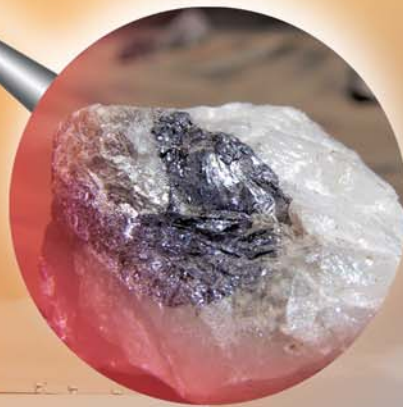




Hunan Nonferrous Metals Corporation Limited

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

(Stock Code: 2626)



2009
Interim Report



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CORPORATE INFORMATION



DIRECTORS

Executive Directors

He Renchun (*Chairman of board of directors*)

Li Li

Liao Luhai

Chen Zhixin

Non-Executive Directors

Cao Xiuyun

Wu Longyun

Zhang Yixian

Zou Jian

Independent Non-Executive Directors

Gu Desheng

Choi Man Chau, Michael

Wan Ten Lap

Chen Xiaohong

Kang Yi

Supervisors

Zeng Shaoxiong (*Chairman of supervisory committee*)

He Hongsen

Liu Xiaochu

Jin Liangshou

Qi Xiaocun

Li Junli

Qi Yang

Independent Supervisor

Liu Dongrong

Ou Wen

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Lam Kai Yeung

AUTHORISED REPRESENTATIVES

Liao Luhai

Lam Kai Yeung

AUDIT COMMITTEE

Choi Man Chau, Michael (*Chairman of audit committee*)

Zhang Yixian

Wan Ten Lap

INTERNATIONAL AUDITOR

UHY Vocation HK CPA Limited

LEGAL ADVISORS

Charltons

Jia Yuan Law Firm

PRINCIPAL BANKERS

Bank of China, Hunan Branch

Industrial and Commercial Bank of China, Hunan Branch

China Construction Bank, Hunan Branch

The Export-Import Bank of China, Hunan Branch

China Merchants Bank, Changsha Branch

China Merchants Bank, Hong Kong Branch

China Development Bank, Hunan Branch

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

46th Floor

Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong



CORPORATE INFORMATION

REGISTERED OFFICE

11/F, Block A Yousedasha
No. 342 Laodongxi Road
Changsha City, Hunan, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3103, 31/F
Office Tower, Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

SHARE INFORMATION

Stock Code: 2626
Listing Date: 31 March 2006
Number of shares issued: 1,632,728,000 H Shares
Nominal Value: RMB1.00 per share
Stock Name: HNC

FINANCIAL SUMMARY

Announcement of Interim Results 23 August 2009
Closure of Register N/A
Interim Dividend N/A

SHAREHOLDER'S ENQUIRIES

Finance and Securities Department
(86) 731-85385556

Financial Public Relation Consultant and Media Enquiries
Wonderful Sky Public Relations and Financial Consultant
Company Limited
Unit 3103, 31st Floor,
Office Tower, Convention Plaza,
1 Harbour Road, Wanchai,
Hong Kong
Tel: (852) 28511038
Fax: (852) 28151352



MARKET REVIEW AND OUTLOOK

(The following information and data are primarily derived from www.metalchina.com. The prices of commodities are inclusive of value added tax.)

Zinc

During the first half of 2009, the price of zinc in international market rebounded and continued to rise due to a number of factors such as the output limitation policy of the PRC government, the revival of major economies, the anticipation of inflation and the weakening of the US dollar. The price of zinc has increased by over 40% since the end of 2008. During the first half of 2009, the average price of three-month zinc futures stood at US\$1,333 per ton as quoted on London Metal Exchange (“LME”) while the average spot price was US\$1,327 per ton. However, the excess supply in the global zinc market persisted. The average price of zinc in the first half of 2009 decreased by over 40% from US\$2,300 per ton in the first half of 2008.

The price of zinc in the PRC market moved in line with that in the international market. The price of major zinc futures on Shanghai Future Exchange (the “SHFE”) increased progressively from RMB9,855 per ton at the beginning of the year, and topped out at RMB14,095 per ton during January to June.

For the second half of the year, as the global economy starts to improve, it is expected that the demand for zinc will further increase, though it is not likely to exceed the supply. It is anticipated that the domestic zinc price will be more likely to go upward than downward in the second half of the year.

Lead

Internationally, the lead price began to rally from the beginning of 2009. The LME three-month lead futures price had hit its lowest level at US\$985 per ton in February before it reached its record high at US\$1,830 per ton in June. The LME spot average price from January to June was US\$1,330 per ton and the average price for three-month lead futures was US\$1,335 per ton. As the continuous rebound of lead price came after a “free fall” in the fourth quarter of 2008, the figures for the first half of 2009 still recorded a fall of nearly 50% when compared with the LME spot average price of US\$2,637 per ton in the first half of 2008 and the average price for three-month futures of US\$2,629 per ton.

When compared with the overseas market, refined lead price in the PRC was relatively stable. In the spot market, the daily average price remained between RMB11,000-13,700 per ton and the monthly average price was around RMB12,300 per ton. The average price of refined lead in the domestic market was RMB12,398 per ton for January to June of 2009, representing a drop of 35.8% when compared with the average price of RMB19,300 per ton for the same period in 2008.

It is expected that the LME three-month lead futures price will exceed US\$1,600 per ton in the second half of the year. In the PRC, the exposure of lead price to speculation is relatively small as there is no futures market. The lead price will be mainly subject to the fundamental factors of demand and supply. It is expected to fluctuate between RMB12,000-14,000 per ton.



RESULTS

Tungsten

In the PRC, as a result of the voluntary increase of production of the industry, the output limitation policy of local governments and the lowering of export tax on major tungsten products, the price of tungsten vacillated between highs and lows and ended with a surge during the first half of 2009. From January to June in 2009, the highest and lowest prices of tungsten concrete were RMB65,000-66,000 per ton and RMB55,000-57,000 per ton respectively, with an average of RMB59,700-61,300 per ton, representing a drop of 31.78% when compared with that in the same period of 2008. The highest and lowest prices of APT were RMB101,000-108,000 per ton and RMB90,000-92,000 per ton respectively, with an average of RMB 93,900-95,400 per ton, representing a drop of 31.49% when compared with the same period of 2008.

The trend of the international market was similar to that of the domestic market. From January to June, the highest and lowest prices of APT in the European market were US\$210-230 per ton and US\$180-200 per ton respectively, with an average of US\$199.1-224.2 per ton, representing a drop of 19.14% when compared with that in the same period of 2008. The highest and lowest prices of ferrotungsten in the European market were US\$29.5-31 per kilogram and US\$23-26 per kilogram respectively, with an average of US\$25.97-27.46 per kilogram, representing a fall of 27.83% when compared with that in the same period of 2008.

The price of tungsten decreased due to the reduced demands under the economic crisis. With gradual recovery and growth of the global economy, the price of tungsten is expected to increase during the second half of the year.

Antimony

During the first half of 2009, the price of antimony in the international market remained low with narrow fluctuations though two rebounds were recorded. The average price of standard grade II refined antimony was US\$4,429 per ton in the first half of the year, representing a decrease of 26% as compared with the average price of US\$5,984 per ton for the same period in 2008.

Regarding domestic market, the price of antimony recovered to RMB31,000-32,000 per ton in March from RMB25,000-26,000 per ton at the beginning of the year and then slightly decreased to RMB28,700-29,700 per ton. In May, driven by the shortage of supply as well as anti-smuggling actions, the price of antimony slightly increased to the peak at RMB32,200 per ton at the end of June. According to the statistics by the China Nonferrous Metals Industry Association, the output of refined antimony in the PRC from January to May of 2009 was 48,000 tons, representing a decrease of 12.8% when compared with that in the same period last year.

For the second half of the year, by virtue of the shortage of supply in the PRC, the weak demand in global markets will gradually turn around, which will drive up the price of antimony.



BUSINESS REVIEW AND OUTLOOK

The global financial crisis caused the economy to fall into a deep recession, demands fluctuated at a low level. As such, during the first half of 2009, the Company experienced difficulties in its operation. Selling prices of most of its products decreased by about 40% as compared with the corresponding period last year. Sales revenue continued to decline. In particular, sales revenue of antimony production and cemented carbides dropped significantly due to the dramatic decrease in export volume resulting from inadequate orders.

From January to June, the Group realized 273,500 tons of lead and zinc production, representing a period-on-period increase of 7.36%; 2,818 tons of tungsten concentrates production, representing a period-on-period increase of 20.27%; 11,725 tons of antimony production, representing a period-on-period decrease of 8.53%, and 3,055 tons of cemented carbides production, representing a period-on-period decrease of 26.12%.

Since the fourth quarter of 2008, the PRC has implemented a dozen of important economic recovery measures, including the RMB4 trillion economic stimulus packages, the limitation of output of mineral resources, the adjustment of export tax rebate policy, as well as the restructuring and development plans for the nonferrous metals industry. To seize the opportunities of national policy supports and development, the Company proactively and prudently consolidated its domestic and international resource and further invested in its technology improvement projects. The Company enhanced the management of its development projects to ensure that they were on schedule and the production targets were met. The product portfolio of the Company was adjusted according to market demands. To ensure the healthy operation of the Company, various measures have been implemented to mitigate the adverse impacts of weak demands by broadening income sources and tightening costs.

Looking forward, despite the uncertainties and prolonged global economic recovery, the sharp downturn of the global economy has been curbed and demands are gradually reviving. Given that the aggressive fiscal policies and monetary policies will continue in the near future, it is expected that the prices of nonferrous metals will continue to rise and the financial position of the Company will improve accordingly.



MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

During the period ended 30 June 2009, the loss before income tax was RMB222 million, representing a decrease of RMB501 million as compared with the profit of RMB279 million for the period ended 30 June 2008. The loss attributable to the equity holders of the Company was RMB212 million, representing a decrease of RMB286 million from RMB74 million for the period ended 30 June 2008.

The following is a comparison of financial results between the six months ended 30 June 2009 and 30 June 2008:

Turnover

The turnover has decreased by RMB2,664 million or 30.0%, from RMB8,865 million for the period ended 30 June 2008 to RMB6,201 million for the period ended 30 June 2009, mainly due to the decreased turnover before sales tax and surcharge from the nonferrous metals mining segment of RMB427 million or 39.6%, the decreased turnover from the nonferrous metals smelting segment of RMB1,029 million or 21.9%, the decreased turnover from cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment of RMB1,249 million or 39.3%.

The gross profit has decreased by 64.0%, from RMB1,078 million for the period ended 30 June 2008 to RMB388 million for the period ended 30 June 2009; the gross profit margin has decreased by 5.9%, from 12.2% for the period ended 30 June 2008 to 6.3% for the period ended 30 June 2009.

The nonferrous metals mining segment

Set out below are the sales volumes and the average prices of products from our nonferrous metals mines:

	January – June 2009		January – June 2008	
	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)
Shizhuyuan				
Tungsten concentrates	1,992	48,944	1,105	75,633
Oxidized molybdenum	616	75,430	489	192,800
Huangshaping Branch				
Zinc concentrates	2,532	4,745	1,890	10,544
Lead concentrates	1,451	10,942	1,911	17,377
Hsikwangshan				
Antimony products	12,167	22,695	12,821	31,338
Zinc products	11,690	9,571	11,407	16,459



MANAGEMENT'S DISCUSSION AND ANALYSIS

The turnover before sales tax and surcharge from the nonferrous metals mining segment has decreased by RMB427 million or 39.6%, from RMB1,077 million for the period ended 30 June 2008 to RMB650 million for the period ended 30 June 2009, mainly due to a decrease in average prices of products, which lead to selling amount of this segment dramatically decreased as compared with the same period of last year.

The gross profit from the nonferrous metals mining segment decreased by RMB196 million or 81.3% from RMB241 million for the period ended 30 June 2008 to RMB45 million for the period ended 30 June 2009. The gross profit margin has decreased by 16.0 percentage points, from 23% for the period ended 30 June 2008 to 7.0% for the period ended 30 June 2009.

NONFERROUS METALS SMELTING SEGMENT

Set out below are the sales volumes and the average prices of our nonferrous metals smelted products:

	January – June 2009		January – June 2008	
	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)
Zinc products	206,737	10,406	199,217	16,541
Lead products	56,615	10,822	35,978	17,560
Precious metal-indium	0.2	2,566,808	19	2,901,119
Precious metal-silver	38	2,374,756	54	3,560,445

The turnover before sales tax and surcharge from the nonferrous metals smelting segment decreased by RMB1,029 million or 21.9%, from RMB4,689 million for the period ended 30 June 2008 to RMB3,660 million for the period ended 30 June 2009, mainly due to the decrease in the average selling prices of lead and zinc products and sharp drop in sales volumes and prices of indium and silver as compared with the corresponding period of 2008.

Gross profit from the nonferrous metals smelting segment has decreased by RMB184 million or 47.1% from RMB391 million for the period ended 30 June 2008 to RMB207 million for the period ended 30 June 2009, while the gross profit margin has decreased by 2.0 percentage points from 8% for the period ended 30 June 2008 to 6.0% for the period ended 30 June 2009.



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Set out below are the sales volumes and the average prices of our cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds:

	January – June 2009		January – June 2008	
	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)
Cemented carbides	4,348	242,195	6,319	315,277
Tungsten and its compounds	3,146	88,972	4,070	201,121
Molybdenum and its compounds	191	261,557	343	514,623
Tantalum, niobium and their compounds	101	330,851	260	509,249

The turnover from cemented carbide, and tungsten, molybdenum, tantalum, niobium and their compounds before sales tax and surcharge has decreased by RMB1,249 million or 39.3%, from RMB3,176 million for the period ended 30 June 2008 to RMB1,927 million for the period ended 30 June 2009. The decrease was mainly due to a sharp decrease in average prices and sales volumes of cemented carbide, tungsten and their compounds as compared with that in the same period in 2008.

The gross profit of cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds decreased by RMB310 million or 69.5% from RMB446 million for the period ended 30 June 2008 to RMB136 million for the period ended 30 June 2009, and the gross profit margin has decreased by 7.0%, from 14% for the period ended 30 June 2008 to 7.0% for the period ended 30 June 2009.

OTHER REVENUE AND GAINS

Other revenue and gains have increased by RMB31 million or 34.8%, from RMB89 million for the period ended 30 June 2008 to RMB120 million for the period ended 30 June 2009, mainly due to the gains on disposal of certain available-for-sale investments while no such item in last period.

SELLING AND DISTRIBUTION COST

The selling and distribution costs have decreased by RMB36 million, or 21.4%, from RMB168 million for the period ended 30 June 2008 to RMB132 million for the period ended 30 June 2009 primarily due to the decrease in general remuneration, packaging fee and transportation expenses.



MANAGEMENT'S DISCUSSION AND ANALYSIS

ADMINISTRATIVE EXPENSES

The administrative expenses have decreased by RMB80 million, or 17.3% from RMB462 million for the period ended 30 June 2008 to RMB382 million for the period ended 30 June 2009, primarily due to the increase of foreign exchange gains and cost-cutting regarding travelling, general administration as well as agency fee.

OTHER OPERATING EXPENSES, NET

Other net operating expenses have decreased by RMB46 million or 93.9%, from net expenses of RMB49 million for the period ended 30 June 2008 to net expenses of RMB3 million for the period ended 30 June 2009. The decrease was mainly due to loss from snowstorm in the corresponding period last year and decrease of net loss on disposal of fixed assets in this year.

FINANCE COSTS

The finance costs have slightly decreased by RMB3 million, or 1.4%, from RMB207 million for the period ended 30 June 2008 to RMB204 million for the period ended 30 June 2009. The decrease was mainly due to the effect of interest rate reduction was larger than the increase in the outstanding bank loan.

INCOME TAX CREDIT/(EXPENSE)

The income tax expense has decreased by RMB106 million or 119.1%, from RMB89 million for the period ended 30 June 2008 to income tax credit of RMB17 million for the period ended 30 June 2009, primarily due to the increase in recognition of deferred income tax assets.

MINORITY INTERESTS

The minority interests decreased by RMB108 million or 93.1%, from RMB116 million for the period ended 30 June 2008 to RMB8 million for the period ended 30 June 2009, primarily due to dramatic decrease of profit of relevant subsidiaries of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2009, fund resources were primarily from cash generated from its operations, and short and long term bank loans. Our funds were mainly used in operating activities, capital expenditures and bank loan repayments. As of 30 June 2009, cash and cash equivalents owned by the Group were RMB3,324 million.

Cash and cash equivalents were mainly denominated in RMB (RMB accounted for approximately 86.95%, Hong Kong dollars accounted for approximately 11.46%, Australian dollars accounted for approximately 1.32%, US dollars accounted for approximately 0.27%).

As of 30 June 2009, the short and long term bank loans and other borrowings amounted to RMB9,745 million in aggregate, among which RMB accounted for approximately 90.3%, US dollars accounted for approximately 9.7%.



MANAGEMENT'S DISCUSSION AND ANALYSIS

ASSET PLEDGED OF THE GROUP

As of 30 June 2009, the net book value of the assets of the Group amounting to RMB1,668 million have been pledged for securing certain bank loans, of which the net book value of buildings and mining constructions and plant, machinery and equipment amounted to RMB1,370 million and the net book value of land lease prepayments amounted to RMB238 million, the net book value of inventories amounted to RMB60 million.

As of 31 December 2008, the net book value of the assets of the Group amounting to RMB2,075 million have been pledged for securing certain bank loans, of which the net book value of buildings and mining constructions and plant, machinery and equipment amounted to RMB1,757 million and the net book value of land lease prepayments amounted to RMB318 million.

DEBT TO TOTAL ASSETS RATIO

As of 30 June 2009, the debt to total assets ratio of the Group has increased from 46.9% as of 31 December 2008 to 48.6% as of 30 June 2009. The debt to total assets ratio has increased as the growth rate of total interest-bearing bank loans and borrowings was higher than that of total assets.

FLUCTUATION RISK IN FOREIGN EXCHANGE RATE

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

COMMODITY PRICES RISK

As the trading prices of nonferrous metals of the Group are calculated at the global and local prices which are subject to substantial fluctuation, the Group has to bear the risk in the fluctuation of commodity prices. The prices of nonferrous metals (as commodities) depend primarily on the market supply and demand in the long run. The Group has not taken the initiative to manage this risk, except the execution of commodity futures contracts on a limited basis.

INTEREST RATE RISK

The risk in the interest rate concerning the Group primarily relates to our short-term and long-term bank loans and other borrowings (amounting to RMB9,745 million as of 30 June 2009). The interest for the outstanding borrowings of the Group denominated in RMB and foreign currencies are calculated at fixed and floating rates respectively. Any rise in the current interest rate will increase the interest cost of our short-term loans upon extension. To date, the Group has neither executed any form of interest rate agreement or derivative to hedge against the fluctuation in interest rate.



MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As of 30 June 2009, the Group has provided the following bank guarantees for the bank loans granted to various parties:

	30 June 2009 RMB'000	31 December 2008 RMB'000
Related parties and third parties	3,508	7,019

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Based on specific enquiries with all the Directors of the Company, the Directors confirmed that they had complied with the required standards as set out in the Model Code for the period ended 30 June 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PUBLICATION OF THE RESULTS ON WEBSITE

The financial information required to be disclosed under Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.hnc2626.com in due course.

On behalf of the Board, I would like to take this opportunity to express my gratitude to all shareholders for their trust, support and understanding.

By Order of the Board

He Renchun

Chairman

Changsha, the PRC, 23 August 2009



DIRECTORS AND SENIOR MANAGEMENT

Our Board of Directors consists of thirteen Directors. According to the Company's Articles of Association, their terms of office are three years and may be renewed upon re-election.

Executive Directors: He Renchun, Li Li, Liao Luhai, Chen Zhixin

Non-executive Directors: Cao Xiuyun, Wu Longyun, Zhang Yixian, Zou Jian

Independent non-executive Directors: Kang Yi, Gu Desheng, Choi Man Chau, Wan Tenlap, Chen Xiaohong

Other senior management: Zhou Xianlin, Hong Mingyang, Deng Yingjie, Sheng Zhongjie Lam Kai Yeung

EMPLOYEES

As of 30 June 2009, the Group had approximately 22,180 full-time employees. Their job nature and their distribution in department are as follows:

Division	Employees	Proportion (in percentages)
Management and administration	2,000	9.01%
Engineering technician	4,310	19.43%
Production staff	12,595	56.79%
Repair and maintenance	1,880	8.48%
Inspection	845	3.81%
Sales	550	2.48%
Total	22,180	100%

The remuneration package of the Group's employees includes salary, bonuses and allowances. The Group has joined the social insurance contribution plans organised by local governments in the PRC. In accordance with the relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. According to the currently applicable local regulations, the respective percentages of the pension insurance, medical insurance, unemployment insurance and housing reserve fund that the Group must contribute to are 20%, 8%, 2% and 5 to 12%, respectively, of employees' total monthly basic salaries.



SHARE CAPITAL

	As at 30 June 2009		As at 31 December 2008	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Share capital issued and fully paid				
Domestic shares at par value of RMB1.00 each	2,035,330	2,035,330	2,035,330	2,035,330
H shares at par value of RMB1.00 each	1,632,728	1,632,728	1,632,728	1,632,728
	3,668,058	3,668,058	3,668,058	3,668,058

SHARE CAPITAL STRUCTURE

As at 30 June 2009, the share capital structure of the Company was as follows:

	As at 30 June 2009	
	Percentage of the number of shares in issue	Percentage of share capital
Holders of domestic shares or H shares		
Holders of domestic shares		
Hunan Nonferrous Metals Holding Group Co. Ltd	1,947,074,266	53.08%
Bangxin Asset Management Co., Ltd.	55,859,566	1.52%
Zijin Mining Group Co., Ltd	30,000,000	0.82%
Hunan Valin Steel and Iron Group Co., Ltd.	1,396,168	0.04%
Chang Sha City Xinshi Technology Development Co., Ltd.	1,000,000	0.03%
Holders of H shares	1,632,728,000	44.51%
		Approximate percentage of the total share capital
Class of Shares	Number of Shares	
Domestic shares	2,035,330,000	55.49%
H shares	1,632,728,000	44.51%
Total number of shares	3,668,058,000	100%

SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director or Supervisor, as at 30 June 2009, the persons or companies (other than a Director or Supervisor of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Shareholders' Name	Number of domestic shares held	Approximate percentage of shareholding
Hunan Nonferrous Metals Holding Group Co. Ltd#	1,947,074,266(L)	53.08%(#)
The Hamon Investment Group Pte Limited	83,300,000(L)	5.10%(*)

Note: (L) – long positions, (S) – short positions, (#)Calculated by all issued share capital, (*)Calculated by H shares only

Save as disclosed above, as at 30 June 2009, the Directors were not aware of any other person (other than a Director or Supervisor of the Company) who had interests and short positions in the shares and underlying shares of the Company as those recorded in the register required to be kept under Section 336 of the SFO.



DIRECTORS' INTERESTS

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

None of Directors and Supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the period.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES

Stock Appreciation Rights Plan

The extraordinary shareholders meeting that held on 25 September 2006 authorised, among other things, the resolution of the preliminary grant of stock appreciation rights ("Stock Appreciation Rights") pursuant to the Stock Appreciation Rights Plan, details of which were set out in the section "Stock Plan" in the Prospectus dated 21 March 2006. This move was intended to attract, retain and encourage senior executive officers and key staff who have made great contributions to the Group as well as to enhance the profitability and values of the Group.

Listed below are recipients of the Stocks and respective number of allocated stock as of 30 June 2009:

Name	Stock Appreciation Rights	Percentage of the Issued Domestic Shares	Note
He Renchun	1,282,051	0.06	Chairman of Board of Directors and Executive Director
Cao Xiuyun	1,025,641	0.05	Vice Chairman of Board of Directors and Non-Executive Director
Li Li	897,436	0.04	Executive Director and Senior Manager
Zeng Shaoxiong	769,231	0.04	Chairman of the Supervisory Committee
Liao Luhai	769,231	0.04	Executive Director
Chen Zhixin	769,231	0.04	Executive Director
Wu Longyun	641,027	0.03	Non-executive Director
He Hongsen	641,026	0.03	Supervisor
Zhang Yixian	641,026	0.03	Non-executive Director
Yang Bohua	512,820	0.03	Senior Officer of a Subsidiary
Fu Shaowu	512,820	0.03	Senior Officer of a Subsidiary
Yang Lingyi	512,820	0.03	Senior Officer of a Subsidiary
Hong Mingyang	512,820	0.03	Deputy General Manager
Zhu Chongzhou	512,820	0.03	Senior Officer of a Subsidiary
Total	10,000,000		

Note: The above information in relation to Stock Appreciation Rights Plan was disclosed in the 2008 annual report of the Company.



DIRECTORS' INTERESTS

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES (Continued)

Save as disclosed above, as at 30 June 2009, none of the Directors and Supervisors and their respective associates had interests nor short positions in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which would be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or (b) interest or short positions which would be required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director and supervisor or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or Supervisors to acquire such rights in any other body corporate.



USE OF PROCEEDS

As of 30 June 2009, the Company used the proceeds in the amount of RMB2,685 million mainly for the purposes as follows:

In July 2006, the Company used the proceeds in the amount of RMB400 million for acquisition of an 80% equity interest in Zigong Cemented Carbides Company Limited (“Ziyong”).

In July 2006, the Company used the proceeds in the amount of RMB184.88 million for acquisition of approximately 9.8% equity interest in Compass Resources NL in Australia.

In September 2006, the Company used the proceeds in the amount of RMB63.75 million for acquisition of a 6.12% equity interest in Hunan Shizhuyuan Nonferrous Metals Co., Ltd., with a shareholding up to 97.35%; while used the proceeds in the amount of RMB80 million to increase the capital of this company.

In September 2006, the Company used the proceeds in the amount of RMB78.47 million for acquisition of a 24.42% equity interest in Hsikwangshan Twinkling Star Antimony Co., Ltd., a holding subsidiary of the Company with a shareholding up to 100%; while used the proceeds in the amount of RMB87.60 million to increase the capital of the company.

In October 2006, the Company used the proceeds in the amount of RMB214 million for acquisition of a 23.77% equity interest in ZhongWu GaoXin Materials Company Limited (“ZhongWu GaoXin”), an A-Share company.

In October 2006, the Company used the proceeds in the amount of RMB210 million for increasing the share capital of Zhuzhou Cemented Carbides Group Co., Ltd., a holding subsidiary of the Company.

In October 2006, the Company used the proceeds in the amount of RMB40 million for increasing the capital of Huangshaping Branch of the Company.

In April 2007, the Company used the proceeds in the amount of RMB353.98 million for acquisition of a 98.33% equity interest in Hengyang Yuanjing Tungsten Company Limited.

In June 2007, the Company used the proceeds in the amount of RMB75 million for increasing the capital of Hsikwangshan Twinkling Star Antimony Co., Ltd., a holding subsidiary of the Company.

In October 2007, the Company used the proceeds in the amount of RMB52 million for investing in the establishment of Hunan Nonferrous Nan Ning Resources Development Company Limited, in which the Company held an equity interest of 52%.

In January 2008, the Company used the proceeds in the amount of RMB500 million for investing in the establishment of Hunan Nonferrous Xin Tian Ling Tungsten Company Limited, in which the Company held an equity interest of 100%.

In January 2008, the Company used the proceeds in the amount of RMB21 million for investing in the establishment of Hunan Nonferrous Xitian Mining Co., Ltd. (湖南有色錫田礦業有限公司), in which the Company held an equity interest of 70%.



USE OF PROCEEDS

In May 2008, the Company used the proceeds in the amount of RMB9 million for investing in the establishment of Gansu Jinda Mining Company Limited (甘肅金大礦業有限公司), in which the Company held an equity interest of 45%.

Between May and June 2008, the Company used the proceeds in the amount of RMB87.28 million for acquisition of a 17.76% equity interest in Abra Mining Limited in Australia.

In October 2008, the Company used the proceeds in the amount of RMB159.76 million for acquisition of a 28.26% equity interest in Abra Mining Limited in Australia.

In December 2008, the Company used the proceeds in the amount of RMB19.8 million for increasing the registered capital of HNC (Australia) Resources Holding PTY Ltd., a subsidiary of the Company.

In February 2009, the Company used the proceeds in the amount of RMB48.48 million for investing in the joint mining project of HNC (Australia) Resources Holding Pty Ltd., a subsidiary of the Company, in Compass.



CORPORATE GOVERNANCE

The Company is committed to improving its corporate governance and enhancing the transparency to shareholders. In the opinion of the Board, for the six months ended 30 June 2009, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 of the Listing Rules.

Board of Directors

Our Board of Directors consists of thirteen Directors: four executive Directors, four non-executive Directors and five independent non-executive Directors.

The attendance of Directors to board meetings is as follows:

Name	Number of board meetings attended during the period under review
He Renchun (<i>Chairman of Board of Directors</i>)	5 out of 5
Cao Xiuyun	5 out of 5
Li Li	5 out of 5
Liao Luhai	5 out of 5
Chen Zhixin	5 out of 5
Wu Longyun	4 out of 5
Zhang Yixian	5 out of 5
Gu Desheng	5 out of 5
Wan Ten Lap	5 out of 5
Chen Xiaohong	4 out of 5
Zou Jian	2 out of 3
Choi Man Chau	3 out of 3
Kang Yi	3 out of 3

Supervisory Committee

The Company has a supervisory committee comprising nine supervisors to exercise supervision over the Board, its members and senior management and prevent them from abusing their power and authorities and jeopardising the legal interests of the shareholders, the Company and its employees. The supervisory committee held one meeting during the six months ended 30 June 2009, which was attended by all supervisors.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Based on specific enquiries with all the Directors of the Company, the Directors confirmed that they have complied with the required standards as set out in the Model Code for the period ended 30 June 2009.

CORPORATE GOVERNANCE



Audit Committee

The Company has an audit committee comprising two independent non-executive Directors and one non-executive Director to review the Company's financial reports and internal control system, consider the appointment of independent auditors, provide recommendation to the Board, approve audit and audit related services, and supervise the Company's internal financial reporting procedures and management policies.

The interim results for the six months ended 30 June 2009 are unaudited, but have been reviewed by the Audit Committee of the Company and by the independent auditors, UHY Vocation HK CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, who has issued an un-modified review report to the Board and audit committee.

The audit committee was of the opinion that the unaudited results were prepared in compliance with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure has been made. The committee has held one meeting during the six months ended 30 June 2009, which was attended by all members.

Independent Non-executive Director

The Company has complied with the requirements of Rule 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of a sufficient number of independent non-executive directors and at least one of the independent non-executive directors has appropriate professional qualifications or has appropriate accounting or related financial management expertise. The Company has appointed five independent non-executive directors, of which one independent non-executive director has the expertise in financial management. For details of the profile of independent non-executive directors, please refer to the 2008 annual report of the Company.



CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

		Six months ended 30 June	
	Note	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
REVENUE	4,5	6,200,976	8,864,865
Cost of sales		(5,813,164)	(7,786,563)
Gross profit		387,812	1,078,302
Other income and gains	5	120,379	89,008
Selling and distribution costs		(131,671)	(167,905)
Administrative expenses		(381,660)	(462,372)
Other operating expenses, net		(2,697)	(49,003)
Finance costs		(204,140)	(207,210)
Share of losses of associates		(9,718)	(1,326)
(LOSS)/PROFIT BEFORE TAX	6	(221,695)	279,494
Income tax credit/(expense)	7	17,499	(88,986)
(LOSS)/PROFIT FOR THE PERIOD		(204,196)	190,508
Attributable to:			
Equity holders of the Company		(212,363)	74,168
Minority interests		8,167	116,340
		(204,196)	190,508
DIVIDEND	8	—	—
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		(5.79 cents)	2.02 cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

30 June 2009

	Six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
(Loss)/profit for the period	(204,196)	190,508
Other comprehensive income		
Exchange realignment	51,779	6,357
Disposal of available-for-sale investments, net of deferred tax	(20,033)	—
Changes in fair value of available-for-sale investments, net of deferred tax	43,319	(150,449)
Net actuarial losses of defined benefit retirement schemes, net of deferred tax	(4,296)	(15,720)
Gain on revaluation	—	2,983
Other comprehensive income for the period, net of deferred tax	5,884	—
Total comprehensive (loss)/income for the period, net of deferred tax	(127,543)	33,679
Total comprehensive (loss)/income attributable to:		
— equity holders of the Company	(135,710)	(82,661)
— minority interest	8,167	116,340
	(127,543)	33,679



CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2009

	Notes	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	6,842,725	6,679,366
Land lease prepayments		940,438	949,104
Intangible assets		806,357	818,501
Other assets	11	723,456	669,901
Goodwill		79,547	79,547
Interests in associates		142,736	125,546
Available-for-sale investments		341,303	207,996
Deferred tax assets		132,502	111,304
Total non-current assets		10,009,064	9,641,265
CURRENT ASSETS			
Inventories		4,184,494	3,559,925
Trade receivables	12	803,823	602,795
Bills receivable		258,298	301,568
Prepayments, deposits and other receivables	13	1,196,339	853,278
Tax recoverable		24,214	24,644
Pledged deposits	14	262,842	63,478
Cash and cash equivalents	14	3,323,581	3,233,187
Total current assets		10,053,591	8,638,875
CURRENT LIABILITIES			
Trade payables	15	954,627	686,180
Bills payable		670,962	236,786
Other payables and accruals	16	1,228,788	1,263,307
Interest-bearing bank and other borrowings	17	4,399,741	4,945,372
Tax payable		27,312	67,351
Dividend payable		78,055	64,304
Total current liabilities		7,359,485	7,263,300
NET CURRENT ASSETS		2,694,106	1,375,575
TOTAL ASSETS LESS CURRENT LIABILITIES		12,703,170	11,016,840



CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2009

	Notes	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	17	5,344,907	3,632,370
Other liabilities	18	433,199	409,550
Government grants		209,122	174,242
Deferred tax liabilities		220,353	199,700
Total non-current liabilities		6,207,581	4,415,862
NET ASSETS			
		6,495,589	6,600,978
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	19	3,668,058	3,668,058
Reserves		714,722	850,432
		4,382,780	4,518,490
Minority interests		2,112,809	2,082,488
TOTAL EQUITY		6,495,589	6,600,978



CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the six months ended 30 June 2009

	Attributable to equity holders of the parent									
	Issued share capital RMB'000	Capital Reserve RMB'000	Statutory reserves RMB'000	Exchange fluctuation reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Minority interests RMB'000	Total Equity RMB'000
As at 1 January 2009	3,668,058	934,476	93,977	(59,320)	54,417	(173,118)	—	4,518,490	2,082,488	6,600,978
Exchange realignment	—	—	—	51,779	—	—	—	51,779	6,129	57,908
Disposal of available-for-sale investments, net of deferred tax	—	—	—	—	(20,033)	—	—	(20,033)	(145)	(20,178)
Changes in fair value of available-for-sale investments, net of deferred tax	—	—	—	—	43,319	—	—	43,319	88,834	132,153
Net actuarial losses of defined benefit retirement schemes, net of deferred tax	—	—	—	—	—	(4,296)	—	(4,296)	2,854	(1,442)
Total income and expense recognized directly in equity	—	—	—	51,779	23,286	(4,296)	—	70,769	97,672	168,441
Profit for the period	—	—	—	—	—	(212,363)	—	(212,363)	8,113	(204,250)
Total income and expense for the period	—	—	—	51,779	23,286	(216,659)	—	(141,594)	105,785	(35,809)
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	15,088	15,088
Dividend paid and payable to minority shareholders	—	—	—	—	—	—	—	—	(88,679)	(88,679)
Others	—	—	—	—	5,884	—	—	5,884	(1,873)	4,011
At 30 June 2009 (Unaudited)	<u>3,668,058</u>	<u>934,476</u>	<u>93,977</u>	<u>(7,541)</u>	<u>83,587</u>	<u>(389,777)</u>	<u>—</u>	<u>4,382,780</u>	<u>2,112,809</u>	<u>6,495,589</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the six months ended 30 June 2009

	Attributable to equity holders of the parent									
	Issued share capital RMB'000	Capital Reserve RMB'000	Statutory reserves RMB'000	Exchange fluctuation reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Minority interests RMB'000	Total Equity RMB'000
As at 1 January 2008	3,668,058	941,606	93,977	(506)	330,116	606,321	124,714	5,764,286	2,274,130	8,038,416
Exchange realignment	—	—	—	6,357	—	—	—	6,357	(305)	6,052
Changes in fair value of available-for-sale investments, net of deferred tax	—	—	—	—	(150,449)	—	—	(150,449)	(303,010)	(453,459)
Net actuarial losses of defined benefit retirement schemes, net of deferred tax	—	—	—	—	—	(15,720)	—	(15,720)	(2,135)	(17,855)
Total income and expense recognized directly in equity	—	—	—	6,357	(150,449)	(15,720)	—	(159,812)	(305,450)	(465,262)
Profit for the period	—	—	—	—	—	74,168	—	74,168	116,340	190,508
Total income and expense for the period	—	—	—	6,357	(150,449)	58,448	—	(85,644)	(189,110)	(274,754)
Acquisition of subsidiary	—	—	—	—	—	—	—	—	37,897	37,897
Disposal of a subsidiary	—	—	—	—	—	—	—	—	(228)	(228)
Revaluation surplus	—	2,983	—	—	—	—	—	2,983	78	3,061
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	79,160	79,160
Distribution of dividend	—	—	—	—	—	—	(124,714)	(124,714)	—	(124,714)
Dividend paid and payable to minority shareholders	—	—	—	—	—	—	—	—	(55,203)	(55,203)
At 30 June 2008 (Unaudited)	3,668,058	944,589	93,977	5,851	179,667	664,769	—	5,556,911	2,146,724	7,703,635



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES		(365,353)	459,598
CASH FLOWS FROM INVESTING ACTIVITIES		(463,993)	(1,366,509)
CASH FLOWS FROM FINANCING ACTIVITIES		1,000,174	499,604
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		170,828	(407,307)
Effect of foreign exchange rate changes, net		42,971	6,357
Cash and cash equivalents at beginning of period		3,093,248	3,473,608
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	3,307,047	3,072,658



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

1. GROUP REORGANISATION AND CORPORATE INFORMATION

The Company was incorporated in the People's Republic of China (the "PRC") on 1 September 2005 as a joint stock company with limited liability as a result of a group reorganization (the "Reorganization") of Hunan Nonferrous Metals Holdings Group Co., Ltd. ("HNG") in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited. HNG is a state-owned enterprise established in August 2004 in the PRC, and is under the control of the People's Government of Hunan Province.

Pursuant to the Reorganization, HNG effected the transfer of the following to the Company upon its incorporation:

- (i) the nonferrous metal mining business of Hunan Huangshaping Lead and Zinc Mine, a wholly-owned subsidiary of HNG, together with related assets and liabilities;
- (ii) the shareholding interests in certain subsidiaries and associates which principally carry on the business of mining and smelting of nonferrous metals and engage in the manufacture of cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds, after carving out (i) the assets, liabilities and interests in relation to non-core businesses which are unrelated to the aforesaid businesses transferred to the Company; and (ii) certain assets and liabilities including staff quarters, buildings, bank balances, investments in securities and creditors to companies controlled by HNG; and
- (iii) a 4.68% shareholding interest in Hunan Zhuye Torch Metals Co., Ltd. ("Zhuye Torch").

In addition, as part of the Reorganization, Zhuzhou Smelter Group Co., Ltd. ("Zhuye"), a subsidiary of the Company, entered into various agreements with China Orient Asset Management Corporation ("COAMC"). Pursuant to these agreements, COAMC agreed to give up its 48.35% equity interest in Hunan Zhuye Nonferrous Metals Co., Ltd. ("Zhuye Nonferrous"), a company owned as to 51.65% by Zhuye and 48.35% by COAMC, in exchange for an equity interest of 36.86% in Zhuye. Thereafter, Zhuye Nonferrous' entire assets and liabilities as at 31 December 2004 were transferred to Zhuye, and Zhuye Nonferrous was dissolved. The Company's interest in Zhuye was reduced from 100% to 63.314% upon the completion of the Reorganization.

The above assets and liabilities and the shareholding interests in certain subsidiaries and associates transferred to the Company are collectively known as the "Relevant Businesses". The effective date of the Reorganization was 31 December 2004.

Upon its establishment, the Company issued 2,091,260,000 ordinary shares of RMB1.00 each to HNG, credited as fully paid, as the consideration for HNG transferring the Relevant Businesses to the Company. Shenzhen City Bangxin Investment Development Co., Ltd., Zijin Mining Group Co., Ltd., Hunan Valin Steel and Iron Group Co., Ltd. and Powerise Information Technology Co., Ltd. (collectively the "Other Promoters") injected cash into the Company in an aggregate amount of RMB92,500,000 as the consideration for the Company's paid-up capital of an aggregate of 92,500,000 shares of RMB1.00 each. As a result, 95.76% and 4.24% of the share capital of the Company were owned by HNG and the Other Promoters, respectively.

In March 2006, the Company issued 1,075,582,000 new H shares to the public at a price of HK\$1.65 per share (equivalent to approximately RMB1.70 per share) and such H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited. In addition, 107,558,000 H shares converted from the Company's same number of domestic shares were transferred to the National Council for the Social Security Fund (the "NSSF").



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

1. GROUP REORGANISATION AND CORPORATE INFORMATION (Continued)

In April 2006, as a result of the over-allotment option as detailed in the Company's prospectus dated 21 March 2006, an additional 161,336,000 new H shares were issued to the public at a price of HK\$1.65 per share (equivalent to approximately RMB1.70 per share) and such H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited. In addition, 16,134,000 H shares converted from the Company's same number of domestic shares were transferred to the NSSF. Pursuant to the approval of the SASAC dated 20 March 2007, the NSSF entrusted the Company to effect a sale of the converted 24,738,000 H shares as part of the placing, and to remit the entire net proceeds of the sale to the NSSF.

In July 2007, the Company entered into a placing agreement in relation to the placing, on a fully underwritten basis, of an additional 247,380,000 overseas listed foreign invested shares of RMB1.00 in the share capital of the Company at a price of HK\$4.93 per H share (equivalent to approximately RMB4.77 per share), and such H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited. In addition, 24,738,000 H shares converted from the Company's same number of domestic shares were disposed of and the proceeds thereon were paid to the NSSF.

The registered office of the Company is located at 11th Floor, Block A, Youse Building, No. 342 Laodongxi Road, Changsha City, Hunan, 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.

In the opinion of the directors, the parent and ultimate holding company of the Company is HNG, which is incorporated in the PRC.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with IAS 34 Interim Financial Reporting and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2008.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES

The Group has adopted the following new and revised IFRSs for the first time for the interim condensed consolidated financial statements. Except in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements:

IFRSs (Amendments)	Improvements to IFRSs
IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of Investment in a Subsidiary, Jointly controlled Entity or Associate
IFRS 2 (Amendment)	Share-based Payment - Vesting Conditions and Cancellations
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
IFRS 8 (Amendment)	Operating Segments
IFRIC - Int 9	Reassessment of Embedded Derivative
IFRIC - Int 13	Customer Loyalty Programmes
IFRIC - Int 16	Hedges of a Net Investment in a Foreign Operation

Impact of IFRSs issued but not yet effective

IAS 17 (Amendment)	Leases ⁴
IAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
IAS 36 (Amendment)	Impairment of Assets ⁴
IAS 38 (Amendment)	Intangible Assets ¹
IAS 39 (Amendment)	Eligible hedged items ¹
IAS 39 (Amendment)	Recognition and measurement ⁴
IAS 39 (Amendment)	Reassessment of Embedded Derivative ²
IFRS 2 (Amendment)	Share-based payment - Group Cash-settled Share-based Payment Transactions ⁴
IFRS 3 (Revised)	Business Combinations ¹
IFRS 5 (Amendment)	Non-current Assets held for sale and Discontinued Operations ⁴
IFRIC - Int 17	Distribution of Non-cash Assets to Owners ¹
IFRIC - Int 18	Transfers of Assets from Customers ³

¹ Effective for annual periods beginning on or after July 1, 2009

² Effective for annual periods ending on or after June 30, 2009

³ Effective for transfer on or after July 1, 2009

⁴ Effective for annual periods beginning on or after January 1, 2010



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

4. SEGMENT INFORMATION

Segment information is presented on a segment reporting basis by business segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) Nonferrous metal mine site 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.

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.

For the six months ended 30 June 2009 (Unaudited)	Nonferrous metal mine site RMB'000	Nonferrous metal smelting RMB'000	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:						
Sales to external customers	650,412	3,660,254	1,926,942	—	—	6,237,608
Inter-segment sales	121,647	420	29,419	—	(151,486)	—
Less: Sales tax and surcharges	(3,820)	(21,496)	(11,316)	—	—	(36,632)
Adjusted EBITDA	768,239	3,639,178	1,945,045	—	(151,486)	6,200,976
Segment results	(139,464)	78,356	(51,482)	104,015	—	(8,575)
Dividend income						738
Finance Cost						(204,140)
Share of loss from associates	(100)	—	(9,618)	—	—	(9,718)
Loss before tax						(221,695)
Income tax credit						17,499
Net loss for the period						(204,196)



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

4. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2008 (Unaudited)	Nonferrous metal mine site RMB'000	Nonferrous metal smelting RMB'000	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:						
Sales to external customers	1,077,042	4,688,647	3,175,908	—	—	8,941,597
Inter-segment sales	205,235	211	1,978	—	(207,424)	—
Less: Sales tax and surcharges	(17,525)	(35,535)	(23,672)	—	—	(76,732)
Total	<u>1,264,752</u>	<u>4,653,323</u>	<u>3,154,214</u>	<u>—</u>	<u>(207,424)</u>	<u>8,864,865</u>
Segment results	<u>104,911</u>	<u>236,861</u>	<u>211,335</u>	<u>(74,311)</u>	<u>—</u>	<u>478,796</u>
Dividend income						9,234
Finance Cost						(207,210)
Share of loss from associates	—	—	(1,326)	—	—	(1,326)
Profit before tax						279,494
Income tax expense						(88,986)
Net profit for the period						<u>190,508</u>



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of discounts and returns.

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue:		
Sale of goods	6,237,608	8,941,597
Less: Sales tax and surcharge	(36,632)	(76,732)
	6,200,976	8,864,865
Other income and gains:		
Interest income	18,419	27,794
Dividend income	738	9,234
Profit from scrap sales	1,124	—
Profit from sale of utilities	2,807	—
Gross rental income	2,071	1,108
Gains on disposal of available-for-sale investments	53,637	—
Net realized and unrealized gains on derivative financial instruments	14,386	14,361
Recognition of government grants	17,897	19,299
Rendering of service	388	2,025
Gains on disposal of an associate	—	9,421
Others	8,912	5,766
	120,379	89,008



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

6. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	5,813,164	7,786,563
Depreciation	248,830	239,354
Amortization of land lease prepayments	9,725	9,570
Amortization of intangible assets		
Mining rights	19,394	26,602
Technical know-how and others	3,181	3,107
Provision for obsolete inventories	69,420	99,991
Provision for impairment on trade and other receivables, net*	8,235	1,690
Losses on disposal of items of property, plant and equipment*	918	12,863
(Profit)/losses from scrap sales*	(1,124)	2,920
Net realized and unrealized gains on derivative financial instruments*	(14,386)	(14,361)

* Items classified under "Other income and gains/Other operating expenses" on the face of the interim condensed consolidated income statement.

7. INCOME TAX (CREDIT)/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 operate.

PRC corporate income tax ("CIT") has been provided at a rate of 25% on the taxable income as reported in the statutory accounts of the companies comprising the Group, which are prepared in accordance with PRC GAAP, as adjusted for income and expense items which are not assessable or deductible for income tax purpose, except for the following subsidiaries of the Company:

- (i) Shenzhen Jinzhou Jinggong Scientific and Technological Company Limited is subject to a preferential CIT rate of 15% as it is located in the Shenzhen Special Economic Zone.
- (ii) Zigong Cemented Carbide Company Limited is located in west area of China, which is subject to a preferential CIT rate of 15% according to the PRC tax regulations.
- (iii) Zhuzhou Smelter Group Co., Ltd., Zhuzhou Diamond Cutting Tools Company Limited and Chenzhou Diamond Tungsten Products Company Limited are subject to a preferential CIT rate of 15% as it is qualified as a high technology enterprise.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2009, the Group acquired property, plant and equipment in an aggregate amount of approximately RMB414,298,000 and disposed of property, plant and equipment with an aggregate net book value of approximately RMB6,206,000, resulting in a net loss on disposal of approximately RMB918,000.

No impairment provision on property, plant and equipment was made during the period.

11. OTHER ASSETS

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Exploration and evaluation assets	578,208	524,653
Deferred expenditure	145,248	145,248
	<u>723,456</u>	<u>669,901</u>

12. 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 balance sheet date, based on the invoice date, is as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Within 1 year	791,014	587,207
Over 1 year but within 2 years	13,766	19,426
Over 2 years but within 3 years	7,315	6,397
Over 3 years	28,829	27,333
	<u>840,924</u>	<u>640,363</u>
Less: Impairment	(37,101)	(37,568)
	<u>803,823</u>	<u>602,795</u>



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Prepayments to suppliers	261,327	335,128
Other receivables	1,022,711	599,556
	<u>1,284,038</u>	<u>934,684</u>
Less: Provision for impairment	(87,699)	(81,406)
	<u><u>1,196,339</u></u>	<u><u>853,278</u></u>

Included in the other receivables and prepayments of the Group are receivables from HNG and its subsidiaries excluding the Group ("HNG Group") of RMB39,896,000 as at 30 June 2009 (31 December 2008: RMB49,805,000) which were unsecured, interest-free and have no fixed terms of repayment.

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Cash and bank balances	3,205,268	2,762,449
Time deposits	381,155	534,216
	<u>3,586,423</u>	<u>3,296,665</u>
Less: Pledged cash and time deposits against trade finance facilities	(262,842)	(63,478)
Cash and cash equivalents in the balance sheet	<u>3,323,581</u>	<u>3,233,187</u>
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(16,534)	(139,939)
Cash and cash equivalents in the cash flow statements	<u><u>3,307,047</u></u>	<u><u>3,093,248</u></u>

As at 30 June 2009, the cash and bank balances and time deposits of the Group included HK\$381,139,000 (31 December 2008: HK\$377,738,000), US\$9,848,000 (31 December 2008: US\$4,994,000) and AU\$44,430,000 (31 December 2008: AU\$57,377,000) respectively.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

15. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Within 1 year	936,877	670,197
Over 1 year but within 2 year	4,994	3,437
Over 2 years but within 3 year	4,359	3,436
Over 3 years	8,397	9,110
	<u>954,627</u>	<u>686,180</u>

The amount due to the HNG Group of RMB10,196,000 as at 30 June 2009 (31 December 2008: RMB48,392,000) was unsecured, interest-free and repayable within trade credit periods.

16. OTHER PAYABLES AND ACCRUALS

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Advance from customers	344,079	246,139
Accrued taxes other than income tax	49,605	128,933
Accrued salaries, wages and benefits	87,710	128,361
Payables for mining rights - current portion	358,553	358,553
Accrued expenses and other payables	388,841	401,321
	<u>1,228,788</u>	<u>1,263,307</u>

Other payables were non-interest-bearing and have no fixed term of repayment.

Included in other payables and accruals of the Group were balances due to the HNG Group of RMB11,323,000 as at 30 June 2009 (31 December 2008: RMB386,814,000).

The amounts due to the HNG Group were unsecured, interest-free and repayable on demand.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

- (i) Other than certain of the bank loans in the aggregate amount of US\$119,089,000 as at 30 June 2009 (31 December 2008: US\$202,155,000 and EUR4,430,000), all of the Group's bank loans are denominated in RMB.
- (ii) Certain of the Group's bank loans are secured by mortgages over certain of the Group's property, plant and equipment and land lease prepayments, which had an aggregate carrying value of approximately RMB1,667,981,000 as at 30 June 2009 (31 December 2008: RMB2,074,805,000).
- (iii) The entrusted loans amounting to RMB760,960,000 were granted by HNG to the Group (31 December 2008: RMB1,350,000,000) as at 30 June 2009.

18. OTHER LIABILITIES

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Provision for supplementary pension subsidies and early retirement benefits (note)	434,775	442,821
Share appreciation right plan	5,453	2,362
Balance as at period/year end	<u>440,228</u>	<u>445,183</u>
Represented by:		
Current portion included in other payables and accruals	7,029	35,633
Long term liabilities	433,199	409,550
	<u>440,228</u>	<u>445,183</u>

Note:

Provision for supplementary pension subsidies and early retirement benefits

Prior to the Reorganization, the Group paid certain supplementary pension subsidies to its employees. Such 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 retirees depended on the number of years of service and the policy of the local subsidiaries concerned.

The Group 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 are calculated based on factors including the remaining number of years of service from the date of early retirement to the normal retirement date and the salary on the date of early retirement of an employee. The costs of early retirement benefits were recognized in the period when employees opted for early retirement.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

19. ISSUED SHARE CAPITAL

	Number of shares 30 June 2009 '000	Nominal value 30 June 2009 RMB'000 (Unaudited)	Number of shares 31 December 2008 '000	Nominal value 31 December 2008 RMB'000 (Audited)
Registered, issued and fully paid				
- domestic shares of RMB1.00 each	2,035,330	2,035,330	2,035,330	2,035,330
- H shares of RMB1.00 each	1,632,728	1,632,728	1,632,728	1,632,728
	3,668,058	3,668,058	3,668,058	3,668,058



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

20. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

The fair value/carrying value of the identifiable assets, liabilities and contingent liabilities of subsidiaries acquired by the Group and dealt with in the interim condensed consolidated financial statements at the dates of acquisition were as follows:

	Fair value recognized on acquisition		Fair value recognized on acquisition	
	Six months ended 30 June 2009 RMB'000 (Unaudited)	Carrying amount 2009 RMB'000 (Unaudited)	Six months ended 30 June 2008 RMB'000 (Unaudited)	Carrying amount 2008 RMB'000 (Unaudited)
Property, plant and equipment	—	—	60,703	50,259
Land lease prepayments	—	—	4,014	2,799
Intangible assets	—	—	1,354	1,354
Available-for-sale investments	—	—	178	178
Inventories	—	—	141,601	141,904
Trade receivables	—	—	47,554	47,554
Prepayments, deposits and other receivables	—	—	21,894	21,945
Cash and cash equivalents	—	—	25,735	25,735
Bills receivable	—	—	4,679	4,679
Tax recoverable	—	—	171	171
Interest-bearing bank and other borrowings	—	—	(101,000)	(101,000)
Trade payables	—	—	(53,200)	(53,200)
Dividend payable	—	—	(6,510)	(6,510)
Other payables and accruals	—	—	(49,586)	(49,586)
Government grants	—	—	(2)	(2)
Tax payable	—	—	(241)	(241)
Deferred tax liabilities	—	—	(1,993)	—
Minority interests	—	—	(37,897)	(34,197)
Fair value/carrying value of net assets at dates of acquisition	—	—	57,454	51,842
Goodwill on acquisition	—	—	1,620	—
			59,074	
Satisfied or represented by:				
Interests in associates	—	—	37,371	—
Cash	—	—	21,703	—
			59,074	



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

20. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(a) Acquisition of subsidiaries (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	Six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Cash and bank balances acquired and net inflow of cash and cash equivalents in respect of the consolidation of subsidiaries in the condensed consolidated balance sheet	—	25,735
Less: Cash consideration	—	(21,703)
Net inflow of cash and cash equivalents in respect of the consolidation of subsidiaries in the condensed consolidated cash flow statements	—	4,032

Notes:

Zhuzhou Changjiang Cemented Carbides Tools Company Limited ("Zhuzhou Changjiang") was accounted for as an associate as at 31 December 2007 when the Group held a 46.02% equity interest. In 2008, the Group injected RMB20,000,000 to acquire additional equity interest in Zhuzhou Changjiang.

As a result, the Group held 60.60% equity interests in Zhuzhou Changjiang and incorporated it in the condensed consolidated financial statements starting from January 2008. Zhuzhou Changjiang is principally engaged in the manufacture of metal and alloy products.

Zigong Keruide New Materials Co., Ltd. ("Zigong Keruide") was accounted for as an associate as at 31 December 2007 when Ziying, a subsidiary of the Company, held 47% equity interest of Zigong Keruide. In January 2008, Ziying acquired additional equity interests of Zigong Keruide for a cash consideration of RMB1,703,000, taking its ownership to 59.33%. As a result, Zigong Keruide was consolidated into the condensed consolidated financial statements of the Group. Zigong Keruide is principally engaged in the manufacture and trading of hard alloy products.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

20. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(b) Disposal of a subsidiary

	Six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Property, plant and equipment	—	105
Inventories	—	1,215
Bills receivables	—	509
Trade receivables	—	274
Prepayments, deposits and other receivables	—	598
Cash and cash equivalents	—	1,335
Trade payables	—	(322)
Other payables and accruals	—	(298)
Tax payable	—	(1)
Minority interests	—	(228)
	<hr/>	<hr/>
Carrying value of net assets at the date of disposal	—	3,187
Losses on disposal of a subsidiary	—	(84)
	<hr/>	<hr/>
	—	3,103
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Cash and cash equivalents	—	3,103
	<hr/> <hr/>	<hr/> <hr/>

During the six months ended 30 June 2008, the Group disposed of its 93.33 % equity interests in Nanjing Diamond Cutting Tools Company Limited for considerations of RMB3,103,000.

The net inflow of cash and cash equivalents in respect of the disposal is RMB1,768,000.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

21. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the condensed consolidated financial statement were as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Guarantees given to banks in respect of bank loans granted to:		
Associates	—	—
Third parties	3,508	7,019
	3,508	7,019

No financial liabilities were recorded as, in the opinion of the directors, the fair value of the financial guarantee contracts were not material.

22. OPERATING LEASE COMMITMENTS

As a lessee, the Group leases certain property, plant and equipment under operating lease commitments, with leases terms negotiated for terms of one to twenty years.

At 30 June 2009, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Within one year	8,434	23,822
In the second to fifth years, inclusive	1,101	90,321
After five years	385	166,231
	9,920	280,374



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

23. COMMITMENTS

In addition to the operating lease commitments detailed in note 22 to the condensed consolidated financial statements, the Group had the following capital commitments at the balance sheet date:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	568,341	434,254
Other assets	—	—
	<u> </u>	<u> </u>
Authorized, but not contracted for:		
Property, plant and equipment	—	1,160,060
	<u> </u>	<u> </u>

Note:

At 30 June 2009, the Company had commitments principally relating to Zhuye Liso's investment on cyclic economy project, a process of zinc production with atmospheric direct leaching with oxygen able to treat zinc leach residue (實施循環經濟項目常壓富氧直接浸出搭配鋅浸出渣煉鋅) .

The cash outflow of above investment can be met by the banking facilities of the Group and for future cash inflow from operating activities.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

24. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these interim condensed consolidated financial statements, the Group had the following material transactions with the related parties.

(a) Transactions with the HNG Group

	Six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Sales of raw materials and products	55,507	114,281
Sales of property, plant and equipment	15	3,672
Provision of electricity and water	212	1,134
Subcontracting income	1,719	1,667
Rental income	—	930
Purchase of raw materials and products	101,344	137,560
Purchases of electricity	—	26
Transportation service fees	4,312	14,776
Repairs and maintenance fees	—	15,289
Installation charges	9,480	10,363
Subcontracting fees	22,942	10,079
Rental fees	5,958	889
Property management service	2,384	1,856



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

24. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with associates

Nature of transactions	Six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Sales of raw materials and products	299,018	505,670
Purchase of raw materials and products	342,118	759,494
Rental cost	—	105
Rental income	150	150
Provision of electricity and water	17,728	11,202
Provision of services	14	8,729
Purchases of property, plant and equipment	4,638	781
Purchases of services	—	2,655

(c) Guarantee granted by HNG to the Group

Nature of the guarantee	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
	Corporate guarantee	286,000

(d) Lease of land use right from HNG

Nature of the guarantee	Six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Lease of land use right	6,992	6,992



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 June 2009

25. EVENTS AFTER THE BALANCE SHEET DATE

There is no significant post balance sheet events subsequent to the period ended 30 June 2009.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 23 August 2009.