year, net of tax	—	—	(2,506)	1,301	(1,205)
Total comprehensive loss for the year	—	—	(2,506)	(87,924)	(90,430)
At 31 December 2012 and 1 January 2013	**427,927**	**93,977**	**(22,750)**	**(772,345)**	**(273,191)**
Comprehensive loss					
Loss for the year	**—**	**—**	**—**	**(238,393)**	**(238,393)**
Other comprehensive (loss)/income, net of tax					
Changes in fair value of available-for-sale financial assets, net of tax	**—**	**—**	**(237)**	**—**	**(237)**
Remeasurements of defined benefit retirement schemes, net of tax	**—**	**—**	**—**	**4,643**	**4,643**
Other comprehensive (loss)/income for the year, net of tax	**—**	**—**	**(237)**	**4,643**	**4,406**
Total comprehensive loss for the year	**—**	**—**	**(237)**	**(233,750)**	**(233,987)**
At 31 December 2013	**427,927**	**93,977**	**(22,987)**	**(1,006,095)**	**(507,178)**

37. RESERVES (Continued)

The Company (Continued)

Notes:

(a) Statutory reserve

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

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

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

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

(b) Distributability of reserves

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

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

(ii) Allocations to the statutory reserve (see note 37(a));

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

The above reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends. At 31 December 2013, the Group did not have any reserves available for distribution to owners of the Company (2012: RMBNil).

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

37. RESERVES (Continued)

The Company (Continued)

Notes: (Continued)

(c) Exchange fluctuation reserve comprises all foreign exchange differences on translation of the financial statements of foreign operations. The reserve is dealt with in accordance with summary of significant accounting policies set out in note 2.4.

Company accounted for the exchange differences arising from the capital supports provided to HNC Australia and BBAM in the past years are categorized it as "administrative expenses", which directly affected the profit or loss of the Company and the Group, and included such differences in "exchange fluctuation reserve" under equity. On 27 December 2013, the board of directors of the Company resolved that the above capital supports are net investments in nature as settlement of these loans are not expected in the foreseeable future, the aforesaid exchange differences were offset against relevant "exchange fluctuation reserve" of its overseas subsidiaries in consolidated financial statements, the involved balance amounted to RMB146,743,000.

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

During the year, the Group acquired an additional interest in a subsidiary. The details are as follows:

Name of subsidiaries	Date of acquisition	Additional equity interest acquired
Held by Zhuying:		
– Shenzhen Jinzhou	30 June 2013	2.92%

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

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

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

The details of the changes in the equity interests in these subsidiaries are summarized as follows:

	2013 RMB'000	2012 RMB'000
Carrying amount of non-controlling interests acquired	**5,515**	46,931
Consideration paid to non-controlling interests (note (a))	**(8,702)**	(66,360)
Excess of consideration paid over carrying amount	**(3,187)**	(19,429)

As a result of the above transactions, a total amount of RMB5,515,000 (2012: RMB46,931,000), being the carrying amount of non-controlling interests acquired, has been transferred from non-controlling interests.

The excess of consideration paid to non-controlling interests over the carrying amount of non-controlling interests acquired of RMB3,187,000 (2012: RMB19,429,000) has been debited to equity attributable to the owners of the Company.

Note:

(a) The directors resolved to approve Zhuying to acquire an additional 14.92% of the issued shares of Shenzhen Jinzhou for a purchase consideration at RMB44,403,000 and a deposit of equivalent amount was placed during 2011. Share transfers of 12.00% and 2.92% were completed on 15 May 2012 and 30 June 2013, and deposits of RMB35,730,000 and RMB8,673,000 were utilised during the year 2012 and 2013 respectively.

39. DISPOSAL OF SUBSIDIARIES

On 12 December 2013, Shizhuyuan, a 97.35% owned subsidiaries of the Company disposed 32.48% equity interests in Changsha Jintang Bismuth Company Limited ("Jintang Bismuth") to an independent third party at a cash consideration of approximately RMB583,000. As a result, Jintang Bismuth has ceased to be a subsidiary of the Group.

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

	Jintang Bismuth RMB'000
Non-current assets	
Property, plant and equipment (note 14)	**116**
Intangible assets (note 17)	**382**
Current assets	
Prepayments, deposits and other receivables	**1,116**
Cash and cash equivalents	**5**
Current liability	
Other payables and accruals	**(200)**
Net assets disposed of	**1,419**
Loss on disposal of a subsidiary:	
Consideration	
– Consideration received in cash	**583**
Net assets disposed of	**(1,419)**
Non-controlling interests	**695**
	141
Net cash inflow arising on disposal of a subsidiary:	
Consideration received in cash	**583**
Cash and cash equivalents of the disposed subsidiary	**(5)**
	578

39. DISPOSAL OF SUBSIDIARIES (Continued)

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

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

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

	Nanling Resource	Wangqing Ziying	Total
	RMB'000	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment (note 14)	704	18,930	19,634
Land lease prepayment (note 16)	—	117	117
Intangible assets (note 17)	—	45,485	45,485
Current assets			
Inventories	—	178	178
Prepayments, deposits and other receivables	40,084	441	40,525
Non-pledged time deposits with maturity over three months from date of deposits	5,000	—	5,000
Cash and cash equivalents	54,945	191	55,136
Current liabilities			
Trade payables	—	(445)	(445)
Other payables and accruals	(45)	(63,610)	(63,655)
Tax payable	(300)	—	(300)
Net assets disposed of	100,388	1,287	101,675

39. DISPOSAL OF SUBSIDIARIES (Continued)

	Nanling Resource RMB'000	Wangqing Ziying RMB'000	Total RMB'000
(Loss)/gain on disposal of subsidiaries:			
Consideration			
– Consideration received in cash	—	19,474	19,474
– Wavier of payables to disposed subsidiary	61,789	—	61,789
	61,789	19,474	81,263
Net assets disposed of	(100,388)	(1,287)	(101,675)
Non-controlling interests	38,148	—	38,148
	(451)	18,187	17,736
Net cash (outflow)/inflow arising on disposal of subsidiaries:			
Consideration received in cash	—	19,474	19,474
Cash and cash equivalents of the disposed subsidiaries	(54,945)	(191)	(55,136)
	(54,945)	19,283	(35,662)

40. GROUP RESTRUCTURING

On 23 June 2012, the Company entered into a sale and purchase agreement with Zhongwu Gaoxin and, pursuant to the supplemental agreement entered into on 8 September 2012, the Company conditionally agreed to dispose of its 100% equity interests in Zhuying and 80% equity interests in Zigong to Zhongwu Gaoxin in consideration of the issue and allotment of approximately 304.6 million shares of Zhongwu Gaoxin to the Company. The transaction was conditionally agreed by China Securities Regulatory Commission on 14 August 2013, and the equity transfer of Zhuying and Zigong was completed on 22 September and 24 September 2013 respectively, the share register of Zhongwu Gaoxin was accepted and confirmed by China Securities Depository and Clearing Corporation Limited on 25 October 2013. Each of Zhuying and Zigong become indirect subsidiaries of the Group, through the Company's shareholding in Zhongwu Gaoxin. The Group's equity interests in Zhuying and Zigong were diluted by approximately 27.33% and 21.86% from 100% and 80% to 72.67% and 58.14% respectively, and the Group's equity interests in Zhongwu Gaoxin were increased by approximately 37.39% from 35.28% to 72.67%.

As a result of the above transaction, a total amount of RMB527,335,000, being the carrying amount of non-controlling interests has been increased, and the capital reserves of the Company has been reduced correspondingly.

40. GROUP RESTRUCTURING (Continued)

On 6 December 2013, the directors resolved to approve Zhongwu Gaoxin to issue additional 101.5 million shares by way of private placement to not more than 10 target subscribers to raise funding up to an amount of RMB915.7 million in order to develop its core business and repay its long-term debts. Upon the completion of the share issue, the Group's equity interests in Zhongwu Gaoxin, Zhuying and Zigong were further diluted by approximately 11.73%, 11.73% and 9.39% from 72.67%, 72.67% and 58.14% to 60.94%, 60.94% and 48.75% respectively. The subscriber funds were deposited on 30 December 2013 and capital verification was performed by an independent third party. Zhongwu Gaoxin raised a total amount of RMB873,553,000 from non-controlling interests.

As a result of the above transaction, a total amount of RMB236,065,000, being the carrying amount of non-controlling interests has been reduced, and the capital reserves of the Company has been increased correspondingly.

The above shares issued were listed at Shenzhen Stock Exchange on 28 January 2014.

41. OPERATING LEASE COMMITMENTS

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

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

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Less than 1 year	**31,057**	21,476	**1,979**	1,979
More than 1 year and less than 5 years	**70,658**	78,221	**5,938**	7,917
More than 5 years	**102,105**	118,291	**—**	—
	203,820	217,988	**7,917**	9,896

42. CAPITAL COMMITMENTS

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

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Contracted, but not provided for:				
– Property, plant and equipment	**610,463**	346,458	**—**	—
– Others	**5,613**	30,691	**—**	—
	616,076	377,149	**—**	—

43. RELATED PARTY TRANSACTIONS

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

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

43. RELATED PARTY TRANSACTIONS (Continued)

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

(a) Transactions with HNG Group

	2013 RMB'000	2012 RMB'000
Nature of transactions		
Sales of raw materials and products	**672,626**	1,569,302
Provision of electricity and water	**6,231**	1,271
Subcontracting income	**—**	6,119
Rental income	**1,019**	140
Other service income	**2,045**	—
Purchases of raw materials and products	**438,609**	477,693
Transportation service fees	**28,081**	21,214
Repairs and maintenance fees	**53,103**	49,582
Subcontracting fees	**26,963**	21,811
Rental fees	**8,042**	8,620
Insurance expenses	**3,881**	—
Design fees	**5,315**	—
Property management service fees	**6,735**	7,755
Other service fees	**2,318**	—

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

43. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with Minmetals Group

	2013 RMB'000	2012 RMB'000
Nature of transactions		
Sales of raw materials and products	**2,524,035**	856,502
Subcontracting income	**—**	105
Purchases of raw materials and products	**2,834,569**	2,054,978
Repairs and maintenance expenses	**8,761**	12,119
Other service fees	**300**	—
Futures contract transaction fees	**105**	—

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

(c) Lease of land use right from HNG

	2013 RMB'000	2012 RMB'000
Nature of transactions		
Lease of land use rights	**15,125**	15,125

The Group has entered into property lease agreements on 35 pieces of land with HNG for terms of one to twenty years. The total annual rental fees were approximately RMB15,125,000 (2012: approximately RMB15,125,000).

(d) During the year ended 31 December 2013, the Group's significant transactions with other state-owned enterprises (excluding HNG Group and Minmetals Group) are a large portion of its sales of goods and purchases of raw materials, electricity, property, plant and equipment and services. In addition, substantially all bank deposits, cash and cash equivalents and borrowings as of 31 December 2013 and the relevant interest earned or paid during the year are transacted with banks and other financial institutions controlled by the PRC government.

44. FINANCIAL INSTRUMENT BY CATEGORY

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

The Group

	2013			
Financial assets	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Available-for-sale financial assets	—	41,963	—	41,963
Derivative financial assets	—	—	—	—
Trade receivables	1,210,499	—	—	1,210,499
Bills receivable	961,262	—	—	961,262
Financial assets included in prepayments, deposits and other receivables	337,868	—	—	337,868
Pledged deposits	6,900	—	—	6,900
Non-pledged time deposits with maturity over three months from date of deposits	4,441	—	—	4,441
Cash and cash equivalents	1,781,974	—	—	1,781,974
	4,302,944	41,963	—	4,344,907

	2013		
Financial liabilities	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Derivative financial liabilities	20,853	—	20,853
Trade payables	—	1,244,984	1,244,984
Bills payable	—	42,493	42,493
Financial liabilities included in other payables and accruals and dividend payable	—	966,024	966,024
Interest-bearing bank and other borrowings (note 32)	—	14,124,004	14,124,004
	20,853	16,377,505	16,398,358

44. FINANCIAL INSTRUMENT BY CATEGORY (Continued)

The Group (Continued)

	2012			
Financial assets	Loans and receivables RMB'000 (Restated)	Available-for-sale financial assets RMB'000 (Restated)	Financial assets at fair value through profit or loss RMB'000 (Restated)	Total RMB'000 (Restated)
Available-for-sale financial assets	—	181,084	—	181,084
Derivative financial assets	—	—	6,054	6,054
Trade receivables	1,660,269	—	—	1,660,269
Bills receivable	786,370	—	—	786,370
Financial assets included in prepayments, deposits and other receivables	277,538	—	—	277,538
Pledged deposits	78,116	—	—	78,116
Non-pledged time deposits with maturity over three months from date of deposits	771	—	—	771
Cash and cash equivalents	640,009	—	—	640,009
	3,443,073	181,084	6,054	3,630,211

	2012		
Financial liabilities	Financial liabilities at fair value through profit or loss RMB'000 (Restated)	Financial liabilities at amortised cost RMB'000 (Restated)	Total RMB'000 (Restated)
Derivative financial liabilities	—	—	—
Trade payables	—	1,519,075	1,519,075
Bills payable	—	513,279	513,279
Financial liabilities included in other payables and accruals and dividend payable	—	2,349,028	2,349,028
Interest-bearing bank and other borrowings (note 32)	—	11,188,366	11,188,366
	—	15,569,748	15,569,748

44. FINANCIAL INSTRUMENT BY CATEGORY (Continued)

The Company

	2013		
Financial assets	**Loans and receivables RMB'000**	**Available-for-sale financial assets RMB'000**	**Total RMB'000**
Due from subsidiaries	866,667	—	866,667
Available-for-sale financial assets	—	7,304	7,304
Trade receivables	5,144	—	5,144
Bills receivable	11,250	—	11,250
Financial assets included in prepayments, deposits and other receivables	718,479	—	718,479
Cash and cash equivalents	132,708	—	132,708
	1,734,248	7,304	1,741,552

	2013
Financial liabilities	**Financial liabilities at amortised cost and total RMB'000**
Trade payables	21,300
Financial liabilities included in other payables and accruals and dividend payable	31,754
Interest-bearing bank and other borrowings (note 32)	3,471,118
	3,524,172

44. FINANCIAL INSTRUMENT BY CATEGORY (Continued)

The Company (Continued)

Financial assets	2012 Loans and receivables RMB'000	2012 Available-for-sale financial assets RMB'000	2012 Total RMB'000
Due from subsidiaries	990,205	—	990,205
Available-for-sale financial assets	—	7,541	7,541
Trade receivables	74,999	—	74,999
Bills receivable	47,200	—	47,200
Financial assets included in prepayments, deposits and other receivables	777,551	—	777,551
Cash and cash equivalents	176,996	—	176,996
	2,066,951	7,541	2,074,492

Financial liabilities	2012 Financial liabilities at amortised cost and total RMB'000
Trade payables	33,626
Financial liabilities included in other payables and accruals and dividend payable	173,543
Interest-bearing bank and other borrowings (note 32)	2,970,914
	3,178,083

45. EVENT AFTER THE END OF REPORTING PERIOD

On 31 December 2013, the Company entered into a share transfer agreement with an independent third party, to acquire a further 3.47% of the issued share capital Xintianling, at a cash consideration of approximately RMB39,372,000, the transaction was completed at the relevant administration authority of industry and commerce on 17 January 2014, and Xintianling became a wholly-owned subsidiary of the Company on the same day.

NOTICE OF 2013 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "AGM") of Hunan Nonferrous Metals Corporation Limited (the "Company") will be held at the conference room, 3/F, No.290 Laodongxi Road, Tianxin District, Changsha City, Hunan Province, the People's Republic of China (the "PRC") at 10:00 a.m. on Friday, 30 May 2014, to consider and, if thought fit, to pass the following resolutions:

As Ordinary Resolutions

1. To consider and approve the report of the board of directors of the Company (the "Board") for the year ended 31 December 2013;

2. To consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2013;

3. To consider and approve the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2013;

4. To consider and approve the re-appointment of Baker Tilly Hong Kong Limited and Baker Tilly China Certified Public Accountants as the international and domestic auditors of the Company, respectively for the year 2014, the term of such re-appointment shall continue until the next annual general meeting of the Company, and to authorize the audit committee of Board to determine their remuneration;

5. To consider and approve the re-election of Ms. Deng Yingjie as an executive director of the Company, and to authorize the Board to determine her remuneration and any executive director of the Company to execute the service contract with her (Please refer to the Appendix to the Notice of AGM for detailed information relating to this resolution); and

6. To consider and approve the appointment of Mr. Wu Xiaopeng as a shareholders' representative Supervisor of the Company, and to authorize the Board to determine his remuneration and any executive director of the Company to execute the service contract with him (Please refer to the Appendix to the Notice of AGM for detailed information relating to this resolution).

As Special Resolution

7. To consider and approve the grant of a general mandate to the Board to issue new shares:

   "THAT:

   (a) subject to sub-paragraphs (i) to (iii) below, the Board be and is hereby granted an unconditional general mandate to separately or concurrently allot, issue and/or deal with ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and fully paid up in Renminbi by PRC nationals and/or PRC incorporated entities (the "Domestic Shares") and/or overseas-listed foreign invested shares of par value of RMB1.00 each in the ordinary share capital of the Company, which are listed on The Stock Exchange of Hong Kong Limited (the "H Shares"), and to make or grant offers, agreements and options in respect thereof:

      (i) such mandate shall not extend beyond the Relevant Period save that the Board may during the Relevant Period make or grant offers, agreements or options which might require the exercise of such powers after the end of the Relevant Period;

(ii) the aggregate nominal amount of Domestic Shares and/or H Shares to be allotted, issued and/or dealt with or agreed conditionally or unconditionally to be issued, allotted and/or dealt with (whether pursuant to an option or otherwise) by the Board shall not exceed 20% of the aggregate nominal amount of each of the existing issued Domestic Shares and/or H Shares as at the date on which this resolution is passed; and

(iii) the Board will only exercise its power under such mandate in accordance with the Company Law of the PRC and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) (the "Listing Rules") and the requirements of the relevant PRC regulatory authorities;

(b) for the purpose of this resolution:

"Relevant Period" means the period from the date of passing of this resolution until the earliest of:

(i) the conclusion of the next annual general meeting of the Company following the passing of this resolution;

(ii) the expiration of the 12-month period following the passing of this resolution; or

(iii) the date on which the authority granted to the Board set out in this resolution is revoked or varied by a special resolution of the shareholders of the Company in a general meeting; and

(c) contingent on the Board's resolving to issue shares pursuant to sub-paragraph(a) of this resolution, the Board be and is hereby authorized to approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider relevant in connection with the issue of such new shares including, but not limited to, determining the time and place of issue,making all necessary applications to the relevant authorities and entering into an underwriting agreement (or any other agreement), to determine the use of proceeds and to make all necessary filings and registrations with the relevant PRC, Hong Kong and other authorities, and to make such amendments to the articles of association of the Company (the "Articles of Association") as it thinks fit so as to reflect the increase in the registered capital of the Company and to reflect the new share capital structure of the Company under the intended allotment and issue of the shares of the Company pursuant to the resolution under paragraph (a) of this resolution."

By Order of the Board
Hunan Nonferrous Metals Corporation Limited*
Li Fuli
Chairman

11 April 2014, Changsha, PRC

As at the date of this announcement, the Board of the Company comprises Messrs. Li Fuli, Li Li, Guo Wenzhong and Ms. Deng Yingjie as executive directors, Messrs. Cao Xiuyun, Huang Guoping, Chen Zhixin and Yang Guang as non-executive directors and Messrs. Kang Yi, Gu Desheng, Wan Ten Lap, Choi Man Chau, Michael and Ms. Chen Xiaohong as independent non-executive directors.

* *For identification purpose only*

NOTICE OF 2013 ANNUAL GENERAL MEETING

Notes:

1. Holders of H Shares whose names appear on the register of members of the Company maintained by Computershare Hong Kong Investor Services Limited on Wednesday, 30 April 2014 shall be entitled to attend and vote at the AGM.

2. The register of member of the Company will be closed from 30 April 2014 to 30 May 2014 (both days inclusive), during which time no transfer of shares will be registered. Transferees of H Shares who wish to attend the AGM must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to Computershare Hong Kong Investor Services Limited by no later than 4:30 p.m. on Tuesday, 29 April 2014 for completion of the registration of the relevant transfer in accordance with the Articles of Association. The address of Computershare Hong Kong Investor Services Limited is as follows:

   17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

3. Shareholders of the Company who intend to attend the AGM must complete and return the written reply slips for attending the AGM to Computershare Hong Kong Investor Services Limited (for the holders of H Shares) or the Finance and Securities Department of the Company(for the holders of Domestic Shares) by facsimile or post by no later than Friday, 9 May 2014. Detailed contact information of the Finance and Securities Department of the Company is as follows:

   Address: 602, 6/F,No. 290 Laodongxi Road, Tianxin District, Changsha City, Hunan Province, the PRC
   Tel: (86) 731-8538-5556
   Fax: (86) 731-8539-2448

4. Each shareholders of the Company who has the right to attend and vote at the AGM is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the AGM. Where a shareholder of the Company has appointed more than one proxy to attend the AGM, such proxies may only vote on a poll or a ballot. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing. In case that an appointer is a legal person, the power of attorney must be either under the common seal of the legal person or under the hand of its director or other person as duly authorized. If the instrument appointing a proxy is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign, or other documents of authorization, must be notarially certified. For holders of H Shares, the power of attorney or other documents of authorization and proxy forms must be delivered to Computershare Hong Kong Investor Services Limited, the Company's H Share Registrar, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no less than 24 hours before the time appointed for the holding of the AGM in order for such documents to be valid.

5. Shareholders of the Company or their proxies must present proof of their identities when attending the AGM. Should a proxy be appointed, the proxy must also present copies of his/her proxy form, copies of appointing instrument and power of attorney, if applicable.

6. The AGM is expected to last not more than one day. Shareholders of the Company or proxies attending the AGM are responsible for their own transportation and accommodation expenses.

APPENDIX TO THE NOTICE OF AGM

On 27 December 2013, Ms. Deng Yingjie was appointed by the Board as an executive director of the Third Session of the Board, subject to re-election by the shareholders of the Company at the AGM, the first general meeting after her appointment. On 26 March 2014, Mr. Wu Xiaopeng was nominated by the Supervisory Committee of the Company as a shareholders' representative Supervisor of the Third Session of the Supervisory Committee of the Company, subject to the approval by shareholders of the Company at the AGM. The resolutions in relation to the re-election of Ms. Deng Yingjie as an executive director of the Company and the proposed appointment of Mr. Wu Xiaopeng will be put forward to the AGM for shareholders' approval as ordinary resolutions.

Biographical details of Ms. Deng Yingjie and Mr. Wu Xiaopeng are as follows:

Ms. Deng Yingjie, aged 49, is an associate senior translator. Ms. Deng graduated from the Department of Foreign Language of Sichuan University with a master's degree in British and American Language and Literature, and graduated from the Business School of Central South University with a doctoral degree in Management Science and Engineering in July 2006.

Prior to joining Hunan Nonferrous Metals Holding Group Co., Ltd., Ms. Deng worked at Hunan Technology Import & Export Corporation from July 1988 to October 1994, and worked at Hunan Jinguo Industrial Co., Ltd. from October 1994 to October 2005, where she successively served various positions including the Deputy General Manager, the Executive Deputy General Manager and the General Manager and during the same period, she also served as the Legal Representative of Hengyang Jinguo Foreign Trade Co., Ltd., the Legal Representative and the General Manager of Hengyang Natural Gas Co., Ltd., the Legal Representative of Hengyang Cable Factory, and the Legal Representative of Resort Intime Sanya, Hainan. In December 2004, she was elected as an Executive Member of the Tenth Women's Congress of Hunan Province (湖南省第十次婦女代表大會). Then she served as a member of the Party Committee and the Deputy General Manager of Hunan Electronic Information Industry Group Co., Ltd. from October 2005 to November 2007. Ms. Deng joined Hunan Nonferrous Metals Holding Group Co., Ltd. in November 2007 and served as the Deputy General Manager of the Company until November 2010. Ms. Deng then served as the Secretary to the Board of Director of Hunan Nonferrous Metals Holding Group Co., Ltd. from November 2010 to December 2013. Ms. Deng has served as a member of the Party Committee of Hunan Nonferrous Metals Holding Group Co., Ltd. since January 2012. Currently, Ms. Deng also serves as a director of Abra Mining Limited, HNC (Australia) Resources Holding Pty Ltd. and Beaver Brook Antimony Mine Inc..

Save as disclosed above, Ms. Deng does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company, nor does she have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Save as disclosed above, Ms. Deng did not hold any other positions in the Company or any of its subsidiaries or any directorships in other listed companies in the last three years.

Save as disclosed above, the Company was not aware of any other matters that need to be brought to the attention of the shareholders of the Company or any information in relation to the appointment of Ms. Deng as a director of the Company that need to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company and Ms. Deng will enter into a service contract in respect of the appointment of Ms. Deng as an executive director of the Company. Ms. Deng's remuneration for serving as an executive director of the Company will be determined based on the operating performance of the Company and her personal performance evaluation for the year.

Mr. Wu Xiaopeng, aged 36, currently is the Vice Chief Financial Officer and Manager of Finance and Assets Department of Hunan Nonferrous Metals Holding Group Co., Ltd.. Mr. Wu is a member of the Chinese Institute of Certified Public Accountants and a member of International Institute of Internal Auditors. Mr. Wu is qualified as accountant and Certified Enterprise Risk Manager. Mr. Wu graduated from Nankai University majoring in accounting and obtained the Master degree in management in July 2005.

Mr. Wu joined in China Minmetals Corporation in July 2005. Mr. Wu worked in China Minmetals Nonferrous Metals Company Limited and served as the risk management clerk, Risk Management Supervisor and Auditing Supervisor and other positions in the Risk Management Department there from July 2005 to April 2009. Then Mr. Wu worked in Minmetals Nonferrous Metals Holding Company Limited and served as Manager of Auditing Division of Risk Management Department there from April 2009 to April 2011 and as Vice General Manager of Auditing Department there from April 2011 to February 2012. Mr. Wu served as Manager of Finance and Assets Department of the Company from February 2012 to April 2013. Mr. Wu has served as the Vice Chief Financial Officer and Manager of Finance and Assets Department of Hunan Nonferrous Metals Holding Group Co., Ltd. since April 2013 up till now. Concurrently, Mr. Wu also serves as a director of Zhuzhou Smelter Group Holding Co., Ltd., a director of Changsha Institute of Mining Research Co., Ltd.#, a director of Hunan Nonferrous Metals Jinsheng Development Co., Ltd., and a supervisor of Copper Minmetals (Hunan) Co., Ltd.#, etc..

Save as disclosed above, Mr. Wu does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company, nor does he have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Save as disclosed above, Mr. Wu did not hold any other positions in the Company or any of its subsidiaries or any directorships in other listed companies in the last three years.

Save as disclosed above, the Company was not aware of any other matters that need to be brought to the attention of the Shareholders or any information in relation to the proposed appointment of Mr. Wu that need to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

After the AGM, the Company will enter into a service contract with Mr. Wu. Mr. Wu's remuneration package will be determined by the Board who is proposed to be authorized by the Shareholders at the AGM by taking into account of, among other matters, his terms of reference, his duties and responsibilities in the Company.

Note: # The Chinese version of the Company's name is officially published and the English version is just for reference.