THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, the Delisting, the Merger, this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Hunan Nonferrous Metals Corporation Limited***, you should at once hand this Composite Document and the accompanying Form of Acceptance, proxy forms and reply slips to the purchaser(s) or transferee(s), licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the H Share Offer.

HUNAN NONFERROUS METALS JINSHENG DEVELOPMENT COMPANY LIMITED
(湖南有色金晟發展有限公司)
(a company limited by shares incorporated in Hong Kong)

湖南有色金属股份有限公司
中国五矿 HUNAN NONFERROUS METALS CORP., LTD.

HUNAN NONFERROUS METALS CORPORATION LIMITED*
(湖南有色金屬股份有限公司)
(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2626)

COMPOSITE OFFER AND RESPONSE DOCUMENT

(1) VOLUNTARY CONDITIONAL CASH OFFER BY CICCHKS ON BEHALF OF THE OFFEROR, A WHOLLY OWNED SUBSIDIARY OF HNG, TO ACQUIRE ALL OF THE ISSUED H SHARES IN THE COMPANY (OTHER THAN THOSE OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND ITS CONCERT PARTIES)
(2) VOLUNTARY CONDITIONAL CASH OFFER BY HNG TO ACQUIRE ALL OF THE ISSUED DOMESTIC SHARES IN THE COMPANY (OTHER THAN THOSE OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY HNG AND ITS CONCERT PARTIES)
(3) PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES OF THE COMPANY
AND
(4) PROPOSED MERGER BY ABSORPTION OF THE COMPANY BY HNG

CICC
中金香港证券

Financial Adviser to the Offeror

中信建投國際
China Securities International

Independent Financial Adviser to the Independent Board Committee

Shareholders should inform themselves of and observe any applicable legal or regulatory requirements. See "Important Notice" beginning on page vii of this Composite Document, and "Overseas H Shareholders" in Appendix I to this Composite Document beginning on page 77 of this Composite Document.

Capitalised terms used in this cover page have the same meaning as those defined in the section headed "Definitions" in this Composite Document. A letter from CICCHKS containing, among other things, the details of the terms and conditions of the Offers, the Delisting and the Merger are set out on pages 7 to 24 of this Composite Document. A letter from the Board is set out on pages 25 to 36 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Shareholders in respect of the Offers, the Delisting and the Merger is set out on pages 37 to 38 of this Composite Document. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee in respect of the Offers, the Delisting and the Merger is set out on pages 39 to 76 of this Composite Document.

The procedures for acceptance and settlement of the H Share Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the H Share Offer should be received by the Share Registrar by no later than 4:00 p.m. on 17 March 2015, being the Closing Date, or such later time and/or date as the Offeror may decide and announce and the Executive may approve.

The summary of terms and important information of the Merger Agreement and the Merger contemplated thereunder are set out in Appendix II to this Composite Document.

The Special General Meeting convened to approve the Merger will be held at Atrium Room, Level 39, Island Shangri-La, Hong Kong, Pacific Place, Supreme Court Road, Hong Kong at 9:00 a.m. on Friday, 6 March 2015. The Special General Meeting of the Independent Shareholders convened to approve the Merger and the Delisting will be held at Atrium Room, Level 39, Island Shangri-La, Hong Kong, Pacific Place, Supreme Court Road, Hong Kong on Friday, 6 March 2015 immediately after the conclusion or adjournment of the Special General Meeting. The H Share Class Meeting convened to approve the Privatisation will be held at Atrium Room, Level 39, Island Shangri-La, Hong Kong, Pacific Place, Supreme Court Road, Hong Kong on Friday, 6 March 2015 immediately after the conclusion or adjournment of the Special General Meeting of the Independent Shareholders. The notices of the Special General Meeting, the Special General Meeting of the Independent Shareholders and the H Share Class Meeting are set out in Appendices V to VII. Proxy forms for use at the Special General Meeting, the Special General Meeting of the Independent Shareholders and the H Share Class Meeting are enclosed with this Composite Document. Whether or not you are able to attend the Special General Meeting, the Special General Meeting of the Independent Shareholders or the H Share Class Meeting, you are strongly urged to complete the accompanying proxy forms in accordance with the instructions printed thereon and return the proxy forms to (a) in the case of holders of H Shares, the Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and (b) in the case of holders of Domestic Shares, Finance and Securities Department of the Company at Room 602, 6/F No.290 Laodongxi Road, Tianxin District, Changsha City, Hunan Province, the PRC, as soon as possible and in any event not less than 24 hours before the time appointed for the Special General Meeting, the Special General Meeting of the Independent Shareholders or the H Share Class Meeting or any adjournment thereof, and return of the proxy forms will not preclude you from attending and voting in person at the Special General Meeting, the Special General Meeting of the Independent Shareholders or the H Share Class Meeting or any adjourned meetings should you so wish. A reply slip for each of the Special General Meeting, the Special General Meeting of the Independent Shareholders and the H Share Class Meeting is also enclosed. You are reminded to complete and sign the reply slips (if you are entitled to attend the Special General Meeting, the Special General Meeting of the Independent Shareholders and/or the H Share Class Meeting) and return the reply slip(s) to, (a) in the case of holders of H Shares, the Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and (b) in the case of holders of Domestic Shares, Finance and Securities Department of the Company at Room 602, 6/F No.290 Laodongxi Road, Tianxin District, Changsha City, Hunan Province, the PRC, on or before 13 February 2015 in accordance with the instructions printed thereon.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside of Hong Kong should read the section headed "Overseas H Shareholders" in Appendix I to this Composite Document before taking any action. It is the responsibility of each overseas H Shareholder wishing to accept the H Share Offer to satisfy himself, herself or itself as to full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas H Shareholders are advised to seek professional advice on deciding whether to accept the H Share Offer.

20 January 2015

* *For identification purposes only*

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The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made in the event that there is any such change.

Despatch date of this Composite Document and commencement of the H Share Offer *(Note 1)*	Tuesday, 20 January 2015
Latest time for lodging transfers of the H Shares in order to be entitled to attend and vote at the Special General Meeting, the Special General Meeting of the Independent Shareholders and/or the H Share Class Meeting	4:30 p.m. on Tuesday, 3 February 2015
Closure of the Registers for the determination of entitlements of the Shareholders to attend and vote at the Special General Meeting, the Special General Meeting of the Independent Shareholders and/or the H Share Class Meeting	Wednesday, 4 February 2015 to Friday, 6 March 2015 (both dates inclusive)
Last day for return of reply slip for the Special General Meeting, the Special General Meeting of the Independent Shareholders and/or the H Share Class Meeting *(Note 2)*	Friday, 13 February 2015
Latest time for lodging proxy form(s) in respect of the Special General Meeting *(Note 2)*	9:00 a.m. on Thursday, 5 March 2015
Latest time for lodging proxy form(s) in respect of the Special General Meeting of the Independent Shareholders *(Note 2)*	9:00 a.m. on Thursday, 5 March 2015
Latest time for lodging proxy form(s) in respect of the H Share Class Meeting *(Note 2)*	9:00 a.m. on Thursday, 5 March 2015
Suspension of dealings in the H Shares	9:00 a.m. on Friday, 6 March 2015
Special General Meeting	9.00 a.m. on Friday, 6 March 2015

Special General Meeting of the Independent Shareholders	Friday, 6 March 2015 immediately after the conclusion or adjournment of the Special General Meeting
H Share Class Meeting	Friday, 6 March 2015 immediately after the conclusion or adjournment of the Special General Meeting of the Independent Shareholders
Announcement of the results of the Special General Meeting, the Special General Meeting of the Independent Shareholders and/or the H Share Class Meeting	Friday, 6 March 2015
Re-opening of the Registers	Monday, 9 March 2015
Resumption of dealings in the H Shares	9:00 a.m. on Monday, 9 March 2015
Each of the Company and HNG notifies their respective creditors of the Merger, assuming the Merger is approved	Monday, 9 March 2015
Latest time for acceptance of the H Share Offer on the Closing Date *(Note 3)*	4:00 p.m. on Tuesday, 17 March 2015
Closing Date *(Note 4)*	Tuesday, 17 March 2015
Announcement of the results of the H Share Offer on the Closing Date *(Note 5)*	by 7:00 p.m. on Tuesday, 17 March 2015
Latest time for the H Share Offer to become or be declared unconditional as to acceptances (if not already unconditional) *(Note 7)*	7:00 p.m. on Monday, 23 March 2015
Last day of trading in the H Shares on the Stock Exchange, assuming the Delisting is approved	Wednesday, 25 March 2015

Latest date for posting of remittances for the amounts due under the H Share Offer in respect of valid acceptances received at or before the Closing Date (assuming the H Share Offer becomes or is declared unconditional in all respects on the Closing Date) *(Note 6)* . . . . Thursday, 26 March 2015

Voluntary withdrawal of the listing of the H Shares from the Stock Exchange *(Note 8)* . . . . 9:00 a.m. on Tuesday, 31 March 2015

Latest time and date for the H Share Offer remaining open for acceptance (assuming the H Share Offer becomes or is declared unconditional in all respects on the Closing Date) and closing of the H Share Offer *(Note 9)* . . . . 4:00 p.m. on Tuesday, 31 March 2015

Latest date for posting of remittances for the amounts due under the H Share Offer in respect of valid acceptances received at or before the Closing Date (assuming the H Share Offer becomes or is declared unconditional in all respects by 7:00 p.m. on Monday, 23 March 2015) *(Note 6)*. . . . . Wednesday, 1 April 2015

Latest time and date for the H Share Offer remaining open for acceptance (assuming the H Share Offer becomes or is declared unconditional in all respects on Monday, 23 March 2015) and closing of the H Share Offer *(Note 9)* . . . . 4:00 p.m. on Wednesday, 8 April 2015

Latest date for posting of remittances for the amounts due under the H Share Offer in respect of valid acceptances received at the latest time for acceptance on 4:00 p.m. on Tuesday, 31 March 2015 *(Note 6)* . . . . Tuesday, 14 April 2015

Latest date for posting of remittances for the amounts due under the H Share Offer in respect of valid acceptances received at the latest time for acceptance on 4:00 p.m. on Wednesday, 8 April 2015 *(Note 6)* . . . . Friday, 17 April 2015

End of the period during which creditors may request the Company and HNG to pay off their respective indebtedness . . . . Thursday, 23 April 2015

Effective date of the Merger . . . . on or before Thursday, 30 June 2016

Latest date for posting of remittances for the amounts due under the Merger Agreement to the existing Shareholders as at the effective date of the Merger . . . . within seven Business Days of the effective date of the Merger

Notes:

1. The H Share Offer is made on Tuesday, 20 January 2015, being the date of posting of this Composite Document, and is capable of acceptance from and on that date.

2. Reply slip(s) should be duly completed and returned to, (a) in the case of holders of H Shares, the Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and (b) in the case of holders of Domestic Shares, Finance and Securities Department of the Company at Room 602, 6/F No. 290 Laodongxi Road, Tianxin District, Changsha City, Hunan Province, the PRC, on or before Friday, 13 February 2015 in accordance with the instructions printed thereon. Failure to return the reply slip(s) will not affect a Shareholder's right to attend the Special General Meeting, the Special General Meeting of the Independent Shareholders and/or the H Share Class Meeting (as applicable).

   Proxy form(s) should be duly completed and returned to, (a) in the case of holders of H Shares, the Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and (b) in the case of holders of Domestic Shares, Finance and Securities Department of the Company at Room 602, 6/F No.290 Laodongxi Road, Tianxin District, Changsha City, Hunan Province, the PRC, as soon as possible and in any event not less than 24 hours before the time appointed for the Special General Meeting, the Special General Meeting of the Independent Shareholders or the H Share Class Meeting or any adjournment thereof, and return of the proxy forms will not preclude a Shareholder from attending and voting in person at the Special General Meeting, the Special General Meeting of the Independent Shareholders or the H Share Class Meeting or any adjourned meetings should they so wish. In the event that you attend and vote at the Special General Meeting, Special General Meeting of the Independent Shareholders and/or the H Share Class Meeting (as applicable) after having deposited the relevant proxy form, that proxy form will be deemed to have been revoked.

3. In order to accept the H Share Offer, the H Shareholders are required to submit the duly completed Form of Acceptance to the Share Registrar on or before 4:00 p.m. on 17 March 2015, being the Closing Date, unless the Offeror revises or extends the H Share Offer in accordance with the Takeovers Code. Pursuant to Rule 15.3 of the Takeovers Code, where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptances for not less than 14 days thereafter.

   Beneficial owners of H Shares who hold their H Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

4. The Offeror reserves the right to extend the H Share Offer. If the Offeror decides to extend the H Share Offer, an announcement will be made specifying the next Closing Date or stating that the H Share Offer will remain open until further notice, in which case at least 14 days' notice in writing will be given to those H Shareholders who have not yet accepted the H Share Offer before the final Closing Date.

5. The announcement of the results of the H Share Offer will be jointly issued by the Offeror and the Company and posted on the Stock Exchange's website by 7:00 p.m. on the first Closing Date and the final Closing Date (if extended). Such announcement will comply with the disclosure requirements under Rule 19.1 of the Takeovers Code and will include, among other things, the results of the H Share Offer.

6. Remittances in respect of the H Shares tendered for acceptance and taken up by the Offeror under the H Share Offer (after, if applicable, deducting the seller's ad valorem stamp duty arising therefrom and, if applicable, the fees payable to the Share Registrar in respect of lost or unavailable H Share certificates) will be posted to the H Shareholders by ordinary post at their own risk as soon as possible, but in any event within seven business days (as defined in the Takeovers Code) following the later of (i) the Unconditional Date and (ii) the date of receipt of a duly completed Form of Acceptance by the Share Registrar in respect of the H Share Offer.

7. The Offeror may further apply to extend the Closing Date beyond Monday, 23 March 2015 pursuant to Rule 15.5 of the Takeovers Code.

8. It is currently expected that the voluntary withdrawal of listing of the H Shares from the Stock Exchange would happen at 9:00 a.m. on Tuesday, 31 March 2015, subject to the satisfaction of any conditions for the Delisting from the Stock Exchange, and receipt of any regulatory approvals required for such Delisting.

9. In accordance with Rule 15.3 of the Takeovers Code, where the H Share Offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the H Share Offer is closed to the Independent H Shareholders who have not accepted the H Share Offer if the announcement to extend the H Share Offer does not state the next closing date. The Offeror reserves the right to extend the H Share Offer beyond this 14-day period.

All references to times and dates contained in this Composite Document are to Hong Kong times and dates.

NOTICE TO US H SHAREHOLDERS

The H Share Offer is being made for the securities of a company incorporated in the PRC and is subject to Hong Kong disclosure requirements, which are different from those of the United States. The financial information included in the Composite Document has been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States. The H Share Offer will be made in the United States pursuant to applicable US tender offer rules and otherwise in accordance with the requirements of the SFO and the Takeovers Code. Accordingly, the H Share Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under US domestic tender offer procedures and law.

It may be difficult for US holders of H Shares to enforce their rights and any claim arising out of the US federal securities laws, since the Offeror and the Company are located in a non-US jurisdiction, and some or all of their officers and directors may be residents of a non-US jurisdiction. US holders of H Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.

The receipt of cash pursuant to the H Share Offer by H Shareholders who are US taxpayers may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of H Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of acceptance of the H Share Offer.

NOTICE TO OVERSEAS H SHAREHOLDERS

The H Share Offer is in respect of a company incorporated in the PRC and listed in Hong Kong and are therefore subject to the procedure and disclosure requirements of laws, regulations and rules in Hong Kong which may be different to those in other jurisdictions. The ability of H Shareholders who are citizens, residents or nationals of jurisdictions outside of Hong Kong to participate in the H Share Offer may be subject to the laws and regulations of the relevant jurisdictions. It is the responsibility of each such H Shareholder to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents, or filing and registration and the payment of any transfer or other taxes due from such H Shareholder in such relevant jurisdictions.

For further discussion, please refer to the section headed "Overseas H Shareholders" in Appendix I to this Composite Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as "believe", "expect", "anticipate", "intend", "plan", "seek", "estimate", "will", "would" or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements.

In this Composite Document, the following expressions have the meanings set out below, unless the context requires otherwise:

"acting in concert"	has the meaning ascribed to it in the Takeovers Code;
"Announcement"	the joint announcement issued by the Offeror and the Company dated 11 December 2014;
"Articles"	the existing articles of association of a company;
"A-Share Listed Subsidiary"	Zhongwu Gaoxin Materials Company Limited (中鎢高新材料股份有限公司), which is directly owned by the Company as to 60.94%;
"associate(s)"	has the meaning ascribed to it in the Takeovers Code;
"Board"	the board of directors of the Company from time to time;
"Business Day"	a day on which the Stock Exchange is open for the transaction of business;
"CCASS"	Central Clearing and Settlement System;
"CICCHKS"	China International Capital Corporation Hong Kong Securities Limited, a registered institution under the SFO, licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO;
"Closing Date"	17 March 2015, the first closing date of the H Share Offer as set out in the section headed "Expected Timetable" in this Composite Document, or any subsequent closing date as may be announced by the Offeror in compliance with the Takeovers Code;
"Company"	Hunan Nonferrous Metals Corporation Limited (湖南有色金屬股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, and whose H Shares are listed on the main board of the Stock Exchange;

"Completion Long Stop Date"	30 September 2015, or such later date as the Offeror and the Company may agree or, to the extent applicable, to which the Executive may consent;
"Composite Document"	this composite document jointly issued by the Offeror and the Company to the Shareholders in respect of the Offers, the Delisting and the Merger in accordance with the Takeovers Code and the Listing Rules;
"Concert Party(ies)"	a party (the parties) acting in concert with the Offeror or HNG (as the case may be);
"Conditions"	the conditions of the H Share Offer, as set out under the section headed "Letter from CICCHKS" of this Composite Document and "Condition" means any of them;
"CSRC"	China Securities Regulatory Commission;
"Delisting"	the voluntary withdrawal of the Listing;
"Directors"	the directors of the Company from time to time;
"Domestic Share Cancellation Price"	a RMB amount per Domestic Share equal to the offer price of the Domestic Share Offer payable by HNG pursuant to the Merger;
"Domestic Share Offer"	the voluntary conditional cash offer by HNG to acquire all of the Domestic Shares (other than those owned, controlled or agreed to be acquired by HNG and its Concert Parties);
"Domestic Share Offer Price"	RMB1.58 per Domestic Share;
"Domestic Shareholders"	the registered holders of the Domestic Shares from time to time;
"Domestic Shares"	the unlisted domestic shares of the Company representing 55.49% of the issued share capital of the Company;
"Executive"	the Executive Director of the Corporate Finance Division of the SFC and any of its delegates;

"Form of Acceptance"	the form of acceptance and transfer in respect of the H Share Offer accompanying this Composite Document;
"Group"	the Company and its subsidiaries from time to time;
"H Share Cancellation Price"	a HK$ amount per H Share equal to the offer price of the H Share Offer payable by HNG pursuant to the Merger;
"H Share Class Meeting"	the special general meeting of the Independent H Shareholders convened to approve the Privatisation to be held at Atrium Room, Level 39, Island Shangri-La, Hong Kong, Pacific Place, Supreme Court Road, Hong Kong on Friday, 6 March 2015 immediately after the conclusion or adjournment of the Special General Meeting of the Independent Shareholders, notice of which is set out in Appendix VII of this Composite Document, or any adjournment thereof;
"H Share Offer"	the voluntary conditional cash offer by CICCHKS on behalf of the Offeror to acquire all of the H Shares (other than those owned, controlled or agreed to be acquired by the Offeror and its Concert Parties) in accordance with the terms and conditions set out in this Composite Document and any subsequent revision or extension of such offer;
"H Share Offer Price"	the cash offer price of the H Share Offer, being HK$4.20 per H Share;
"H Shareholders"	the registered holders of the H Shares from time to time;
"H Shares"	the H shares of the Company representing approximately 44.51% of the issued share capital of the Company, and which are listed on the Stock Exchange;
"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong;
"HNG"	Hunan Nonferrous Metals Holding Group Co. Ltd. (湖南有色金屬控股集團有限公司), a limited liability company incorporated in the PRC and the controlling shareholder of the Company;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;

"Hunan Provincial AIC"	the Hunan Provincial Branch of the Administration for Industry and Commerce of the PRC;
"IFRS"	International Financial Reporting Standards, as amended, supplemented or otherwise modified from time to time;
"Independent Board Committee"	an independent committee of the Board comprising one of the non-executive Directors, being Mr. Yang Guang and the independent non-executive Directors, being Mr. Wan Ten Lap, Mr. Choi Man Chau, Michael and Ms. Chen Xiaohong;
"Independent Financial Adviser" or "China Securities (International)"	China Securities (International) Corporate Finance Company Limited, a registered institution licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee in respect of the Offers, the Delisting and the Merger;
"Independent H Shareholders"	the H Shareholders other than the Offeror, HNG and their respective Concert Parties;
"Independent Shareholders"	the Shareholders other than the Offeror, HNG and their respective Concert Parties;
"January 2015 Profit Warning"	the profit warning announcement issued by the Company dated 12 January 2015 in relation to estimated losses for the year ended 31 December 2014;
"Last Trading Date"	28 October 2014, being the final day of trading prior to suspension of trading in the H Shares and the last trading day for the H Shares before the publication of the Announcement;
"Latest Practicable Date"	16 January 2015, being the latest practicable date prior to the despatch of this Composite Document for the purpose of ascertaining certain information contained herein;
"Listing"	the listing of the H Shares on the Stock Exchange;

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Merger"	the proposed merger by absorption of the Company by HNG in accordance with Article 172 of the PRC Company Law and other applicable PRC Laws as contemplated under the Merger Agreement;
"Merger Agreement"	the agreement dated 11 December 2014 entered into between HNG and the Company in relation to the Merger;
"Merger Completion Date"	the date on which the Merger is completed;
"Merger Conditions"	the conditions in the Merger Agreement, as set out in the section headed "Letter from CICCHKS" in this Composite Document, subject to which the Merger will become effective;
"Offeror"	Hunan Nonferrous Metals Jinsheng Development Company Limited (湖南有色金晟發展有限公司), a company limited by shares incorporated in Hong Kong, which is 100% owned by HNG;
"Offeror Board"	the board of directors of the Offeror from time to time;
"Offeror Directors"	the directors of the Offeror from time to time;
"Offer Period"	the period beginning on 11 December 2014, being the date of the Announcement, until 4:00 p.m. on the Closing Date;
"Offers"	the Domestic Share Offer and the H Share Offer;
"PRC"	the People's Republic of China (excluding Hong Kong, Macau and Taiwan for the purpose of this Composite Document);
"PRC Company Law"	the Company Law of the PRC, as amended, supplemented or otherwise modified from time to time;

"PRC Laws"	any and all laws, regulations, statutes, rules, decrees, notices, and supreme court's judicial interpretations as may be in force and publicly available in the PRC from time to time;
"Pre-Condition"	the pre-condition to the making of the Offers and proceeding with the Delisting and the Merger, which was the relevant necessary SASAC approval having been obtained on terms reasonably acceptable to the Offeror and HNG, and such approval remaining in full force and effect;
"Pre-Condition Long Stop Date"	31 July 2015, or such later date as the Offeror and the Company may agree;
"Privatisation"	the Delisting and the Merger;
"Registers"	the registers of members of the Company;
"Relevant Authorities"	all applicable governments, governmental bodies, statutory or regulatory bodies, courts and/or institutions (including but not limited to the SFC and the Stock Exchange);
"Relevant Period"	the period commencing from 11 June 2014, being the date falling six months preceding the date of the commencement of the Offer Period, up to and including the Latest Practicable Date;
"RMB"	Renminbi, the lawful currency of the PRC;
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	the Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong);
"Share Registrar" or "Computershare"	Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, the H Share registrar and transfer office of the Company;

"Shareholders"	collectively, the H Shareholders and the Domestic Shareholders;
"Shares"	collectively, the H Shares and the Domestic Shares;
"Special General Meeting"	the special general meeting of the Company convened to approve the Merger to be held at Atrium Room, Level 39, Island Shangri-La, Hong Kong, Pacific Place, Supreme Court Road, Hong Kong at 9:00 a.m. on Friday, 6 March 2015, notice of which is set out in Appendix V of this Composite Document, or any adjournment thereof;
"Special General Meeting of the Independent Shareholders"	the special general meeting of the Independent Shareholders convened to approve the Delisting and the Merger to be held at Atrium Room, Level 39, Island Shangri-La, Hong Kong, Pacific Place, Supreme Court Road, Hong Kong on Friday, 6 March 2015 immediately after the conclusion or adjournment of the Special General Meeting), notice of which is set out in Appendix VI of this Composite Document, or any adjournment thereof;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiaries"	has the meaning ascribed to it in the Listing Rules;
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers;
"Unconditional Date"	the date on which the H Share Offer becomes unconditional in all respects; and
"US" or "United States"	the United States of America.

In this Composite Document, amounts denominated in RMB have been translated into HK$ at the exchange rate of RMB0.79178 to HK$1.00, being the median exchange rate of RMB against HK$ as announced by the People's Bank of China on the Last Trading Date. No representation is made that the HK$ amounts could have been or could be converted into RMB at such rate or any other rate or at all.

Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustment.

The following are some of the questions you, as a Shareholder, may have and the answers to those questions. However, you are urged to read this entire Composite Document, including the Appendices, carefully.

1. What is the purpose of this Composite Document?

The purpose of this Composite Document is to provide you with further information regarding the Offers, the Delisting and the Merger, and to give you notices of the Special General Meeting of the Independent Shareholders, the Special General Meeting and the H Share Class Meeting.

2. How do I accept the H Share Offer?

To accept the H Share Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon.

3. What is the Special General Meeting, the Special General Meeting of the Independent Shareholders and the H Share Class Meeting?

At the Special General Meeting, the Merger will be voted on by the Shareholders.

At the Special General Meeting of the Independent Shareholders, the Delisting and the Merger will be voted on by the Independent Shareholders.

At the H Share Class Meeting, the Privatisation will be voted on by the Independent H Shareholders.

4. What is the position of the Independent Board Committee with regard to the Offers, the Delisting and the Merger?

The Independent Board Committee, having considered the terms of the Offers, the Delisting and the Merger and taken into account the advice of the Independent Financial Adviser, considers the terms of the H Share Offer, the terms of the Domestic Share Offer, the Delisting and the Merger to be fair and reasonable so far as the Shareholders are concerned.

5. What vote is required from the Shareholders in order for the Delisting and the Merger to be approved?

The following approvals are required:

(a) at the Special General Meeting, the Merger must be approved by not less than two-thirds of the voting rights held by the Shareholders present at the Special General Meeting in accordance with the requirements of the Articles of the Company;

(b) at the Special General Meeting of the Independent Shareholders, the Delisting and the Merger must be approved by at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are cast either in person or by proxy, provided that the number of votes cast against the resolutions to approve the Delisting and the Merger is not more than 10% of the votes attaching to all of the Shares held by the Independent Shareholders; and

(c) at the H Share Class Meeting, the Privatisation must be approved by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy, provided that the number of votes cast against the resolution is not more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders.

6. I am a Shareholder. How do I vote on the Delisting and/or the Merger?

If you are a Shareholder, you may vote in person or by proxy at the Special General Meeting (during which the Merger will be voted on). If you are also an Independent Shareholder, you may also vote in person or by proxy at the Special General Meeting of the Independent Shareholders (during which the Delisting and the Merger will be voted on). Further, if you are also an Independent H Shareholder, you may also vote in person or by proxy at the H Share Class Meeting (during which the Privatisation will be voted on).

If a H Shareholder accepts the H Share Offer and a Domestic Shareholder accepts the Domestic Share Offer before the closure of the Registers for the purpose of determining the entitlements of the Shareholders to attend and vote at the Special General Meeting, the Independent Shareholders to attend and vote at the Special General Meeting of the Independent Shareholders and the Independent H Shareholders to attend and vote at the H Share Class Meeting, such Shareholders will still be entitled to attend and vote at the relevant meeting(s).

Whether or not you are able to attend the Special General Meeting, the Special General Meeting of the Independent Shareholders and/or the H Share Class Meeting (as applicable) in person, if you are a Shareholder, you are strongly urged to complete and sign the enclosed WHITE proxy form in respect of the Special General Meeting; if you are an Independent Shareholder, you are strongly urged to complete and sign the enclosed PINK proxy form in respect of the Special General Meeting of the Independent Shareholders and if you are an Independent H Shareholder, you are strongly urged to complete and sign the enclosed GREEN proxy form in respect of the H Share Class Meeting in accordance with the instructions respectively printed thereon and to return them to (a) in the case of the H Shareholders, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and (b) in the case of the Domestic Shareholders, Finance and Securities Department of the Company at Room 602, 6/F No.290 Laodongxi Road, Tianxin District, Changsha City, Hunan Province, the PRC, as soon as possible, but in any case not later than the following respective times:

(a) in the case of the WHITE proxy form for use at the Special General Meeting, the Shareholders are requested to deposit such proxy form not later than 9:00 a.m. on Thursday, 5 March 2015;

(b) in the case of the PINK proxy form for use at the Special General Meeting of the Independent Shareholders, the Independent Shareholders are requested to deposit such proxy form not later than 9:00 a.m. on Thursday, 5 March 2015; and

(c) in the case of the GREEN proxy form for use at the H Share class Meeting, the Independent H Shareholders are requested to deposit such proxy form not later than 9:00 a.m. on Thursday, 5 March 2015.

The return of the proxy forms for the Special General Meeting, the Special General Meeting of the Independent Shareholders and/or the H Share Class Meeting (as applicable) will not preclude you from attending and voting in person at the Special General Meeting, the Special General Meeting of the Independent Shareholders and/or the H Share Class Meeting (as applicable) or any adjourned meetings. In the event that you attend and vote at the Special General Meeting, the Special General Meeting of the Independent Shareholders and/or the H Share Class Meeting (as applicable) after having deposited the relevant proxy form, that form of proxy will be deemed to have been revoked.

7. If my H Shares are held in the name of the nominee of my financial intermediary, will my financial intermediary vote my H Shares for me?

Your financial intermediary should send you directions on how to provide it with instructions to vote your H Shares. Your financial intermediary may not vote your H Shares without your instructions and as such, if you do not provide your financial intermediary with instructions on how to vote your H Shares, your financial intermediary will not vote them at the Special General Meeting of the Independent Shareholders, Special General Meeting and/or the H Share Class Meeting (as applicable).

You should therefore ensure that your financial intermediary is provided with instructions on how to vote your H Shares by the deadlines set by your financial intermediary. If you do not give voting instructions to your financial intermediary, you will not be counted as having voted at the Special General Meeting, the Special General Meeting of the Independent Shareholders and/or the H Share Class Meeting (as applicable) unless you have the H Shares registered in your name and appear in person or by proxy at the Special General Meeting, the Special General Meeting of the Independent Shareholders and/or the H Share Class Meeting (as applicable).

8. How do I vote if I hold my H Shares through CCASS?

If you hold your H Shares through a CCASS participant (including a stock broker/custodian) and intend to vote at the Special General Meeting, the Special General Meeting of the Independent Shareholders and/or the H Share Class Meeting (as applicable) or attend in person, you need to call your CCASS participant (including a stock broker/custodian) immediately to tell him your intention, and to ask for a form designated by him to confirm your instruction in writing immediately, and in any case make sure your instruction form will be received by your CCASS participant before your participant's deadline (and your CCASS participant will lodge your instruction to Hong Kong Securities Clearing Company Limited no later than the deadline prescribed by Hong Kong Securities Clearing Company Limited).

9. What is the location, date and time of the Special General Meeting of the Independent Shareholders, the Special General Meeting and the H Share Class Meeting?

The Special General Meeting will be held at Atrium Room, Level 39, Island Shangri-La, Hong Kong, Pacific Place, Supreme Court Road, Hong Kong at 9:00 a.m. on 6 March 2015, with the Special General Meeting of the Independent Shareholders and the H Share Class Meeting to follow respectively after the conclusion or adjournment of the preceding meeting.

10. With regard to the acceptance Condition of the Offers, will it be hard to reach 85%? Will the Conditions be waived by the Offeror?

According to Rule 30.2 under the Takeovers Code, for a voluntary offer, the Offeror may set an acceptance level of over 50% as a condition, which is a normal practice for many voluntary offers.

One of the Conditions of the Offers is "the Offeror and HNG will hold (directly or indirectly) in aggregate not less than 85% of the issued share capital of the Company (together with Shares already owned or agreed to be acquired before or during the Offers)". The Offeror considers that the Offers are in the interests of the Shareholders and that an acceptance condition of 85% is also feasible, and therefore, the Offeror is confident that the acceptance condition can be satisfied.

As stated in the Announcement, the Offeror reserves the right to waive the Condition relating to the 85% acceptance level by accepting a lower acceptance threshold, but it does not mean that the Offeror will necessarily do so.

Meanwhile, we also advise investors to carefully consider the reduced liquidity of the H Shares after the Delisting becomes effective, and to consider that it may be best for Shareholders to accept the Offers as soon as possible.

11. Would the January 2015 Profit Warning have any impact on the Offers?

In the first half of 2014, due to the overall weak demand in the non-ferrous metals industry, the 2014 interim results of the Company continued to record a loss. The loss increased significantly from RMB274 million in the period from January to June 2013 to RMB366 million in the period from January to June 2014. In the second half of 2014, the overall demand in the industry has no obvious improvement. As a result, the full year result of the Company in 2014 shows no obvious improvement.

The Offeror considers that the decreased profit of the Company is due to the general trend of the industry, and has made the Offers after carefully considering various factors. Therefore, although the Company has published profit warning announcements in respect of the year 2014, the Offeror still wishes to make and to complete the Offers, and is of the view that the Offers are in the interest of the Shareholders.

12. Who should I call if I have additional questions?

If a registered or beneficial owner of H Shares in Hong Kong has questions concerning administrative matters, such as dates, documentation and procedures relating to the H Share Offer, the Delisting and/or the Merger, please call (852) 5808 6588 (general line) between 9:00 a.m. and 5:30 p.m. Monday to Friday.

This helpline is managed by an external service provider engaged by the Offeror and will not provide any information more than what has been disclosed in this Composite Document. This helpline will only provide information on administrative matters (including the procedure for voting and acceptance) and cannot and will not provide advice on the merits of the H Share Offer, the Delisting and/or the Merger or give any financial or legal advice, and will not be soliciting proxies or votes in respect of the resolutions to be voted on at the Special General Meeting of the Independent Shareholders, the Special General Meeting and the H Share Class Meeting.

CICC
中金香港证券

29th Floor, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

20 January 2015

To the Shareholders

Dear Sir or Madam,

(1) VOLUNTARY CONDITIONAL CASH OFFER BY CICCHKS ON BEHALF OF THE OFFEROR, A WHOLLY OWNED SUBSIDIARY OF HNG, TO ACQUIRE ALL OF THE ISSUED H SHARES IN THE COMPANY (OTHER THAN THOSE OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND ITS CONCERT PARTIES)
(2) VOLUNTARY CONDITIONAL CASH OFFER BY HNG TO ACQUIRE ALL OF THE ISSUED DOMESTIC SHARES IN THE COMPANY (OTHER THAN THOSE OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY HNG AND ITS CONCERT PARTIES)
(3) PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES OF THE COMPANY
AND
(4) PROPOSED MERGER BY ABSORPTION OF THE COMPANY BY HNG

1. INTRODUCTION

We are the financial adviser to the Offeror.

On 11 December 2014, the Offeror Board and the Board jointly announced that CICCHKS, on behalf of the Offeror (a wholly owned subsidiary of HNG), firmly intends, subject to the satisfaction of the Pre-Condition, to make a voluntary conditional cash offer to acquire all of the issued H Shares (other than those owned, controlled or agreed to be acquired by the Offeror and its Concert Parties) in accordance with the Takeovers Code. In addition, subject to the satisfaction of the Pre-Condition, HNG will make a voluntary conditional cash offer to acquire all of the issued Domestic Shares (other than those owned, controlled or agreed to be acquired by HNG and its Concert Parties).

The Offeror Board and the Board further jointly announced that on 11 December 2014, HNG entered into the Merger Agreement with the Company, pursuant to which and subject to the satisfaction of the Pre-Condition and the satisfaction or waiver (as applicable) of the Merger Conditions, the Company will be merged and absorbed by HNG in accordance with Article 172 of the PRC Company Law and other applicable PRC Laws.

This letter forms part of the Composite Document and sets out certain background information of the Offeror and HNG, the reasons for and the benefits of the Offers, the Delisting and the Merger, and the intention of the Offeror in relation to the Company. Further terms of the H Share Offer are set out in Appendix I to the Composite Document and in the accompanying Form of Acceptance.

Unless the context otherwise requires, terms defined in the Composite Document shall have the same meaning when used in this letter.

Shareholders are strongly advised to consider carefully the information contained in the letter from the Board on pages 25 to 36 of the Composite Document, the letter from the Independent Board Committee on pages 37 to 38 of the Composite Document and the letter from the Independent Financial Adviser on pages 39 to 76 of the Composite Document.

2. PRE-CONDITION TO THE OFFERS, THE DELISTING AND THE MERGER

The making of the Offers and proceeding with the Delisting and the Merger were subject to the satisfaction of the Pre-Condition of the necessary SASAC approval having been obtained on terms reasonably acceptable to the Offeror and HNG, and such approval remaining in full force and effect. On 16 January 2015, the Offeror and the Company jointly announced that the Pre-Condition has been satisfied.

Accordingly, as at the date of this Composite Document, the Pre-Condition has been satisfied.

3. THE H SHARE OFFER

3.1 Consideration for the H Share Offer

The H Share Offer is being made by CICCHKS on behalf of the Offeror on the following basis:

For each H Share . . . . HK$4.20 in cash

The Offeror will not increase the H Share Offer Price. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the H Share Offer Price.

The H Share Offer Price was determined on the basis of the market trading price of the H Shares over a relatively long time period and the Offeror's review of the Company's business.

3.2 Comparisons of value

The H Share Offer Price represents:

(a) a premium of approximately 68.67% over the closing price of the H Shares of HK$2.49 per H Share as quoted on the Stock Exchange on the Last Trading Date;

(b) a premium of approximately 64.71% over the average closing price of the H Shares of HK$2.55 per H Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including Last Trading Date;

(c) a premium of approximately 60.31% over the average closing price of the H Shares of HK$2.62 per H Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Date;

(d) a premium of approximately 55.56% over the average closing price of the H Shares of HK$2.70 per H Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Date;

(e) a premium of approximately 50.00% over the average closing price of the H Shares of HK$2.80 per H Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Date;

(f) a premium of approximately 70.04% over the average closing price of the H Shares of HK$2.47 per H Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Date; and

(g) a premium of approximately 11.41% over the closing price of HK$3.77 per H Share as quoted on the Stock Exchange as at the Latest Practicable Date.

3.3 Highest and lowest closing prices of H Shares

During the Relevant Period, the highest closing price of H Shares as quoted on the Stock Exchange was HK$3.89 per H Share on 2 January 2015, and the lowest closing price of H Shares as quoted on the Stock Exchange was HK$2.19 per H Share on 17 June 2014.

3.4 Conditions of the H Share Offer

The H Share Offer is subject to the fulfilment or waiver (as applicable) of the following conditions:

(a) valid acceptances of the H Share Offer and the Domestic Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time(s) and/or date(s) as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Shares which, together with Shares already owned or agreed to be acquired before or during the Offers, would result in the Offeror and HNG holding (directly or indirectly) in aggregate not less than 85% of the issued share capital of the Company;

(b) the passing of a resolution by way of poll approving the Privatisation at the H Share Class Meeting to be convened for this purpose, provided that:

(i) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and

(ii) the number of votes cast against the resolution is not more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders;

(c) the passing of resolutions by way of poll approving the Delisting and the Merger at the Special General Meeting of the Independent Shareholders to be convened for this purpose, provided that:

(i) approval is given by at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are cast either in person or by proxy; and

(ii) the number of votes cast against the resolutions is not more than 10% of the votes attaching to all Shares held by the Independent Shareholders;

(d) the approval of the Merger by not less than two-thirds of the voting rights held by the Shareholders present at the Special General Meeting in accordance with the requirements of the Articles of the Company at the Special General Meeting to be convened for this purpose;

(e) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions, waivers, exemptions and approvals required from the Relevant Authorities or other third parties which are necessary for the Company to carry on its business remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any of the Relevant Authorities which is not expressly provided for, or is in addition to the requirements expressly provided for, in the relevant laws, rules, regulations or codes in connection with the Offers or any matters, documents (including circulars) or things relating thereto, in each case up to and at the time when the Offers become unconditional;

(f) there having been no material adverse change in the business, assets, financial or trading positions, profits or prospects of the Group since the date of the Announcement; and

(g) there having been no frustrating action (as defined under Rule 4 of the Takeovers Code) taken by any member of the Group since the date of the Announcement, unless with the consent of the Offeror.

The Offeror reserves the right to waive Conditions (a), (e), (f) and (g) above in whole or in part, either generally or in respect of any particular matter (including, with respect to Condition (a), by accepting a lower acceptance threshold). Conditions (b), (c), and (d) cannot be waived in any event. The Company does not have the right to waive any of the Conditions.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any Condition so as to cause the H Share Offer to lapse if the circumstances which give rise to a right to invoke the Condition are of material significance to the Offeror in the context of the H Share Offer.

On 16 January 2015, the Offeror and the Company jointly announced that the Offeror has waived Condition (f), and the Offeror confirmed that in waiving Condition (f), it is not aware of any material adverse change in the business, assets, financial or trading positons, profits or prospects of the Group since the date of the Announcement (save to the extent any matters disclosed in the January 2015 Profit Warning might constitute such a material adverse change).

All of the other above Conditions will have to be fulfilled or waived (as applicable) on or before the Completion Long Stop Date, failing which the H Share Offer will lapse.

Shareholders are reminded that the H Share Offer is conditional on valid acceptances of the H Share Offer and the Domestic Share Offer being received (and not, where permitted, withdrawn), by 4:00 p.m. on the Closing Date (or such later time(s) and/or date(s) as the Offeror may, subject to the Takeovers Code, decide), in respect of such number of Shares which, together with Shares already owned or agreed to be acquired before or during the Offers, would result in the Offeror and HNG holding (directly or indirectly) in aggregate not less than 85% of the issued share capital of the Company. Accordingly, assuming none of the Domestic Shareholders accepts the Domestic Share Offer and the Offeror does not accept a lower acceptance threshold by waiving Condition (a), valid acceptances of the H Share Offer need to be received by 4:00 p.m. on the Closing Date in respect of not less than 61.9% of the H Shares (representing 27.55% of the issued share capital of the Company). Shareholders should note that if such acceptance threshold is not achieved by 4:00 p.m. on the Closing Date and unless the Offeror accepts a lower acceptance threshold and waives this Condition, the H Share Offer will lapse and all H Share certificates in respect of the H Shares which were tendered for acceptance previously will be returned to the respective H Shareholders as soon as possible but in any event within 10 days thereof.

WARNING: Completion of the H Share Offer is conditional upon the satisfaction (or waiver, as applicable) of the Conditions, and the Merger is conditional upon the satisfaction (or waiver, as applicable) of the Merger Conditions. Accordingly, the issue of this Composite Document does not imply in any way that the Offers, the Delisting or the Merger will be completed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

3.5 Further terms and general matters relating to the H Share Offer

Further terms and general matters relating to the H Share Offer (including the effect of accepting the H Share Offer, Hong Kong stamp duty and taxation, form of acceptance and settlement of consideration and overseas H Shareholders) are set out in Appendix I to this Composite Document of which this letter forms part and the accompanying Form of Acceptance.

4. THE DOMESTIC SHARE OFFER

The Domestic Share Offer will be made by HNG on the following basis:

For each Domestic Share .... RMB1.58 in cash (being approximately HK$1.996)

Since the Domestic Shares are unlisted, the Domestic Share Offer Price represents a liquidity discount of 19.84% to the closing price of the H Shares on the Last Trading Date, and a premium of 54.90% over the net asset value per share of the Company as at 30 June 2014.

HNG reserves the right in its absolute discretion to acquire by itself or through any of its wholly owned subsidiaries 100% of the equity interests in any special purpose vehicle holding Domestic Shares, as if the underlying Domestic Shares had been acquired directly at the Domestic Share Offer Price, subject to the relevant Domestic Shareholder warranting that such special purpose vehicle has no assets, liabilities or businesses other than its holding of the Domestic Shares. The total consideration to be received by the relevant Domestic Shareholder will be the same if HNG elects to acquire such special purpose vehicle instead of the underlying Domestic Shares.

The Domestic Share Offer is subject to the H Share Offer becoming or being declared unconditional in all respects. This condition cannot be waived in any event. As the Domestic Share Offer is only conditional upon the H Share Offer becoming or being declared unconditional, if the H Share Offer is declared unconditional, the Domestic Share Offer will likewise become unconditional in all respects. There will be no circumstances that either of the Offers becomes or is declared unconditional, with the other not becoming or being declared unconditional. As such, this will have the same effect as if the Offers were interconditional.

5. TOTAL CONSIDERATION FOR THE OFFERS AND CONFIRMATION OF FINANCIAL RESOURCES FOR THE H SHARE OFFER

As at the Latest Practicable Date, the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company comprised 3,668,058,000 Shares, of which there are 1,632,728,000 H Shares (representing approximately 44.51% of the issued share capital of the Company) and 2,035,330,000 Domestic Shares (representing approximately 55.49% of the issued share capital of the Company).

As at the Latest Practicable Date, the Offeror holds 159,872,000 H Shares (representing approximately 9.79% of the total issued H Shares and 4.36% of the issued share capital of the Company) and HNG holds 1,947,074,266 Domestic Shares (representing approximately 95.66% of the total issued Domestic Shares and 53.08% of the issued share capital of the Company).

Assuming full acceptance of the Offers by Shareholders, the aggregate cash consideration payable under the Offers would be approximately HK$6,362.11 million. Assuming full acceptance of the H Share Offer by H Shareholders, the aggregate cash consideration payable under the H Share Offer would be approximately HK$6,186.00 million.

The Offeror intends to satisfy the consideration required for the H Share Offer from debt financing provided by Industrial and Commercial Bank of China Limited, Hong Kong Branch. CICCHKS, as financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the H Share Offer and that sufficient financial resources are available to HNG to satisfy full acceptance of the Domestic Share Offer.

HNG intends to satisfy the consideration required for the Domestic Share Offer and the Merger from available cash resources of HNG. HNG undertakes that such cash resources shall be used for the purposes of the Domestic Share Offer and the Merger, and guarantees that such amount shall not be subject to any third party claim.

6. INTENTIONS IN RELATION TO THE COMPANY

6.1 Voluntary Withdrawal of Listing of the H Shares

Upon the H Share Offer becoming unconditional and subject to the approval of the Delisting by the Independent Shareholders at the Special General Meeting of Independent Shareholders and the approval of the Privatisation by the Independent H Shareholders at the H Share Class Meeting, the Company will make an application for the Delisting in accordance with Rule 6.12 of the Listing Rules.

The Offeror has no rights under the PRC Laws and the Articles of the Company to acquire compulsorily the H Shares that are not tendered for acceptance pursuant to the H Share Offer. Accordingly, Independent H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects and the H Shares are delisted from the Stock Exchange, this will result in the Independent H Shareholders holding securities that are not listed on the Stock Exchange or any other exchange. In such circumstance, such Independent H Shareholders will continue to hold such unlisted securities and assuming they do not otherwise sell their H Shares to the Offeror, will not receive any consideration, unless the Merger becomes effective, in which case such Independent H Shareholders will receive the H Share Cancellation Price per delisted H Share. In addition, the Company may not continue to be subject to the Takeovers Code after the completion of the H Share Offer.

The H Shareholders will be notified by way of an announcement of the dates of the last day for dealing in the H Shares and on which the Delisting will become effective.

6.2 Merger by Absorption of the Company

Pursuant to the Merger Agreement, and subject to the completion of the Offers, the Delisting becoming effective, the fulfilment or waiver (as applicable) of the Merger Conditions, including but not limited to the Offeror and HNG holding (directly or indirectly) in aggregate not less than 85% of the issued share capital of the Company, the Company will be merged and absorbed by HNG in accordance with Article 172 of the PRC Company Law and other applicable PRC Laws. The Company will be de-registered in accordance with the PRC Company Law or the Regulations of the People's Republic of China on the Registration Administration of Companies and relevant legal provisions and the Company will cease to exist as a separate legal entity, and will be merged into HNG. Further details on the Merger Agreement can be referred to in the section headed "Merger by Absorption of the Company by HNG" below and in the summary of the terms and important information of the Merger Agreement set out in Appendix II of this Composite Document.

As the Merger Conditions (in respect of the Merger) are different from the Conditions (in respect of the H Share Offer), Shareholders and potential investors should be aware that even following the successful completion of the H Share Offer and the Delisting, there is no certainty that the Merger will proceed.

7. MERGER BY ABSORPTION OF THE COMPANY BY HNG

7.1 Merger Agreement

On 11 December 2014, HNG entered into the Merger Agreement with the Company, pursuant to which and subject to the satisfaction of the Pre-Condition and the satisfaction or waiver (as applicable) of the Merger Conditions, the Company will be merged and absorbed by HNG in accordance with Article 172 of the PRC Company Law and other applicable PRC Laws.

The Merger will be implemented and completed by going through the following major processes after (among other things) the completion of the Offers and the Delisting:

(a) all H Shares held by the Offeror, and all Domestic Shares held by any wholly owned subsidiary of HNG, will be transferred to HNG;

(b) HNG will pay the H Share Cancellation Price per delisted H Share (other than those owned by HNG) in cash to the existing H Shareholders (being those who have not tendered their H Shares under the H Share Offer or otherwise sold their H Shares to the Offeror) as at the effective date of the Merger as soon as possible but no later than 7 Business Days after the Merger has become effective for the cancellation of all H Shares;

(c) HNG will pay the Domestic Share Cancellation Price per Domestic Share (other than those owned by HNG) in cash to the existing Domestic Shareholders as at the effective date of the Merger as soon as possible but no later than 7 Business Days after the Merger has become effective for the cancellation of all Domestic Shares; and

(d) the Company will be de-registered in accordance with the PRC Company Law, the Regulations of the People's Republic of China on the Registration Administration of Companies and relevant legal provisions.

Consequently, the Company will be merged into HNG, with HNG as the surviving corporation, and the Company will cease to exist as a separate legal entity. As a result of the Merger, on the date of completion of the Merger, the assets and liabilities (together with the rights and obligations attached to such assets), the business and the employees of the Company will be assumed by HNG as the surviving corporation. HNG and all of its rights, privileges, exemptions and permits will not be affected by the Merger.

Independent H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects and the H Shares are delisted from the Stock Exchange, this will result in the Independent H Shareholders holding securities that are not listed on the Stock Exchange or any other exchange. In such circumstance, such Independent H Shareholders will continue to hold such unlisted securities and assuming they do not otherwise sell their H Shares to the Offeror, will not receive any consideration, unless the Merger becomes effective, in which case such Independent H Shareholders will receive the H Share Cancellation Price per delisted H Share.

7.2 De-registration of the Company

Pursuant to the Merger Agreement, the payment to the relevant Shareholders (other than HNG) will be made as soon as possible but in any event within 7 Business Days after the Merger has become effective. After payment had been made to the relevant Shareholders (other than HNG), the relevant rights attaching to such Shares shall be deemed as cancelled.

The effectiveness of the Merger is conditional upon the fulfilment or waiver (if applicable) of a number of Merger Conditions as set out below. After the fulfilment of the Merger Conditions, the Company will make all necessary filings with Hunan Provincial AIC for its de-registration in accordance with the PRC Company Law, the Regulations of the People's Republic of China on the Registration Administration of Companies and other relevant PRC Laws.

7.3 Right of the Dissenting Shareholders

According to the Articles of the Company, any Shareholder who has opposed the Merger may request the Company or other Shareholders who have approved the Merger to acquire its Shares at a "fair price". The Merger Agreement provides that if any Shareholder elects to request the Company or other Shareholders who have voted for the Merger to purchase its Shares at a "fair price", HNG shall, at the request of the Company or such Shareholder, assume any liability which the Company or such Shareholder who has received such a request may have towards the dissenting Shareholder.

Any Shareholder who has opposed the Merger and has requested the Company or other Shareholders who have approved the Merger to acquire its Shares at a "fair price" will, after the Merger is approved by the Shareholders, continue to have a right against the Company and/or such Shareholder, or HNG (if requested by the Company and/or such Shareholder to assume their respective liabilities after receiving the request from the dissenting Shareholder). In any case, such request shall be made within the earlier of (a) the expiration of two months from the date of approval of the Merger at the Special General Meeting and (b) the date of completion of the Merger.

7.4 Notification to Creditors

The Company and HNG are also required by the PRC Company Law and the Articles of the Company to notify their respective creditors of the Merger within 10 days after the Merger is approved by the Shareholders and the shareholders of HNG. The creditors may require the Company or HNG (as the case may be) to pay off its indebtedness or provide a satisfactory guarantee for such indebtedness. If the Shareholders approve the Merger at the Special General Meeting and the shareholders of HNG approve the Merger, the Company and HNG will give notice to their respective creditors of the Merger within 10 days after the Merger is approved at the Special General Meeting, as well as announce the approval of the Merger in a newspaper within 30 days of such approval. If any creditor requests repayment of the indebtedness owed by the Company or HNG (as appropriate) or requests for any guarantee in relation to such indebtedness, such request will have to be made within 30 days upon the receipt of a notice or within 45 days upon the issuance of the public announcement if it fails to receive a notice.

7.5 Merger Conditions

The Merger will become effective upon the fulfilment or waiver (as applicable) of the following Merger Conditions:

(a) the written resolutions by the shareholders of HNG approving the Merger having been passed;

(b) a waiver application having been submitted to the CSRC by HNG within three days after the execution of the Merger Agreement for the exemption of making any mandatory offer in relation to the change of controlling shareholder of the A-Share Listed Subsidiary as a result of the Merger, and such waiver having been granted by the CSRC or no objection having been raised by the CSRC;

(c) the H Share Offer becoming or being declared unconditional in all respects pursuant to the fulfilment or waiver (as applicable) of the Conditions set out in section 3.4 of this letter and subsequently being closed (in particular, Conditions (b), (c) and (d) set out in section 3.4 of this letter are also Merger Conditions);

(d) the Domestic Share Offer becoming or being declared unconditional in all respects pursuant to the fulfilment or waiver (as applicable) of the conditions set out in section 4 of this letter and subsequently being closed;

(e) the Delisting application having been submitted by the Company to the Stock Exchange and such Delisting having become effective pursuant to the Listing Rules;

(f) the transfer of all H Shares held by the Offeror (including all H Shares acquired under the H Share Offer) to HNG such that HNG is the registered holder of such H Shares; and

(g) the Offeror and HNG holding (directly or indirectly) in aggregate not less than 85% of the issued share capital of the Company.

Upon the fulfilment or waiver (as applicable) of the Merger Conditions, the Merger will become effective.

Merger Conditions (b) and (g) can be waived by HNG in whole or in part, either generally or in respect of any particular matter (including, with respect to Merger Condition (g), by accepting a lower percentage threshold), provided that such waiver will not result in a breach of any applicable laws and regulations. Merger Conditions (a), (c), (d), (e) and (f) cannot be waived in any event. The Company does not have the right to waive any of the Merger Conditions.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, HNG may only invoke any Merger Condition so as to not proceed with the Merger if the circumstances which give rise to a right to invoke the Merger Condition are of material significance to HNG in the context of the Merger.

The Merger Conditions will have to be fulfilled or waived (as applicable) on or before 30 June 2016 (or such other date as HNG and the Company may agree), failing which the Merger will lapse.

Following the Merger having become effective, the transactions under the Merger Agreement will be completed upon the submission of the de-registration applications by the Company to Hunan Provincial AIC and the completion of the de-registration procedures.

7.6 Termination of the Merger Agreement

The Merger Agreement can be terminated at any time prior to the completion of the Merger:

(a) by either HNG or the Company if:

(i) the Pre-Condition is not satisfied by the Pre-Condition Long Stop Date;

(ii) the Offeror publishes an announcement stating that the Pre-Condition has not been satisfied by the Pre-Condition Long Stop Date;

(iii) the Offeror publishes an announcement stating that the Offers have been withdrawn with the consent of the Executive;

(iv) any governmental body has issued an order, ruling or taken any other actions (which order, ruling or other action HNG and the Company shall use their reasonable efforts to terminate), which permanently restrains, enjoins or otherwise prohibits the Merger and such order, ruling or other action shall have become final and not subject to appeal;

(v) the relevant shareholders' approvals for the Delisting and the Merger (as the case may be) have not been obtained at the Special General Meeting, the Special General Meeting of the Independent Shareholders and the H Share Class Meeting (or any adjournments of such meetings); or

(vi) the Merger Conditions have not been fulfilled or waived (if applicable) before 30 June 2016 (or such later date as HNG and the Company may agree);

(b) by HNG if the Company has breached any of its representations, warranties or covenants in the Merger Agreement or is in any other material breach of the Merger Agreement, and cannot rectify such breaches within 30 days after being given a written notice by HNG; and

(c) by the Company if HNG has breached any of its representations, warranties or covenants in the Merger Agreement or is in any other material breach of the Merger Agreement, and cannot rectify such breaches within 30 days after being given a written notice by the Company.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, HNG may only invoke any of the above termination rights so as to not proceed with the Merger if the circumstances which give rise to a right to invoke the termination right are of material significance to HNG in the context of the Merger.

7.7 Further details on the Merger Agreement

For further details of the Merger Agreement, including the major terms of the Merger Agreement, the Merger Conditions, the completion of the Merger Agreement, the payment of the H Share Cancellation Price and the Domestic Share Cancellation Price, the compulsory deregistration and right of the dissenting H Shareholders, please refer to the summary of the terms and important information of the Merger Agreement as set out in Appendix II to this Composite Document.

8. REASONS FOR AND BENEFITS OF THE OFFERS, THE DELISTING AND THE MERGER

Certain businesses of HNG overlap with the Company, for example, in relation to the tungsten production business as well as in research and development of non-ferrous metals. After the completion of the Offers, the Delisting and the Merger, HNG and the Company will be better positioned to eliminate overlaps, align interests and integrate resources.

After the completion of the Offers, Delisting and the Merger, the Company will be de-registered, which will help HNG simplify its corporate structure and facilitate its decision making process.

9. GENERAL INFORMATION

9.1 Information on HNG and the Offeror

China Minmetals Corporation is the ultimate parent company and controlling shareholder of the Offeror and HNG, and is a state-owned enterprise existing under the PRC Laws. It is an international metals and mining corporation committed to providing high-quality services globally. It is primarily engaged in exploration, mining, smelting, processing and trading for metals and minerals, and is also engaged in finance, real estate, and mining and metallurgic technology.

HNG mainly operates in the manufacturing and distribution of non-ferrous metals, and owns a complete integrated industrial chain from exploration, mining, ore-dressing, refining, deep processing and R&D. It is engaged in multiple business segments including the mining and dressing, refining, processing and R&D activities in relation to non-ferrous metals, machinery manufacturing, inorganic chemicals, bio-medicine, and property development.

The Offeror is a company incorporated in Hong Kong and a wholly owned subsidiary of HNG, mainly engaged in consultation and import and export trade of nonferrous metal mineral resources and asset management.

9.2 Meetings

As required under the PRC Company Law, the Merger requires the approval of no less than two-thirds of the voting rights held by the Shareholders present at the Special General Meeting. According to the PRC Company Law and the Articles of the Company, the Offeror and HNG are eligible to vote at the Special General Meeting. The Offeror and HNG intend to vote to approve the Merger in the Special General Meeting.

The Special General Meeting of the Independent Shareholders is required to be convened for the purpose passing resolutions by way of poll to approve the Merger and the Delisting by the Independent Shareholders, and such approval must be given by at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are cast either in person or by proxy; and the number of votes cast against the resolution is not more than 10% of the votes attaching to all Shares held by the Independent Shareholders. The Offeror, HNG and their respective Concert Parties are required to abstain from voting at the Special General Meeting of the Independent Shareholders.

The H Share Class Meeting is required to be convened for the purpose of passing resolutions by way of poll to approve the Privatisation by the Independent H Shareholders, and such approval must be given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and the number of votes cast against the resolution is not more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders. The Offeror, HNG and their Concert Parties are required to abstain from voting at the H Share Class Meeting.

Notices of the above meetings are set out in Appendices V, VI and VII to this Composite Document.

10. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Board on pages 25 to 36, the letter from the Independent Board Committee on pages 37 to 38, the letter from the Independent Financial Adviser on pages 39 to 76 of this Composite Document in relation to their respective recommendations and advice with respect to the Offers, the Delisting and the Merger.

Your attention is also drawn to the accompanying Form of Acceptance and the additional information set out in the appendices which form part of the Composite Document.

In considering what action to take in connection with the H Share Offer, H Shareholders should consider their own tax position and, if they are in doubt, they should consult their own professional advisers. We emphasize that none of the Offeror, the Company, CICCHKS or any of their respective directors or any person involved in the H Share Offer, accepts responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of their acceptance of the H Share Offer.

In making their decision, H Shareholders must rely on their own examination of the terms of the H Share Offer, including the merits and risks involved. The contents of this letter shall not be construed as any legal or business advice on the part of the Offeror, the Company, CICCHKS or their respective professional advisers. H Shareholders should consult their own professional advisers for professional advice.

Yours faithfully,
For and on behalf of
China International Capital Corporation
Hong Kong Securities Limited

Raymond Pak
Executive Director

湖南有色
HUNAN NONFERROUS

Hunan Nonferrous Metals Corporation Limited*

湖南有色金屬股份有限公司

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

(Stock Code: 2626)

Executive Directors:
Mr. Li Fuli
Ms. Deng Yingjie
Mr. He Yawen
Mr. Wu Xiaopeng

Non-executive Directors:
Mr. Cao Xiuyun
Mr. Yang Guang

Independent Non-executive Directors:
Mr. Wan Ten Lap
Mr. Choi Man Chau, Michael
Ms. Chen Xiaohong

Legal address and head office:
No. 290 Laodongxi Road
Changsha City, Hunan, PRC
(410015)

Principal office and place of business in Hong Kong:
6/F Nexxus Building
41 Connaught Road Central
Central, Hong Kong

20 January 2015

To the Shareholders

Dear Sir or Madam,

(1) VOLUNTARY CONDITIONAL CASH OFFER BY CICCHKS ON BEHALF OF THE OFFEROR, A WHOLLY OWNED SUBSIDIARY OF HNG, TO ACQUIRE ALL OF THE ISSUED H SHARES IN THE COMPANY (OTHER THAN THOSE OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND ITS CONCERT PARTIES)
(2) VOLUNTARY CONDITIONAL CASH OFFER BY HNG TO ACQUIRE ALL OF THE ISSUED DOMESTIC SHARES IN THE COMPANY (OTHER THAN THOSE OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY HNG AND ITS CONCERT PARTIES)
(3) PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES OF THE COMPANY
AND
(4) PROPOSED MERGER BY ABSORPTION OF THE COMPANY BY HNG

1. INTRODUCTION

On 11 December 2014, the Offeror Board and the Board jointly announced that CICCHKS, on behalf of the Offeror (a wholly owned subsidiary of HNG), firmly intends, subject to the satisfaction of the Pre-Condition, to make a voluntary conditional cash offer to acquire all of the issued H Shares (other than those owned, controlled or agreed to be acquired by the Offeror and its Concert Parties) in accordance with the Takeovers Code. In addition, subject to the satisfaction of the Pre-Condition, HNG will make a voluntary conditional cash offer to acquire all of the issued Domestic Shares (other than those owned, controlled or agreed to be acquired by HNG and its Concert Parties).

The Offeror Board and the Board further jointly announced that on 11 December 2014, HNG entered into the Merger Agreement with the Company, pursuant to which and subject to the satisfaction of the Pre-Condition and the satisfaction or waiver (as applicable) of the Merger Conditions, the Company will be merged and absorbed by HNG in accordance with Article 172 of the PRC Company Law and other applicable PRC Laws.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things, (i) further information relating to the Group, the Offeror, the Offers, the Delisting and the Merger, (ii) the letter from CICCHKS containing details of the Offers, the Delisting and the Merger; (iii) the letter from the Independent Board Committee containing its recommendation and advice to the Shareholders in respect of the terms of the Offers and as to acceptances and the Delisting and the Merger and as to voting; and (iv) the letter from the Independent Financial Adviser containing its recommendation and advice to the Independent Board Committee as to whether the terms of the Offers are, or are not, fair and reasonable and as to acceptances and whether the Delisting and the Merger are, or are not, fair and reasonable and as to voting.

Unless the context otherwise requires, terms defined in the Composite Document shall have the same meaning when used in this letter.

2. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

In accordance with Rules 2.1 and 2.8 of the Takeovers Code, the Independent Board Committee comprising all the non-executive Directors who have no direct or indirect interest in the Offers, other than as a Shareholder, namely, Mr. Yang Guang, Mr. Wan Ten Lap, Mr. Choi Man Chau, Michael and Ms. Chen Xiaohong, was established for the purpose of making a recommendation to the Shareholders as to whether the Offers are, or are not, fair and reasonable and as to acceptances and whether the Delisting and the Merger are, or are not, fair and reasonable and as to voting.

The Independent Board Committee excludes all non-executive Directors who are connected to the Offeror or HNG. Accordingly, the Independent Board Committee excludes Mr. Cao Xiuyun as he is a director of the Offeror and HNG, as well as a senior management member of HNG.

The Company has applied to the Stock Exchange for, and was granted, a waiver from the requirements under Rule 13.39(6)(a) of the Listing Rules to establish an independent board committee of the Company consisting only of independent non-executive directors to advise on the Delisting as the non-executive Director on the Independent Board Committee, namely, Mr. Yang Guang, has no material interest in the Offers, the Delisting and the Merger.

China Securities (International) Corporate Finance Company Limited has been appointed by the Company to act as the Independent Financial Adviser to the Independent Board Committee and advise the Independent Board Committee in connection with the Offers, the Delisting and the Merger. The appointment has been approved by the Independent Board Committee.

The Independent Financial Adviser has advised the Independent Board Committee that it considers the terms of the H Share Offer, the terms of the Domestic Share Offer, the Delisting and the Merger to be fair and reasonable so far as the Shareholders are concerned, and accordingly, it recommends the Independent Board Committee to advise the H Shareholders to accept the H Share Offer, the Domestic Shareholders to accept the Domestic Share Offer, and the Shareholders to vote in favour of the Delisting and the Merger, as applicable.

The Independent Board Committee, having been so advised, considers the terms of the H Share Offer, the terms of the Domestic Share Offer, the Delisting and Merger to be fair and reasonable so far as the Shareholders are concerned, and accordingly, recommends the H Shareholders to accept the H Share Offer, the Domestic Shareholders to accept the Domestic Share Offer, and the Shareholders to vote in favour of the Delisting and the Merger, as applicable.

The full texts of the letter from the Independent Board Committee addressed to the Shareholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee are set out in the Composite Document. You are advised to read both letters and the additional information contained in the appendices to the Composite Document carefully before taking any action in respect of the Offers.

3. THE OFFERS

3.1 The H Share Offer

Consideration for the H Share Offer

The H Share Offer is being made by CICCHKS on behalf of the Offeror on the following basis:

For each H Share .... HK$4.20 in cash

The Offeror will not increase the H Share Offer Price. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the H Share Offer Price.

The H Share Offer Price was determined on the basis of the market trading price of the H Shares over a relatively long time period and the Offeror's review of the Company's business.

Comparisons of value

The H Share Offer Price represents:

(a) a premium of approximately 68.67% over the closing price of the H Shares of HK$2.49 per H Share as quoted on the Stock Exchange on the Last Trading Date;

(b) a premium of approximately 64.71% over the average closing price of the H Shares of HK$2.55 per H Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including Last Trading Date;

(c) a premium of approximately 60.31% over the average closing price of the H Shares of HK$2.62 per H Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Date;

(d) a premium of approximately 55.56% over the average closing price of the H Shares of HK$2.70 per H Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Date;

(e) a premium of approximately 50.00% over the average closing price of the H Shares of HK$2.80 per H Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Date;

(f) a premium of approximately 70.04% over the average closing price of the H Shares of HK$2.47 per H Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Date; and

(g) a premium of approximately 11.41% over the closing price of HK$3.77 per H Share as quoted on the Stock Exchange as at the Latest Practicable Date.

Highest and lowest closing prices of H Shares

During the Relevant Period, the highest closing price of H Shares as quoted on the Stock Exchange was HK$3.89 per H Share on 2 January 2015, and the lowest closing price of H Shares as quoted on the Stock Exchange was HK$2.19 per H Share on 17 June 2014.

3.2 The Domestic Share Offer

The Domestic Share Offer is being made by HNG on the following basis:

For each Domestic Share . . . . RMB1.58 in cash (being approximately HK$1.996)

Since the Domestic Shares are unlisted, the Domestic Share Offer Price represents a liquidity discount of 19.84% to the closing price of the H Shares on the Last Trading Date, and a premium of 54.90% over the net asset value per share of the Company as at 30 June 2014.

HNG reserves the right in its absolute discretion to acquire by itself or through any of its wholly owned subsidiaries 100% of the equity interests in any special purpose vehicle holding Domestic Shares, as if the underlying Domestic Shares had been acquired directly at the Domestic Share Offer Price, subject to the relevant Domestic Shareholder warranting that such special purpose vehicle has no assets, liabilities or businesses other than its holding of the Domestic Shares. The total consideration to be received by the relevant Domestic Shareholder will be the same if HNG elects to acquire such special purpose vehicle instead of the underlying Domestic Shares.

The Domestic Share Offer is subject to the H Share Offer becoming or being declared unconditional in all respects. This condition cannot be waived in any event.

3.3 Total consideration for the Offers

As at the Latest Practicable Date, the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company comprised 3,668,058,000 Shares, of which there are 1,632,728,000 H Shares (representing approximately 44.51% of the issued share capital of the Company) and 2,035,330,000 Domestic Shares (representing approximately 55.49% of the issued share capital of the Company).

As at the Latest Practicable Date, the Offeror holds 159,872,000 H Shares (representing approximately 9.79% of the total issued H Shares and 4.36% of the issued share capital of the Company) and HNG holds 1,947,074,266 Domestic Shares (representing approximately 95.66% of the total issued Domestic Shares and 53.08% of the issued share capital of the Company).

Assuming full acceptance of the Offers by Shareholders, the aggregate cash consideration payable under the Offers would be approximately HK$6,362.11 million. Assuming full acceptance of the H Share Offer by H Shareholders, the aggregate cash consideration payable under the H Share Offer would be approximately HK$6,186.00 million.

3.4 Further details of the Offers

Further details of the Offers can be found in the letter from CICCHKS, and further terms of the H Share Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance, which together set out the terms and conditions of the Offers and certain related information.

4. GENERAL

4.1 Information on the Group

The Company is a joint stock company incorporated in the PRC with limited liability. The Group is an integrated producer of nonferrous metals, excluding aluminium, in the PRC. The Group's mines contain tungsten, bismuth and antimony reserves. The Group 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. The Group is a major producer of cemented carbides, zinc and antimony in the PRC, as well as a major producer of lead, silver, indium, tantalum and niobium products in term of production volume.

Your attention is drawn to the financial information of the Group set out in Appendix III to the Composite Document.

As disclosed in the January 2015 Profit Warning, based on the preliminary assessment by the Board based on the current information available to the Group, including the management accounts of the Group, the Board anticipates that for the year ended 31 December 2014, the Group is expected to record a turnaround to unaudited loss attributable to the Shareholders in an amount between RMB500 million to RMB580 million, as compared to the audited profits attributable to Shareholders for the year ended 31 December 2013 amounted to approximately RMB203.99 million. The Board is of the view that the anticipated turnaround from profit to loss is mainly attributable to the following factors: (i) the sales volume and price of antimony decreased simultaneously which resulted in a significant loss; (ii) the price of tungsten concentrates dropped substantially so that the gross profit arising from it got substantially decreased. The profitability of China Tungsten and Hightech Materials Co., Ltd. (中鎢高新材料股份有限公司), a subsidiary of the Company, suffered a great loss due to the reduction in the price of its major products; and (iii) the asset impairment loss went up as compared with the same period of year 2013. In preparation of the estimated results, the directors of the Company have made the assumption that there will be no events subsequent to 31 December 2014 which require material adjustments to the estimated results.

The statements in the January 2015 Profit Warning is regarded as a profit forecast under Rule 10 of the Takeovers Code and the Company is required to comply with the reporting requirement set out in Rule 10.4 of the Takeovers Code with respect of the January 2015 Profit Alert. Baker Tilly Hong Kong Limited, the auditors of the Company, is of the opinion that, so far as the accounting policies and calculations are concerned, the forecast has been properly compiled in accordance with the bases stated by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group in the Company's published annual report for the year ended 31 December 2013. China Securities (International), the Independent Financial Adviser to the Company, is satisfied that the statements in the January 2015 Profit Warning have been made by the Directors with due care and consideration. Your attention is drawn to the reports issued by Baker Tilly Hong Kong Limited and China Securities (International) on the January 2015 Profit Warning set out in Appendix III to this Composite Document.

4.2 Information on HNG and the Offeror

Your attention is drawn to the letter from CICCHKS, contained in the Composite Document for information relating to HNG and the Offeror.

5. INTENTIONS OF THE OFFEROR WITH REGARD TO THE COMPANY

Your attention is drawn to the letter from CICCHKS contained in the Composite Document which sets out the intentions of the Offeror with regard to the Company.

The Board notes that the intention is that pursuant to the implementation and completion of the proposed Merger, the Company will be merged into HNG, with HNG as the surviving corporation, and will cease to exist as a separate legal entity. The Board further notes that as a result of the Merger, on the date of de-registration of the Company, the assets and liabilities (together with the rights and obligations attached to such assets), the business and the employees of the Company will be assumed by HNG as the surviving corporation.

The Board notes and welcomes the intentions of the Offeror with regard to the Company and the employees of the Company as stated above.

6. FURTHER INFORMATION

Please refer to the letter from CICCHKS set out in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance for information relating to the Offers, the acceptance and settlement procedures of the H Share Offer, the making of the H Share Offer to overseas H Shareholders and taxation.

7. SPECIAL GENERAL MEETING, SPECIAL GENERAL MEETING OF THE INDEPENDENT SHAREHOLDERS AND THE H SHARE CLASS MEETING

As you will see from the notices of the Special General Meeting, Special General Meeting of the Independent Shareholders and the H Share Class Meeting in Appendices V, VI and VII to this Composite Document, the Special General Meeting will be held at 9:00 a.m. on 6 March 2015, with the Special General Meeting of the Independent Shareholders and the H Share Class Meeting to follow respectively after the conclusion or adjournment of the preceding meeting.

As required under the PRC Company Law, the Merger requires the approval of no less than two-thirds of the voting rights held by the Shareholders present at the Special General Meeting. According to the PRC Company Law and the Articles of the Company, the Offeror and HNG are eligible to vote at the Special General Meeting. The Board notes that the Offeror and HNG intend to vote to approve the Merger in the Special General Meeting.

The Special General Meeting of the Independent Shareholders is required to be convened for the purpose of passing resolutions by way of poll to approve the Merger and the Delisting by the Independent Shareholders, and such approval must be given by at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are cast either in person or by proxy; and the number of votes cast against the resolution is not more than 10% of the votes attaching to all Shares held by the Independent Shareholders. The Offeror, HNG and their respective Concert Parties are required to abstain from voting at the Special General Meeting of the Independent Shareholders.

The H Share Class Meeting is required to be convened for the purpose of passing resolutions by way of poll to approve the Privatisation by the Independent H Shareholders, and such approval must be given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and the number of votes cast against the resolution is not more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders. The Offeror, HNG and their respective Concert Parties are required to abstain from voting at the H Share Class Meeting.

Accordingly, the Special General Meeting, Special General Meeting of the Independent Shareholders and the H Share Class Meeting will be convened. The conditions of the Offers, the Delisting and the Merger include obtaining the requisite votes of shareholders in the Special General Meeting, Special General Meeting of the Independent Shareholders and the H Share Class Meeting as described above.

A Shareholder who is on the Registers by the time the Registers are closed for the purpose of determining the entitlements of the Shareholders to attend and vote at the Special General Meeting, the Independent Shareholders to attend and vote at the Special General Meeting of the Independent Shareholders and the Independent H Shareholders to attend and vote at the H Share Class Meeting will still be entitled to attend and vote at the relevant meeting(s), irrespectively of whether such Shareholder has accepted the Offers or not.

Whether or not they are able to attend the Special General Meeting, the Special General Meeting of the Independent Shareholders and/or the H Share Class Meeting (as applicable) in person, the Shareholders are strongly urged to complete and sign the enclosed WHITE proxy form in respect of the Special General Meeting, the Independent Shareholders are strongly urged to complete and sign the enclosed PINK proxy form in respect of the Special General Meeting of the Independent Shareholders and the Independent H Shareholders are strongly urged to complete and sign the enclosed GREEN proxy form in respect of the H Share Class Meeting in accordance with the instructions respectively printed thereon and to return them to (a) in the case of the H Shareholders, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and (b) in the case of the Domestic Shareholders, Finance and Securities Department of the Company at Room 602, 6/F No.290 Laodongxi Road, Tianxin District, Changsha City, Hunan Province, the PRC, as soon as possible, but in any case not later than the following respective times:

(a) in the case of the WHITE proxy form for use at the Special General Meeting, the Shareholders are requested to deposit such proxy form not later than 9:00 a.m. on Thursday, 5 March 2015;

(b) in the case of the PINK proxy form for use at the Special General Meeting of the Independent Shareholders, the Independent Shareholders are requested to deposit such proxy form not later than 9:00 a.m. on Thursday, 5 March 2015; and

(c) in the case of the GREEN proxy form for use at the H Share class Meeting, the Independent H Shareholders are requested to deposit such proxy form not later than 9:00 a.m. on Thursday, 5 March 2015.

The return of the proxy forms for the Special General Meeting, the Special General Meeting of the Independent Shareholders and/or the H Share Class Meeting (as applicable) will not preclude you from attending and voting in person at the Special General Meeting, the Special General Meeting of the Independent Shareholders and/or the H Share Class Meeting (as applicable) or any adjourned meetings. In the event that you attend and vote at the Special General Meeting, the Special General Meeting of the Independent Shareholders and/or the H Share Class Meeting (as applicable) after having deposited the relevant proxy form, that form of proxy will be deemed to have been revoked.

You are requested to complete the accompanying reply slip for Special General Meeting, Special General Meeting of the Independent Shareholders and/or the H Share Class Meeting that you are entitled to attend, in accordance with the instructions printed thereon and return the same to, (a) in the case of the H Shareholders, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and (b) in the case of the Domestic Shareholders, Finance and Securities Department of the Company at Room 602, 6/F No.290 Laodongxi Road, Tianxin District, Changsha City, Hunan Province, the PRC.

Voting at the Special General Meeting, the Special General Meeting of the Independent Shareholders and the H Share Class Meeting will be taken by way of poll as required under the Listing Rules, the Takeovers Code and the Articles of the Company.

For the purpose of determining the entitlements of the Shareholders to attend and vote at the Special General Meeting, the Independent Shareholders to attend and vote at the Special General Meeting of the Independent Shareholders and the Independent H Shareholders to attend and vote at the H Share Class Meeting, the Registers will be closed from Wednesday, 4 February 2015 to Friday, 6 March 2015 (both dates inclusive). During such period, no transfer of Shares will be effected.

Only holders of Shares whose names appear on the Registers at 4:30 p.m. on Tuesday, 3 February 2015 are entitled to vote at the Special General Meeting, the Special General Meeting of the Independent Shareholders and the H Share Class Meeting.

Each Shareholder on the Registers at 4:30 p.m. on Tuesday, 3 February 2015 is entitled to cast one vote per Share on each resolution at the Special General Meeting. Each Independent Shareholder on the Registers at 4:30 p.m. on Tuesday, 3 February 2015 is entitled to cast one vote per Share on each resolution at the Special General Meeting of the Independent Shareholders. Each Independent H Shareholder on the Registers at 4:30 p.m. on Tuesday, 3 February 2015 is entitled to cast one vote per H Share on each resolution at the H Share Class Meeting.

Further announcements will be issued giving details of the results of the Special General Meeting, Special General Meeting of the Independent Shareholders and the H Share Class Meeting and, if all the resolutions are duly passed at the Special General Meeting, Special General Meeting of the Independent Shareholders and the H Share Class Meeting, the last day for dealing in the H Shares and the date of Delisting.

8. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 37 to 38 of this Composite Document, which contains its recommendation to the Shareholders as to whether the terms of the Offers are, or are not, fair and reasonable and as to acceptances and whether the Delisting and the Merger are, or are not, fair and reasonable and as to voting. Your attention is also drawn to the letter from the Independent Financial Adviser on pages 39 to 76 of this Composite Document, which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the terms of the Offers, the Delisting and the Mergers (so far as the Shareholders are concerned) and the principal factors and reasons it has considered before arriving at its advice to the Independent Board Committee. You are also advised to read this Composite Document and the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the H Share Offer.

By order of the board of
HUNAN NONFERROUS METALS CORPORATION LIMITED*

Mr. Li Fuli
Chairman

* *For identification purposes only*

湖南有色
HUNAN NONFERROUS

Hunan Nonferrous Metals Corporation Limited*
湖南有色金屬股份有限公司
(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2626)

20 January 2015

To the Shareholders

Dear Sir or Madam,

(1) VOLUNTARY CONDITIONAL CASH OFFER BY CICCHKS ON BEHALF OF THE OFFEROR, A WHOLLY OWNED SUBSIDIARY OF HNG, TO ACQUIRE ALL OF THE ISSUED H SHARES IN THE COMPANY (OTHER THAN THOSE OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND ITS CONCERT PARTIES)
(2) VOLUNTARY CONDITIONAL CASH OFFER BY HNG TO ACQUIRE ALL OF THE ISSUED DOMESTIC SHARES IN THE COMPANY (OTHER THAN THOSE OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY HNG AND ITS CONCERT PARTIES)
(3) PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES OF THE COMPANY
AND
(4) PROPOSED MERGER BY ABSORPTION OF THE COMPANY BY HNG

INTRODUCTION

We refer to the Composite Document dated 20 January 2015 jointly issued by the Offeror and the Company, of which this letter forms part. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meaning when used in this letter.

We have been appointed by the Board to form the Independent Board Committee to consider and to advise the Shareholders as to whether the terms of the Offers are, or are not, fair and reasonable and as to acceptances and whether the Delisting and the Merger are, or are not, fair and reasonable and as to voting.

China Securities (International) Corporate Finance Company Limited has been appointed as the Independent Financial Adviser to advise us as to whether or not the terms of the H Share Offer, the terms of the Domestic Share Offer, the Delisting and the Merger are fair and reasonable so far as the Shareholders are concerned. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the letter from the Independent Financial Adviser on pages 39 to 76 of the Composite Document.

We also wish to draw your attention to, and advise you to read, the letter from the Board on pages 25 to 36 of the Composite Document, the letter from CICCHKS on pages 7 to 24 of the Composite Document, the letter from the Independent Financial Adviser on pages 39 to 76 of the Composite Document and the appendices to the Composite Document.

RECOMMENDATION

Having considered the principal factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in its letter, we concur with the view of the Independent Financial Adviser and consider the terms of the H Share Offer, the terms of the Domestic Share Offer, the Delisting and the Merger to be fair and reasonable so far as the Shareholders are concerned.

Accordingly, we concur with the recommendation of the Independent Financial Adviser, and would recommend the H Shareholders to accept the H Share Offer, the Domestic Shareholders to accept the Domestic Share Offer, and the Shareholders to vote in favour of the Delisting and the Merger, as applicable.

Notwithstanding our views and recommendation in respect of the terms of the Offers, the Delisting and the Merger, the Shareholders are strongly advised that their decision to realise or to hold their investment in the Company depends on their own individual circumstances and investment objectives. If in doubt, the Shareholders should consult their own professional advisers for professional advice.

Yours faithfully,
For and on behalf of

THE INDEPENDENT BOARD COMMITTEE

Mr. Yang Guang *Non-executive Director*	**Mr. Choi Man Chau, Michael** *Independent Non-executive Director*
Mr. Wan Ten Lap *Independent Non-executive Director*	**Ms. Chen Xiaohong** *Independent Non-executive Director*

* *For identification purposes only*

The following is the text of the letter from China Securities (International) setting out its advice to the Independent Board Committee, which has been prepared for the purpose of inclusion in this Composite Document.

中信建投國際
China Securities International

18/F, Two Exchange Square
Central
Hong Kong

20 January 2015

To: the Independent Board Committee

Dear Sirs,

(1) VOLUNTARY CONDITIONAL CASH OFFER BY CICCHKS ON BEHALF OF THE OFFEROR, A WHOLLY OWNED SUBSIDIARY OF HNG, TO ACQUIRE ALL OF THE ISSUED H SHARES IN THE COMPANY (OTHER THAN THOSE OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND ITS CONCERT PARTIES)

(2) VOLUNTARY CONDITIONAL CASH OFFER BY HNG TO ACQUIRE ALL OF THE ISSUED DOMESTIC SHARES IN THE COMPANY (OTHER THAN THOSE OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY HNG AND ITS CONCERT PARTIES)

(3) PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES OF THE COMPANY

(4) PROPOSED MERGER BY ABSORPTION OF THE COMPANY BY HNG

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in respect of the Offers, the Delisting, and the Merger (the "Transactions"), details of which are set out in the Composite Document jointly issued by the Offeror and the Company dated 20 January 2015, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

As stated in the letter from the Board in the Composite Document, CICCHKS, on behalf of the Offeror, will make a voluntary conditional cash offer to acquire all of the issued H Shares in the issued share capital of the Company (other than those owned, controlled or agreed to be acquired by the Offeror and its Concert Parties) in accordance with the Takeovers Code. In addition, HNG will make a voluntary conditional cash offer to acquire all of the issued Domestic Shares in the issued share capital of the Company (other than those owned, controlled or agreed to be acquired by HNG and its Concert Parties). The H Share Offer is subject to the fulfilment or waiver (as applicable) of a number of Conditions, including the approval of the Privatisation by the Independent H Shareholders at the H Share Class Meeting and the approval of the Delisting and the Merger by the Independent Shareholders at the Special General Meeting of the Independent Shareholders. The Domestic Share Offer is subject to the H Share Offer becoming or being declared unconditional in all respects.

On 11 December 2014, HNG entered into the Merger Agreement with the Company. Pursuant to the Merger Agreement, subject to the completion of the Offers, the Delisting becoming effective, the fulfilment or waiver (as applicable) of the Merger Conditions, the Company will be merged and absorbed by HNG in accordance with Article 172 of the PRC Company Law and other applicable PRC Laws.

The Board comprises four executive directors, two non-executive directors and three independent non-executive directors. In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee has been established which comprises Mr. Yang Guang (being an non-executive director), Mr. Wang Ten Lap, Mr. Choi Man Chau, Michael and Ms. Chen Xiaohong (being the independent non-executive directors), each of whom has no direct or indirect interests in the Transactions other than being a Shareholder, to advise and make recommendations to the Independent H Shareholders in respect of the terms of the Transactions. The board of the directors of the Company has decided that another non-executive director Mr. Cao Xiuyun, being a director of the Offeror and HNG, as well as a senior management member of HNG, shall have a direct or indirect interest in the Offer and therefore he has not been appointed as members of the Independent Board Committee. The Company has applied to the Stock Exchange for, and was granted, a waiver from the requirements under Rule 13.39(6) of the Listing Rules to establish another independent board committee of the Company consisting only of independent non-executive directors to advise on the Delisting as the non-executive Director on the Independent Board Committee, namely, Mr. Yang Guang, has no material interest in the Offers, the Delisting and the Merger, and is not a substantial Shareholder. The Independent Board Committee has approved our appointment as the independent financial adviser to advise it in respect of the terms of the Transactions.

To the best of our knowledge, as at the Latest Practicable Date, our parent company China Securities Co., Ltd., during its ordinary and usual course of business, held certain A-shares in Minmetals Development Co., Ltd. 五礦發展股份有限公司(600058) China Minmetals Rare Earth Co., Ltd. 五礦稀土股份有限公司(000831) and Kingray New Materials Science & Technology Co., Ltd. 金瑞新材料科技股份有限公司 (600390) which are subsidiaries of China Minmetals Corporation, the ultimate parent company and controlling shareholder of the Offeror. Having considered the insignificance of the shareholdings and the insignificance of their impact to our group's financials, we consider the shareholdings above would not affect our position to give objective advice to the Independent Board Committee in respect of the Transactions.

We are not associated with the Offeror or the Company or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Transactions. Apart from normal professional fees payable to us in connection with this or similar appointment, no arrangement exists whereby we will receive any fees or benefits from the Offeror or the Company or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our advice and recommendation, we have relied on the statement, information and facts supplied, and the opinions expressed and representations made, by the directors and management of the Company, which we have assumed to be true, accurate and complete. We have also assumed that all representations contained or referred to in the Composite Document, for which the Company and its directors are solely and wholly responsible, were true, accurate and complete and not misleading at the time they were made and remained so in all material respects up to and as at the date of the Composite Document. The Shareholders will be informed as soon as practicable if we become aware of any material change to such information.

We have reviewed, among others, the Joint Announcement, the Merger Agreement, the information as set out in the Composite Document, the annual reports of the Company for the three years ended 31 December 2013, the interim report of the Company for the six months ended 30 June 2014 and the January 2015 Profit Warning. We have sought and received confirmation from the directors of the Company that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information which we have received is sufficient for us to reach our opinion and advice as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group.

We have not considered any tax implications for the Independent Shareholders of acceptance or non-acceptance of the Offers since these depend on their individual circumstances. In particular, the Independent Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

TERMS OF THE OFFERS

The Offers are being made on the following basis:

For each H Share	HK$4.20 in cash
For each Domestic Share	RMB1.58 in cash (being approximately HK$1.996)

As stated in the letter from CICCHKS in the Composite Document, the H Share Offer Price was determined on the basis of the market trading price of the H Shares over a relatively long time period and the Offeror's review of the Company's business, while the Domestic Share Offer Price was determined by taking into account the unlisted nature of the Domestic Shares. The Offeror has stated it will not increase the H Share Offer Price set out above. Independent H Shareholders should be aware that, following the making of such statement, the Offeror will not be allowed to increase the H Share Offer Price.

As disclosed in the letter from CICCHKS, the H Share Offer will be conditional upon the fulfilment or waiver (as applicable) of a number of Conditions, including but not limited to, the valid acceptances of the H Share Offer and the Domestic Share Offer being received (and not, where permitted, withdrawn), by 4:00 p.m. on the Closing Date (or such later time(s) and/or date(s) as the Offeror may, subject to the Takeovers Code, decide), in respect of such number of Shares which, together with Shares already owned or agreed to be acquired before or during the Offers, would result in the Offeror and HNG holding (directly or indirectly) in aggregate not less than 85% of the issued share capital of the Company, and the passing of a resolution approving the Privatisation at the H Share Class Meeting and the passing of a resolution approving the Delisting and the Merger at the Special General Meeting of the Independent Shareholders to be convened for this purpose by the Independent H Shareholders and the Independent Shareholders respectively. All of the Conditions will have to be fulfilled or waived (as applicable) on or before the Completion Long Stop Date, failing which the H Share Offer will lapse. The Domestic Share Offer is subject to the H Share Offer becoming or being declared unconditional in all respects.

Details of the terms and conditions of the Offers are contained in the letter from the Board and the letter from CICCHKS in the Composite Document and Appendix I to the Composite Document. Independent Shareholders are encouraged to read these sections in the Composite Document in detail.

TERMS OF MERGER BY ABSORPTION OF THE COMPANY BY HNG

Pursuant to the Merger Agreement, and subject to the completion of the Offers, the Delisting becoming effective, the fulfilment or waiver (as applicable) of the Merger Conditions, including but not limited to the Offeror and HNG holding (directly or indirectly) in aggregate not less than 85% of the issued share capital of the Company, the Company will be merged and absorbed by HNG in accordance with Article 172 of the PRC Company Law and other applicable PRC Laws.

As part of the Merger, HNG will (i) pay the H Share Cancellation Price (being a HK$ amount per H Share equal to the offer price of the H Share Offer) per delisted H Share (other than those owned by HNG) in cash to the existing H Shareholders (being those who have not tendered their H Shares under the H Share Offer or otherwise sold their H Shares to the Offeror) as at the effective date of the Merger as soon as possible but no later than 7 Business Days after the Merger has become effective for the cancellation of all H Shares; and (ii) pay the Domestic Share Cancellation Price (being a RMB amount per Domestic Share equal to the offer price of the Domestic Share Offer) per Domestic Share (other than those owned by HNG) in cash to the existing Domestic Shareholders as at the effective date of the Merger as soon as possible but no later than 7 Business Days after the Merger has become effective for the cancellation of all Domestic Shares.

Under the Merger Agreement, on the date of the completion of the Merger, the Company will be merged into HNG, with HNG as the surviving corporation and the Company will cease to exist as a separate legal entity. As a result of the Merger, on the date of completion of the Merger, the assets and liabilities (together with the rights and obligations attached to such assets), the business and the employees of the Company will be assumed by HNG as the surviving corporation. HNG and all of its rights, privileges, exemptions and permits will not be affected by the Merger.

All of the Merger Conditions will have to be fulfilled or waived (as applicable) on or before 30 June 2016 (or such other date as HNG and the Company may agree), failing which the Merger will lapse.

The Independent Shareholders are reminded that, according to the Articles of the Company, any Shareholder who has opposed the Merger may request the Company or other Shareholders who have approved the Merger to acquire its Shares at a "fair price". The Merger Agreement provides that if any Shareholder elects to request the Company or other Shareholders who have voted for the Merger to purchase its Shares at a "fair price", HNG shall, at the request of the Company or such Shareholder, assume any liability which the Company or such Shareholder who has received such a request may have towards the dissenting Shareholder.

Any Shareholder who has opposed the Merger and has requested the Company or other Shareholders who have approved the Merger to acquire its Shares at a "fair price" will, after the Merger is approved by the Shareholders, continue to have a right against the Company and/or such Shareholder, or HNG (if requested by the Company and/or such Shareholder to assume their respective liabilities after receiving the request from the dissenting Shareholder.) In any case, such request shall be made within the earlier of (a) the expiration of two months from the date of approval of the Merger at the Special General Meeting and (b) the date of completion of the Merger.

The Independent Shareholders should also be aware that as the Merger Conditions (in respect of the Merger) are different from the Conditions (in respect of the H Share Offer), even following the successful completion of the H Share Offer and the Delisting, there is no certainty that the Merger will proceed.

Details of the terms and conditions of the Merger are contained in the letter from the Board and the letter from CICCHKS in the Composite Document and Appendix II to the Composite Document. Independent Shareholders are encouraged to read these sections in the Composite Document in detail.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion with regard to the Transactions, we have taken into consideration the following principal factors and reasons:

1. Reasons for the Offeror and HNG to propose the Transactions

As set out in the letter from CICCHKS in the Composite Document, the reasons for proposing the Transactions are that certain businesses of HNG overlap with the Company, for example, in relation to the tungsten production business as well as in research and development of non-ferrous metals. After the completion of the Delisting and the Merger, HNG and the Company will be better positioned to eliminate overlaps, align interests and integrate resources.

After the completion of the Delisting and the Merger, the Company will be de-registered, which will help HNG simplify its corporate structure and facilitate its decision making process.

2. Background and information of the Group

(i) Principal business of the Group

The Company is a joint stock company incorporated in the PRC with limited liability. The Group is an integrated producer of non-ferrous metals, excluding aluminium, in the PRC. The Group's mines contain tungsten, bismuth and antimony reserves. The Group 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. The Group is a major producer of cemented carbides, zinc and antimony in the PRC, as well as a major producer of lead, silver, indium, tantalum and niobium products in term of production volume.

To date, the Company holds significant equity interests in two A-Share companies, namely Zhongwu Gaoxin Materials Company Limited (中鎢高新材料股份有限公司) ("Zhongwu Gaoxin") listed on the Shenzhen Stock Exchange with stock code 000657, and Zhuzhou Smelter Group Co., Ltd (株洲冶煉集團股份有限公司) ("Zhuye") listed on the Shanghai Stock Exchange with stock code 600961. The Company directly owns 60.94% of the equity interest of Zhongwu Gaoxin. The Company directly owns 3.28% and indirectly owns 44.49% of the equity interest of Zhuye, through its 63.31%-owned subsidiary. According to the annual report 2013 of the Company and having confirmed with the management of the Company, the Company has control on both Zhongwu Gaoxin and Zhuye and their financial results are consolidated into the financial statements of the Group. It is considered that the financial performance of Zhongwu Gaoxin and Zhuye brings significant impacts to the Group's.

Zhongwu Gaoxin is principally engaged in the research and development, production, sales and trading of cemented carbides, and tungsten, molybdenum, tantalum and other non-ferrous metals and their compounds, and development and sale of property in the PRC. Zhuye is principally engaged in the manufacture and distribution of non-ferrous metal products and chemical products, with main products portfolio consists of zinc products, lead products and precious metal products.

(ii) Shareholding of the Company

As at the Latest Practicable Date, the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company comprised 3,668,058,000 Shares in issue, of which there are 1,632,728,000 H Shares (representing approximately 44.51% of the issued share capital of the Company) and 2,035,330,000 Domestic Shares (representing approximately 55.49% of the issued share capital of the Company).

As at the Latest Practicable Date:

(a) the Offeror holds 159,872,000 H Shares (representing approximately 9.79% of the total issued H Shares and 4.36% of the issued share capital of the Company); and

(b) HNG holds 1,947,074,266 Domestic Shares (representing approximately 95.66% of the total issued Domestic Shares and 53.08% of the issued share capital of the Company).

Accordingly, as at the Latest Practicable Date, HNG's total interests in H Shares and Domestic Shares in issue represent approximately 57.44% of the total issued share capital of the Company.

As at the Latest Practicable Date, there was no outstanding convertible securities, warrants or options issued by the Company.

(iii) Financial performance of the Group

Set out below are the summarised consolidated income statements of the Group for the three years ended 31 December 2013 and the six months ended 30 June 2014. The analysis of financials of the Group below is primarily based on the financial statements of the Group for the three years ended 31 December 2013 (which were audited financial statements), and the six months ended 30 June 2014 (which were unaudited interim financial statements).

	For the year ended 31 December			**Six months ended 30 June**	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Restated)	(Audited)	(Unaudited)	(Unaudited)
Revenue	24,546,146	25,582,719	31,097,611	14,079,764	13,089,067
Gross profit	2,513,918	1,737,772	1,930,136	920,454	802,317
Gross margin	*10.24%*	*6.79%*	*6.21%*	*6.54%*	*6.13%*
Profit/(Loss) before tax	152,165	(307,441)	311,673	(213,797)	(319,080)
Profit/(Loss) after tax	(41,063)	(436,608)	242,031	(274,060)	(366,111)
Net profit margin	*Net loss*	*Net loss*	*0.78%*	*Net loss*	*Net loss*
Profit/(Loss) attributable to:					
— Owners of the Company	293,399	6,602	203,990	(160,707)	(304,216)
— Non-controlling interests	(334,462)	(443,210)	38,041	(113,353)	(61,895)

The Group has three principal business segments, namely (1) Non-ferrous metal mine segment: mining and trading of non-ferrous metals; (2) Non-ferrous metal smelting segment: smelting and trading of non-ferrous metals; and (3) 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.

(a) Turnover

Turnover increased to RMB31,098 million for the year ended 31 December 2013, from RMB24,546 million for the year ended 31 December 2011, representing an increase of RMB6,551 million, or CAGR of 12.6%, primarily due to the increase in turnover before sales tax and surcharge of RMB384 million or CAGR of 3.5% for the non-ferrous metals mine segment, the increase of RMB4,417million or CAGR of 17.4% for the non-ferrous metals smelting segment, and the increase of RMB1,767 million or CAGR of 10.9% for the cemented carbides, tungsten, molybdenum, tantalum, niobium and their compounds segment.

Turnover decreased from RMB14,080 million for the six months ended 30 June 2013 to RMB13,089 million for the six months ended 30 June 2014, representing a decrease of RMB991 million or 7.0%, primarily due to the decrease in turnover before sales tax and surcharges from the non-ferrous metal mine site segment of RMB685 million or 23.9% and the slight increase in turnover before sales tax and surcharges of RMB201 million or 2.9% from the non-ferrous metal smelting segment, and decrease in turnover before sales tax and surcharges of RMB507 million or 11.9% from the cemented carbides, tungsten, molybdenum, tantalum, niobium and their compounds segment.

(b) Gross profit

Gross profit decreased by RMB584 million or CAGR of -12.4% from RMB2,514 million for the year ended 31 December 2011 to RMB1,930 million for the year ended 31 December 2013. The decrease of the overall gross profit mainly due to the drop in gross profit from Non-ferrous metal mine segment and Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment outran the increase in gross profit from Non-ferrous metal smelting segment, which historically contributed to a lower portion of the overall gross profit relatively to the other two declining business segments.

Gross profit decreased by RMB118 million or 12.8% from RMB920 million for the six months ended 30 June 2013 to RMB802 million for the six months ended 30 June 2014, while the gross profit margins for the six months ended 2013 and 2014 were 6.5% and 6.1% respectively.

The gross profit margins decrease from 10.24% for the year ended 2011 to 6.2% for the year ended 31 December 2013, and further decreased to 6.1% for the six months ended 30 June 2014 as compared to 6.5% recorded for the same period on 2013.

The drop in the gross profit and the gross profit margin were primarily due to the weak selling prices relative to the costs of various non-ferrous metal products produced by the Group, namely the tungsten concentrates and antimony products and cemented carbides.

(c) Profit/Loss attributable to the owners of the Company

The net profit attributable to the owners of the Company decreased by RMB89 million, or CAGR of -16.6% from RMB293 million for the year ended 31 December 2011 to the profit of RMB204 million for the year ended 31 December 2013. The decrease was primarily due to the decrease of profits of subsidiaries compared to last year.

Loss for the period attributable to the owners of the Company increased by RMB144 million or 89.3% from RMB161 million for the six months ended 30 June 2013 to RMB304 million for the six months ended 30 June 2014. The increase in loss was primarily due to Zhongwu Gaoxin turned from profit to loss and the decrease in both selling price and gross profit of tungsten concentrates and antimony products.

(d) Profit warning announcement

On 12 January 2015, the Company issued the January 2015 Profit Warning stating that, the Board anticipated that for the year ended 31 December 2014, the Group was expected to record a turnaround to unaudited loss attributable to the owners of the Company in an amount between RMB500 million to RMB580 million as compared to the audited profits attributable to owners of the Company of RMB204 million for the year ended 31 December 2013. The Board is of the view that the anticipated turnaround is mainly attributable to the following factors: (i) the sales volume and price of antimony decreased simultaneously which resulted in a significant loss; (ii) the price of tungsten concentrates dropped substantially so that the gross profit arising from it got substantially decreased. The profitability of Zhongwu Gaoxin suffered a great loss due to the reduction in the price of its major products; and (iii) the asset impairment loss went up as compared with the same period of year 2013.

(iv) Financial position of the Group

Set out below are the summarised consolidated statements of financial position of the Group as at 31 December 2011, 2012 and 2013 and 30 June 2014.

	31 December			30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Restated)	(Audited)	(Unaudited)
Non-current assets	12,096,736	12,754,787	13,492,763	13,804,552
Current assets	11,522,600	11,049,424	11,672,137	13,116,932
Total assets	**23,619,336**	**23,804,211**	**25,164,900**	**26,921,484**
Current liabilities	13,686,559	12,810,004	13,258,372	15,507,811
Non-current liabilities	4,051,058	5,510,702	5,588,115	5,470,179
Total liabilities	**17,737,617**	**18,320,706**	**18,846,487**	**20,977,990**
Equity attributable to owners of the Company	4,319,386	4,298,524	4,020,375	3,732,781
Non-controlling interests	1,562,333	1,184,981	2,298,038	2,210,713
Net assets	**5,881,719**	**5,483,505**	**6,318,413**	**5,943,494**

As at 30 June 2014, total assets amounted to approximately RMB26,921 million, representing an increase of approximately 7.0% when compared with the same as at 31 December 2013. Non-current assets amounted to approximately RMB13,805 million as at 30 June 2014, representing approximately 51.3% of the total assets, were mainly comprised of property, plant and equipment amounted to approximately RMB10,165 million, representing approximately 37.8% of the total assets. Property, plant and equipment consisted of buildings and mining structures, plant, machinery and equipment, and construction in progress. Current assets mainly comprised inventories, receivables (including trade receivables, bill receivable, prepayments, deposits and other receivables) and cash and cash equivalents amounted to approximately RMB6,461 million, RMB4,641 million and RMB1,970 million, representing approximately 24.0%, 17.2% and 7.3% of the total assets as at 30 June 2014 respectively.

As at 30 June 2014, total liabilities amounted to approximately RMB20,978 million, representing an increase of approximately 11.3% when compared with the same as at 31 December 2013. Current liabilities mainly comprised interest-bearing bank and other borrowings and payables (including trade payables, bills payable and other payables and accruals. As at 30 June 2014, interest-bearing bank and other borrowings and the payables in aggregate amounted to approximately RMB11,752 million and RMB3,670 million, representing approximately 56.0% and 17.5% of the total liabilities, respectively. Non-current liabilities mainly comprised interest-bearing bank and other borrowings amounted to approximately RMB3,778 million, representing approximately 18.0% of the total liabilities.

The gearing ratios of the Group (calculated as net debt divided by total capital, of which 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, while total capital is the sum of net debt and equity) were approximately 78.9%, 79.4% and 82.3% as at 31 December 2012, 31 December 2013 and 30 June 2014. The deterioration in the gearing as at 30 June 2014 was mainly due to the growth rate of interest-bearing bank and other borrowings was higher than that of total capital.

3. Historical average price of the non-ferrous metals sold by the Group

For the purpose of assessing the Offers, we have also reviewed historical average price of the non-ferrous metals sold by the Group. Based on the financial performance of the Group for the three years ended 31 December 2013 and six months ended 30 June 2014, the movements of the selling price of non-ferrous metals mainly in line with the movement of the Group's gross profit are in the same direction. Thus, we consider the selling price of non-ferrous metals may, to a certain extent, reflect the financial performance of the Group.

The following table shows the historical average selling price of the Group's products and the Group's gross profit for the three years ended 31 December 2013 and six months ended 30 June 2014 as extracted from the annual reports and interim reports of the Group.

	For the year ended 31 December			Difference		Six months ended 30 June		
	2011 Average selling price *(RMB/ tonne)*	2012 Average selling price *(RMB/ tonne)*	2013 Average selling price *(RMB/ tonne)*	2011 vs. 2012 *%*	2012 vs. 2013 *%*	2013 Average selling price *(RMB/ tonne)*	2014 Average selling price *(RMB/ tonne)*	Difference 2013 vs. 2014 *%*
NON-FERROUS METALS MINE SEGMENT								
Shizhuyuan								
Tungsten concentrates	112,673	98,805	115,130	–12%	17%	111,019	88,309	–20%
Oxidized molybdenum	96,259	75,491	—	–22%	—	—	—	—
Bismuth products	131,478	111,491	86,868	–15%	–22%	97,626	116,740	20%
Huangshaping Branch								
Zinc concentrates	9,665	8,749	8,964	–9%	2%	9,013	8,420	–7%
Lead concentrates (containing silver)	20,814	17,290	14,938	–17%	–14%	14,995	14,415	–4%
Hsikwangshan								
Antimony products	68,807	58,355	50,707	–15%	–13%	52,457	45,050	–14%
Zinc products	14,943	13,293	12,244	–11%	–8%	13,502	13,151	–3%
Xin Tianling								
Tungsten concentrates	118,553	101,715	120,186	–14%	18%	115,227	91,458	–21%
Hengyang Yuanjing								
Tungsten concentrates	104,631	101,365	116,048	–3%	14%	112,847	88,074	–22%
NON-FERROUS METALS SMELTING SEGMENT								
Zinc products	15,151	13,322	13,019	–12%	–2%	13,227	13,270	0%
Lead products	15,009	13,929	12,700	–7%	–9%	12,717	12,605	–1%
Precious metal indium	3,572,753	3,042,652	3,461,070	–15%	14%	3,205,303	4,313,443	35%
Precious metal silver	6,297,809	5,483,651	3,901,013	–13%	–29%	3,810,248	3,312,183	–13%

	For the year ended 31 December					Six months ended 30 June		
	2011	**2012**	**2013**	**Difference**		**2013**	**2014**	**Difference**
	Average selling price *(RMB/ tonne)*	**Average selling price** *(RMB/ tonne)*	**Average selling price** *(RMB/ tonne)*	**2011 vs. 2012** %	**2012 vs. 2013** %	**Average selling price** *(RMB/ tonne)*	**Average selling price** *(RMB/ tonne)*	**2013 vs. 2014** %
CEMENTED CARBIDES, AND TUNGSTEN, MOLYBDENUM, TANTALUM, NIOBIUM AND THEIR COMPOUNDS								
Cemented carbides		519,220	442,195	—	–15%	436,304	410,559	–6%
Tungsten and its compounds		232,461	244,318	—	5%	208,875	230,694	10%
Molybdenum and its compounds		302,402	270,684	—	–10%	302,660	275,465	–9%
Tantalum, niobium and their compounds		1,125,557	1,076,438	—	–4%	1,217,737	1,182,210	–3%
Indexable insert tips	—	67,576/ thousand piece	59,626/ thousand piece	—	–12%	60,810/ thousand piece	56,010/ thousand piece	–8%
PCB drills	—	2,926/ thousand piece	2,734/ thousand piece	—	–7%	2,739/ thousand piece	2,376/ thousand piece	–13%
Cemented carbides	371,742	401,926	—	8%	—			
Tungsten and compounds	275,399	217,512	—	–21%	—			
Molybdenum and compounds	327,128	302,430	—	–8%	—			
Tantalum, niobium and their compounds	823,091	1,125,557	—	37%	—			
The Group's gross profit *(RMB'000)*	2,513,918	1,737,772	1,930,136	–31%	11%	920,454	802,317	–13%

We noted that the average selling price of the Group's majority products showed a decreasing trend during the three years ended 31 December 2013 except for tungsten concentrates which recorded a year-on-year surge in price driven by news about rising purchase and inventory volume in China for the year of 2013, which, however, also showed a declining trend during the first half of 2014 as mentioned below. Such decreasing trend was mainly contributed by the impact of the hesitant recovery in major developed economies such as Europe, the U.S and Japan, slowdown economic growth in China and persisting weak demand for non-ferrous metals. During the first half year of 2014, China had a slow yet stable economic growth with still sluggish demand for non-ferrous metals. The average selling prices of antimony ingots and tungsten concentrates, the Group's main products, declined significantly as compared with the same period in prior year.

Nevertheless, the Independent Shareholders, in particular those who are of the view that the price of non-ferrous metals and/or the financial performance of the Group will deteriorate in the future and wish to realize their investments in the Shares, are advised to closely monitor the market price and the liquidity of the H Shares during the offer period carefully.

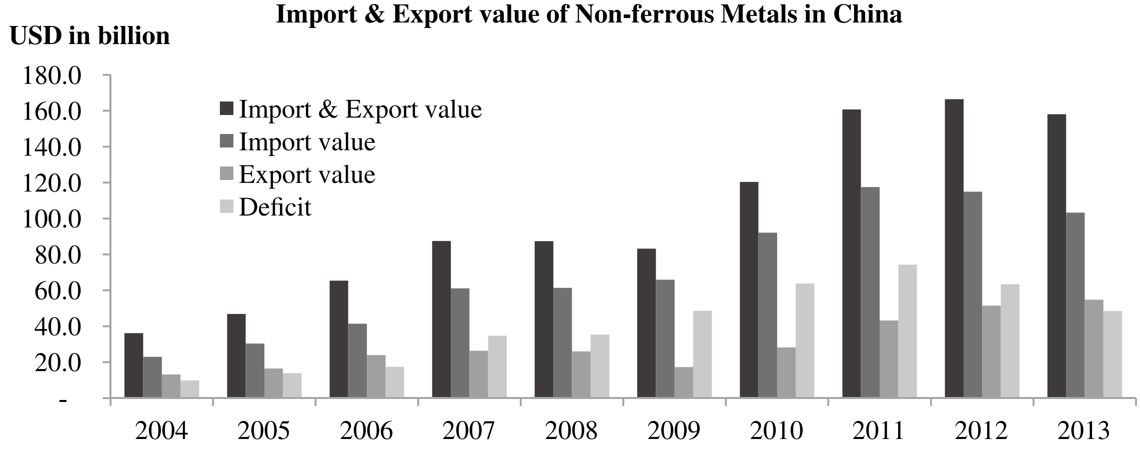
4. Overview of the non-ferrous metal industry in China

Non-ferrous metals are essential in the value chain of many industries such as automotive, transportation, aerospace, building and construction, packaging, electricity and energy, consumer electronics, medical devices, etc. The most widely used non-ferrous metals include copper, aluminum, lead, zinc, nickel, tin, antimony, mercury, magnesium, and titanium.

China has been the world's biggest producer and consumer of non-ferrous metals. Both the output and consumption account for approximately 40% of the global total. The change in China's non-ferrous metals output and consumption has great impact on the global market. China enjoys abundant resources and large varieties of non-ferrous metals. The reserves of 7 varieties, including tungsten and rare earths, rank the first in the world while the reserves of lead, nickel, mercury, molybdenum and niobium are plentiful. The industry scale expands rapidly as the production volume of non-ferrous metals maintains rapid growth in recent years. The total production volume of the 10 major non-ferrous metals (copper, aluminum, lead, zinc, nickel, tin, stibium, magnesium, titanium and mercury) was approximately 40 million tons in China in 2013, up by 9.91% YOY. Major production regions of non-ferrous metals are Henan, Gansu, Hunan, Yunnan and Shandong, and the production volume in the five regions accounted for approximately 43% of the national production volume.

The expansion in non-ferrous metals smelting and refining capacity has been faster than the mining capacity, causing a continuous decrease in self-sufficiency of the raw materials and a continuous increase in import of the raw materials. In light of its volume of reserves, production capacity, consumption amount and government policies on production and import/export control, China has a significant impact on the balance between the supply and demand of non-ferrous metals, as well as pricing in the global market.

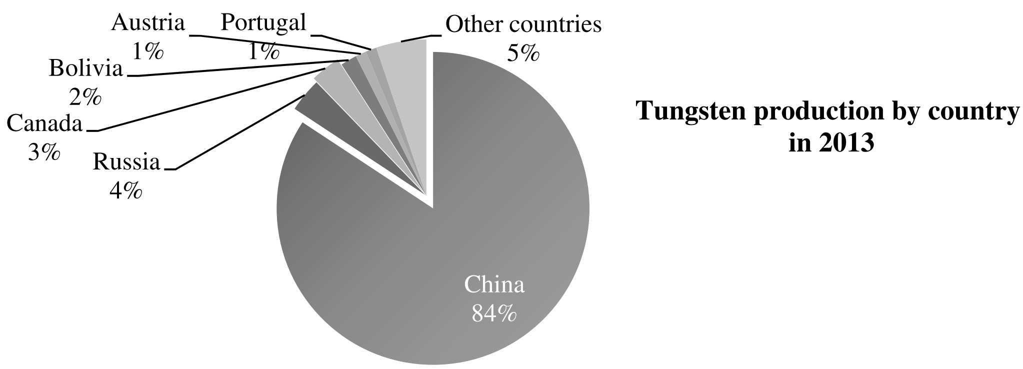
Import & Export value of Non-ferrous Metals in China



Source: Customs of the PRC

Tungsten

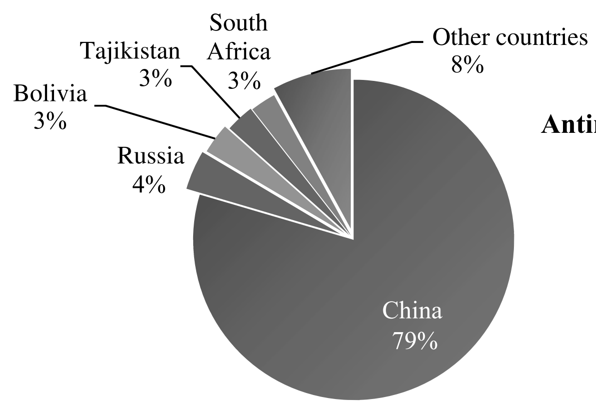
According to U.S. Geological Survey 2014, world tungsten supply is dominated by Chinese production and exports. China is also the world's leading tungsten consumer. Tungsten products are used primarily in lighting filaments, electrodes, electrical and electronic contacts, wires, sheets, rods, etc. Other applications include a widespread variety of military applications and chemical uses. Growth in tungsten demand will be led by the Asian market, particularly China which accounted for 48% of consumption in 2013. China is forecast to further increase its share of global tungsten demand to 52% by 2018, outpacing both European and North American demand growth. China's share of global production is expected to reduce going forward, although it is forecasted to remain the dominant producer at 78% of global mine supply in 2018.



Source: U.S. Geological Survey, Mineral Commodity Summaries, February 2014

Antimony

China was the leading antimony producer in the world. The Chinese Government considered antimony to be one of the strategic minerals, and hence mine production and export of antimony was protected and controlled. The major use of antimony is consumed in flame retardants, and some is used in alloys for batteries, plain bearings and solders. Non-metallurgical markets for antimony are forecast to increase by 4.6% per annum through to 2016, with higher growth for flame retardants and plastic catalysts tempered by lower growth for heat stabilizers, ceramics and other applications. Metallurgical markets are forecast to increase by 1.9% per annum. World antimony consumption is forecast to grow to around 250,000 tons in 2016.



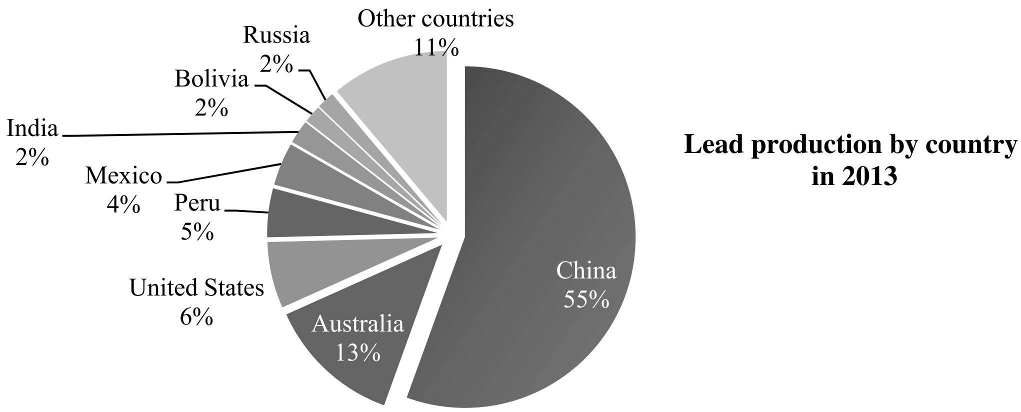
Antimony production by country in 2013

Source: U.S. Geological Survey, Mineral Commodity Summaries, February 2014

Lead

The International Lead and Zinc Study Group (ILZSG) reported that the global refined lead production in 2013 increased by about 5% from that in 2012, to 11.1 million tons, primarily driven by new production capacity in China (despite shutdowns of many smaller smelters) and increases in Australia, Belgium, India, Italy, Kazakhstan, and Peru. ILZSG projected global lead consumption to increase by about 1.4% in 2014 from that in 2013, to 11.3 million tons and about 2.1% in 2015, to 11.6 million tons.

The single most important commercial use of lead is in the manufacture of lead-acid batteries. It is also used in alloys such as fusible metals, antifriction metals, solder, and type metal. Lead is also employed as protective shielding against X-rays and radiation from nuclear reactors.

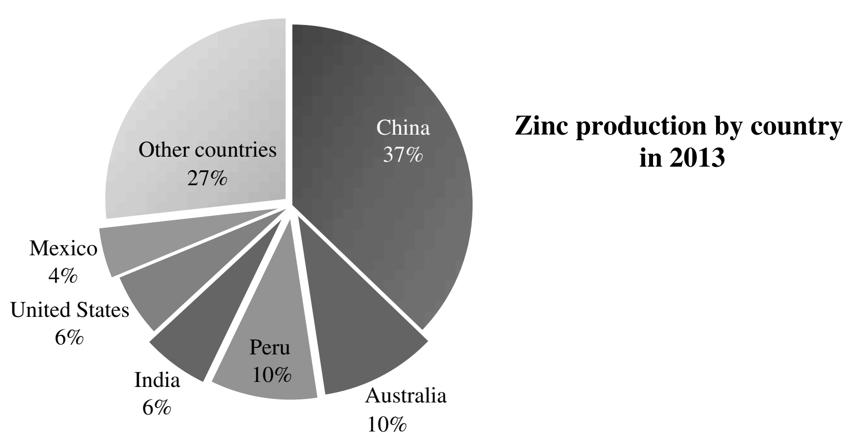


Source: U.S. Geological Survey, Mineral Commodity Summaries, February 2014

Zinc

According to the ILZSG, refined zinc production in 2013 increased by 3% to 13.0 million tons, and metal consumption rose by 5% to 12.9 million tons, resulting in a production-to-consumption surplus of 120,000 tons of refined zinc. A smaller surplus of 115,000 tons was expected in 2014. ILZSG estimated that refined zinc demand will rise 5.1% to 13.7 million tons in 2014 and 2.9% to 14.1 million tons in 2015.

Metallic zinc is used in the production of alloys and in galvanizing to protect steel structures. It is still present as a chemical additive in rubber and paints. In the galvanizing process the coating is applied by hot-dip method or by electrodeposition. The latter gives a relatively thin coating that is usually used as a base for paint. Galvanizing is used to protect building structures or boat and machine elements.



Source: U.S. Geological Survey, Mineral Commodity Summaries, February 2014

Non-ferrous metal pricing

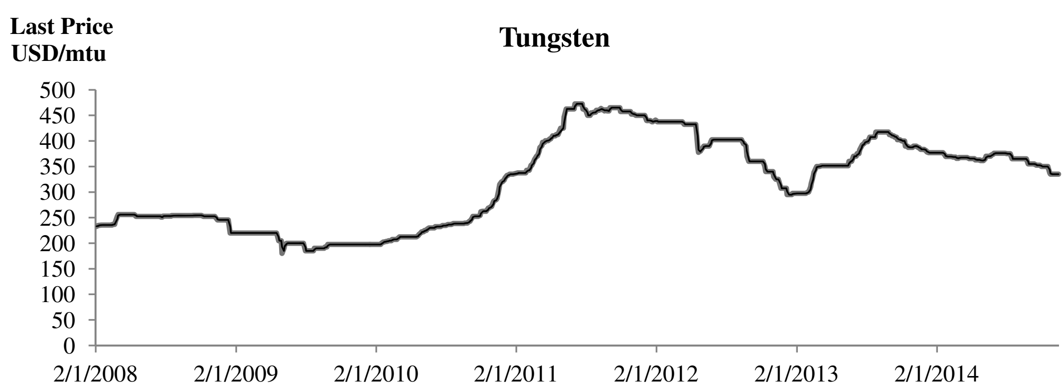
The prices of non-ferrous metals fluctuated at low level due to the low global demand and oversupply in 2013, and only exacerbated by the strengthening of US dollar which lowered the attractiveness of commodities priced in the US dollar as an alternative investment.

Trade frictions will be more frequent due to the recovery of manufacturing industries in developed countries and the homogeneous competition in developing countries though the global economy grows steadily in 2014-2015. The development environment of non-ferrous metals will hinge upon how well the Chinese economy develops, as well as the industry restructuring and consolidation in light of the pressure of resources, energy and environment increases in China. It is estimated that the production and consumption of non-ferrous metal industry will be relatively stable and the prices will continue to fluctuate at low level in China in 2014-2015.

International market

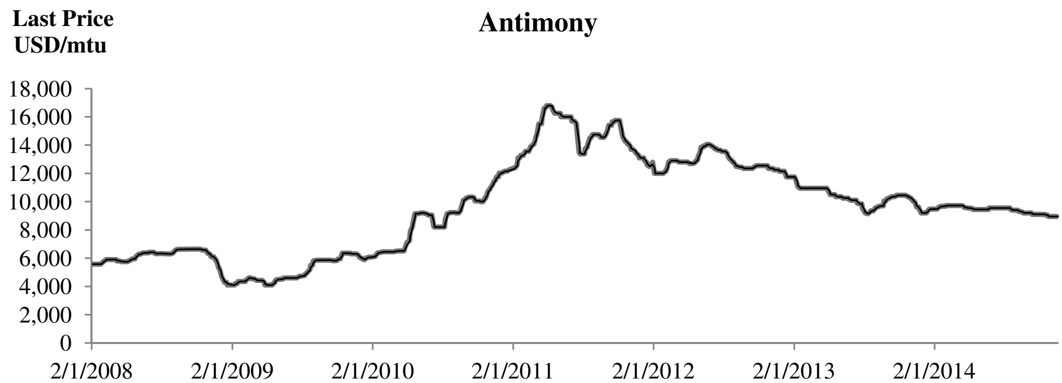
Historically, the non-ferrous metal prices have largely reflected the factors that drive the prices of many commodities, including supply-demand relationship and monetary supply. As the commodity trading market is becoming increasingly globalized, the prices of the tungsten, antimony, lead and zinc in the PRC are correlated with their international prices. As sourced and extracted from Bloomberg, tabulated below are the historical prices of

(i) tungsten, as represented by last price of Ferro-tungsten and Ammonium Paratungstate (APT) per tonne unit in European market;



Source: Bloomberg

(ii) antimony, as represented by the last price of Antimony Metal MMTA Standard Grade II per ton in warehouse Rotterdam;

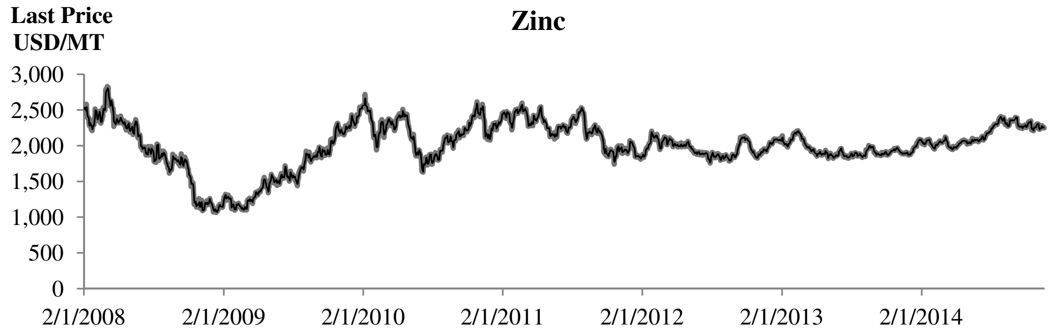


Source: Bloomberg

(iii) lead, as represented by the last price of lead 3-month rolling forward trading on London Metal Exchange (LME); and

Source: Bloomberg

(iv) zinc, as represented by the last price of zinc 3-month rolling forward trading on LME.

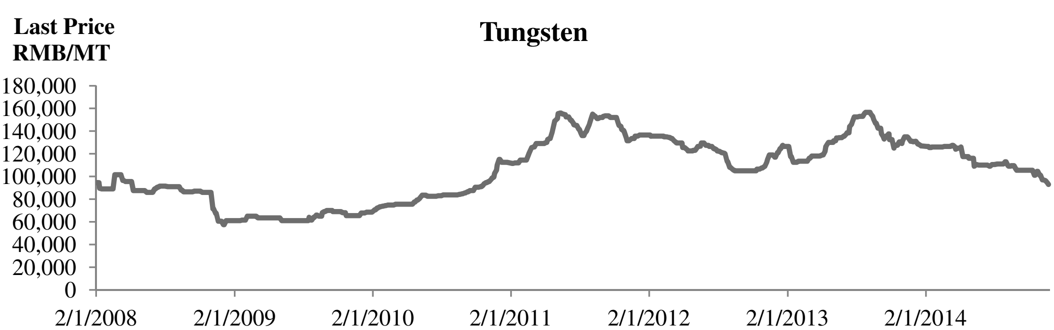


Source: Bloomberg

Domestic market in China

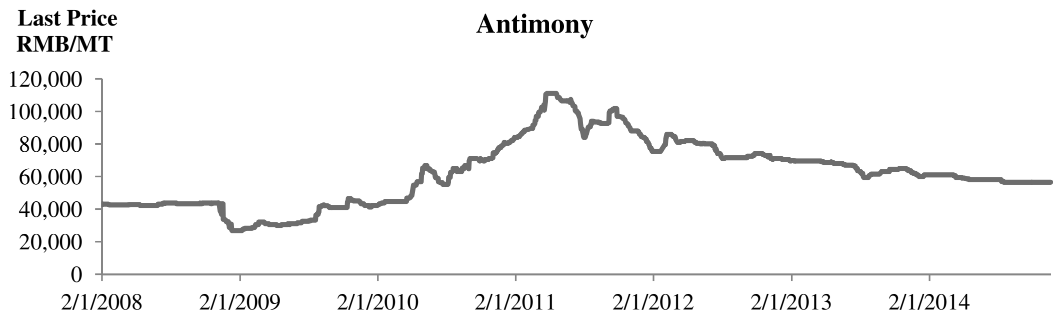
China's non-ferrous metals market has been in line with the international market for many years. Copper, aluminum, lead, zinc and other non-ferrous metals have been the key trading products on the domestic metal exchange and the Shanghai Futures Exchange (SHFE) non-ferrous metals futures prices have been closely following the LME prices. As shown below, the lead and zinc prices in the PRC market have generally been in line with price movements on the LME. However, trade varieties of China's futures market still lag behind that of international markets. Lead and zinc metal prices are calculated as the composite average of the zinc metal settlement prices as quoted on major PRC metal trading centers. As sourced and extracted from Bloomberg, tabulated below are the historical prices of

(i) tungsten, as represented by last price of Tungsten concentrate MB Chinese free market 65% WO_3 in warehouse China;



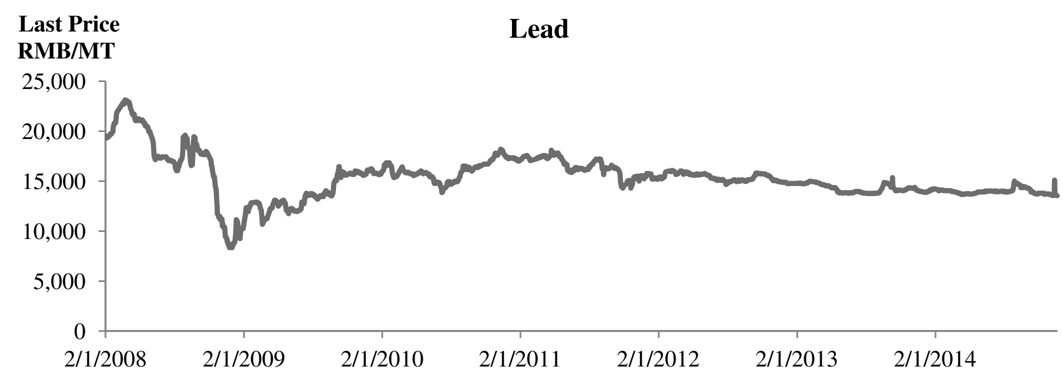
Source: Bloomberg

(ii) antimony, as represented by last price of China Shanghai Changjiang Antimony Grade 1 Spot Price (inclusive of VAT);



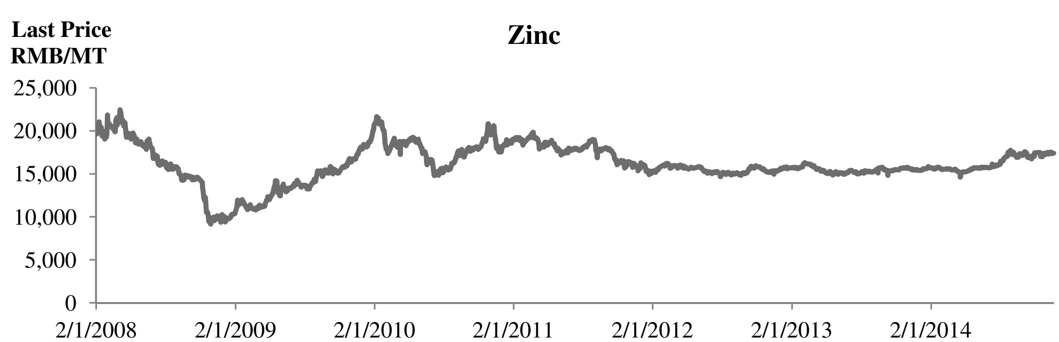
Source: Bloomberg

(iii) lead, as represented by last price of China Shanghai Changjiang Lead Spot price (inclusive of VAT);



Source: Bloomberg

(iv) zinc, as represented by last price of China Shanghai Changjiang Zinc Grade 0 (the purity is above 99.995%) Spot price (inclusive of VAT).



Source: Bloomberg

Considering the development trend of China's non-ferrous metals industry, there is room for the output and consumption to grow but the growth will largely slow down; import of the raw materials will keep on rising. Meanwhile, the metal import will be stable and even decrease; the industrial structure and distribution will be more rational; more attentions will be paid to recycling of the secondary metal and the proportion of secondary metal output will increase; with more investments being put into environmental protection projects, the production cost of Chinese non-ferrous metals enterprises will increase. Non-ferrous metal industry will embrace new opportunities as China enters the medium and late phase of industrialization. The consumption per capita of copper, aluminum, lead and zinc is less than 1/3 of that in developed countries. Therefore, potentials still exist in the non-ferrous metal market in China in the long run but the relatively weak prices will be a major overhang in the short to medium term.

5. Information on HNG and the Offeror and their intention in relation to the Company

China Minmetals Corporation is the ultimate parent company and controlling shareholder of the Offeror and HNG, and is a state-owned enterprise existing under the PRC Laws. It is an international metals and mining corporation committed to providing high-quality services globally. It is primarily engaged in exploration, mining, smelting, processing and trading for metals and minerals, and is also engaged in finance, real estate, and mining and metallurgic technology.

HNG mainly operates in the manufacturing and distribution of non-ferrous metals, and owns a complete integrated industrial chain from exploration, mining, ore-dressing, refining, deep processing and R&D. It is engaged in multiple business segments including the mining and dressing, refining, processing and R&D activities in relation to non-ferrous metals, machinery manufacturing, inorganic chemicals, bio-medicine, and property development.

The Offeror is a company incorporated in Hong Kong and a wholly-owned subsidiary of HNG, mainly engaged in consultation and import and export trade of non-ferrous metal mineral resources and asset management.

As stated in the letter from CICCHKS in the Composite Document, the intentions of HNG and the Offeror in respect of the Company are set out below:

(i) Voluntary withdrawal of listing of the H Shares on the Stock Exchange

Upon the H Share Offer becoming unconditional and subject to the approval of the Delisting by the Independent Shareholders at the Special General Meeting of Independent Shareholders and the approval of the Privatisation by the Independent H Shareholders at the H Share Class Meeting, the Company will make an application for the Delisting in accordance with Rule 6.12 of the Listing Rules.

The Offeror has no rights under the PRC Laws and the Articles of the Company to acquire compulsorily the H Shares that are not tendered for acceptance pursuant to the H Share Offer. **Accordingly, Independent H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects and the H Shares are delisted from the Stock Exchange, this will result in the Independent H Shareholders holding securities that are not listed on the Stock Exchange or any other exchange. In such circumstance, such Independent H Shareholders will continue to hold such unlisted securities and assuming they do not otherwise sell their H shares to the Offeror, will not receive any consideration, unless the Merger becomes effective, in which case such Independent H Shareholders will receive the H Share Cancellation Price per delisted H Share. In addition, the Company may not continue to be subject to the Takeovers Code after the completion of the H Share Offer.**

(ii) Merger by absorption of the Company

Pursuant to the Merger Agreement, and subject to the completion of the Offers, the Delisting becoming effective, the fulfilment or waiver (as applicable) of the Merger Conditions, including but not limited to the Offeror and HNG holding (directly or indirectly) in aggregate not less than 85% of the issued share capital of the Company, the Company will be merged and absorbed by HNG in accordance with Article 172 of the PRC Company Law and other applicable the PRC Laws. The Company will be de-registered in accordance with the PRC Company Law or the Regulations of the People's Republic of China on the Registration Administration of Companies and relevant legal provisions and the Company will cease to exist as a separate legal entity, and will be merged into HNG.

As the Merger Conditions (in respect of the Merger) are different from the Conditions (in respect of the H Share Offer), Shareholders and potential investors should be aware that even following the successful completion of the H Share Offer and the Delisting, there is no certainty that the Merger will proceed.

We consider the above intentions are generally measures to be adopted by HNG and the Offeror with an overall objective to facilitate business integration amongst HNG and the Company as well as to achieve the benefits summarised under the section headed "1. Reasons for the Offeror and HNG to propose the Transactions" above.

6. Evaluation of the Offers

As stated in the letter from CICCHKS in the Composite Document, the Offers will be made by CICCHKS on behalf of the Offeror on the basis of HK$4.20 in cash for each H Share and the Domestic Share Offer will be made by HNG on the basis of RMB1.58 (being approximately HK$1.996) in cash for each Domestic Share.

(i) The Domestic Share Offer

It is understood that the Domestic Share Offer Price was determined by taking into account the unlisted nature of the Domestic Share and therefore a liquidity discount was represented. The Domestic Share Offer Price of RMB1.58 (being approximately HK$1.996) represents:

(a) a discount of approximately 19.84% to the closing price of the H Shares of HK$2.49 per H Share as quoted on the Stock Exchange on the Last Trading Date; and

(b) a premium of 54.90% over the net asset value per share of the Company (excluding non-controlling interests) as at 30 June 2014.

Given the lack of publicly available information on the historical transactions of domestic shares in companies of similar nature and listing status to the Company, for our analysis on the Domestic Share Offer, we have made reference to the relevant academic research, which is also a kind of reference commonly used by market practitioners in determining the appropriate liquidity discount to be adopted. We consider that the liquidity discount of 19.84% is reasonable with reference to the range indicated by academic empirical research in relation to the discount for illiquidity and the range adopted by market practitioners in valuing restricted shares subject to illiquidity. On the other hand, we are of the view that if the shares of a company is of unlisted nature whereas no readily market is available for share transaction (i.e., the same situation as of the Domestic Shares), it is not uncommon in market practice that the value of the shares to be priced with reference to the NAV per share, among other valuation matrices.

Taking into account of the above and under the background that the Domestic Shares are not listed and the absence of any publicly transfer price, we consider that the Domestic Share Offer, which represents a relatively large premium over the NAV per share of the Company (excluding non-controlling interests), provides a valuable opportunity for the Domestic Shareholders to realise their investments in the Company. As an alternative reference, the Domestic Share Offer Price also implies a price-to-earnings multiple of 28.4 times (as calculated based on the Domestic Share Offer Price of RMB1.58 per Domestic Share and the profit attributable to the owners of the Company per Share for the year ended 31 December 2013 of RMB0.0556), which is in the range and higher than the average of the P/E multiple of the Comparable Companies as set out in the sub-section headed "(iv) Comparable companies" in the letter.

(ii) Historical share price performance of the H Shares

Having reviewed the historical closing prices of the H Shares, the H Share Offer Price of HK$4.20 represents:

(a) a premium of approximately 11.41% over the closing price of the H Shares of HK$3.77 per H Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(b) a premium of approximately 68.67% over the closing price of the H Shares of HK$2.49 per H Share as quoted on the Stock Exchange on the Last Trading Date;

(c) a premium of approximately 64.71% over the average closing price of the H Shares of HK$2.55 per H Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Date;

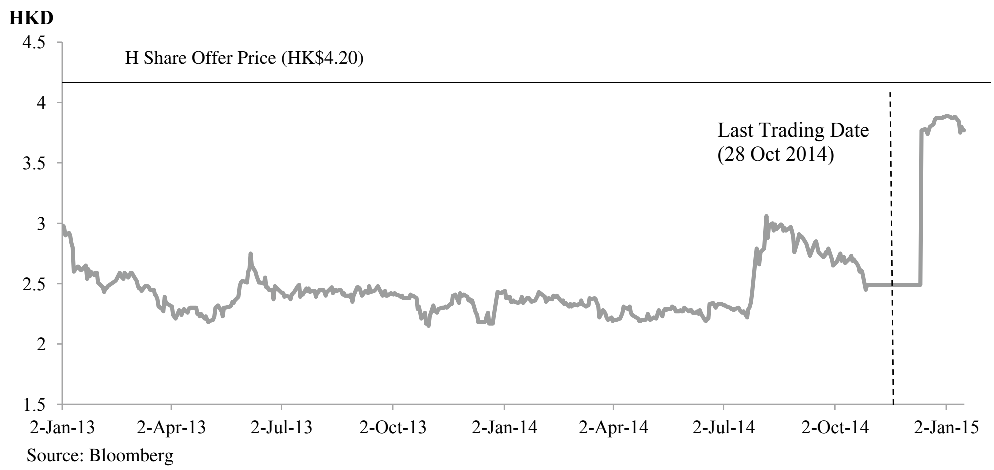
(d) a premium of approximately 60.31% over the average closing price of the H Shares of HK$2.62 per H Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Date;

(e) a premium of approximately 55.56% over the average closing price of the H Shares of HK$2.70 per H Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Date;

(f) a premium of approximately 50.00% over the average closing price of the H Shares of HK$2.80 per H Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Date; and

(g) a premium of approximately 70.04% over the average closing price of the H Shares of HK$2.47 per H Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Date.

The chart below depicts the closing prices of the H Shares from 1 December 2013 (approximately 12 months prior to the publication of the Joint Announcement), up to the Latest Practicable Date of which we will focus on reviewing the period up to from 1 December 2013 to the Last Trading Date (the "Review Period").



The trading of the H Shares was suspended on 29 October 2014 pending the release of the Joint Announcement. The trading of the H Shares resumed on 12 December 2014 following the publication of the Joint Announcement, where the closing price of the H Shares surged from HK$2.49 on 29 October 2014 to HK$3.77 on 12 December 2014, representing a significant upsurge of approximately 51.41% to a closing price approaching the H Share Offer Price of HK$4.20.

The highest and lowest closing prices of the H Shares during the Review Period of HK$3.06 and HK$2.17 were recorded on 6 August 2014 and 23 December 2013, respectively, in which the highest point was reached after a prolonged flat trend subsequent to the day on which the lowest closing price was recorded. We note that, following the rapid surge of closing prices from mid July 2014 to the beginning of August 2014, during which no observable stimulating factors could be found but in contrast a profit warning announcement in respect of an expected increase in loss was issued by the Company on 14 July 2014, the closing price of the H Shares has demonstrated a continually decreasing trend. The H Share Offer Price was higher than the closing prices of the H Shares for the entire Review Period. We wish to highlight to the Independent H Shareholders that the recent upsurge of the price of the H Shares after the publication of the Joint Announcement was mainly attributable to the market reaction to the Transactions and the Independent H Shareholders should note that the sustainability of the increased price level is uncertain. **Nonetheless, the Independent H Shareholders must closely monitor the prevailing market price of the H Shares, which may be trading at above the H Share Offer Price, and exercise due care and caution when deciding whether to accept the H Share Offer or to deal in the H Shares.**

(iii) Liquidity of the H Shares

The following table sets out the historical monthly trading volume of the H Shares during the Review Period:

	Monthly total trading volume of the H Shares	**Percentage of the monthly total trading volume to the total number of H Shares in issue** *(Note 1)*
2013		
December	87,636,101	5.4%
2014		
January	82,509,613	5.1%
February	64,820,222	4.0%
March	141,981,779	8.7%
April	79,313,673	4.9%
May	56,097,000	3.4%
June	111,563,601	6.8%
July	227,219,000	13.9%
August	248,596,171	15.2%
September	109,322,824	6.7%
October	103,696,783	6.4%
November*	0	0.0%
December	599,765,696	36.7%
From 1 January 2015 to the Latest Practicable Date	144,711,712	8.9%

* The trading of H shares of the Company has been suspended from 29 October 2014 to 11 December 2014

Source: Bloomberg

Despite the trading volume of the H Shares was relatively high in July and August 2014, we note that the trading volume of the H Shares has been generally very thin during the Review Period. The trading volume of the H Shares has shown an obvious decreasing trend since its listing on the Stock Exchange in March 2006, with an average monthly trading volume of 59.0% and 44.7% recorded in year 2006 and 2007 dropped to 4.6%, 5.7% and 7.5% for year 2012, 2013 and 2014 (up to the share trading suspension date of 29 October 2014). Hence, Independent H Shareholders may find it difficult to dispose of a large volume of the H Shares in the open market without exerting downward pressure on the price of the H Shares during the Review Period. Accordingly, given the H Share Offer Price is significantly higher than the closing prices of the H Shares for the entire Review Period, we consider that the H Share Offer provides a valuable opportunity for the Independent H Shareholders to realise their investments in the Company.

We wish to highlight to the Independent H Shareholders that the trading volume of the H Shares has increased after the publication of the Joint Announcement, which we believe was mainly attributable to the market reaction to the Offers and the Privatisation. Independent H Shareholders should note that the sustainability of the recent growth in trading volume of the H Shares is uncertain.

(iv) Comparable companies

The Group and its subsidiaries are principally engaged in the metals and mining industry of non-ferrous metals. For the purpose of assessing the H Share Offer, we have identified an exhaustive, fair and representative list of companies (the "Comparable Companies") based on our selection criteria that such companies are currently listed on the Stock Exchange and principally engaged in similar businesses of the Company in non-ferrous metals (excluding those with revenue materially contributed from gold and aluminum).

Name	Stock code	Principal activities	Price-to-earnings ("P/E") multiple (times) *(Note 1)*	Price-to-book ("P/B") multiple (times) *(Note 2)*	Market Capitalisation as at the Latest Practicable Date *(HK$ million)*
Jiangxi Copper Co. Ltd. (H shares)	358	Smelting, protracting and refining of metal and by-products; after-sale service for self-produced products and relevant consulting service; offshore futures hedging; production and processing of arsenic trioxide related to above services.	9.8	0.8	63,060.9
North Mining Shares Co. Ltd.	433	Exploitation and exploration, trading of mineral resources, property leasing operations and property management operations.	23.3	1.2	5,664.9
China Daye Non-Ferrous Metals Mining Ltd.	661	Mining and processing of mineral ores and trading of metal products.	N/A	0.5	2,408.6
MMG Ltd.	1208	Mining, processing and production of zinc, copper, lead, gold and silver; exploration for mineralisation and development of mining projects.	14.4	0.9	11,478.4
China Non-ferrous Mining Corporation Ltd.	1258	Exploration, mining, ore processing, leaching, smelting and sale of copper cathodes, blister copper and sulfuric acid.	13.7	1.1	7,152.5
China Polymetallic Mining Ltd.	2133	Exploration, pure mining and primary processing of non-ferrous metal mineral resources, mainly including lead, zinc and silver, as well as the sales of non-ferrous metal concentrates.	4.0	0.3	686.1
China Molybdenum Co., Ltd. (H shares)	3993	Mining, flotation, roasting, smelting and downstream processing of molybdenum, tungsten, copper, gold and other precious metals.	16.9	1.6	51,531.9
Yue Da Mining Holdings Ltd.	629	Exploration, mining and processing of zinc, lead, iron and gold and trading of iron ore and related products.	N/A	0.3	293.0
China Non-ferrous Metals Co. Ltd.	8306	Mining, processing and trading of mineral resources.	N/A	0.3	355.5

Name	Stock code	Principal activities	Price-to-earnings ("P/E") multiple (times) *(Note 1)*	Price-to-book ("P/B") multiple (times) *(Note 2)*	Market Capitalisation as at the Latest Practicable Date *(HK$ million)*
The Comparable Companies					
Average			13.7	0.8	15,845.8
Maximum			23.3	1.6	63,060.9
Minimum			4.0	0.3	293.0
The Company			**35.5**	**3.0**	**6,106.4**
The H Share Offer			**59.8**	**3.3**	**6,857.5***

Source: Bloomberg and the respective Comparable Companies' financial statements

* The market capitalisation is calculated with the total number of H shares in issue as of the Latest Practicable Date.

Notes:

1. The P/E multiples are calculated based on the profit attributable to the shareholders of the relevant Comparable Companies as published in their respective latest results announcements (or financial reports) and the respective closing prices of the shares and number of outstanding shares of the relevant Comparable Companies on the Latest Practicable Date.

2. The P/B multiples are calculated based on the NAV of the relevant Comparable Companies as published in their respective latest results announcements (or financial reports) and the respective closing prices of the shares and number of outstanding shares of the relevant Comparable Companies on the Latest Practicable Date.

3. The P/E multiple of the Company is calculated based on the closing H Share price of HK$2.49 on the Last Trading Date and the profit attributable to the owners of the Company per Share for the year ended 31 December 2013 of RMB0.0556 (equivalent to approximately HK$0.0678).

4. The P/B multiple of the Company is calculated based on the closing H Share price of HK$2.49 on the Last Trading Date and the NAV per Share (excluding non-controlling interests) as at 30 June 2014 of RMB1.0176 (equivalent to approximately HK$1.2852).

5. The P/E multiple implied by the H Share Offer is calculated based on the H Share Offer Price of HK$4.20 per H Share and the profit attributable to the owners of the Company per Share for the year ended 31 December 2013 of RMB0.0556 (equivalent to approximately HK$0.0678).

6. The P/B multiple implied by the H Share Offer is calculated based on the H Share Offer Price of HK$4.20 per H Share and the NAV per Share (excluding non-controlling interests) as at 30 June 2014 of RMB1.0176 (equivalent to approximately HK$1.2852).

(a) Comparison of P/E multiple

As shown in the table above, the P/E multiple of the Comparable Companies are in the range of 4.0 times and 23.3 times. The P/E multiple of the Company as at the Last Trading Date was 35.5 times. The P/E multiple implied by the H Share Offer Price is 59.8 times, which is out of the range and significantly higher than the P/E multiple of the Comparable Companies.

(b) Comparison of P/B multiple

As shown in the table above, the P/B multiple of the Comparable Companies are in the range of 0.3 times and 1.6 times. The P/B multiple of the Company as at the Last Trading Date was 3.0 times. The P/B multiple implied by the H Share Offer Price is 3.3 times, which is out of the range and higher than the P/B multiple of the Comparable Companies.

(v) Privatisation precedents

For the purpose of assessing the H Share Offer, we have also identified an exhaustive, fair and representative list of privatisation proposals (the "Comparable Transactions") based on our selection criteria that (i) the privatisation proposals were first announced between 1 January 2011 and the Last Trading Date; and (ii) such companies were listed on and have been successfully delisted from the Stock Exchange. We are of the view that analysing the Comparable Transactions provides a reference as to the premium/discount of offer/cancellation price over/to the share trading prices prior to the announcement of privatisation and the consolidated NAV per share. Set out in the following table are the pricing details of the Comparable Transactions relative to that of the H Share Offer.

Date of initial announcement	Company name	Premium (Discount) of offer/ cancellation price over/ (to) the consolidated NAV per share	Principal business activities	Premium of offer/cancellation price over the average share price prior to the privatisation proposal			Market capitalization based on the offer / cancellation price
				30 trading days	90 trading days	180 trading days	*(HK$ million)*
19 January 2011	Fubon Bank (Hong Kong) Ltd. (Stock code: 636)	20.6%	Through its branches and subsidiaries, the company provides a range of banking, financial, and related services.	43.2%	39.3%	45.9%	6,095.2
20 January 2011	Shanghai Forte Land Co. Ltd. (Stock code: 2337)	7.4%	Develops real estate. The Company designs, develops, and sells residential and commercial buildings mainly in China. The company also provides property management services.	34.3%	43.0%	52.4%	3,694.4*
13 May 2011	Little Sheep Group Limited (Stock code: 968)	392.3%	Engage in the operation of restaurants.	29.6%	32.3%	30.8%	6,712.3
30 June 2011	Schramm Holding AG (Stock code: 955)	176.5%	Develop, manufacture, and supply range of technical coatings solutions, to manufacturers of a range of goods.	174.5%	195.2%	196.7%	1,566.5
15 July 2011	International Mining Machinery Holdings Limited (Stock code: 1683)	231.6%	Manufacture coal mining equipment. The Company researches, designs, develops, produces, and sells road headers, shearers, armored-face conveyors, and related equipment. International Mining Machinery Holdings Limited also offers after-sales services.	15.8%	16.3%	23.8%	11,051.2
18 July 2011	Cosway Corporation Limited (Stock code: 288)	537.1%	Direct sales of consumer products and property investment. The company carries out its operations through the following business segments: Direct Selling and Retailing, and Property Investment.	45.1%	32.9%	23.9%	5,186.3
18 July 2011	China Resources Microelectronics Ltd.(Stock code: 597)	16.2%	Manufactures micro-electronic products and semiconductors. The company produces and distributes open foundries, integrated circuits, and discrete devices, as well as offers integrated circuit designing and testing services. It also operates business investment and high-tech microelectronics.	29.7%	21.8%	27.7%	4,219.0
8 August 2011	HannStar Board International Holdings Ltd. (Stock code: 667)	(42.8%)	The Company operates as a holding company. Through its subsidiaries, manufactures, sales, and trades of printed circuit boards to the notebook and electronics industry.	51.9%	47.9%	23.8%	1,645.3

Date of initial announcement	Company name	Premium (Discount) of offer/ cancellation price over/ (to) the consolidated NAV per share	Principal business activities	Premium of offer/cancellation price over the average share price prior to the privatisation proposal			Market capitalization based on the offer / cancellation price
				30 trading days	90 trading days	180 trading days	*(HK$ million)*
19 October 2011	Zhengzhou China Resources Gas Co., Ltd. (Stock code: 3928)	37.0%	Sell piped gas and bottled liquefied petroleum gas (LPG) to residential, commercial and industrial customers. The Company also provides gas pipeline construction services and sells gas appliances.	38.4%	22.8%	10.9%	811.1*
11 November 2011	ERA Mining Machinery Limited (Stock code: 8043)	281.8%	Manufacture hydraulic roof supports designed for underground coal mining in China.	58.3%	83.7%	42.2%	5,001.9
19 December 2011	Hang Ten Group Holdings Limited (Stock code: 448)	166.3%	Design, retail, and wholesale branded apparel and accessories.	54.3%	60.3%	40.4%	2,652.1
30 January 2012	Samling Global Limited (Stock code: 3938)	(32.9%)	Extract and sell timber logs, distributes building materials, manufactures and sells flooring products, veneer, plywood, sawn timber, rubber retread compounds, door and door facings, furniture, and particle boards, as well as kitchen and wardrobe solutions.	43.1%	70.0%	28.8%	3,263.8
21 February 2012	Alibaba.com Limited (Stock code: 1688)	714.8%	Operate as a business-to-business e-commerce company. The Company provides diversified Internet business services including online marketplace, online retailing, payment platform, online shopping search engine, and cloud computing services.	58.8%	59.3%	42.0%	67,527.5
17 January 2013	Trauson Holdings Company Limited (Stock code: 325)	360.3%	Design, manufacture and market products used in the surgical treatment of fractures of the hands, upper extremities, hips, pelvis, lower extremities, ankles and feet; spinal disorders, deformity, fractures and back pain; and orthopaedic cables, external fixators and surgical instruments.	81.7%	96.4%	121.0%	5,807.5
31 January 2013	PCD Stores (Group) Limited (Stock code: 331)	68.3%	Department store operator focused on luxury and high-end end branded fashion and accessories, targeting middle to high-end consumers. The company's operations are currently based in China.	20.7%	45.5%	59.4%	5,052.4
15 August 2013	Magic Holdings International Ltd. (Stock code: 1633)	313.3%	Manufacture, sales and marketing of facial mask products and other skincare products including MG brand and Keep Up brand in China.	26.2%	39.8%	64.7%	6,538.7

Date of initial announcement	Company name	Premium (Discount) of offer/ cancellation price over/ (to) the consolidated NAV per share	Principal business activities	Premium of offer/cancellation price over the average share price prior to the privatisation proposal			Market capitalization based on the offer / cancellation price
				30 trading days	90 trading days	180 trading days	*(HK$ million)*
16 December 2013	Great Wall Technology Company Limited (Stock code: 74)	(73.2%)	Develop, manufactures, and sells personal computers (PC) and PC peripheral products, hard disk drives (HDDs), and HDD related products.	75.0%	95.7%	99.8%	1,452.4
1 April 2014	OCBC Wing Hang Bank Ltd. (Stock code: 302)	88.3%	Provide corporate banking, retail banking, foreign exchange, and treasury services. The bank also provides share brokerage, insurance broking, bullion, and nominee services.	59.2%	67.9%	59.4%	38,428.1
15 April 2014	CapitaMalls Asia Ltd. (Stock code: 6813)	28.9%	Shopping mall developer, owner and manager in Asia. The company has interests in and manages a pan-Asian portfolio of shopping malls in Singapore, China, Malaysia, Japan and India.	1.7%	(1.2%)	(1.9%)	56,697.0
8 May 2014	Regent Manner International Holdings Ltd. (Stock code: 1997)	20.2%	Provide integrated SMT production solutions for manufacturers of TFT-LCD panels and various electronics products.	37.5%	38.5%	35.3%	3,869.6
Privatisation Precedents							
Average		165.6%		49.0%	55.4%	51.3%	11,863.6
Maximum		714.8%		174.5%	195.2%	196.7%	67,527.5
Minimum		(73.2%)		1.7%	(1.2%)	(1.9%)	811.1
The H Share Offer		230.2%		**55.8%**	**58.4%**	**70.2%**	**6,857.5***

Source: Bloomberg and the filings of the relevant companies on the Stock Exchange website

Note:

* These market capitalisations are calculated with the total number of H shares in issue as of the announcement dates.

(a) Discount to or premium over the consolidated NAV per Share

The offer price as compared to the consolidated NAV of Comparable Transactions widely ranges from a premium of 714.8% to a discount of 73.2%, with an average premium of 165.6%. The H Share Offer Price represents a premium of 230.2% over the consolidated NAV per Share, which is higher than the average of the Comparable Transactions. However, given the significant deviation of the discount to or premium over the consolidated NAV of the Comparable Transactions, the above comparison of offer/cancellation price to the NAV may not be so relevant in the context of the privatisation of the Company.

(b) Premium over the prevailing share price

The premium/discount in the Comparable Transactions ranged from 1.7% to 174.5%, -1.2% to 195.2% and -1.9% to 196.7% over their respective 30-day, 90-day and 180-day average share prices with average of 49.0%, 55.4% and 51.3% respectively.

The premium offered by the H Share Offer Price over the 30-day, 90-day and 180-day average share price were approximately 55.8%, 58.4% and 70.2% respectively, which were above the 30-day, 90-day and 180-day average share prices of the Comparable Transaction.

7. Analysis on the Delisting and the Merger

As mentioned in the paragraphs above, the Company will make an application for the Delisting upon the H Share Offer becoming unconditional and subject to the obtaining of the relevant shareholders to approval of the Delisting, while the Merger will proceed subject to the completion of the Offers, the Delisting becoming effective and the fulfilment or waiver (as applicable) of the Merger Conditions.

We consider the Delisting and Merger are measures with an overall objective to facilitate business integration amongst HNG and the Company as well as to achieve the benefits summarised under the section headed "Reasons for the Offeror and HNG to propose the Transactions", namely the elimination of overlaps and the enhancement of interest alignment and resources integration between the Company and HNG.

In addition, we also note that the Group is facing a persisting competitive business environment as reflected by its low and narrowing gross profit margins (dropped from 10.24% for the year ended 2011 to 6.13% for the six months ended 30 June 2014) and loss-making track record throughout the whole review period from year 2011 up to the six months ended 30 June 2014 (with an exception of a net profit recorded for year 2013 which representing a net profit margin of mere 0.78%), and an unfavourable industry environment of globally sluggish demand coupled with oversupply of non-ferrous metals.

Having considered the above, we consider the Delisting and the Merger, coupled with the Offers can that provide a valuable opportunity for the Independent Shareholders to realise their investments in the Company, and are fair and reasonable and in the interests of the Independent Shareholders.

Despite that, as part of the Merger, HNG will pay in cash the H Share Cancellation Price (being a HK$ amount per H Share equal to the offer price of the H Share Offer) per delisted H Share or the Domestic Share Cancellation Price (being a RMB amount per Domestic Share equal to the offer price of the Domestic Share Offer) per Domestic Share for the cancellation of all H Shares and all Domestic Shares (as the case may be), the Independent Shareholders are reminded that, according to the Articles of the Company, any Shareholder who has opposed the Merger may request the Company or other Shareholders who have approved the Merger to acquire its Shares at a “fair price”. The Merger Agreement provides that if any Shareholder elects to request the Company or other Shareholders who have voted for the Merger to purchase its Shares at a “fair price”, HNG shall, at the request of the Company or such Shareholder, assume any liability which the Company or such Shareholder who has received such a request may have towards the dissenting Shareholder.

The Independent Shareholders should also be aware that as the Merger Conditions (in respect of the Merger) are different from the Conditions (in respect of the H Share Offer), even following the successful completion of the H Share Offer and the Delisting, there is no certainty that the Merger will proceed.

Independent Shareholders are encouraged to read in details the terms and conditions of the Merger contained in the letter from the Board and the letter from CICCHKS in the Composite Document and Appendix II to the Composite Document.

ANALYSIS AND RECOMMENDATION

In summary, we have taken into account the following factors and reasons in arriving at our opinion:

(i) After the completion of the Transactions, it is expected that the HNG non-ferrous metals business will be streamlined and both HNG and the Company will be better positioned to eliminate overlaps, align interests and integrate resources;

(ii) the pricing of the non-ferrous metals industry has been generally weak due to the economic slowdown in the PRC. Moreover, the low global demand of metals and oversupply in 2013, coupled with the strengthening of US dollar which lowered the attractiveness of commodities priced in the US dollar as an alternative investment have exacerbated the pricing environment. Against this backdrop, it represents a logical step for China Minmetals Corporation to adopt a strategy in consolidating its group resources;

(iii) the narrowing gross profit margins, the loss-making track record (except the net profit recorded for year 2013), the January 2015 Profit Warning in respect of the anticipated turnaround from profit to loss, and the downward trend of the historical average selling prices of the majority products of the Group as affected by the globally sluggish demand for non-ferrous metals;

(iv) the Company's historical trading has been relatively thin and its share price performance has been lacklustre for a prolonged period of time, which has effectively hampered its function as a capital market platform for funding business development;

(v) the P/E multiple and P/B multiple of the H Share Offer were above the P/E multiple range and the P/NAV multiple range, respectively, of both the Comparable Companies and the Company itself;

(vi) the P/E multiple of the H Share Offer represents significant premium over the trading ranges of the H Shares over a prolonged period of trading and such premium is in line with that of the precedent privatisation transactions;

(vii) The H Share Offer provides a valuable opportunity to the Independent H Shareholders who want to realise their investment in a relatively large volume but may find it difficult to do so without exerting a downward price pressure in the open market given the historically thin trading liquidity of the H Shares;

(viii) The Domestic Share Offer provides a valuable opportunity for the Domestic Shareholders to realise their investments in the Company, which is otherwise unlisted and lack of a publicly transferrable market, in a premium over the net asset value per share of the Company (excluding non-controlling interests); and

(ix) The H Share Offer is conditional upon, among other things, the approval of the Privatisation by the Independent H Shareholders at the H Share Class Meeting and the approval of the Delisting and Merger by the Independent Shareholders at the Special General Meeting of the Independent Shareholders. Also, the Domestic Share Offer is subject to the H Share Offer becoming or being declared unconditional in all respects. If the above are not approved, the H Share Offer will lapse and the Domestic Share Offer will not take place.

Based on the above analysis, we consider the terms of the Transactions to be fair and reasonable so far as the Independent Shareholders are concerned and advise the Independent Board Committee to recommend, and we ourselves recommend, (i) the Independent H Shareholders to vote in favour of the resolutions to approve the Privatisation at the H Share Class Meeting; and (ii) the Independent Shareholders to vote in favour of the resolutions to approve the Delisting and the Merger at the Special General Meeting of the Independent Shareholders.

We also advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to accept the Offers. Independent H Shareholders should monitor the H Share price performance during the period of the H Share Offer. In the event that the market price of the H Shares exceeds the H Share Offer Price and the net sale proceeds, net of all transaction costs, exceeds the amount receivable under the H Share Offer, the Independent H Shareholders should consider selling their H Shares on the market instead of accepting the H Share Offer.

Independent H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects and the H Shares are delisted from the Stock Exchange, this will result in the Independent H Shareholders holding securities that are not listed on the Stock Exchange or any other exchange. In addition, the Company may not continue to be subject to the Takeovers Code after the completion of the H Share Offer.

Yours faithfully,
For and on behalf of
China Securities (International) Corporate Finance Company Limited

Donald Leung
Director

Bobby Chow
Associate Director

1. PROCEDURES FOR ACCEPTANCE OF THE H SHARE OFFER

1.1 The H Share Offer

(a) To accept the H Share Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the H Share Offer.

(b) If the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Shares is/are in your name, and you wish to accept the H Share Offer, you must send the accompanying Form of Acceptance duly completed together with the relevant H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by post or by hand, marked **"Hunan Nonferrous Metals Corporation Limited — H Share Offer''** on the envelope, as soon as possible and in any event reach the Share Registrar no later than 4:00 p.m. on Tuesday, 17 March 2015, being the Closing Date, or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code.

(c) If the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the H Share Offer, you must either:

(i) lodge your H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the H Share Offer on your behalf and requesting it to deliver the accompanying Form of Acceptance duly completed together with the relevant H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of H Shares in respect of which you intend to accept the H Share Offer to the Share Registrar in an envelope marked **"Hunan Nonferrous Metals Corporation Limited — H Share Offer"**;

(ii) arrange for the H Share(s) to be registered in your name through the Share Registrar and send the accompanying Form of Acceptance duly completed together with the relevant H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Share Registrar in an envelope marked **"Hunan Nonferrous Metals Corporation Limited — H Share Offer"**;

(iii) if your H Share(s) have been lodged with your licensed securities dealer (or other registered dealer in securities)/custodian bank through CCASS, instruct your licensed securities dealer (or other registered dealer in securities or custodian bank) to authorise HKSCC Nominees Limited to accept the H Share Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set out by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities or custodian bank) for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer (or other registered dealer in securities or custodian bank) as required by them; or

(iv) if your H Share(s) have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

(d) If the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Share(s) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the H Share Offer, the Form of Acceptance should nevertheless be completed and delivered in an envelope marked **"Hunan Nonferrous Metals Corporation Limited — H Share Offer"** to the Share Registrar together with a letter stating that you have lost one or more of your H Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities required in respect thereof) should be forwarded to the Share Registrar as soon as possible thereafter. If you have lost your H Share certificate(s), you should also write to the Share Registrar for a form of letter of indemnity which, when completed in accordance with the instructions given therein, should be returned to the Share Registrar. The Offeror shall have the absolute discretion to decide whether any H Shares in respect of which the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

(e) If you have lodged transfer(s) of any of your H Shares for registration in your name and have not yet received your H Share certificate(s) and you wish to accept the H Share Offer, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked **"Hunan Nonferrous Metals Corporation Limited — H Share Offer"** to the Share Registrar together with the transfer receipt(s) duly signed by you. Such action will be deemed to be an irrevocable instruction and authority to CICCHKS and/or the Offeror and/or any of their respective agent(s) to collect from the Company or the Share Registrar on your behalf the relevant H Share certificate(s) when issued and to deliver such H Share certificate(s) to the Share Registrar and to authorise and instruct the Share Registrar to hold such H Share certificate(s), subject to the terms and conditions to the H Share Offer, as if it/they were delivered to the Share Registrar with the Form of Acceptance.

(f) Acceptance of the H Share Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Share Registrar by no later than 4:00 p.m. on 17 March 2015, being the Closing Date, or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code, and is:

(i) accompanied by the relevant H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those H Share certificate(s) is/are not in your name, such other documents (for example a duly stamped transfer of the relevant H Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant H Share(s); or

(ii) from a registered H Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to H Share(s) which are not taken into account under another sub-paragraph of this paragraph (f)); or

(iii) certified by the Share Registrar or the Stock Exchange.

(g) If the Form of Acceptance is executed by a person other than the registered H Shareholder, appropriate documentary evidence of authority (for example grant of probate or certified copy of a power of attorney) to the satisfaction of the Share Registrar must be produced.

(h) No acknowledgement of receipt for any Form(s) of Acceptance, H Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

(a) The H Share Offer is made on 20 January 2015, the date of posting of this Composite Document, and is capable of acceptance on and from this date. Unless the H Share Offer has previously been revised or extended with the consent of the Executive, to be valid, the Form of Acceptance must be received by the Share Registrar by 4:00 p.m. on 17 March 2015, being the Closing Date.

(b) If the H Share Offer is extended, the announcement of such extension will state the next closing date or a statement that the H Share Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given to H Shareholders before the H Share Offer is closed. If, during the course of the H Share Offer, the Offeror revises the terms of the H Share Offer, all H Shareholders, whether or not they have already accepted the H Share Offer, respectively, will be entitled to accept the revised H Share Offer under the revised terms. The revised H Share Offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the Closing Date.

(c) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date of the H Share Offer so extended.

(d) The acceptance by or on behalf of a H Shareholder in its original and/or any previously revised form, shall be treated as an acceptance of the relevant H Share Offer so revised.

(e) Any acceptance of the relevant revised H Share Offer and/or any election pursuant thereof shall be irrevocable unless and until the accepting H Shareholder of the H Share Offer becomes entitled to withdraw his/her/its acceptance under the paragraph headed "4. Effect of Acceptance of the H Share Offer and Right of Withdrawal" below and duly does so.

3. SETTLEMENT

(a) Settlement of the consideration under the H Share Offer will be made as soon as possible, but in any event within seven Business Days following the later of (i) the Unconditional Date and (ii) the date of receipt of a complete and valid Form of Acceptance by the Share Registrar in respect of the H Share Offer, whichever is the later.

(b) In the case of H Shareholders accepting the H Share Offer, each cheque will be despatched by ordinary post to the address specified on the relevant H Shareholder's Form of Acceptance at his/her own risk.

(c) No fractions of a cent will be payable and the amount of cash consideration payable to a H Shareholder who accepts the H Share Offer will be rounded up to the nearest cent.

(d) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

(e) Settlement of the consideration to which a H Shareholder is entitled under the H Share Offer will be implemented in full accordance with the terms of the H Share Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such H Shareholder.

4. EFFECT OF ACCEPTANCE OF THE H SHARE OFFER AND RIGHT OF WITHDRAWAL

(a) By validly accepting the H Share Offer, the H Shareholders will sell to the Offeror their tendered H Shares free from all options, liens, claims, equities, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them as at the date of the Announcement or which subsequently become attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid, on or after the date of the Announcement.

In addition to the Conditions set out in the letter from CICCHKS on pages 7 to 24 of this Composite Document, the H Share Offer is made on the basis that acceptance of the H Share Offer by any H Shareholder will constitute a warranty by such H Shareholder to the Offeror that the H Shares acquired under the H Share Offer are fully paid and sold by such H Shareholder free from all options, liens, claims, equities, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them as at the date of the Announcement or which subsequently become attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid, on or after the date of the Announcement.

(b) The H Share Offer is conditional upon fulfilment of the Conditions set out in the letter from CICCHKS on pages 7 to 24 of this Composite Document. Acceptance of the H Share Offer tendered by H Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the following paragraph or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the H Share Offer shall be entitled to withdraw his/her/its acceptance after 21 days from the Closing Date if the H Share Offer has not by then become unconditional as to acceptances. An acceptor of the H Share Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Share Registrar.

(c) Under Rule 19.2 of the Takeovers Code, if the Offeror is unable to comply with any of the requirements of making announcements relating to the H Share Offer set out in section 5 of this Appendix I, the Executive may require that the H Shareholders who have tendered acceptances to the H Share Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

(d) Upon the withdrawal of acceptance by a H Shareholder, the Offeror shall (or shall procure), as soon as possible but in any event within 10 days thereof, return by ordinary post, the H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the H Share(s) lodged with the Form of Acceptance to such H Shareholder.

5. ANNOUNCEMENTS

(a) The announcement of the results of the H Share Offer will be jointly issued by the Offeror and the Company and posted on the website of the Stock Exchange by 7:00 p.m. on 17 March 2015, being the Closing Date. Such announcement will comply with the disclosure requirements under Rule 19.1 and will include, among other things, the results of the H Share Offer.

(b) In any announcement of an extension of the H Share Offer, either the next closing date must be stated or, if the H Share Offer is unconditional in all respects, a statement may be made that the H Share Offer will remain open for acceptance for 14 days thereafter in accordance with the Takeovers Code.

(c) The results announcements shall specify the total number of H Shares and rights over H Shares:

(i) for which acceptances of the H Share Offer have been received;

(ii) held, controlled or directed by the Offeror or its Concert Parties before the Offer Period; and

(iii) acquired or agreed to be acquired during the Offer Period by the Offeror or its Concert Parties.

(d) The results announcements must include details of any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed H Shares which have been either on-lent or sold.

(e) The results announcements shall include the percentages of the relevant classes of share capital of the Company, and the percentages of voting rights, represented by these numbers.

(f) If the Offeror, its Concert Parties or its advisers make any statement about the level of acceptances or the number or percentage of accepting H Shareholders during the Offer Period, then the Offeror must make an immediate announcement in compliance with Note 2 to Rule 19 of the Takeovers Code.

(g) As required under the Takeovers Code and the Listing Rules, all announcements in relation to the H Share Offer in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, will be published on the websites of the SFC, the Stock Exchange and the Company.

6. NOMINEE REGISTRATION

To ensure the equality of treatment of all H Shareholders, registered H Shareholders who hold the H Share(s) as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of H Share(s) whose investments are registered in the names of nominees to accept the H Share Offer, it is essential that they provide instructions of their intentions to the H Share Offer to their respective nominees.

7. POSTING

All documents and remittances to be sent to H Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent, in the case of H Shareholders, at their addresses as they appear in the register of members of the Company, in the case of joint H Shareholders, to the H Shareholder whose name appears first in the register of members of the Company. None of the Offeror, HNG, the Company, CICCHKS, China Securities (International), the Share Registrar or any of their respective directors or agents or any other person involved in the H Share Offer will be responsible for any loss or delay in transmission or any other liability that may arise as a result thereof.

8. OVERSEAS H SHAREHOLDERS

(a) The H Share Offer is in respect of a company incorporated in the PRC and listed in Hong Kong and are therefore subject to the procedure and disclosure requirements of laws, regulations and rules in Hong Kong which may be different to those in other jurisdictions. The ability of H Shareholders who are citizens, residents or nationals of jurisdictions outside of Hong Kong to participate in the H Share Offer may be subject to the laws and regulations of the relevant jurisdictions. It is the responsibility of each such H Shareholder satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents, or filing and registration and the payment of any transfer or other taxes due from such H Shareholder in such relevant jurisdictions.

(b) Any acceptance by any H Shareholder will be deemed to constitute a representation and warranty from such H Shareholder to the Offeror, HNG and the Company that all local laws and requirements have been complied with and that the H Share Offer can be accepted by such H Shareholder lawfully under the laws of the relevant jurisdiction. H Shareholders should consult their professional advisers if in doubt.

(c) Notice to US H Shareholders

The H Share Offer is being made for the securities of a company incorporated in the PRC and is subject to Hong Kong disclosure requirements, which are different from those of the United States. The financial information included in this Composite Document has been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States. The H Share Offer will be made in the United States pursuant to applicable US tender offer rules and otherwise in accordance with the requirements of the SFO and the Takeovers Code. Accordingly, the H Share Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under US domestic tender offer procedures and law.

It may be difficult for US holders of H Shares to enforce their rights and any claim arising out of the US federal securities laws, since the Offeror and the Company are located in a non-US jurisdiction, and some or all of their officers and directors may be residents of a non-US jurisdiction. US holders of H Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.

The receipt of cash pursuant to the H Share Offer by H Shareholders who are US taxpayers may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of H Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of acceptance of the H Share Offer.

9. HONG KONG STAMP DUTY AND TAXATION

(a) Seller's ad valorem stamp duty at the rate of HK$1.00 for every HK$1,000 or part thereof of the consideration arising on acceptance of the H Share Offer will be payable by the H Shareholders who accept the H Share Offer. The relevant amount of stamp duty will be deducted from the consideration payable to such H Shareholders under the H Share Offer. The Offeror will bear its own portion of buyer's ad valorem stamp duty at the rate of HK$1.00 for every HK$1,000 or part thereof of the consideration payable in respect of acceptances of the H Share Offer and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the H Shares which are validly tendered for acceptance under the H Share Offer.

(b) H Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the H Share Offer. It is emphasized that none of the Offeror, HNG, the Company or China Minmetals Corporation and their ultimate beneficial owners and parties acting in concert with any of them, CICCHKS, China Securities (International), the Share Registrar or any of their respective directors or professional advisers or any persons involved in the H Share Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance of the H Share Offer.

10. GENERAL

(a) All communications, notices, Form of Acceptance, H Share certificate(s), transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the H Share Offer to be delivered by or sent to or from the H Shareholders will be delivered by or sent to or from them, or their designated agents, by post at their own risk, and none of the Offeror, HNG, the Company, CICCHKS, China Securities (International), the Share Registrar or any of their respective directors or agents or any other person involved in the H Share Offer accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the Form of Acceptance form part of the terms of the H Share Offer.

(c) The accidental omission to despatch this Composite Document and/or the Form of Acceptance or any of them to any person to whom the H Share Offer is made will not invalidate the H Share Offer in any way.

(d) The H Share Offer and all acceptances thereof will be governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of a H Shareholder will constitute such H Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the H Share Offer.

(e) Due execution of a Form of Acceptance will constitute an authority to the Offeror, HNG, CICCHKS or such person or persons as any of them may direct to complete, amend and execute any document on behalf of the person or persons accepting the H Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the H Share(s) in respect of which such person or persons has/have accepted the H Share Offer.

(f) The settlement of the consideration to which any H Shareholder is entitled under the H Share Offer will be implemented in full in accordance with the terms of the H Share Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such H Shareholder.

(g) Any H Shareholders accepting the H Share Offer will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.

(h) In making their decision, H Shareholders must rely on their own examination of the Group and the terms of the H Share Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, HNG, the Company, CICCHKS or their respective professional advisers. H Shareholders should consult their own professional advisers for professional advice.

(i) The making of the H Share Offer to the overseas H Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The overseas H Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each overseas H Shareholder who wishes to accept the H Share Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such overseas H Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such overseas H Shareholders in respect of the relevant jurisdictions. The overseas H Shareholders are recommended to seek professional advice on deciding whether or not to accept the H Share Offer.

(j) This Composite Document and the Form of Acceptance have been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the H Share Offer in Hong Kong and the operating rules of the Stock Exchange.

12. INTERPRETATION

(a) A reference in this Composite Document to a H Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of H Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Composite Document apply to them jointly and severally.

(b) A reference in this Composite Document and the Form of Acceptance to the H Share Offer shall include any extension and/or revision thereof.

(c) A reference in this Composite Document and the Form of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

The purpose of this Appendix is to provide the summary of the Merger Agreement and important information to the Shareholders.

A. INTRODUCTION

On 11 December 2014, HNG entered into the Merger Agreement with the Company, pursuant to which and subject to the satisfaction of the Pre-Condition and the satisfaction or waiver (as applicable) of the Merger Conditions, the Company will be merged and absorbed by HNG in accordance with Article 172 of the PRC Company Law and other applicable PRC Laws.

The Merger will be implemented and completed by going through the following major processes after (among other things) the completion of the Offers and the Delisting:

(a) all H Shares held by the Offeror, and all Domestic Shares held by any wholly owned subsidiary of HNG, will be transferred to HNG;

(b) HNG will pay the H Share Cancellation Price per delisted H Share (other than those owned by HNG) in cash to the existing H Shareholders (being those who have not tendered their H Shares under the H Share Offer or otherwise sold their H Shares to the Offeror) as at the effective date of the Merger as soon as possible but no later than 7 Business Days after the Merger has become effective for the cancellation of all H Shares;

(c) HNG will pay the Domestic Share Cancellation Price per Domestic Share (other than those owned by HNG) in cash to the existing Domestic Shareholders as at the effective date of the Merger as soon as possible but no later than 7 Business Days after the Merger has become effective for the cancellation of all Domestic Shares; and

(d) the Company will be de-registered in accordance with the PRC Company Law, the Regulations of the People's Republic of China on the Registration Administration of Companies and relevant legal provisions.

Consequently, the Company will be merged into HNG, with HNG as the surviving corporation, and the Company will cease to exist as a separate legal entity. As a result of the Merger, on the date of completion of the Merger, the assets and liabilities (together with the rights and obligations attached to such assets), the business and the employees of the Company will be assumed by HNG as the surviving corporation. HNG and all of its rights, privileges, exemptions and permits will not be affected by the Merger.

B. CERTAIN PROVISIONS OF THE MERGER AGREEMENT

This section of the document describes certain major provisions of the Merger Agreement by way of a summary. As this is a summary, it may not contain all the information of the Merger Agreement. The Merger Agreement is one of the documents available for the inspection as referred to in the section headed "General Information-Documents Available for Inspection" in Appendix IV to this Composite Document.

1. Merger

The Company will be merged into HNG, with HNG as the surviving corporation, and the Company will cease to exist as a separate legal entity. As a result of the Merger, on the date of completion of the Merger, the assets and liabilities (together with the rights and obligations attached to such assets), the business and the employees of the Company will be assumed by HNG as the surviving corporation. HNG and all of its rights, privileges, exemptions and permits will not be affected by the Merger.

2. Merger Completion Date

HNG and the Company shall, upon the implementation of the Merger, procure the Company to submit the de-registration application materials to Hunan Provincial AIC and to conduct and complete the de-registration procedures of the Company. The **Merger Completion Date** shall be the date of completing the industrial and commercial de-registration procedures of the Company.

3. Consideration and Payment

As part of the Merger, HNG will (i) pay the H Share Cancellation Price per delisted H Share (other than those owned by HNG) in cash to the existing H Shareholders (being those who have not tendered their H Shares under the H Share Offer or otherwise sold their H Shares to the Offeror) as at the effective date of the Merger as soon as possible but no later than 7 Business Days after the Merger has become effective for the cancellation of all H Shares; and (ii) pay the Domestic Share Cancellation Price per Domestic Share (other than those owned by HNG) in cash to the existing Domestic Shareholders as at the effective date of the Merger as soon as possible but no later than 7 Business Days after the Merger has become effective for the cancellation of all Domestic Shares.

Upon completion of the payment above, apart from the right of claim for the Dissenting Shareholders, shareholders of Domestic Shares and unlisted H Shares will no longer be entitled to any rights of shareholders in relation to the shares for which payment has been made.

4. Dissenting Shareholders

According to the Articles of the Company, any Shareholder who has opposed the Merger may request the Company or other Shareholders who have approved the Merger to acquire its Shares at a "fair price". The Merger Agreement provides that if any Shareholder elects to request the Company or other Shareholders who have voted for the Merger to purchase its Shares at a "fair price" (the "**Dissenting Shareholders**"), HNG shall, at the request of the Company or such Shareholder, assume any liability which the Company or such Shareholder who has received such a request may have towards the dissenting Shareholder.

Any Shareholder who has opposed the Merger and has requested the Company or other Shareholders who have approved the Merger to acquire its Shares at a "fair price" will, after the Merger is approved by the Shareholders, continue to have a right against the Company and/or such Shareholder, or HNG (if requested by the Company and/or such Shareholder to assume their respective liabilities after receiving the request from the dissenting Shareholder). In any case, such request shall be made within the earlier of (a) the expiration of two months from the date of approval of the Merger at the Special General Meeting and (b) the date of completion of the Merger.

If any Dissenting Shareholders request the Company and/or other shareholders approving the Merger to purchase their Shares at a fair price, HNG or any of its successors agrees to undertake any reasonable obligations of the Company and/or shareholders being requested to purchase the Shares from such Dissenting Shareholders. If the Company and/or shareholders being requested to purchase such Shares choose to request HNG or any of its successors to undertake such obligation, it is required to (1) submit the written request or revocation request for purchase of Shares at a fair price received or other documents issued to the Company pursuant to the PRC Company Law or the Articles of Association of the Company to HNG or any of its successors; (2) let HNG or its successors have the opportunity to take the lead in all the negotiations and procedures in relation to determining the fair price under the Articles of Association of the Company (including the engagement of relevant professional advisors); and (3) unless with the prior written consent of HNG or any of its successors, the Company and/or shareholders being requested to purchase the Shares who choose to request HNG to undertake the said obligation shall not proactively confirm or make payment for the fair price as claimed by the Dissenting Shareholders.

5. Representations and Warranties of the Company

The Company made the following representations and warranties to HNG, as at the signing date of the Merger Agreement (or, if it made as of a specific date, as of such date) that such representations and warranties are true, accurate and complete, and will be true, accurate and complete until the completion date of the Merger.

(a) the Company is a joint stock limited company duly organized, validly existing and in good standing under the PRC Laws, which has full corporate power and authority to carry on its business as it is currently being conducted and to own its existing properties and assets.

(b) Each subsidiary of the Company is a joint stock limited company duly organized, validly existing and in good standing under the PRC Laws, which has full corporate power and authority to carry on its business as it is currently being conducted and to own its existing properties and assets.

(c) As at the signing date of the Merger Agreement, the registered share capital of the Company amounts to 3,668,058,000 shares, which are formally authorized, effectively issued and fully paid.

(d) the Company has full corporate power and authority to execute and deliver the Merger Agreement, and to consummate the Merger. Upon the Merger Agreement having been duly executed and considered to be duly and validly authorised and executed by the other party, obligations of the Company under the Merger Agreement are valid, binding and enforceable against the Company in accordance with the terms of the Merger Agreement.

(e) The board of directors of the Company has officially convened a board meeting to approve the Merger.

(f) The execution or performance of the Merger Agreement by the Company, the consummation of the Merger or compliance with any of the provisions hereof will not (i) conflict with or result in any breach of any provision of the articles of association, or similar organizational documents of it or any of its subsidiaries, (ii) result in a violation or breach of, or constitute a default under any of the terms, conditions or provisions to any relevant agreements of the Company, or (iii) violate any order, injunction, decree, statute, rule or regulation applicable to it, any of its subsidiaries or any of its or their properties or assets. In the foregoing clauses (ii) and (iii), if such violation or breaches or defaults would not individually or in the aggregate, have a material adverse effect on it and its subsidiaries, taken as a whole, it shall not be deemed as a breach of this provision.

(g) the Company has filed the documents required by SFC and Hong Kong Stock Exchange with the SFC and Hong Kong Stock Exchange.

(h) Since the date of the latest audited balance sheet of the Company, the business of the Company and each of its subsidiaries has been conducted in their ordinary and usual course; the Company is not aware of any events or changes (including the incurrence of any liabilities of any nature, whether or not accrued, contingent or otherwise) having or reasonably likely to have, individually or in the aggregate, a material adverse effect on the Company and its subsidiaries, taken as a whole; its assets have not been affected in any way as a result of flood, fire, explosion or other casualty (whether or not covered by insurance); and it has not taken any action which would have been prohibited under the section headed "interim operations" if such clause applied to the period between the date of the latest audited balance sheet and the signing date of the Merger Agreement.

(i) As of the signing date of the Merger Agreement, neither the Company nor any of its subsidiaries is subject to any judgment, order or decree which may have an adverse effect on its business practices or on its ability to acquire any property or conduct its business in any area.

(j) Since the date of the latest audited balance sheet of the Company, the Company has not incurred liability for any taxes other than in the ordinary course of business. Neither the Company nor its subsidiaries have received any written notices requesting it to fulfill any tax obligations by an authority of a jurisdiction where neither it nor any subsidiaries file tax returns.

(k) the Company exerts its utmost efforts to keep all material properties and assets held by it and its subsidiaries (properties, movable properties, mixed, tangible and intangible assets) and all properties and assets purchased by the Company and its subsidiaries since date of the latest audited balance sheet of the Company (other than inventory and short term investments) free and clear of all mortgages, title defects or objections, liens, claims, charges, security interests or other encumbrances of any nature whatsoever including, without limitation, leases, chattel mortgages, conditional sales contracts, collateral security arrangements or other title or interest retention arrangements.

(l) the Company and its subsidiaries are in compliance with the applicable laws, rules or regulations of any national or local authorities of the PRC, any foreign government agencies which can influence the business, properties or assets of the Company or its subsidiaries, and securities laws and regulations of the jurisdictions where its securities are listed.

(m) the Company or its subsidiaries own, or are licensed or otherwise possess the rights to use their intellectual property, and the consummation of the Merger will not alter or impair such ability in any respect.

(n) Unless required by the PRC Laws, no consent of any third party is necessary, and the failure to obtain of which will not prevent the consummation of the Merger, which include but not limited to consents from the third party to loans, contracts, leases or other agreements.

6. The Representations and Warranties of HNG

HNG made the following representations and warranties to the Company, as at the signing date of the Merger Agreement (or, if it made as of a specific date, as of such date) that such representations and warranties are true, accurate and complete, and will be true, accurate and complete until the completion date of the Merger.

(a) HNG is a joint stock limited company duly organized and validly existing under the PRC Laws, which has full corporate power and authority to carry on its business as it is currently being conducted and to own its existing properties and assets.

(b) HNG has full corporate power and authority to execute and deliver the Merger Agreement, and to consummate the Merger. Upon the Merger Agreement having been duly executed and considered to be duly and validly authorised and executed by the other party, obligations of HNG under the Merger Agreement are valid, binding and enforceable against the HNG.

(c) The board of directors of HNG has officially convened a board meeting to approve the Merger.

(d) The execution or performance of the Merger Agreement by HNG, the consummation of the Merger or compliance with any of the provisions hereof will not (i) conflict with or result in any breach of any provision of the articles of association, or similar organizational documents of it or any of its subsidiaries, (ii) result in a violation or breach of, or constitute a default under any of the terms, conditions or provisions to any relevant agreements of HNG, or (iii) violate any order, injunction, decree, statute, rule or regulation applicable to it, any of its subsidiaries or any of its or their properties or assets. In the foregoing clauses (ii) and (iii), if such violation or breaches or defaults would not individually or in the aggregate, have a material adverse effect on it and its subsidiaries, taken as a whole, it shall not be deemed as a breach of this provision. Before the completion of the Merger, no consent or approval is required from the third party.

7. Interim Operations

(a) The business operations of the Company or its subsidiaries shall be conducted in the usual course. The Company and its subsidiaries shall use their reasonable efforts to preserve its business organization intact, keep available the services of its respective current directors, management (or the persons in charge) and major employees, and maintain its existing relations with key customers, suppliers, creditors, business partners and others having business dealing with it, to the end that the goodwill and ongoing business of each of them shall be unimpaired at the Merger Completion Date. Meanwhile, prior to the Merger Completion Date, the Company or any of its subsidiaries (as the case may be) shall perform or cause to perform all capital expenditure and maintenance costs in the plans in relation to the main plants owned by the Company or any of its subsidiaries. If any of such capital expenditure and maintenance costs cannot be completed on the Merger Completion Date due to any reasons, the Company shall adopt all necessary and reasonable actions and carry out all necessary and reasonable preparations (including any funds related to reasonable management of such capital expenditure) for the purposes of the completion of the unfinished capital expenditure and maintenance costs by HNG as the surviving corporation within a reasonable period of time after the Merger Completion Date;

(b) Unless agreed by HNG, neither the Company nor any of its subsidiaries shall (1) issue, sell, transfer, pledge or dispose of any shares or share capital or voting debt, or securities convertible into any shares of any class or share capital or voting debt (or any rights of any kind to acquire such); (2) declare, set aside or pay any dividend or other distribution payable in cash, stock or property with respect to any shares or share capital; (3) split, combine or reclassify any shares or share capital; or (4) redeem, acquire or otherwise obtain directly or indirectly any shares of any class or share capital, or any instrument or guarantee which consist of or include a right to acquire such shares;

(c) Unless agreed by HNG, neither the Company nor any of its subsidiaries shall (1) incur or modify any material indebtedness or other material liabilities, other than in the ordinary course of business or consistent with past practice; or (2) modify, amend or terminate any of its material contracts or waive, assign any material rights or claims, except those in the ordinary course of business or consistent with past practice;

(d) Unless agreed by HNG, neither the Company nor any of its subsidiaries shall (1) incur or assume any long-term material indebtedness or short-term material indebtedness, except in the ordinary course of business; (2) modify the terms of any material indebtedness or other liabilities, other than modifications of short-term indebtedness in the ordinary course of business or consistent with past practice; (3) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the material obligations of any other person other than which are in the ordinary course of business or are consistent with past practice; (4) offer any material loans, advances or capital contributions to, or investments in, any other person other than which are in the ordinary course of business or consistent with past practice; or (5) enter into any material commitment or any material transactions (including, but not limited to, any capital expenditure or purchase, sale or lease of any assets or real estate);

(e) Unless agreed by HNG, neither the Company nor any of its subsidiaries shall transfer, lease, license, sell, mortgage, pledge, dispose of or encumber any material assets other than which are in the ordinary course of business or are consistent with past practice;

(f) Unless agreed by HNG, neither the Company nor any of its subsidiaries shall enter into any contracts or transactions relating to the purchase of material assets other than which occurs in the ordinary course of business or is consistent with the past practice;

(g) Unless agreed by HNG, neither the Company nor any of its subsidiaries shall pay, repurchase, discharge or satisfy any of its material claims, rights or obligations (absolute, contingent or otherwise), other than the payment, discharge or satisfaction in the ordinary course of business and consistent with past practice, of material claims, rights or obligations;

(h) Unless agreed by HNG, neither the Company nor any of its subsidiaries shall adopt a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization of it or any of its subsidiaries (other than the Merger);

(i) Unless approved by HNG, neither the Company nor any of its subsidiaries shall change any of the accounting methods used by it unless required by PRC or IFRS; or

(j) Unless approved by HNG, neither the Company nor any of its subsidiaries shall enter into an agreement, contract, covenant or arrangement to do any of the foregoing, or to authorize, recommend or announce an intention to do any of the foregoing.

8. Notice and Announcement for the Creditors

Upon obtaining the approvals from the shareholders' meetings or general shareholders' meetings, HNG and the Company shall inform their own creditors of the Merger by notice or announcement and satisfy the creditors' requirements (if any) of repayment or guarantee in accordance with the PRC Company Law and their respective articles of association.

9. Merger Conditions

The Merger will become effective upon the fulfilment or waiver (as applicable) of the following Merger Conditions:

(a) the written resolutions by the shareholders of HNG approving the Merger having been passed;

(b) a waiver application having been submitted to the CSRC by HNG within three days after the execution of the Merger Agreement for the exemption of making any mandatory offer in relation to the change of controlling shareholder of the A-Share Listed Subsidiary as a result of the Merger, and such waiver having been granted by the CSRC or no objection having been raised by the CSRC;

(c) the passing of a resolution by way of poll approving the Privatisation at the H Share Class Meeting to be convened for this purpose, provided that:

(i) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and

(ii) the number of votes cast against the resolution is not more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders;

(d) the passing of resolutions by way of poll approving the Delisting and the Merger at the Special General Meeting of the Independent Shareholders to be convened for this purpose, provided that:

(i) approval is given by at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are cast either in person or by proxy; and

(ii) the number of votes cast against the resolutions is not more than 10% of the votes attaching to all Shares held by the Independent Shareholders;

(e) the approval of the Merger by not less than two-thirds of the voting rights held by the Shareholders present at the Special General Meeting in accordance with the requirements of the Articles of the Company at the Special General Meeting to be convened for this purpose;

(f) the Domestic Share Offer becoming or being declared unconditional in all respects pursuant to the fulfilment or waiver (as applicable) of the conditions set out in section 4 of the Announcement and subsequently being closed;

(g) the Delisting application having been submitted by the Company to the Stock Exchange and such Delisting having become effective pursuant to the Listing Rules;

(h) the transfer of all H Shares held by the Offeror (including all H Shares acquired under the H Share Offer) to HNG such that HNG is the registered holder of such H Shares; and

(i) the Offeror and HNG holding (directly or indirectly) in aggregate not less than 85% of the issued share capital of the Company.

Merger Conditions (b) and (i) can be waived by HNG in whole or in part, either generally or in respect of any particular matter (including, with respect to Merger Condition (i), by accepting a lower percentage threshold), provided that such waiver will not result in a breach of any applicable laws and regulations. Merger Conditions (a), (c), (d), (e), (f), (g) and (h) cannot be waived in any event. The Company does not have the right to waive any of the Merger Conditions.

10. Termination of the Merger

The Merger Agreement can be terminated at any time prior to the completion of the Merger:

(a) by either HNG or the Company if:

(i) the Pre-Condition is not satisfied by the Pre-Condition Long Stop Date;

(ii) the Offeror publishes an announcement stating that the Pre-Condition has not been satisfied by the Pre-Condition Long Stop Date;

(iii) the Offeror publishes an announcement stating that the Offers have been withdrawn with the consent of the Executive;

(iv) any governmental body has issued an order or ruling or taken any other actions (which order, ruling or other action HNG and the Company shall use their reasonable efforts to terminate), which permanently restrains, enjoins or otherwise prohibits the Merger and such order, ruling or other action shall have become final and not subject to appeal;

(v) the relevant shareholders' approvals for the Delisting and the Merger (as the case may be) have not been obtained at the Special General Meeting, the Special General Meeting of the Independent Shareholders and the H Share Class Meeting (or any adjournments of such meetings); or

(vi) the Merger Conditions have not been fulfilled or waived (if applicable) before 30 June 2016 (or such later date as HNG and the Company may agree);

(b) by HNG if the Company has breached any of its representations, warranties or covenants in the Merger Agreement or is in any other material breach of the Merger Agreement, and cannot rectify such breaches within 30 days after being given a written notice by HNG; and

(c) by the Company if HNG has breached any of its representations, warranties or covenants in the Merger Agreement or is in any other material breach of the Merger Agreement, and cannot rectify such breaches within 30 days after being given a written notice by the Company.

11. Governing Law

The Merger Agreement shall be governed by and construed in accordance with the PRC Laws.

1. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated financial results of the Group for each of the three years ended 31 December 2011, 2012 and 2013 respectively, as extracted from the relevant published annual reports of the Company for the three years ended 31 December 2013 and the unaudited consolidated financial results of the Group for the six months ended 30 June 2014 as extracted from the published interim report of 2014. The auditor's reports prepared by Baker Tilly Hong Kong Limited in respect of the Group's financial statements for each of the three years ended 31 December 2011, 2012 and 2013 did not contain any qualification.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 December			Six months ended
	2011	**2012**	**2013**	**30 June 2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)		(Unaudited)
REVENUE	24,546,146	25,582,719	31,097,611	13,089,067
Cost of sales	(22,032,228)	(23,844,947)	(29,167,475)	(12,286,750)
Gross profit	2,513,918	1,737,772	1,930,136	802,317
Other income	321,996	497,978	796,517	133,510
Selling and distribution costs	(437,233)	(411,913)	(438,076)	(225,801)
Administrative expenses	(1,373,058)	(1,289,521)	(1,287,887)	(633,335)
Other expenses, net	(87,311)	(63,392)	(8,191)	(9,003)
Impairment of intangible assets	(10,000)	—	—	—
Impairment of property, plant and equipment	(154,499)	(51,913)	(2,100)	—
(Provision for)/reversal of impairment of trade and other receivables	(38,580)	19,276	(7,202)	(18,375)
Finance income	88,883	30,703	22,981	11,977
Finance costs	(684,295)	(791,954)	(704,667)	(383,132)
Share of profits of associates	12,344	15,523	10,162	2,762
PROFIT/(LOSS) BEFORE INCOME TAX	152,165	(307,441)	311,673	(319,080)
Income tax expense	(193,228)	(129,167)	(69,642)	(47,031)
(LOSS)/PROFIT FOR THE YEAR	(41,063)	(436,608)	242,031	(366,111)
Attributable to:				
Owners of the Company	293,399	6,602	203,990	(304,216)
Non-controlling interests	(334,462)	(443,210)	38,041	(61,895)
	(41,063)	(436,608)	242,031	(366,111)

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2013 (the "Financial Statements") as extracted from the annual report of the Company for the year ended 31 December 2013. Capitalised terms used in the Financial Statements have the meanings ascribed to them in the Financial Statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Note	2013	2012
		RMB'000	*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 114 to 233 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 114 to 233 form an integral part of these consolidated financial statements.

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 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

	Note	31 December 2013 RMB'000	31 December 2012 RMB'000 (Restated)	1 January 2012 RMB'000 (Restated)
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
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 114 to 233 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(c))	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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 114 to 233 form an integral part of these consolidated financial statements.

		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(c))*	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 114 to 233 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)	—
Losses/(gains) 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

	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	1,781,974	640,009

The notes on pages 114 to 233 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

	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	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
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	**Guo Wenzhong**
Director	*Director*

The notes on pages 114 to 233 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

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.

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.

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.

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

	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)

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	IFRS 10 adjustments	1 January 2012	31 December 2012	IFRS 10 adjustments	31 December 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(originally stated)		(restated)	(originally stated)		(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
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

	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
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

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**	**IFRS 10 adjustments**	**Restated amount**
	RMB'000	*RMB'000*	*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**	**IFRS 10 adjustments**	**Restated amount**
	RMB'000	*RMB'000*	*RMB'000*
Interests in subsidiaries	5,131,145	221,450	5,352,595
Interest in an associate	221,450	(221,450)	—

(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.

2.2 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.

(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.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate 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.

(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.

2.5 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.

2.6 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.

2.8 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.

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.

2.10 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.

2.12 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.

(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.

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.

(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;

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  — adverse changes in the payment status of borrowers in the portfolio;

  — national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assess whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated 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.

2.13 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.

2.15 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.

2.18 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.

2.21 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.

2.22 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).

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.

2.24 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.

2.28 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.

(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)

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

(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.

(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.

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 Contractual undiscounted cash outflow						2012 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 Contractual undiscounted cash outflow						2012 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

(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.

	2013		2012	
	Carrying amount of equity investments	Increase/ decrease in equity	Carrying amount of equity investments	Increase/ decrease in equity
	RMB'000	*RMB'000*	*RMB'000*	*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.

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%

3.3 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	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*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

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

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*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.

Specific valuation techniques used to value financial instruments include:

— Quoted market prices or dealer quotes for similar instruments.

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

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

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

(b) Financial instruments carried at other than fair value

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

4.2 Critical judgements in applying the entity's accounting policies

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

Impairment of assets

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

Exploration and evaluation expenditure

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

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).

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).

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.

(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	Nonferrous metal smelting	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds	Corporate and others	Eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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

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

Year ended 31 December 2012 (Restated)	Nonferrous metal mine sites	Nonferrous metal smelting	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds	Corporate and others	Eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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)

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	2012
		RMB'000	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

	Note	2013 *RMB'000*	2012 *RMB'000* (Restated)
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
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
Losses 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	**2012**
	RMB'000	*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.

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	Salaries allowances and benefits in kind	Performance –related bonuses	Pension scheme contributions	Total	Stock appreciation rights
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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)

	Note	Fees	Salaries allowances and benefits in kind	Performance –related bonuses	Pension scheme contributions	Total	Stock appreciation rights
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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)

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

	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

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.

(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	**2012**
	RMB'000	*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

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	**2012**
	RMB'000	*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 (income)/loss

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Deferred tax		
Arising from recognition of other comprehensive (income)/loss:		
— 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	Plant, machinery and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*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
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

	Buildings and mining structures *RMB'000*	Plant, machinery and equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
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)*.

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
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

The Company

	Buildings and mining structures *RMB'000*	Plant, machinery and equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
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	**2012**
	RMB'000	*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	**2012**
	RMB'000	*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
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

The Company

	Mining rights *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2012			
Cost	213,554	1,398	214,952
Accumulated amortisation	(101,733)	(1,235)	(102,968)
Net carrying amount	111,821	163	111,984
Year ended 31 December 2012			
Opening net carrying amount	111,821	163	111,984
Additions	112,501	1,464	113,965
Amortisation charge	(1,763)	(1,367)	(3,130)
Closing net carrying amount	222,559	260	222,819
At 31 December 2012			
Cost	326,055	2,862	328,917
Accumulated amortisation	(103,496)	(2,602)	(106,098)
Net carrying amount	222,559	260	222,819
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 *(note 17)*	(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

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	**2012**
	RMB'000	*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.

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.

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 2013 Direct	2013 Indirect	2012 Direct	2012 Indirect	Principal activities
				%	%	%	%	
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

Name	*Note*	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company 2013 Direct	2013 Indirect	2012 Direct	2012 Indirect	Principal activities
				%	%	%	%	
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
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

Name	*Note*	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company 2013 Direct %	2013 Indirect %	2012 Direct %	2012 Indirect %	Principal activities
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
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 metal 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

Name	*Note*	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company 2013 Direct	2013 Indirect	2012 Direct	2012 Indirect	Principal activities
				%	%	%	%	
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
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

Name	Note	Place and date of incorporation/ establishment and operations	Paid-up/ registered capital (in thousands)	Percentage of equity interests attributable to the Company 2013 Direct	Indirect	2012 Direct	Indirect	Principal activities
				%	%	%	%	
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.

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.

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 RMB'000	2012 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 RMB'000	2012 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	—	—

Summarised statement of cash flows

	Zhuye 2013 RMB'000	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 %	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

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* (Restated)	*RMB'000*	*RMB'000*
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* (Restated)	*RMB'000*	*RMB'000*
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

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.

Deferred tax liabilities

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

The Group

	Revaluation surplus	Recognition of unrealised gains on available-for-sale financial assets	Other temporary differences	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 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* (Restated)	*RMB'000*	*RMB'000*
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* (Restated)	*RMB'000*	*RMB'000*
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

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

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	RMB'000	*RMB'000* (Restated)	*RMB'000*	*RMB'000*
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* (Restated)	*RMB'000*	*RMB'000*
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

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* (Restated)	*RMB'000*	*RMB'000*
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* (Restated)	*RMB'000*	*RMB'000*
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* (Restated)	*RMB'000*	*RMB'000*
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* (Restated)	*RMB'000*	*RMB'000*
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

	2013			2012		
	Effective interest rate	Maturity		Effective interest rate	Maturity	
	(%)		*RMB'000*	*(%)*		*RMB'000*
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

The Company

	2013			2012		
	Effective interest rate	Maturity		Effective interest rate	Maturity	
	(%)		*RMB'000*	*(%)*		*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

	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

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 RMB750,588,000 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 rehabitation	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

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.

(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.

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. SARE CAPITAL

	2013	**2012**
	RMB'000	*RMB'000*
Registered, issued and fully paid:		
— Domestic shares of RMB1.00 each	2,035,330	2,035,330
— H shares of RMB1.00 each	1,632,728	1,632,728
	3,668,058	3,668,058

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.

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)

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.

(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 a subsidiary	Date of acquisition	Additional equity interest acquired
Held by Zhuying:		
— Shenzhen Jinzhou	20 June 2013	2.92%

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 summaried 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 subsidiary 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

	Jintang Bismuth
	RMB'000
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

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 Limited ("Wangqing Ziying") to HNG at a cash consideration of approximately RMB19,474,000. Wangqing Ziying has then been wholly owned by HNG and has ceased to be a subsidiary of the Group.

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

	Nanling Resource *RMB'000*	Wangqing Ziying *RMB'000*	Total *RMB'000*
Non-current assets			
Property, plant and equipment *(note 14)*	704	18,930	19,634
Land lease prepayment *(note 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
(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 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%.

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.

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. 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.

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) Transactios with HNG Group

	2013	**2012**
	RMB'000	*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

	2013	2012
	RMB'000	*RMB'000*
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.

(b) Transactions with Minmetals Group

	2013	2012
	RMB'000	*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 lan use right from HNG

	2013	2012
	RMB'000	*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**	**Available-for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*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

Financial liabilities	2013 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

Financial assets	2012 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**	**Financial liabilities at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
	(Restated)	(Restated)	(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

The Company

	2013		
Financial assets	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*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

Financial liabilities	2013 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

The Company

Financial assets	Loans and receivables	2012 Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*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.

3. INDEBTEDNESS STATEMENT

At the close of business on 30 November 2014, being the latest practicable date prior to the printing of this circular, the total outstanding interest-bearing bank and other borrowings of the Group are as follows:

	Total *RMB'000*	Guaranteed *RMB'000*	Secured *RMB'000*	Unguaranteed and unsecured *RMB'000*
Loans from holding companies	8,215,970	N/A	N/A	8,215,970
Bank loans	6,705,275	3,178,563#	616,431*	2,910,281
Other loans	35,061	N/A	N/A	35,061

* Secured by certain of the Group's assets (including property, plant and equipment, land lease prepayments, trade receivables and pledged deposits)

Guaranteed by the Company, immediate holding company and ultimate holding company

In addition, Hunan Yongli Chemical Industry Co., Ltd. (湖南永利化工股份有限公司) ("**Hunan Yongli**") filed a complaint in the PRC against Zhuzhou Smelter Group Company Limited, a subsidiary of the Company, in respect of its sales contract dispute (the "**Case**") in the PRC towards the mutual provision of sulfur bearing flue gas and sulfuric acid pipelines. The court has formally accepted the Case and is still in the progress of court procedures. Up to the date of this statement and to the best of the Directors' knowledge, the Company believes that the claims lack merit and will vigorously defend such actions. As the final amount of damages to be claimed by the counterparty is uncertain, no contingent liability has been accrued.

Save as aforesaid and disclosed herein, and apart from intra-group liabilities, the Group did not have, at the close of business on 30 November 2014, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

4. JANUARY 2015 PROFIT WARNING REPORTS

The reports in respect of the January 2015 Profit Warning are as set out below in full. Baker Tilly Hong Kong Limited and China Securities (International), who are each making the reports, have given, and not withdrawn their consent to publication.

(a) Report from Baker Tilly Hong Kong Limited on the January 2015 Profit Warning

20 January 2015

Our Ref.: H593s/cl/kl/u15

PRIVATE & CONFIDENTIAL

The Board of Directors
Hunan Nonferrous Metals Corp., Ltd.
No. 290 Laodongxi Road,
Changsha City, Hunan, PRC (400015)

Dear Sirs,

The report on profit forecast in respect of the unaudited consolidated results of Hunan Nonferrous Metals Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014

We refer to the estimate of the consolidated loss attributable to the owners of the Company for the year ended 31 December 2014 ("the Loss Estimate") set forth in the note 4 of the section headed LETTER FROM THE BOARD in the composite offer and response document of the Company dated 20 January 2015 (the "Composite Document").

Responsibilities

The Loss Estimate has been prepared by the directors of the Company based on the unaudited consolidated results based on the management accounts of the Group for the year ended 31 December 2014.

The Company's directors are solely responsible for the Loss Estimate. It is our responsibility to form an opinion on the accounting policies and calculations of the Loss Estimate based on our procedures.

Basis of opinion

We carried out our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Loss Estimate in accordance with the assumptions made by the directors and as to whether the Loss Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Loss Estimate has been properly compiled in accordance with the bases and assumption adopted by the directors as set out in note 4 of the section headed LETTER FROM THE BOARD in the Composite Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in its audited consolidated financial statements for the year ended 31 December 2013.

Yours faithfully,

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong,
Lo Wing See
Practising Certificate Number P04607

(b) Report from China Securities (International) on the January 2015 Profit Warning

中信建投國際
China Securities International

18/F, Two Exchange Square
Central
Hong Kong

20 January 2015

PRIVATE & CONFIDENTIAL

The Board of Directors
Hunan Nonferrous Metals Corp., Ltd.
No. 290 Laodongxi Road,
Changsha City, Hunan, PRC (400015)

Dear Sirs,

We refer to the estimate of the loss attributable to the owners of Hunan Nonferrous Metals Corporation Limited (the "**Company**", together its subsidiaries, the "**Group**") for the year ended 31 December 2014 (the "**Loss Estimate**") set forth in the section headed "GENERAL" (the "**Section**") under the LETTER FROM THE BOARD in the composite offer and response document of the Company dated 20 January 2015 (the "**Composite Document**"). We note that the Loss Estimate is regarded as a profit forecast under Rule 10 of the Codes on Takeovers and Mergers.

We have discussed with the directors of the Company (the "**Directors**") the bases and assumptions upon which the Loss Estimate was prepared as set out in the Section. We have also considered the report from Baker Tilly Hong Kong Limited dated 20 January 2015 issued to you, the text of which is set out in the section headed "Report from Baker Tilly Hong Kong Limited on the January 2015 Profit Warning" in the Composite Document, which states that, the Loss Estimate has been prepared by the Directors based on the unaudited consolidated results based on the management accounts of the Group for the year ended 31 December 2014 and, so far as the accounting policies and calculations are concerned, the Directors have properly compiled the Loss Estimate in accordance with the bases and assumptions adopted by the Directors as set out in the Section and the Loss Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in its audited consolidated financial statements for the year ended 31 December 2013. The preparation of the Loss Estimate is the sole responsibility of, and has been approved by, the Directors.

Based on the above, we are satisfied that the Loss Estimate has been prepared by the Directors after due care and consideration.

Yours faithfully,
For and on behalf of
China Securities (International)
Corporate Finance Company Limited
Donald Leung **Bobby Chow**
Director *Associate Director*

5. MATERIAL CHANGE

The Directors confirm that, save for the anticipated turnaround to an unaudited loss attributable to the Shareholders of the Company in an amount between RMB500 million to RMB580 million for the year ended 31 December 2014 (details of which were set out in the January 2015 Profit Warning), the Directors are not aware of any other material changes in the financial or trading position or outlook of the Group between 31 December 2013, the date to which the latest published audited consolidated financial statements of the Company were prepared, and the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Offers, the Offeror and the Company.

As at the date of this Composite Document, the Offeror Directors are Mr. Cao Xiuyun, Mr. Wang Jinrong and Mr. Wu Xiaopeng. The issue of this Composite Document has been approved by the Offeror Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Group and China Minmetals Corporation) and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group and China Minmetals Corporation) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

As at the date of this Composite Document, Mr. Zhou Zhongshu is the president of China Minmetals Corporation. Mr. Zhou Zhongshu accepts full responsibility for the accuracy of the information contained in this Composite Document (other than in relation to the Offeror, CICCHKS and the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror, CICCHKS and the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

As at the date of this Composite Document, the Board comprises Mr. Li Fuli, Ms. Deng Yingjie, Mr. He Yawen, and Mr. Wu Xiaopeng as executive Directors, Mr. Cao Xiuyun and Mr. Yang Guang as non-executive Directors and Mr. Wan Ten Lap, Mr. Choi Man Chau, Michael and Ms. Chen Xiaohong as independent non-executive Directors. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror and its Concert Parties and CICCHKS) and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Composite Document (other than that expressed by the Offeror and its Concert Parties and CICCHKS) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company as at the Latest Practicable Date is as follows:

Registered, issued and fully paid	Number of Shares
H Shares of RMB1.00 each	1,632,728,000
Domestic Shares of RMB1.00 each	2,035,330,000
Total Shares	3,668,058,000

All the existing issued Shares are fully paid up or credited as fully paid and rank pari passu in all respects with each other including all rights as to dividends, voting and interests in capital.

As at the Latest Practicable Date, there were no outstanding warrants, options, derivatives or securities convertible into Shares.

Since 31 December 2013, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, the Company had not issued any Shares and other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code).

The issued H Shares are listed and traded on the Main Board of the Stock Exchange. No part of the issued share capital of the Company is listed on any other stock exchange.

3. DISCLOSURE OF INTERESTS

(a) Interests of the Offeror and HNG in the Company

As at the Latest Practicable Date, the Offeror held 159,872,000 H Shares (representing approximately 9.79% of the total issued H Shares and 4.36% of the issued share capital of the Company) and HNG holds 1,947,074,266 Domestic Shares (representing approximately 95.66% of the total issued Domestic Shares and 53.08% of the issued share capital of the Company).

Accordingly, as at the Latest Practicable Date, HNG's total interests in H Shares and Domestic Shares in issue represents approximately 57.44% of the total issued share capital of the Company.

As at the Latest Practicable Date, the parent company of Bangxin Asset Management Co., Ltd., a Domestic Shareholder, has certain equity interests in some of the subsidiaries and a jointly-controlled entity of China Minmetals Corporation. These interests give rise to a presumption that Bangxin Asset Management Co., Ltd. is acting in concert with HNG and the Offeror for the purposes of the Takeovers Code within class (1) of the definition of "acting in concert". HNG and the Offeror were of the view that Bangxin Asset Management Co., Ltd. is not acting in concert with HNG or the Offeror for the purposes of the Takeovers Code and had made an application to the Executive to rebut the presumption and the Executive has granted such rebuttal.

(b) Interests of the Offeror Directors and HNG's directors in the Company

As at the Latest Practicable Date, none of the Offeror Directors and HNG's directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

(c) Interests of the Concert Parties in the Company

As at the Latest Practicable Date, none of the Concert Parties owned or controlled or had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of the Company.

(d) Interests of the Company and the Directors in the Offeror or HNG

As at the Latest Practicable Date, neither the Company nor any Director owned or controlled or had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of the Offeror or HNG.

(e) Interests of the Directors in the Company

As at the Latest Practicable Date, none of the Directors had any interests in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

(f) Other disclosures

As at the Latest Practicable Date:

(i) No person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror, HNG or any of their Concert Parties.

(ii) None of the Offeror, HNG or any of their Concert Parties had borrowed or lent the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, save for any borrowed H Shares which had been either on-lent or sold.

(iii) None of the subsidiaries of the Company, any pension funds of the Group and any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders) owned or controlled any of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

(iv) No person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code.

(v) No person who owned or controlled any H Shares or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) has irrevocably committed to accepting or rejecting the H Share Offer.

(vi) No relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company.

(vii) Neither the Company nor any of the Directors had borrowed or lent any of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, save for any borrowed H Shares which had been either on-lent or sold.

4. DEALINGS IN SECURITIES

During the Relevant Period:

(a) Save as disclosed below, none of the Offeror, HNG, their respective directors and Concert Parties had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

Name	Type of Transaction	Date	Number of H Shares	Price per H Share *(HK$)*
CICC Financial Products Ltd.	Buy	23 May 2014	102,000	2.272941
CICC Financial Products Ltd.	Buy	28 May 2014	18,000	2.270000
CICC Financial Products Ltd.	Buy	30 May 2014	12,000	2.266667
CICC Financial Products Ltd.	Buy	4 June 2014	20,000	2.259000
CICC Financial Products Ltd.	Buy	5 June 2014	24,000	2.276667
CICC Financial Products Ltd.	Buy	6 June 2014	10,000	2.270000
CICC Financial Products Ltd.	Sell	30 July 2014	148,000	2.727703
CICC Financial Products Ltd.	Sell	6 August 2014	38,000	2.990000
CICC Financial Products Ltd.	Buy	4 September 2014	28,000	2.875357
CICC Financial Products Ltd.	Sell	18 September 2014	28,000	2.778571

(b) None of the Offeror and Concert Parties who had borrowed or lent the relevant securities (as defined in Note 4 to Rule 22 of the Takeoverode) of the Company, save for any borrowed H Shares which had been either on-lent or sold, had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

(c) None of the Directors had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

(d) Neither the Company nor any of the Directors had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of the Offeror or HNG.

(e) None of the subsidiaries of the Company, any pension funds of the Group and any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt trades carried out by exempt principal traders) had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

(f) No fund manager (other than exempt fund managers) connected with the Company who manage shareholdings in the Company on a discretionary basis had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

5. ARRANGEMENTS IN CONNECTION WITH THE OFFERS OR AFFECTING DIRECTORS

As at the Latest Practicable Date:

(a) there was no arrangement whereby any Director would be given any benefit as compensation for loss of office or otherwise in connection with the Offers;

(b) no agreement or arrangement existed between the Offeror and/or HNG and any person which relate to the circumstances in which the Offeror and/or HNG may or may not invoke or seek to invoke a condition to the Offers and the consequences of their doing so;

(c) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror, HNG or any of their respective Concert Parties on the one hand, and any Director, recent Director, Shareholder or recent Shareholder on the other hand, having any connection with or dependence upon the Offers;

(d) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers; and

(e) there was no material contract entered into by the Offeror in which any Director had a material personal interest.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) have been entered into or amended within 6 months preceding the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period.

7. MARKET PRICES

The table below shows the closing price per H Share as quoted on the Stock Exchange on (a) the Latest Practicable Date; (b) the Last Trading Date (being the last trading date immediately preceding the date of the Announcement); and (c) the last trading date at or before the end of each of the calendar months during the Relevant Period.

Date	Closing price per H Share
30 April 2014	HK$2.25
30 May 2014	HK$2.30
30 June 2014	HK$2.33
31 July 2014	HK$2.66
29 August 2014	HK$2.76
30 September 2014	HK$2.65
Last Trading Date/28 October 2014	HK$2.49
31 October 2014	HK$2.49
28 November 2014	HK$2.49
31 December 2014	HK$3.88
Latest Practicable Date/16 January 2015	HK$3.77

8. HIGHEST AND LOWEST SHARE PRICE

During the Relevant Period, the highest closing price of H Shares as quoted on the Stock Exchange was HK$3.89 per H Share on 2 January 2015, and the lowest closing price of H Shares as quoted on the Stock Exchange was HK$2.19 per H Share on 17 June 2014.

9. LITIGATION

According to the announcement made by the Company dated 15 December 2014, Hunan Yongli Chemical Industry Co., Ltd. filed a complaint in PRC against Zhuzhou Smelter Group Company Limited, a subsidiary of the Company, in respect of a sale contract dispute. The Directors are of the opinion that while the proceedings are still ongoing, it is not probable to assess the outcome of this case for the time being. Save as disclosed above, as at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

10. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts of significance (not being contracts entered into the ordinary course of business) have been entered into by members of the Group after the date two years preceding 11 December 2014, being the date of commencement of the Offer Period, and up to the Latest Practicable Date, and are or may be material:

(a) the Merger Agreement;

(b) the sale and purchase agreement dated 23 June 2012 entered into between the Company as seller and Zhongwu Gaoxin Materials Company Limited (中鎢高新材料股份有限公司) as purchaser in relation to the disposal of 100% equity interests in Zhuzhou Cemented Carbides Group Corp. Ltd. (株洲硬質合金集團有限公司) and 80% equity interests in Zigong Cemented Carbides Company Limited (自貢硬質合金有限責任公司) to Zhongwu Gaoxin Materials Company Limited in consideration of the issue and allotment of consideration shares in Zhongwu Gaoxin Materials Company Limited to the Company;

(c) the equity transfer agreement dated 21 June 2012 entered into between Zigong Cemented Carbides Company Limited, HNG, Wangqing Ziying Tungsten Molybdenum Company Limited (汪清自硬鎢鉬材料有限公司) and Jilin Dongbei Nonferrous Company Limited (吉林東北有色金屬有限公司) in relation to, among others, the transfer of 100% equity interest in Wangqing Ziying Tungsten Molybdenum Company Limited from Zigong Cemented Carbides Company Limited to HNG for a cash consideration of RMB19,474,300; and

(d) the equity transfer agreement dated 31 December 2011 entered into between the Company as seller and HNG as purchaser in relation to the disposal of 62% equity interests in Hunan Nanling Resources Development Co., Ltd. (湖南有色南嶺資源開發有限公司) for a cash consideration of RMB61,788,600.

11. EXPERTS AND CONSENTS

Name	Qualification
CICCHKS	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO.
China Securities (International)	A corporation conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.
Baker Tilly Hong Kong Limited	Certified public accountants.

Each of CICCHKS, China Securities (International) and Baker Tilly Hong Kong Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion in this Composite Document of the opinion or letter (as the case may be, where applicable) and/or references to its name in the form and context in which it is included.

12. MISCELLANEOUS

(a) The registered office of the Offeror is at Room 1803, Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong.

(b) The registered office of HNG is at No. 290 Laodongxi Road, Changsha City, Hunan, PRC.

(c) The registered office of China Minmetals Corporation is at No.5 Sanlihe Road, Haidian District, Beijing, PRC.

(d) The registered office and principal place of business of the Company is at No. 290 Laodongxi Road, Changsha City, Hunan, PRC. The principal place of business of the Company in Hong Kong is at 6/F Nexxus Building, 41 Connaught Road Central, Central, Hong Kong.

(e) The H Share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited whose address is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(f) CICCHKS is making the H Share Offer for and on behalf of the Offeror. The address of CICCHKS is at 29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

(g) The Independent Financial Adviser is China Securities (International) Corporate Finance Company Limited whose address is at 18/F, Two Exchange Square, Central, Hong Kong.

(h) The Offeror and HNG confirm that they do not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the Group.

(i) In case of inconsistency, the English text of this Composite Document, the Form of Acceptance and the accompanying proxy forms and reply slips shall prevail over the Chinese text.

(j) All time and date references contained in this Composite Document refer to Hong Kong times and dates.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours (except public holidays) at the office of the Company at 6/F Nexxus Building, 41 Connaught Road Central, Central, Hong Kong; (ii) on the website of the Company at www.hnc2626.com; and (iii) on the website of the SFC at www.sfc.hk, from the date of this Composite Document until the end of the Offer Period:

(1) the memorandum and articles of association of the Offeror;

(2) the memorandum and articles of association of HNG;

(3) the memorandum and articles of association of the Company;

(4) the financial statements of the Offeror for the two financial years ended 31 December 2012 and 2013;

(5) the financial statements of HNG for the two financial years ended 31 December 2012 and 2013;

(6) the annual reports of the Company for the two financial years ended 31 December 2012 and 2013;

(7) the interim report of the Company for the six months ended 30 June 2014;

(8) the reports of Baker Tilly Hong Kong Limited and China Securities (International) in respect of the January 2015 Profit Warning;

(9) the letter from CICCHKS, the text of which is set out on pages 7 to 24 of this Composite Document;

(10) the letter from the Board, the text of which is set out on pages 25 to 36 of this Composite Document;

(11) the letter from the Independent Board Committee, the text of which is set out on pages 37 to 38 of this Composite Document;

(12) the letter from China Securities (International), the text of which is set out on pages 39 to 76 of this Composite Document;

(13) the written consents as referred to in the section headed "Experts and Consents" in this Appendix; and

(14) the material contracts as referred to in the section headed "Material Contracts" in this Appendix.

湖南有色
HUNAN NONFERROUS

Hunan Nonferrous Metals Corporation Limited*
湖南有色金屬股份有限公司

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

(Stock Code: 2626)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders (the "**Special General Meeting**") of Hunan Nonferrous Metals Corporation Limited (the "**Company**") will be held at Atrium Room, Level 39, Island Shangri-La, Hong Kong, Pacific Place, Supreme Court Road, Hong Kong on 6 March 2015 at 9:00 a.m. to consider and, if thought fit, to pass the following resolution by not less than two-thirds of the voting rights held by the Shareholders that are cast by poll either in person or by proxy at the Special General Meeting.

Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the composite document jointly issued by the Company and Hunan Nonferrous Metals Jinsheng Development Company Limited dated 20 January 2015.

SPECIAL RESOLUTION

1. **"THAT:**

   (a) the Merger and the other transactions conducted or to be conducted as contemplated under the Merger Agreement be and are hereby approved, ratified and confirmed, including the execution of the Merger Agreement by the Company; and

   (b) any director of the Company be and is hereby authorised to take such other action and execute such documents or deeds as he may consider necessary or desirable for the purpose of implementing the Merger and all other transactions contemplated under the Merger Agreement."

On behalf of the board of
Hunan Nonferrous Metals Corporation Limited*
Li Fuli
Chairman

Changsha, the PRC, 20 January 2015

Notes:

1. The Registers will be closed from Wednesday, 4 February 2015 to Friday, 6 March 2015, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify to attend and vote at the Special General Meeting, holders of H Shares shall lodge all share transfers accompanied by the relevant H Share certificates with the Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 3 February 2015.

2. Shareholders whose names appear on the Registers at the close of business on 4:30 p.m. on Tuesday, 3 February 2015 are entitled to attend and vote at the Special General Meeting and may appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.

3. In order to be valid, the WHITE proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority, must be deposited to the Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or to Finance and Securities Department of the Company at Room 602, 6/F No.290 Laodongxi Road, Tianxin District, Changsha City, Hunan Province, the PRC (for holders of Domestic Shares) not less than 24 hours before the time appointed for holding the Special General Meeting or any adjournment thereof.

4. Shareholders who intend to attend the Special General Meeting should complete and return the reply slip by hand, by post or by facsimile to, (a) in the case of the H Shareholders, the Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and (b) in the case of the Domestic Shareholders, Finance and Securities Department of the Company at Room 602, 6/F No.290 Laodongxi Road, Tianxin District, Changsha City, Hunan Province, the PRC, on or before Friday, 13 February 2015.

5. Voting at the Special General Meeting will be conducted by way of poll.

6. The legal address and head office of the Company is as follows:

   No. 290 Laodongxi Road, Changsha City, Hunan, PRC
   Tel: (86) 731-8538-5556
   Fax: (86) 731-8539-2448

7. The Special General Meeting is expected to take around 90 minutes. Shareholders or their proxies attending the Special General Meeting shall be responsible for their own travel and accommodation expenses. Shareholders or their proxies shall produce their identification documents for verification when attending the Special General Meeting.

8. As at the date of this notice, the Board comprises Mr. Li Fuli, Ms. Deng Yingjie, Mr. He Yawen, and Mr. Wu Xiaopeng as executive Directors, Mr. Cao Xiuyun and Mr. Yang Guang as non-executive Directors and Mr. Wan Ten Lap, Mr. Choi Man Chau, Michael and Ms. Chen Xiaohong as independent non-executive Directors.

* *For identification purposes only*

湖南有色
HUNAN NONFERROUS

Hunan Nonferrous Metals Corporation Limited*
湖南有色金屬股份有限公司

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

(Stock Code: 2626)

NOTICE OF SPECIAL GENERAL MEETING OF THE INDEPENDENT SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a special general meeting of the disinterested shareholders (the "**Special General Meeting of the Independent Shareholders**") of Hunan Nonferrous Metals Corporation Limited (the "**Company**") will be held at Atrium Room, Level 39, Island Shangri-La, Hong Kong, Pacific Place, Supreme Court Road, Hong Kong on 6 March 2015 immediately after conclusion or adjournment of the special general meeting of the shareholders of the Company to be held at 9:00 a.m. at the same place, to consider and, if thought fit, to pass the following resolutions by at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are cast by poll either in person or by proxy at the Special General Meeting of the Independent Shareholders, and with the number of votes cast by poll against the resolution at the Special General Meeting of the Independent Shareholders amounting to not more than 10% of all the Shares held by the Independent Shareholders.

Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the composite document jointly issued by the Company and Hunan Nonferrous Metals Jinsheng Development Company Limited dated 20 January 2015.

SPECIAL RESOLUTIONS

1. **"THAT:**

   (a) the voluntary withdrawal of the listing of the H Shares from the Stock Exchange be and is hereby approved; and

   (b) any director of the Company be and is hereby authorised to take such other action and execute such documents or deeds as he may consider necessary or desirable for the purpose of implementing the voluntary withdrawal of the listing."

2. "THAT:

(a) the Merger and the other transactions conducted or to be conducted as contemplated under the Merger Agreement be and are hereby approved, ratified and confirmed, including the execution of the Merger Agreement by the Company; and

(b) any director of the Company be and is hereby authorised to take such other action and execute such documents or deeds as he may consider necessary or desirable for the purpose of implementing the Merger and all other transactions contemplated under the Merger Agreement."

On behalf of the board of
Hunan Nonferrous Metals Corporation Limited*
Li Fuli
Chairman

Changsha, the PRC, 20 January 2015

Notes:

1. The Registers will be closed from Wednesday, 4 February 2015 to Friday, 6 March 2015, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify to attend and vote at the Special General Meeting of the Independent Shareholders, holders of H Shares shall lodge all share transfers accompanied by the relevant H Share certificates with the Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 3 February 2015.

2. Independent Shareholders whose names appear on the Registers at the close of business on 4:30 p.m. on Tuesday, 3 February 2015 are entitled to attend and vote at the Special General Meeting of the Independent and may appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.

3. In order to be valid, the PINK proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority, must be deposited to the Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or to Finance and Securities Department of the Company at Room 602, 6/F No.290 Laodongxi Road, Tianxin District, Changsha City, Hunan Province, the PRC (for holders of Domestic Shares) not less than 24 hours before the time appointed for holding the Special General Meeting of the Independent Shareholders or any adjournment thereof.

4. Shareholders who intend to attend the Special General Meeting of the Independent Shareholders should complete and return the reply slip by hand, by post or by facsimile to, (a) in the case of the H Shareholders, the Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and (b) in the case of the Domestic Shareholders, Finance and Securities Department of the Company at Room 602, 6/F No.290 Laodongxi Road, Tianxin District, Changsha City, Hunan Province, the PRC, on or before Friday, 13 February 2015.

5. Voting at the Special General Meeting of the Independent Shareholders will be conducted by way of poll.

6. The legal address and head office of the Company is as follows:

   No. 290 Laodongxi Road, Changsha City, Hunan, PRC
   Tel: (86) 731-8538-5556
   Fax: (86) 731-8539-2448

7. The Special General Meeting of the Independent Shareholders is expected to take around 90 minutes. Shareholders or their proxies attending the Special General Meeting of the Independent Shareholders shall be responsible for their own travel and accommodation expenses. Shareholders or their proxies shall produce their identification documents for verification when attending the Special General Meeting of the Independent Shareholders.

8. As at the date of this notice, the Board comprises Mr. Li Fuli, Ms. Deng Yingjie, Mr. He Yawen, and Mr. Wu Xiaopeng as executive Directors, Mr. Cao Xiuyun and Mr. Yang Guang as non-executive Directors and Mr. Wan Ten Lap, Mr. Choi Man Chau, Michael and Ms. Chen Xiaohong as independent non-executive Directors.

* *For identification purposes only*

湖南有色
HUNAN NONFERROUS

Hunan Nonferrous Metals Corporation Limited*
湖南有色金屬股份有限公司

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

(Stock Code: 2626)

NOTICE OF H SHARE CLASS MEETING

NOTICE IS HEREBY GIVEN that a class meeting of holders of H shares (the "**H Share Class Meeting**") of Hunan Nonferrous Metals Corporation Limited (the "**Company**") will be held at Atrium Room, Level 39, Island Shangri-La, Hong Kong, Pacific Place, Supreme Court Road, Hong Kong on 6 March 2015 immediately after the conclusion or adjournment of the special general meeting of the independent shareholders of the Company to be held immediately after the conclusion or adjournment of the special general meeting of the shareholders of the Company to be held at 9:00 a.m. at the same place, to consider and, if thought fit, to pass the following resolution by at least 75% of the votes attaching to the H Shares held by the Independent Shareholders that are cast by poll either in person or by proxy at the H Share Class Meeting, and with the number of votes cast by poll against the resolution at the H Share Class Meeting amounting to not more than 10% of all the H Shares held by the Independent H Shareholders.

Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the composite document jointly issued by the Company and Hunan Nonferrous Metals Jinsheng Development Company Limited dated 20 January 2015.

SPECIAL RESOLUTION

1. "THAT:

(a) the Privatisation be and is hereby approved; and

(b) any director of the Company be and is hereby authorised to take such other action and execute such documents or deeds as he may consider necessary or desirable for the purpose of implementing the Privatisation."

On behalf of the board of
Hunan Nonferrous Metals Corporation Limited*
Li Fuli
Chairman

Changsha, the PRC, 20 January 2015

Notes:

1. The Registers will be closed from Wednesday, 4 February 2015 to Friday, 6 March 2015, both days inclusive, during which period no transfer of H Shares will be effected. In order to qualify to attend and vote at the H Share Class Meeting, holders of H Shares shall lodge all share transfers accompanied by the relevant H Share certificates with the Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 3 February 2015.

2. H Shareholders whose names appear on the Registers at the close of business on 4:30 p.m. on Tuesday, 3 February 2015 are entitled to attend and vote at the H Share Class Meeting and may appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.

3. In order to be valid, the GREEN proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority, must be deposited to the Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for holding the H Share Class Meeting or any adjournment thereof.

4. H Shareholders who intend to attend the H Share Class Meeting should complete and return the reply slip by hand, by post or by facsimile to the Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Friday, 13 February 2015.

5. Voting at the H Share Class Meeting will be conducted by way of poll.

6. The legal address and head office of the Company is as follows:

   No. 290 Laodongxi Road, Changsha City, Hunan, PRC
   Tel: (86) 731-8538-5556
   Fax: (86) 731-8539-2448

7. The H Share Class Meeting is expected to take around 90 minutes. H Shareholders or their proxies attending the H Share Class Meeting shall be responsible for their own travel and accommodation expenses. H Shareholders or their proxies shall produce their identification documents for verification when attending the H Share Class Meeting.

8. As at the date of this notice, the Board comprises Mr. Li Fuli, Ms. Deng Yingjie, Mr. He Yawen, and Mr. Wu Xiaopeng as executive Directors, Mr. Cao Xiuyun and Mr. Yang Guang as non-executive Directors and Mr. Wan Ten Lap, Mr. Choi Man Chau, Michael and Ms. Chen Xiaohong as independent non-executive Directors.

* *For identification purposes only*