



Hunan Nonferrous Metals Corporation Limited

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

(Stock Code: 2626)

2010 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

Kang Yi

Chen Xiaohong

Gu Desheng

Wan Ten Lap

Choi Man Chau, Michael

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 2010
Closure of Register	N/A
Interim Dividend	N/A

SHAREHOLDER'S ENQUIRIES

Finance and Securities Department
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Company Limited
Unit 3103, 31st Floor,
Office Tower, Convention Plaza,
1 Harbour Road, Wanchai,
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MARKET REVIEW AND OUTLOOK

MARKET REVIEW AND OUTLOOK

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

Zinc

For international markets, the price of zinc during the first half of the year was in a downward trend with fluctuations from time to time. The price of three-month zinc futures dropped to approximately US\$2,000 per ton as quoted on the London Metal Exchange (“LME”) in early February from its height US\$2,700 in early January. From early February to late April, the price of zinc surged to approximately US\$2,500 per ton in line with the general rebound of base metals prices. However, the price of zinc plunged again since the beginning of May and hit its bottom in early June and remained at around US\$1,800 per ton.

For domestic market, the price of zinc futures quoted on Shanghai Future Exchange (the “SHFE”) moved in line with that of the overseas market during the first half of the year within the range of RMB22,600 and RMB13,480 per ton. Zinc futures closed at RMB14,610 per ton at the end of June, representing a decrease of 32% when compared to the end of 2009. The spot price of zinc followed the movement of the price of zinc futures quoted on SHFE.

In view of the overall market circumstances, it is expected that the prices of zinc quoted on LME and SHFE in the second half of 2010 will fluctuate between US\$1,600-US\$2,300 per ton and RMB12,500-RMB18,000 per ton respectively.

Lead

For international markets, the price of lead quoted on LME was in a downward trend in the first half of 2010. The spot price and three-month futures price of lead decreased by 6.4% and 6.3% on average per month, respectively. Nevertheless, the average spot price quoted on LME from January to June this year still recorded an increase of 56.7% to US\$2,085 per ton when compared to US\$1,330 per ton in the corresponding period of 2009 when the market was seriously impacted by the global financial crisis. Average price of three-month lead futures also increased by 58% to US\$2,110 per ton when compared to US\$1,335 per ton in the corresponding period of 2009.

For domestic market, the price of refined lead generally moved in line with that of the international market but to a lesser extent. The spot price ranged from RMB14,000-RMB16,000 per ton and the average price from January to June was RMB15,568 per ton, representing an increase of 25.6% when compared to the corresponding period last year. The increment was less than half of that in the international market.

The global economy in the second half of the year is full of uncertainties and the price of lead market isn't expected to rise significantly. The prices of lead futures quoted on LME will continue to fluctuate between US\$1,700 per ton and US\$2,300 per ton. And refined lead in local market be around RMB13,000 per ton to RMB18,000 per ton.

MARKET REVIEW AND OUTLOOK

Tungsten

For domestic market, the price of tungsten was in an upward trend during the first half of 2010 despite temporary consolidations in March and May. The average price of tungsten concentrates in local market from January to June was RMB77,000-78,000 per ton, representing an increase of 28.6% when compared to the corresponding period last year. The price of tungsten concentrates recorded its lowest level at RMB70,000-RMB72,000 per ton in January and reached its height at RMB83,000-RMB 84,000 per ton as at the end of June this year. Average price of Ammonium Paratungstate products (“APT”) for the first half of the year was RMB118,900-RMB121,000 per ton, representing an increase of 26.6% when compared to the corresponding period last year. The lowest and highest prices of APT were RMB107,000-RMB110,000 per ton and RMB130,000-RMB135,000 per ton respectively during the first half of the year. The average price of ferrotungsten for the first half of the year was RMB121,000-RMB125,000 per ton, representing an increase of 5.3% when compared to the corresponding period last year.

The price increment of tungsten in the international market was less than that in the domestic market. From January to June this year, the highest and lowest prices of APT in the European market were US\$232-237 per ton and US\$185-210 per ton respectively, with an average of US\$212.4-220.1 per ton, representing an increase of 6.7% when compared to the corresponding period last year. The highest and lowest prices of ferrotungsten in the European market were US\$29-30 per kilogram and US\$26-26.5 per kilogram respectively, with an average of US\$28.39-29.5 per kilogram, representing an increase of 9.31% when compared to the corresponding period last year.

It is expected that the price of tungsten is unlikely to continue rising significantly in the second half of 2010. The tungsten price may continue to fluctuate at a high level in the second half of the year, but the average price will be higher than that of the first half.

Antimony

For domestic market, the spot price of antimony remained low in previous years and began to rise since the beginning of 2010. The price of antimony ingots stood at RMB44,000-45,000 per ton at the end of January and remained stable in February. In late March, as driven by a number of factors, including the shortage of raw material in the domestic market, suspension of production of antimony producers in Lengshuijiang, Hunan for environmental protection upgrade and severe drought across the southwestern regions, the domestic antimony price surged to nearly RMB50,000 per ton. The price of antimony further increased at a faster pace in April. As at 30 April, the domestic price of antimony (Class II) reached RMB62,000-63,000 per ton, representing an increase of 48% and 105% when compared to the beginning of the year and the corresponding period of 2009 respectively. From late May to June, antimony price turned around and decreased to RMB54,500-RMB55,500 per ton in late June, representing a decrease of 16% when compared to the highest level of RMB65,000-66,000 per ton in May. The price of antimony stabilized towards the end of June this year.

For international markets, the antimony price moved in line with the domestic antimony market. From January to June, the highest monthly average price of MB standard grade II refined antimony was US\$9,425 per ton recorded in May, representing an increase of 100.6% when compared to the same period in 2009, while the lowest monthly average price was US\$6,231 per ton recorded in January, representing an increase of 48.7% when compared to the same period in 2009.

In general, the price of antimony market largely depends on the supply of antimony in the People's Republic of China (“PRC”). It is expected that the price of antimony in domestic market will further increase and remain high in the second half of the year. It is estimated that the average price of antimony in the PRC will be above RMB55,000 per ton while the price of antimony in international market will be above US\$8,000 per ton in the second half of the year.

MARKET REVIEW AND OUTLOOK

BUSINESS REVIEW AND OUTLOOK

Driven by the gradual recovery of the global economy and the promising outlook for the domestic economy, demand will continue to increase. In the first half of 2010, the prices of major tungsten and antimony products of Hunan Nonferrous Metals Corporation Limited (“the Company”) increased significantly. The price of zinc products and tungsten concentrates increased by 67% and 33% respectively when compared to the corresponding period last year. The prices of major lead and zinc products of the Company remained high from February to April but dropped significantly in May and June due to the deterioration of the sovereign debt crisis in Europe. As a result, the provision for impairment of inventory of the Company as at the end of June increased and the operating results for the first half of the year was thus adversely affected.

From January to June, the Company and its subsidiaries (the “Group”) produced 50,555 tons of copper , representing a decrease of 2.24%; 260,916 tons of zinc, representing an increase of 16.92%; 15,934 tons of antimony, representing an increase of 35.87%, and 3,996 tons of cemented carbides, representing an increase of 30.80%; 3,013 tons of tungsten concentrates, representing an increase of 18.16%; 4,194 tons of copper concentrates, representing a decrease of 6.66%; and 9,444 tons of zinc concentrates, representing a decrease of 0.53% when compared to the corresponding period last year.

In the first half of the year, the Company adopted various measures to strengthen its cost control and management. It also restructured its operation and improved production efficiency to meet its production targets. The Xintianling tungsten project with an investment of RMB500 million commenced operation on 26 June 2010. Upon full operation, the project will become a major driver of profit growth for the Company.

In the second half of the year, the PRC will continue to implement its current policies while flexible adjustments will be made according to the changes in market conditions. It is believed that the global economy will remain on right track of recovery. The global economic outlook is overcast due to the sovereign debt crisis in some European countries and concerns over the development of financial institutions. Governments will withhold their exit of the Incentive policies, so the potential of inflation will be high. It is expected that the Company will continue to benefit from the improvement of the real economy and the blossoming demand for financial investments. The Company will have great subsequent development space, especially China Minmetals Corporation became our substance controller this August. The management is full of confidence in the prospect of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the period ended 30 June 2010, the loss before income tax was RMB231 million, representing an increase of RMB9 million as compared with the loss of RMB222 million for the period ended 30 June 2009. The loss attributable to the equity holders of the Company was RMB169 million, representing a decrease of RMB43 million from RMB212 million for the period ended 30 June 2009.

The following is a comparison of financial results between the six months ended 30 June 2010 and 30 June 2009:

Turnover

Turnover has increased by RMB3,465 million or 56%, from RMB6,201 million for the period ended 30 June 2009 to RMB9,666 million for the period ended 30 June 2010, mainly due to the increased turnover before sales tax and surcharges from the nonferrous metals mining segment of RMB639 million or 98%, the increased turnover from the nonferrous metals smelting segment of RMB1,931 million or 53%, the increased turnover from cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment of RMB905 million or 47%.

Gross profit has increased by 96%, RMB374 million, from RMB388 million for the period ended 30 June 2009 to RMB762 million for the period ended 30 June 2010; the gross profit margin has increased by 2%, from 6% for the period ended 30 June 2009 to 8% for the period ended 30 June 2010.

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 2010		January – June 2009	
	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)
Shizhuyuan				
Tungsten concentrates	1,986	63,262	1,992	48,944
Oxidized molybdenum	550	99,755	616	75,430
Huangshaping Branch				
Zinc concentrates	2,824	9,811	2,532	4,745
Lead concentrates	2,176	14,524	1,451	10,942
Hsikwangshan				
Antimony products	14,907	37,974	12,167	22,695
Zinc products	9,436	15,788	11,690	9,571

MANAGEMENT DISCUSSION AND ANALYSIS

The turnover before sales tax and surcharge from the nonferrous metals mining segment has increased by RMB639 million or 98%, from RMB650 million for the period ended 30 June 2009 to RMB1,289 million for the period ended 30 June 2010, mainly due to a sharp increase in the average prices of tungsten concentrates, oxidized molybdenum, oxidized molybdenum and zinc products.

The gross profit from the nonferrous metals mining segment increased by RMB150 million or 333% from RMB45million for the period ended 30 June 2009 to RMB195 million for the period ended 30 June 2010. The gross profit margin increased by 8%, from 7% for the period ended 30 June 2009 to 15% for the period ended 30 June 2010.

NONFERROUS METALS SMELTING SEGMENT

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

	January – June 2010		January – June 2009	
	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)
Zinc products	234,634	15,321	206,737	10,406
Lead products	44,617	13,843	56,615	10,822
Precious metal-indium	6	3,501,258	0.2	2,566,808
Precious metal-silver	28	3,373,703	38	2,374,756

The turnover before sales tax and surcharge from the nonferrous metals smelting segment increased by RMB1,931 million or 53%, from RMB3,660 million for the period ended 30 June 2009 to RMB5,591 million for the period ended 30 June 2010, mainly due to the increase in the average selling prices and the sales volume of zinc products ,and the increase in the average selling prices of lead products as compared with the corresponding period of 2009.

Gross profit from the nonferrous metals smelting segment decreased by RMB88 million or 43% from RMB207 million for the period ended 30 June 2009 to RMB119 million for the period ended 30 June 2010, while the gross profit margin has decreased by 4% from 6% for the period ended 30 June 2009 to 2% for the period ended 30 June 2010. ,which was due to the decrease of gross profit from lead and zinc products in May and June, resulting from the sharp decrease in the price of lead and zinc products in May and the continuously high price of raw materials, as well as the provision for impairment of lead and zinc inventories.

MANAGEMENT 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 2010		January – June 2009	
	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)
Cemented carbides	6,088	269,118	4,348	242,195
Tungsten and its compounds	7,183	127,123	3,146	88,972
Molybdenum and its compounds	227	339,481	191	261,557
Tantalum, niobium and their compounds	120	679,617	101	330,851

The turnover from cemented carbide, and tungsten, molybdenum, tantalum, niobium and their compounds before sales tax and surcharge has increased by RMB905 million or 47%, from RMB1,927million for the period ended 30 June 2009 to RMB2,832 million for the period ended 30 June 2010. The increase was mainly due to the increase of average prices and sales volumes of cemented carbide, tungsten and their compounds, molybdenum and its compounds and tantalum, niobium and their compounds as compared with that in the same period in 2009.

The gross profit of cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds increased by RMB312 million or 229% from RMB136 million for the period ended 30 June 2009 to RMB448 million for the period ended 30 June 2010, and the gross profit margin has increased by 9%, from 7% for the period ended 30 June 2009 to 16% for the period ended 30 June 2010.

OTHER REVENUE AND GAINS

Other revenue and gains have decreased by RMB28 million or 27.5%, from RMB102 million for the period ended 30 June 2009 to RMB74 million for the period ended 30 June 2010, mainly due to the decrease of gains on disposal of certain available-for-sale financial assets.

SELLING AND DISTRIBUTION COST

The selling and distribution costs have increased by RMB41 million, or 31%, from RMB132 million for the period ended 30 June 2009 to RMB173 million for the period ended 30 June 2010 primarily due to the increase in general remuneration, packaging fee and transportation expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses have increased by RMB231 million, or 60% from RMB382 million for the period ended 30 June 2009 to RMB613 million for the period ended 30 June 2010, primarily because the foreign exchange differences have decreased by RMB175 million from a gain of RMB116 million for the period ended 30 June 2009 to a loss of RMB59 million for the period ended 30 June 2010, and also due to increase of staff costs, depreciation and amortisation as well as repairs and maintenance expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER EXPENSES, NET

Other net expenses have increased by RMB34 million or 1,133%, from net expenses of RMB3 million for the period ended 30 June 2009 to net expenses of RMB37 million for the period ended 30 June 2010. It is because the realised and unrealised gains/losses on derivative financial instruments of a subsidiary, Zhuzhou Smelter Group Co., Ltd, have decreased by RMB33 million from a gain of RMB8 million for the period ended 30 June 2009 to a loss of RMB25 million for the period ended 30 June 2010.

FINANCE COSTS

The finance costs have moderately increase by RMB55 million, or 27%, from RMB204 million for the period ended 30 June 2009 to RMB259 million for the period ended 30 June 2010. The increase was mainly due to the effect of increase in the outstanding bank loan.

INCOME TAX (EXPENSE)/CREDIT

Income tax expense has increased by RMB56 million or 329%, from income tax credit of RMB17 million for the period ended 30 June 2009 to become an income tax expense of RMB39 million for the period ended 30 June 2010, primarily due to the increase of taxable income and decrease in recognition of deferred income tax assets.

NON-CONTROLLING INTERESTS

Non-controlling interests decreased by RMB109 million or 1,363%, from RMB8million profit for the period ended 30 June 2009 to deficit balance RMB101million for the period ended 30 June 2010, primarily due to dramatic increase of loss of Zhuzhou Smelter Group Co., Ltd, a subsidiary of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2010, 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 2010, cash and cash equivalents owned by the Group were RMB2,302 million.

Cash and cash equivalents were mainly denominated in RMB (RMB accounted for approximately 79%, Hong Kong dollars accounted for approximately 4%, Australian dollars accounted for approximately 13%, US dollars accounted for approximately 2%, Euro and Canada dollars accounted for approximately 1%.

As of 30 June 2010, the short and long term bank loans and other borrowings amounted to RMB11,598 million in aggregate, among which RMB accounted for approximately 88%, US dollars accounted for approximately 10%. The short and long term bank loans and other borrowings amounted to RMB10,482 million in aggregate, among which RMB loans accounted for approximately 90% while US dollar loans accounted for approximately 8% as at 31 December 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

ASSET PLEDGED OF THE GROUP

As of 30 June 2010, the assets of the Group with the net book value of RMB2,112 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 RMB1,573 million, trade receivables, net amounted to RMB467 million, the net book value of inventories amounted to RMB61 million and the fixed deposit RMB11 million.

As of 30 June 2009, the assets of the Group with the net book value of 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.

DEBT TO TOTAL ASSETS RATIO

As of 30 June 2010, the debt to total assets ratio of the Group increased from 50.2% as of 31 December 2009 to 53.4% as of 30 June 2010. The debt to total assets ratio 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 the PRC, with exports to various countries in small quantities. Apart from the export sales transacted mainly in US dollars, 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 RMB11,598 million as of 30 June 2010). 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 nor derivative to hedge against the fluctuation in interest rate.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As of 30 June 2010 and 30 June 2009, the Group has not have any material contingent liabilities.

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 Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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"), the Directors confirmed that they had complied with the required standards as set out in the Model Code for the period ended 30 June 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company's shares were listed on the Stock Exchange of Hong Kong (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 of the Directors (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 2010

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, Chen Xiaohong, Wan Tenlap, Choi Man Chau

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

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

He Renchun (何仁春), aged 52, is the Chairman of the Company. He is a professor and a senior engineer.

Mr. He graduated from Central South University with a major in powder metallurgy in 1976. He spent the next 10 years working as an assistant engineer and an engineer at Zhuzhou Cemented Carbides Plant (“Zhuying Plant”). From 1986 to 1993, Mr. He pursued his postgraduate study in Japan and worked as a researcher at the Association for Overseas Technical Scholarship (“AOTS”), Department of International Economics, National Otaru University of Commerce and Izawa Technology Research Center (株澤技術研究所) in Japan.

Mr. He played a managerial and supervisory role in the Group and its predecessor before listing of the Company. Mr. He served in various positions in the nonferrous metal industry including deputy general manager at Zhuying Plant Import and Export Company from May 1993 to September 1993, deputy general manager at Diamond Tools Company, a Sino-foreign joint venture, from October 1993 to December 1994, manager and deputy general manager at Hunan Province International Economy Development (Group) Company from January 1995 to April 2002 and director and deputy general manager of Hunan Ping He Tang Co., Ltd. from 1998 to 2002. Mr. He served as deputy general manager (Party Representative) at Hunan Nonferrous Metals Industry Company (“HNMC”) from May 2002 to July 2004, and was primarily responsible for the reform and restructuring, technological improvement, research and development, and other aspects of the entities under the management of HNMC, including our five operating centers. In August 2004, he was appointed the secretary of the party committee and chairman of Hunan Nonferrous Metals Holding Group Company Limited (“HNG”) and, in September 2005, the Chairman of the Company and is responsible for the overall management of our Company and our five operating centers.

Mr. He is also the vice president of China Nonferrous Metal Industry Association, the vice president of Hunan Province International Business Association and a researcher at the Strategic Research Center of the Emergence of Central China (中國中部崛起戰略研究中心). He holds a doctorate in management science and engineering and is an associate professor at Central South University.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Li Li (李立), aged 46, is an executive director and general manager of the Company (“Executive Director”). He is a senior administrator (高級政工師).

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

During his tenure as the secretary of the party committee at the Zhuying Plant, which was reorganised as Zhuying in 2002, Mr. Li was responsible for implementing the general policies and guidelines of the Chinese Communist Party and the PRC Government regarding the operation and management of a state-owned enterprise at the Zhuying plant and Zhuying, respectively. Mr. Li was also responsible for appointing senior management at the Zhuying Plant and Zhuying.

Liao Luhai (廖魯海), aged 39, is our Executive Director, deputy general manager and secretary of the board of directors of the Company. He is a senior economist.

Mr. Liao graduated in July 1992 from the Department of Exploration, University of Petroleum (East China) (華東石油大學) with a bachelor’s degree in engineering in oil geology and exploration. He received his master degree in engineering of geology and exploration of coal fields, petroleum and natural gas (煤田油汽地質與勘探) in July 1995 from the University of Petroleum (Beijing) (北京石油大學) where he also obtained a doctoral degree in mine exploration of management engineering in July 1998. Prior to joining HNG, Mr. Liao served as an officer and division head at the China Development Bank from July 1998 to February 2005. From March 2005 to August 2005, Mr. Liao served as a member of a party committee and the deputy general manager of HNG.

Chen Zhixin (陳志新), aged 54, is our Executive Director, deputy general manager and financial controller. He is a senior accountant and a member of the Chinese Institute of Certified Public Accountants.

Mr. Chen graduated from Hubei University of Finance and Economics with a major in industrial accounting. Prior to joining HNG in August 2004, Mr. Chen served as head of the finance departments of Hunan Nonferrous Labor Protection Research Institute and CNNCCS. From January 2001 to August 2004, Mr. Chen was the deputy chief accountant and head of the finance division of HNMC. He was primarily responsible for the financial and accounting matters concerning the entities under the management of HNMC, which include our five operating centers. From September 2004 to August 2005, Mr. Chen joined HNG as a member of a party committee and chief accountant. He was in charge of financial matters and supervised areas such as asset management, accounting and fund raising activities. Since the establishment of the Company on 1 September 2005, Mr. Chen has been our Executive Director, deputy general manager and financial controller.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Cao Xiuyun (曹修運), aged 48, is a non-executive director of the Company (“Non-executive Director”), our vice chairman and a director and the general manager of HNG. He is a professor and senior engineer.

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

Wu Longyun (吳龍雲), aged 58, is our Non-executive Director. He is a professor and senior administrator (高級政工師).

Mr. Wu graduated from the Central South Institute of Mining and Metallurgy (中南礦冶學院) in 1976 and the Central Party School (中央黨校) in December 1994. Prior to joining HNG, Mr. Wu served in various positions at Shuikoushan Mines Bureau as technician, engineer, secretary of the party committee and deputy chairman. He was appointed as chairman of the supervisory committee, deputy secretary of the party committee and a deputy general manager of HNG in August 2004. He is currently a member of the party committee and Secretary of the Discipline Inspection Commission of HNG.

Zhang Yixian (張一憲), aged 55, has been our Non-executive Director, and a deputy general manager at HNG since December 2005. He is a senior economist.

Mr. Zhang graduated from the Department of Economics and Management at Changsha University in 1986. Prior to joining HNG in September 2004, Mr. Zhang was a technician at Hengyang Jianxiang Machinery Plant, an officer at Changsha Semiconductors Materials Plant, an officer at HNMC and a manager at Changsha Station of China Nonferrous Civil Engineering and Construction Quality Supervision Station. From October 2004, Mr. Zhang was an assistant general manager of HNG. Since 21 December 2005, Mr. Zhang has been a member of the party committee and the deputy general manager of HNG.

Zou Jian (鄒健), aged 39, has been our Non-executive Director since March 2009.

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

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Kang Yi (康義), aged 70, has been an Independent Non-executive Director of the Company since March 2009.

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

Gu Desheng (古德生), aged 72, has been an independent non-executive director of the Company (“Independent Non-executive Director”) since September 2005.

Mr. Gu is a professor and an academic adviser to Ph.D. students at the Central South University. Mr. Gu graduated from the Central South University in July 1960 and joined the faculty thereafter as a professor and academic adviser to its Ph.D. students, department head, head of the research institute and a member of the degree-awarding committee (校學委員會) and has been teaching to date.

In 1995, Mr. Gu became a fellow of the Chinese Academy of Engineering. Mr. Gu received the first prize in the National Technology Advancement Award (國家科技進步一等獎), two second prizes in the National Technological Advancement Awards, and the State Major Technology Contribution and Breakthrough Award (國家重大科技攻關突出貢獻獎). He has authored and published more than 180 professional articles worldwide. Mr. Gu was a committee member of the 9th and 10th National Committee of the Chinese People's Political Consultative Conference (全國政協第九、第十屆委員會) and a member of the Evaluation Committee of the National Natural Science Foundation (國家自然科學基金). Mr. Gu also serves as consultant and independent director of various companies and holds four patents.

Chen Xiaohong (陳曉紅), aged 46, was an independent supervisor of the Company (the “Supervisor”) from September 2005 until Ms. Chen resigned on 2 November 2007 and was appointed as an Independent Non-executive Director on 21 December 2007.

Ms. Chen is a professor and an academic adviser to Ph.D. students. He obtained a doctorate degree from Tokyo Institute of Technology. Ms. Chen is now an assistant to the Principal and Dean of Business School at Central South University, and is also an expert with the Evaluation Committee of the National Nature Science Funds and National Social Science Funds. Ms. Chen is a member of the National Steering Committee of MBA Programs (全國工商管理碩士指導委員會). Ms. Chen is also an economic consultant in the government sector and acts as an independent director of many large-scale enterprises and listed companies.

Ms. Chen has received numerous awards, including the “Fok Ying Tung Education Fund – National Outstanding Young Teachers (Research)” in 1998, “Outstanding Individual of Younger Generation in Hunan Province” in 1999 and “Outstanding Economists in Hunan Province” in 2001.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Wan Ten Lap (溫天納), aged 40, has been an Independent Non-executive Director since September 2005. He is an expert in finance and investment banking, serving as the Vice Chairman of CUAA Finance Association, a committee member of Hong Kong Securities Institute and the Managing Director of investment banking business of China Merchants Securities (HK) Limited. He previously served as chair professor (講座教授) at the School of Business of Renmin University of China (中國人民大學商學院) and was the founding managing director of BOCOM International. He is a registered officer under the SFC and a member of the Hong Kong Securities Institute. Mr. Wan has been repeatedly appointed by the Hong Kong Securities Institute as a working group member for the Ad Hoc Working Group in relation to the papers on the licensing examination for the securities and futures intermediaries on the basis of his substantial knowledge and expertise in financial markets and the corresponding practices in Hong Kong. Mr. Wan graduated from the London School of Economics and Political Science with a master's degree in international accounting and finance. He joined the corporate finance department of Standard Chartered Asia Limited in 1993, and then joined the Creditanstalt Group as an associate director in 1996. Mr. Wan later joined Sun Hung Kai International Limited as a director in 1998. Mr. Wan specialised in corporate financing, mergers and acquisitions, restructurings and insolvencies before he assisted in the establishment of BOCOM International in 2004.

Choi Man Chau, Michael (蔡文洲), aged 53, has been an Independent Non-executive Director of the Company since March 2009.

Mr. Choi is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. He is a Certified Public Accountant (practicing). Mr. Choi is an independent nonexecutive director of Oriental Watch Holdings Limited and Simsen International Corporation Limited which companies are listed on the main board of the Stock Exchange of Hong Kong Limited. Mr. Choi was an independent non-executive director of Hong Kong Energy Holdings Limited (formerly known as J.I.C. Technology Company Limited), Dynamic Energy Holdings Limited, and Nam Tai Electronic & Electrical Products Limited.

SUPERVISORS

Zeng Shaoxiong (曾少雄), aged 50, is presently a deputy general manager of HNG and the chairman of our supervisory standing committee ("Supervisory Standing Committee"). He is a senior engineer.

Mr. Zeng graduated from the Central South Institute of Mining and Metallurgy (中南礦冶學院) in December 1981 with a major in ore processing. From December 1981 to 1995, Mr. Zeng was a technician, deputy chief of a branch and the head of Hunan Shizhuyuan Nonferrous Metals Co., Ltd. ("Shizhuyuan") (and its predecessors). Mr. Zeng spent the next seven years as deputy secretary of the Party Committee, the head of mining, chairman and general manager of Shizhuyuan. From May 2002 to August 2004, Mr. Zeng was a deputy general manager and a member of the Party Committee of HNMC. Since September 2004, Mr. Zeng has been the deputy secretary of the Party Committee and a deputy general manager (operation) of HNG.

He Hongsen (賀洪森), aged 49, is one of the Supervisors and is a deputy general manager of HNG.

Mr. He graduated from the Central Party School in December 1995. Prior to joining HNG, Mr. He served in various positions in the Hunan provincial government. Since August 2004, Mr. He has been a member of the Party Committee of HNG, secretary of the discipline inspection commission, the chairman of the labour union and a director of HNG. Currently he is a member of the party committee and a deputy general manager of HNG.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Liu Xiaochu (劉曉初), aged 64, is one of our Supervisors and a deputy chief executive of Zijin Mining Group Co. Ltd.

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

Jin Liangshou (金良壽), aged 51, is one of our Supervisors and has been the manager of the financial resources department and deputy chief accountant of HNG since October 2004.

Mr. Jin graduated from Zhuzhou Metallurgy Industrial School in July 1981 and is a senior accountant and a member of the Chinese Institute of Certified Public Accountants. From July 1981 to July 1986, Mr. Jin worked in various positions at Zhuying including the capital department manager, assistant to the manager, the deputy manager and the manager of the Department of Finance. Between 1998 and 2004, Mr. Jin was a researcher at HNMC and the deputy general manager and general manager of Hunan Nonferrous Metals Enterprise Finance Company (湖南有色金屬企業財務公司). Mr. Jin joined HNG in August 2004.

Qi Xiaochun (戚小村), aged 36, is one of our Supervisors and has been the manager of the Human Resources Department since February 2007. Mr. Qi succeeded Mr. He Liu as our Supervisor since March 2007. Currently he is a deputy secretary of the party committee of Zhuying Group (株硬集團).

Mr. Qi graduated from Hunan Normal University (湖南師範大學) with a bachelor's degree in arts in 1996. He was awarded a Ph.D degree in 2006. He is currently undertaking a Post-doctorate degree of Economic Law at the Central South University (中南大學). Mr. Qi was an officer at the Hunan Local Taxation Bureau and a senior officer at the Education Office in 1996. In 2003, he was the Supervisor and Deputy Secretary of the Hunan Youth Office (湖南青年聯合會辦公室), and the Deputy Secretary of the "Hunan-Hong Kong Youth Exchange Conference" (湖南－香港青年交流促進會). In 2005, he was also the Assistant to the Supervisor of the "Hunan Provincial Foreign Trade Association's "Hunan – EU SME Partnership Fair" (湖南省對外貿易促進會「湖南－歐盟中小企業合作項目」). Mr Qi joined our Group in February 2007.

Li Junli (李俊利), aged 32, is one of our Supervisors and has been a manager of our Finance and Securities Department since September 2005. She was promoted to senior manager of our Finance and Securities Department in June 2006. She has been a secretary of the Board of ZhongWu GaoXin Materials Company Limited since 22 April 2008.

She graduated with a bachelor's degree in engineering from Henan University of Technology (河南工業大學) in 2000. She holds an MBA degree from the School of Business of Central South University. From 2000 to 2001, Ms. Li was a sales supervisor of Guangdong Foshan Sanshui Fengshun Food Limited (廣東佛山三水豐順食品有限公司), Guangzhou branch. From 2001 to 2003, she was a sales manager of Guangzhou Mega-Fun Food Products Ltd. (廣州萬家歡食品有限公司). From 2004 to February 2005, she was an assistant general manager of Changsha Tature Industry Co., Ltd. (長沙大嘉實業有限公司). Immediately prior to joining us, she was a manager at HNG.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Qi Yang (祁楊), aged 42, has been our Supervisor since March 2009.

Mr. Qi is a lawyer with post-graduate qualifications. Mr. Qi graduated from the Department of Economic Law of Zhongnan University of Finance, Politics and Law (中南財經政法大學) and has been assigned to work in the law committee and general office of the Hunan Provincial People's Political Consultative Committee, acting as deputy head. In March 1998, he worked for Xiangcai Securities Co., Ltd. (湘財證券有限責任公司) and served as general manager of its legal department and deputy general manager of the investment bank department. In September 2002, he served as general manager of Qinian Futures Company (祁年期貨公司). In March 2005, he set up Shanghai Goodwin Law Firm (上海格物律師事務所), acting as attorney-in-charge. From November 2006 to date, he has been working for HNG and served as officer and senior officer and head of legal affairs department. He is currently the head of the Office of HNG.

INDEPENDENT SUPERVISORS

Ou Wen (歐文), aged 42, has been our Supervisor since March 2009.

Mr. Ou majored in management in university. From June 2003 to August 2005, he served as deputy director of No.4 Office of the Provincial State-owned Major Enterprise Supervisory Committee (省屬國有重點企業監事會四辦事處副主任) delegated by the Hunan Provincial Government. From August 2005 to May 2007, he was deputy director of No.6 Office of the Provincial State-owned Major Enterprise Supervisory Committee (省屬國有重點企業監事會六辦事處副主任) delegated by the Hunan Provincial Government. From May 2007 to September 2008, he was deputy head of the Performance Evaluation Department (業考處) of the Provincial State-owned Assets Supervision and Administration Commission. From September 2008 to date, he has been serving as director of No.6 Office of the Provincial State-owned Key Enterprise Supervisory Committee (省屬國有重點企業監事會六辦事處主任) delegated by the Hunan Provincial Government.

Liu Dongrong (劉冬榮), aged 68, has been an independent Supervisor since September 2005.

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

The State Council of the PRC has granted Ms. Liu a special stipend based on her expertise in her field.

OTHER SENIOR MANAGEMENT

Zhou Xianlin (周獻林), aged 51. Mr. Zhou graduated from Changsha Nonferrous Metal Industrial School in July 1980 majoring in Mineral Sciences. In July 1986, Mr. Zhou graduated from the Corporate Management Department of Jiangxi Institute of Metallurgy. Mr. Zhou received a postgraduate degree in Business Management from the Chinese Academy of Social Sciences in 1998. He is a senior economist and a senior human resources adviser. Mr Zhou was a senior economist and senior human resources division From 1976 to 1978, Mr. Zhou taught at the Miluoyuchi Secondary School and School of Agricultural Sciences before working in the Descloizite Mine in Taolin. From December 1995 to June 2003, Mr. Zhou was the deputy mine officer of the Descloizite Mine in Taolin, deputy secretary of the party committee, chief deputy mine officer, secretary of the party discipline committee and secretary of the party committee (Sub-departmental Level). From June 2003 to December 2003, Mr. Zhou served as the secretary of the party committee of the Descloizite Mine in Taolin, mine co-officer and secretary of the discipline party committee. From September 2004 to July 2006, Mr. Zhou was the chief officer of the human resources department of Hunan Nonferrous Metals Holding Group Co., Ltd. and was a member of the party committee of the Hunan Nonferrous Metals Holding Group Co., Ltd. since August 2006. Mr. Zhou was appointed as the deputy general manager on 18 July 2007.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Hong Mingyang (洪明洋), aged 52, joined the workforce in August 1980 after tertiary education. Mr. Hong is a senior engineer, a senior economist, registered safety adviser and the deputy Chairman of the China Tungsten Industry Association. Mr. Hong received honourable titles such as the Top Ten Outstanding Contribution Entrepreneurs of Chenzhou City (郴州市十大突出貢獻企業家) and Ten Best Ideological and Political Workers of Hunan Province (湖南省十佳思想政治工作者). From March 1978 to August 1980, Mr. Hong studied in Changsha Nonferrous Metals Industrial School. From August 1980 to August 1982, Mr. Hong studied in Central South Mineral Sciences and Metallurgy School. From August 1982 to July 1984, Mr. Hong served as the director and assistant engineer in Shizhu Yuan Multi-Metals Mine in Hunan. From July 1984 to February 2000, Mr. Hong served at Shizhu Yuan as Communist Young League Committee secretary, stope officer, officer and secretary of an ore processing plant, mine branch officer, deputy general manager of a developmental company, officer of the sales department and general manager of an import and export company. From February 2000 to May 2002, Mr. Hong was the deputy officer of Shizhu Yuan Nonferrous Metals Mine in Hunan, deputy general manager and financial controller of Hunan Shizhu Yuan Nonferrous Metals Co, Ltd. (during that period, Mr. Hong was engaged in the economic management professional course organised by the Central Party School). From May 2002 to November 2007, Mr. Hong served as the director and party committee secretary of Hunan Shizhu Yuan Nonferrous Metals Co, Ltd. Mr. Hong was appointed as the deputy manager on 21 December 2007.

Deng Yingjie (鄧英傑), aged 45. Mrs. Deng received a master degree from the foreign language department of Sichuan University in July 1988. Mrs. Deng obtained her doctor degree in Business Administration from Central South University in July 2006. She was accredited the “Excellent Lady of Hengyang” jointly by the party committee, propaganda committee, Human Resources Department and Association of Women of Hengyang and was also accredited as “Outstanding Lady” of Hunan.

From 1988 to 1993, Mrs. Deng was assigned to Hunan Technology Import & Export Corporation and was responsible for import and export trading and invitations for international tender and bidding business. From 1993 to 1994, Mrs. Deng was the assistant to general manager of CITIC Xinhai Industrial Company, Hunan Branch and was responsible for import and export business. From 1994 to 2005, she was assigned to a state-owned enterprise in Hengyang due to her outstanding performance and acted as a government officer of Hengyang City. From 1994 to September 2005, she worked in Hunan Gold Fruit Industry Co., Ltd., a listing company, as the deputy general manager, deputy general manager (operation) and general manager. Mrs. Deng was also the general manager of Hunan Gold Fruit Industry Co., Ltd., legal representative and general manager of Hengyang Natural Gas Co. Ltd., legal representative and chairman of Hengyang Electric Cable Factory and Resort Intime Sanya, a five-star resort, from 2002 to 2006. In October 2006, Mrs. Deng was a member of the party committee, deputy general manager of Hunan Electronic Information Production Group, a collectively-owned enterprise, and was responsible for investment and planning. In November 2007, Mrs. Deng was appointed as the deputy general manager of our Company.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Sheng Zhongjie (盛忠傑), aged 48. He received his bachelor of engineering degree in mine selection from the mineral engineering department (礦物工程系選礦專業) of Central South University of Technology (中南工業大學) in August 1982. He was a postgraduate student of mineral engineering mathematical model (礦物工程數學模型) in Changsha Research Institute of Mining and Metallurgy (長沙礦冶研究院) of the Ministry of Metallurgical Industry from August 1985 to June 1988 and received his master of engineering degree in June 1988.

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

Lam Kai Yeung (林繼陽), aged 41, has been the Company Secretary and Qualified Accountant of the Company since joining the Group in July 2006. He also serves as the Chief Financial Officer of Hunan Nonferrous Metals Jinsheng Development Company Ltd.

Mr. Lam is a Fellow of the Association of Chartered Certified Accountants and a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Lam holds a Master Degree in Business Administration from Oxford Brookes University in the United Kingdom. Mr. Lam possesses financial and auditing experience for around 20 years in Hong Kong.

EMPLOYEES

As of 30 June 2010, the Group had approximately 22,138 full-time employees. Their job nature and their distribution in department are as follows:

Department	Employees	Percentage of the total (%)
Management and administration	2,000	9.0%
Engineering and technical personnel	4,300	19.4%
Production personnel	12,595	56.9%
Repair and maintenance	1,880	8.5%
Inspection	813	3.7%
Sales	550	2.5%
Total	22,138	100.0%

The employees' remuneration package of the Group includes salary, bonus and allowance. The Group has participated in the social insurance contribution plans implemented by the local governments in the PRC. Pursuant to the relevant national and local labour and social welfare laws and regulations, the Group shall pay for the employees the monthly social insurance premium covering the pension insurance, the medical insurance, the unemployment insurance and the housing reserve fund. According to the current applicable local regulations, the contribution of the Group to the employees' pension insurance, medical insurance, unemployment insurance and housing reserve fund shall be equivalent to 20%, 8%, 2% and 5% to 12% respectively of the total basic monthly salary of each employee.

SHARE CAPITAL

	As at 30 June 2010		As at 31 December 2009	
	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 2010, the share capital structure of the Company was as follows:

	As at 30 June 2010	
	Percentage of the number of shares in issue	Percentage of share capital
Holders of domestic shares and 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 domestic shares	2,035,330,000	55.49%
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 2010, 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 of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance (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 H 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%(*)
The Dreyfus Corporation	81,692,000(L)	5.00(*)

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 2010, 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' AND SUPERVISORS' 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 2010:

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 2009 annual report.

DIRECTORS' AND SUPERVISORS' INTERESTS

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

Save as disclosed above, as at 30 June 2010, 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.

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 2010, 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 further 6.12% equity interest in Hunan Shizhuyuan Nonferrous Metals Co., Ltd., with a cumulative shareholding in this Company 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 further 24.42% equity interest in Hsikwangshan Twinkling Star Antimony Co., Ltd., with a cumulative shareholding in this Company 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.

In September 2009, the Company used the proceeds in the amount of RMB81.95 million for investing in the establishment of Hunan Nonferrous Antimony Mine Ltd., in which the Company held an equity interest of 100%.

In September 2009, the Company used the proceeds in the amount of RMB158 million for the mining of Hunan Nonferrous Antimony Mine Ltd., a subsidiary of the Company.

CORPORATE GOVERNANCE

The Company is committed to improving its corporate governance and enhancing its transparency to shareholders. In the opinion of the Board, for the six months ended 30 June 2010, 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>)	3 out of 3
Cao Xiuyun	3 out of 3
Li Li	3 out of 3
Liao Luhai	3 out of 3
Chen Zhixin	3 out of 3
Wu Longyun	3 out of 3
Zhang Yixian	3 out of 3
Zou Jian	3 out of 3
Kang Yi	2 out of 3
Gu Desheng	3 out of 3
Chen Xiaohong	2 out of 3
Wan Ten Lap	3 out of 3
Choi Man Chau	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 2010, which was attended by all supervisors.

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 2010 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 2010, 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.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Note	Six months ended 30 June	
		2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
REVENUE	3,4	9,665,852	6,200,976
Cost of sales		(8,904,323)	(5,813,164)
Gross profit		761,529	387,812
Other income and gains	4	74,226	101,960
Selling and distribution costs		(173,224)	(131,671)
Administrative expenses		(612,569)	(381,660)
Other expenses, net		(36,563)	(2,697)
Finance income		13,218	18,419
Finance costs		(258,813)	(204,140)
Share of profits/(losses) of associates		1,350	(9,718)
LOSS BEFORE TAX	5	(230,846)	(221,695)
Income tax (expenses)/credit	6	(39,059)	17,499
LOSS FOR THE PERIOD		(269,905)	(204,196)
Attributable to:			
Equity holders of the Company		(168,763)	(212,363)
Non-controlling interests		(101,142)	8,167
		(269,905)	(204,196)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic	8	(4.60 cents)	(5.79 cents)

The notes on pages 38 to 56 form an integral part of its condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

Six months ended 30 June

	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Loss for the period	(269,905)	(204,196)
Other comprehensive income		
Exchange realignment	(25,029)	57,854
Disposal of available-for-sale financial assets, net of tax	(402)	(20,178)
Changes in fair value of available-for-sale financial assets, net of tax	(84,932)	132,153
Net actuarial losses of defined benefit retirement schemes, net of tax	(8,136)	(1,442)
Other comprehensive income for the period, net of tax	(191)	4,011
Total comprehensive income for the period, net of tax	(388,595)	(31,798)
Total comprehensive income attributable to:		
- equity holders of the Company	(236,332)	(135,710)
- non-controlling interests	(152,263)	103,912
	(388,595)	(31,798)

The notes on pages 38 to 56 form an integral part of its condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010

	Note	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	7,538,746	7,345,501
Land lease prepayments		910,515	932,854
Intangible assets		1,202,202	1,202,869
Other assets	10	691,581	685,591
Goodwill		79,547	79,547
Interests in associates		123,215	121,630
Available-for-sale financial assets		262,134	364,211
Deferred tax assets		88,691	91,482
Total non-current assets		10,896,631	10,823,685
CURRENT ASSETS			
Inventories		4,904,943	4,761,413
Trade receivables	11	940,506	770,573
Bills receivable		548,076	554,989
Prepayments, deposits and other receivables	12	1,991,787	1,279,485
Held-to-maturity financial assets		5,000	5,000
Tax recoverable		56,728	44,902
Pledged deposits	13	61,521	54,441
Cash and cash equivalents	13	2,301,688	2,570,648
Total current assets		10,810,249	10,041,451
CURRENT LIABILITIES			
Trade payables	14	974,911	924,835
Bills payable		115,500	385,670
Other payables and accruals	15	1,977,884	1,576,425
Interest-bearing bank and other borrowings	16	5,473,851	4,158,464
Tax payable		30,205	7,415
Dividend payable		94,910	63,047
Total current liabilities		8,667,261	7,115,856
NET CURRENT ASSETS		2,142,988	2,925,595
TOTAL ASSETS LESS CURRENT LIABILITIES		13,039,619	13,749,280

The notes on pages 38 to 56 form an integral part of its condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010

	Note	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	16	6,123,761	6,323,144
Other liabilities	17	401,715	413,199
Payables for mining rights		138,278	122,817
Government grants		220,152	227,342
Deferred tax liabilities		204,941	222,160
Total non-current liabilities		<u>7,088,847</u>	<u>7,308,662</u>
NET ASSETS		<u>5,950,772</u>	<u>6,440,618</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	18	3,668,058	3,668,058
Reserves		364,374	600,706
		<u>4,032,432</u>	<u>4,268,764</u>
Non-controlling interests		<u>1,918,340</u>	<u>2,171,854</u>
TOTAL EQUITY		<u>5,950,772</u>	<u>6,440,618</u>

The notes on pages 38 to 56 form an integral part of its condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2010

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Issued share capital	Capital reserve	Statutory reserve	Exchange fluctuation reserve	Other reserves	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010	3,668,058	953,438	95,597	18,782	78,135	(545,246)	4,268,764	2,171,854	6,440,618
Total comprehensive income for the period ended 30 June 2010	—	—	—	(23,629)	(36,534)	(176,169)	(236,332)	(152,263)	(388,595)
Transactions with owners in their capacity as owners:									
Capital contributions from non-controlling interests	—	—	—	—	—	—	—	18,980	18,980
Dividend paid and payable to non-controlling interests	—	—	—	—	—	—	—	(120,231)	(120,231)
Total transactions with owners	—	—	—	—	—	—	—	(101,251)	(101,251)
Balance at 30 June 2010 (Unaudited)	3,668,058	953,438	95,597	(4,847)	41,601	(721,415)	4,032,432	1,918,340	5,950,772

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Issued share capital	Capital reserve	Statutory reserve	Exchange fluctuation reserve	Other reserves	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance 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
Total comprehensive income for the period ended 30 June 2009	—	—	—	51,779	29,170	(216,659)	(135,710)	103,912	(31,798)
Transactions with owners in their capacity as owners:									
Capital contributions from non-controlling interests	—	—	—	—	—	—	—	15,088	15,088
Dividend paid and payable to non-controlling interests	—	—	—	—	—	—	—	(88,679)	(88,679)
Total transactions with owners	—	—	—	—	—	—	—	(73,591)	(73,591)
Balance at 30 June 2009 (Unaudited)	3,668,058	934,476	93,977	(7,541)	83,587	(389,777)	4,382,780	2,112,809	6,495,589

The notes on pages 38 to 56 form an integral part of its condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

30 June 2010

		Six months ended 30 June	
	Note	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES - NET			
		(608,667)	(365,353)
CASH FLOWS FROM INVESTING ACTIVITIES			
- purchase of property, plant and equipment		(536,292)	(556,556)
- proceeds on disposal of property, plant and equipment		15,085	5,291
- other investing cash flows - net		(93,697)	87,272
		<u>(614,904)</u>	<u>(463,993)</u>
CASH FLOWS FROM INVESTING ACTIVITIES - NET			
CASH FLOWS FROM FINANCING ACTIVITIES			
- dividend paid to non-controlling interests		(88,368)	(340,884)
- additions of borrowings		4,491,517	4,528,942
- repayments of borrowings		(3,373,280)	(3,362,036)
- other finance cash flows - net		(91,466)	174,152
		<u>938,403</u>	<u>1,000,174</u>
CASH FLOWS FROM FINANCING ACTIVITIES - NET			
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(285,168)	170,828
Effect of foreign exchange rate changes, net		(28,042)	42,971
Cash and cash equivalents at beginning of period		2,525,148	3,093,248
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u><u>2,211,938</u></u>	<u><u>3,307,047</u></u>
	13		

The notes on pages 38 to 56 form an integral part of its condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2010

1. CORPORATE INFORMATION

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

The registered office of the Company is located at 11th Floor, Block A, Yousedasha, 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.

According to the previous announcement of the Company, State-Owned Assets Supervision and Administration Commission of Hunan Provincial People’s Government, Hunan Nonferrous Metals Holdings Group Co., Ltd. (“HNG”), Minmetals Nonferrous Metals Holding Company Limited (“MNMH”) and the China Minmetals Corporation entered an Equity Transfer Agreement, subject to the agreement becoming effective and satisfaction (or waiver, when applicable), MNMH, a wholly-owned subsidiary of China Minmetals Corporation, will become the registered owner of an aggregate of 51% interest in HNG by way of capital injection and equity transfer, and through HNG, which currently holds 53.08% of the issued share capital of the Company, obtain and indirect control of the Company. As the agreement is completed in accordance with the applicable PRC laws and regulations and approved by the respective PRC’s governmental department, up to date of this condensed consolidated interim financial information, HNG is the parent company of the Company while the China Minmetals Corporation is the ultimate holding company. 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.

These condensed consolidated interim financial information are presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information has not been audited.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2010

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with IFRSs.

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009.

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

IFRS 3 (revised), ‘Business combinations’, and consequential amendments to IAS 27, ‘Consolidated and separate financial statements’, IAS 28, ‘Investment in associates’, and IAS 31, ‘Interests in joint ventures’, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the 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. All acquisition-related costs are expensed.

As the Group has adopted IFRS 3 (revised), it is required to adopt IAS 27 (revised), ‘Consolidated and separate financial statements’, at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. There has been no impact of IAS 27 (revised) in the current period, as none of the non-controlling interests have a deficit balance.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2010

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

- IFRIC-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- IFRIC-Int 18, 'Transfers of assets from customers' is effective for annual periods beginning on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.
- IAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as it has no hedging.
- IFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no such share-based payment transactions.
- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.
- Second improvements to International Financial Reporting Standards 2009 were issued in April 2009 by IASB and May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

IFRS 9	Financial instruments ⁴
IAS 24 (revised)	Related party disclosures ³
IAS 32 (amendments)	Financial instruments: presentation – 'Classification of right issues' ¹
IFRIC-Int 14 (amendments)	IAS 19 – The limit on a defined benefit asset, Minimum funding requirements and their interaction – 'prepayments of a minimum funding requirements' ³
IFRIC-Int 19	Extinguishing financial liability with equity instruments ²
IFRS 7	Limited exemption from comparative disclosures for first-time adopters ²

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

Third improvements to International Financial Reporting Standards (2010) were issued in May 2010 by the IASB. All improvements are effective in the financial year of 2011.

The Group has not early applied the new and revised standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2010

3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of directors. The board of directors consists of the chairman, non-executive directors, independent non-executive directors and the financial controller. This board of directors reviews 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 used to make strategic decisions.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2010

3. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2010 (Unaudited)	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	1,289,331	5,591,255	2,831,776	—	—	9,712,362
Inter-segment sales	155,915	399	33,569	—	(189,883)	—
Less: Sales tax and surcharges	(17,825)	(9,263)	(19,422)	—	—	(46,510)
Total	1,427,421	5,582,391	2,845,923	—	(189,883)	9,665,852
Segment results	99,606	(133,303)	189,519	(130,125)	—	25,697
Dividend income						920
Finance costs						(258,813)
Share of profits from associates	—	—	1,350	—	—	1,350
Loss before tax						(230,846)
Income tax expenses						(39,059)
Loss for the period						(269,905)
Total assets 30 June 2010						
Segment assets	7,308,565	6,649,461	6,160,142	1,057,944	—	21,176,112
Interests in associates	—	—	—	123,215	—	123,215
Unallocated assets						407,553
Total assets						21,706,880
31 December 2009						
Segment assets	7,344,865	6,092,190	5,701,638	1,099,218	—	20,237,911
Interests in associates	—	—	—	121,630	—	121,630
Unallocated assets						505,595
Total assets						20,865,136

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2010

3. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2009 (Unaudited)	Nonferrous metal mine sites RMB'000	Nonferrous metal smelting RMB'000	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:						
Sales to external customers	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)
Total	<u>768,239</u>	<u>3,639,178</u>	<u>1,945,045</u>	<u>—</u>	<u>(151,486)</u>	<u>6,200,976</u>
Segment results	<u>(139,464)</u>	<u>78,356</u>	<u>(51,482)</u>	<u>104,015</u>	<u>—</u>	<u>(8,575)</u>
Dividend income						738
Finance costs						(204,140)
Share of loss from associates	(100)	—	(9,618)	—	—	(9,718)
Loss before tax						(221,695)
Income tax credit						17,499
Loss for the period						<u>(204,196)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2010

4. 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	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue:		
Sale of goods	9,712,362	6,237,608
Less: Sales tax and surcharges	(46,510)	(36,632)
	<u>9,665,852</u>	<u>6,200,976</u>
Other income and gains:		
Dividend income	920	738
Profit from scrap sales	9,867	1,124
Profit from sale of utilities	—	2,807
Gross rental income	4,536	2,071
Gains on disposal of available-for-sale financial assets	652	53,637
Net realised and unrealised gains on derivative financial instruments	—	14,386
Recognition of government grants	39,044	17,897
Rendering of services	8,307	388
Net gains on disposal of property, plant and equipment	2,038	236
Investments income	81	63
Others	8,781	8,613
	<u>74,226</u>	<u>101,960</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2010

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Cost of inventories sold	8,904,323	5,813,164
Depreciation	351,507	248,830
Amortisation of land lease prepayments	9,734	9,725
Amortisation of intangible assets		
- Mining rights	20,245	19,394
- Technical know-how and others	5,926	3,181
Provision for obsolete inventories	117,480	69,420
Provision for impairment on trade and other receivables, net*	2,813	8,235
Gains on disposal of property, plant and equipment*	(2,038)	(236)
Profit from scrap sales*	(9,867)	(1,124)
Net realised and unrealised losses/(gains) on derivative financial instruments*	23,367	(14,386)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2010

6. INCOME TAX (EXPENSES)/CREDIT

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 Jingong Scientific and Technological Company Limited is subject to a preferential CIT rate of 15% as it is qualified as a high technology enterprise.
- (ii) Zigong Cemented Carbides Company Limited is located in western region of Mainland 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, Chenzhou Diamond Tungsten Products Company Limited and Hsikwangshan Twinkling Star Antimony Co., Ltd. are subject to a preferential CIT rate of 15% as it is qualified as a high technology enterprise.

Major components of the Group's income tax (expense)/credit are as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax - PRC income tax:		
Current tax on loss for the period	(38,921)	(4,888)
Deferred tax:		
Origination and reversed of temporary difference	(138)	22,387
Income tax (expenses)/credit for the period	(39,059)	17,499

The share of income tax expenses attributable to associates is RMB140,000 (six months ended 30 June 2009: RMB153,000) which is included in "Share of profits/(losses) of associates" on the face of the condensed consolidated income statement.

7. DIVIDENDS

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2010

8. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(a) Basic

Basic loss per share is calculated by dividing the loss attributed to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Loss		
Net loss for the period attributable to equity holders of the Company	<u>(168,763)</u>	<u>(212,363)</u>
Shares		
Weighted average number of ordinary shares in issue for the period (thousands)	<u>3,668,058</u>	<u>3,668,058</u>

(b) Diluted

The diluted loss per share for the current and previous periods is the same as the basic loss per share as there are no diluted ordinary shares during the periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group acquired property, plant and equipment in an aggregate amount of approximately RMB576,040,000 (30 June 2009: RMB414,298,000) and disposed of property, plant and equipment with an aggregate net book value of approximately RMB13,047,000 (30 June 2009: RMB6,206,000), resulting in a net gain on disposal of approximately RMB2,038,000 (30 June 2009: loss RMB918,000).

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

10. OTHER ASSETS

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Exploration and evaluation assets	<u>691,581</u>	<u>685,591</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2010

11. 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.

At 30 June 2010, the ageing analysis of the trade receivables, based on invoice date, were as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Less than 1 year	928,842	745,513
Over 1 year but less than 2 years	13,940	31,989
Over 2 years but less than 3 years	6,904	9,018
Over 3 years	33,915	28,216
	<hr/>	<hr/>
	983,601	814,736
Less: Provision for impairment	(43,095)	(44,163)
	<hr/>	<hr/>
	940,506	770,573
	<hr/> <hr/>	<hr/> <hr/>

At 30 June 2010, included in the trade receivables of the Group, are receivables from HNG and its subsidiaries ("HNG Group") excluding the Group of RMB25,203,000 (31 December 2009: RMB42,778,000) which were unsecured, interest-free and repayable on demand.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Prepayments to suppliers	659,771	401,965
Other receivables	1,421,592	965,142
	<hr/>	<hr/>
	2,081,363	1,367,107
Less: Provision for impairment	(89,576)	(87,622)
	<hr/>	<hr/>
	1,991,787	1,279,485
	<hr/> <hr/>	<hr/> <hr/>

At 30 June 2010, included in the prepayments to suppliers and other receivables of the Group, are receivables from HNG and its subsidiaries ("HNG Group") excluding the Group of RMB87,636,000 (31 December 2009: RMB32,991,000) which were unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2010

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Cash and bank balances	2,101,326	2,436,477
Time deposits	261,883	188,612
	<u>2,363,209</u>	<u>2,625,089</u>
Less: Pledged cash and time deposits against trade finance facilities	(61,521)	(54,441)
Cash and cash equivalents in the condensed consolidated statement of financial position	2,301,688	2,570,648
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(89,750)	(45,500)
Cash and cash equivalents in the condensed consolidated cash flow statement	<u>2,211,938</u>	<u>2,525,148</u>

At 30 June 2010, the cash and bank balances and time deposits of the Group included HKD108,189,000 (31 December 2009: HKD108,579,000), USD6,411,000 (31 December 2009: USD23,866,000), AUD52,682,000 (31 December 2009: AUD50,003,000), EUR1,697,000 (31 December 2009: EUR933,000), CAD3,134,000 (31 December 2009: CAD5,035,000) and JPY572,000 (31 December 2009: JPY2,205,000) respectively.

14. TRADE PAYABLES

At 30 June 2010, the ageing analysis of the trade payables, based on invoice date, were as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Less than 1 year	948,318	901,526
Over 1 year but less than 2 years	14,201	11,017
Over 2 years but less than 3 years	3,139	2,928
Over 3 years	9,253	9,364
	<u>974,911</u>	<u>924,835</u>

At 30 June 2010, the amounts due to the HNG Group, totaling RMB 22,961,000 (31 December 2009: RMB8,185,000), included in the Group's trade payables were unsecured, interest-free and repayable with trade credit periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2010

15. OTHER PAYABLES AND ACCRUALS

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Advances from customers	939,673	379,103
Accrued taxes other than income tax	29,661	90,707
Accrued salaries, wages and benefits	109,940	81,271
Payables for mining rights - current portion	329,611	365,932
Accrued expenses and other payables	568,999	659,412
	<u>1,977,884</u>	<u>1,576,425</u>

Other payables were non-interest-bearing and have no fixed term of repayment (except for payables for mining rights).

At 30 June 2010, included in other payables and accruals of the Group were amount due to the HNG Group of RMB187,896,000 (31 December 2009: RMB307,791,000).

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

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Current	5,473,851	4,158,464
Non-current	6,123,761	6,323,144
	<u>11,597,612</u>	<u>10,481,608</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2010

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

Movements in borrowings is analysed as follows:

	RMB'000
Six months ended 30 June 2009	
Opening amount at 1 January 2009	8,577,742
Additions during the period	4,528,942
Repayments of borrowings	(3,362,036)
	<hr/>
Closing amount at 30 June 2009	9,744,648
	<hr/> <hr/>
Six months ended 30 June 2010	
Opening amount at 1 January 2010	10,481,608
Exchange difference	(2,233)
Additions during the period	4,491,517
Repayments of borrowings	(3,373,280)
	<hr/>
Closing amount at 30 June 2010	11,597,612
	<hr/> <hr/>

- (i) Other than certain of the bank loans in the aggregate amount of USD167,850,000, CAD308,000 and AUD35,385,000 as at 30 June 2010 (31 December 2009: USD153,472,000, CAD912,000 and AUD74,000), the Group's bank loans are mainly 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, land lease prepayments and inventories, which had an aggregate carrying value of approximately RMB1,633,684,000 as at 30 June 2010 (31 December 2009: RMB1,308,220,000).
- (iii) The entrusted loans amounting to RMB1,000,000,000 were granted by HNG Group to the Group (31 December 2009: RMB950,000,000) as at 30 June 2010.
- (iv) Interest expenses on bank and other borrowings for the six months ended 30 June 2010 were RMB258,813,000 (for the six months ended 30 June 2009: RMB237,849,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2010

17. OTHER LIABILITIES

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Provision for supplementary pension subsidies and early retirement benefits (note)	405,994	417,792
Share appreciation rights plan	12,224	12,224
Provision for reclamation and rehabilitation	23,778	24,604
	<hr/>	<hr/>
Balance as at period/year end	441,996	454,620
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Current portion included in other payables and accruals	40,281	41,421
Long term liabilities	401,715	413,199
	<hr/>	<hr/>
	441,996	454,620
	<hr/> <hr/>	<hr/> <hr/>

Note:

Prior to the reorganisation, 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 condensed consolidated income statement of the Group so as to spread the service cost 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 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 recognised in the period when employees opted for early retirement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2010

18. SHARE CAPITAL

	Number of shares 30 June 2010 '000	Nominal value 30 June 2010 RMB'000 (Unaudited)	Number of shares 31 December 2009 '000	Nominal value 31 December 2009 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
	<u>3,668,058</u>	<u>3,668,058</u>	<u>3,668,058</u>	<u>3,668,058</u>

19. 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 2010, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Within one year	11,491	8,095
In the second to fifth years, inclusive	25,135	22,624
After five years	55,740	58,481
	<u>92,366</u>	<u>89,200</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2010

20. COMMITMENTS

At 30 June 2010, the Group had the following capital commitments:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	539,364	178,842
Other assets	7,024	—
	<u>546,388</u>	<u>178,842</u>

Note:

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

21. RELATED PARTY TRANSACTIONS

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

(a) Transactions with the HNG Group

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Sales of raw materials and products	55,363	55,507
Sales of property, plant and equipment	—	15
Provision for electricity and water	449	212
Subcontracting income	182	1,719
Purchase of raw materials and products	47,462	101,344
Transportation service fees	11,321	4,312
Repairs and maintenance fees	5,642	—
Installation charges	588	9,480
Subcontracting fees	9,524	22,942
Rental fees	6,635	5,958
Property management service	1,041	2,384

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2010

21. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with associates

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Sales of raw materials and products	457,589	299,018
Purchase of raw materials and products	591,361	342,118
Rental income	—	150
Provision for electricity and water	—	17,728
Service fees	9,778	14
Purchases of property, plant and equipment	—	4,638

(c) Guarantee granted by HNG to the Group

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
	Corporate guarantee	1,061,810

(d) Lease of land use right from HNG

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Lease of land use right	4,502	6,992

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2010

22. EVENTS AFTER THE BALANCE SHEET DATE

- (a) At 2 August 2010, MNMH and China Minmetals Corporation announced, that the registration for 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. Therefore, pursuant to the chain principle of the Takeovers Code, a mandatory unconditional cash offer to our Group (H Share) will be made by China Minmetals Hong Kong (Holdings) Limited (a wholly-owned subsidiary of China Minmetals Corporation) at the Offer Price of HK\$1.73 per H Share. For details, please refer to the Company's related announcement.

MNMH paid a total consideration of RMB5.595 billion for such 51% equity interest in HNG.

- (b) At 11 August 2010, the Company signed a Equity Transfer Agreement with HNG (the Holding Company), to acquire 100% equity interest in Chenzhou City Huangshaping Iron Ore Processing Co., Ltd., with the consideration of RMB67,285,900.

23. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

This condensed consolidated interim financial information were approved and authorised for issue by the board of directors on 23 August 2010.