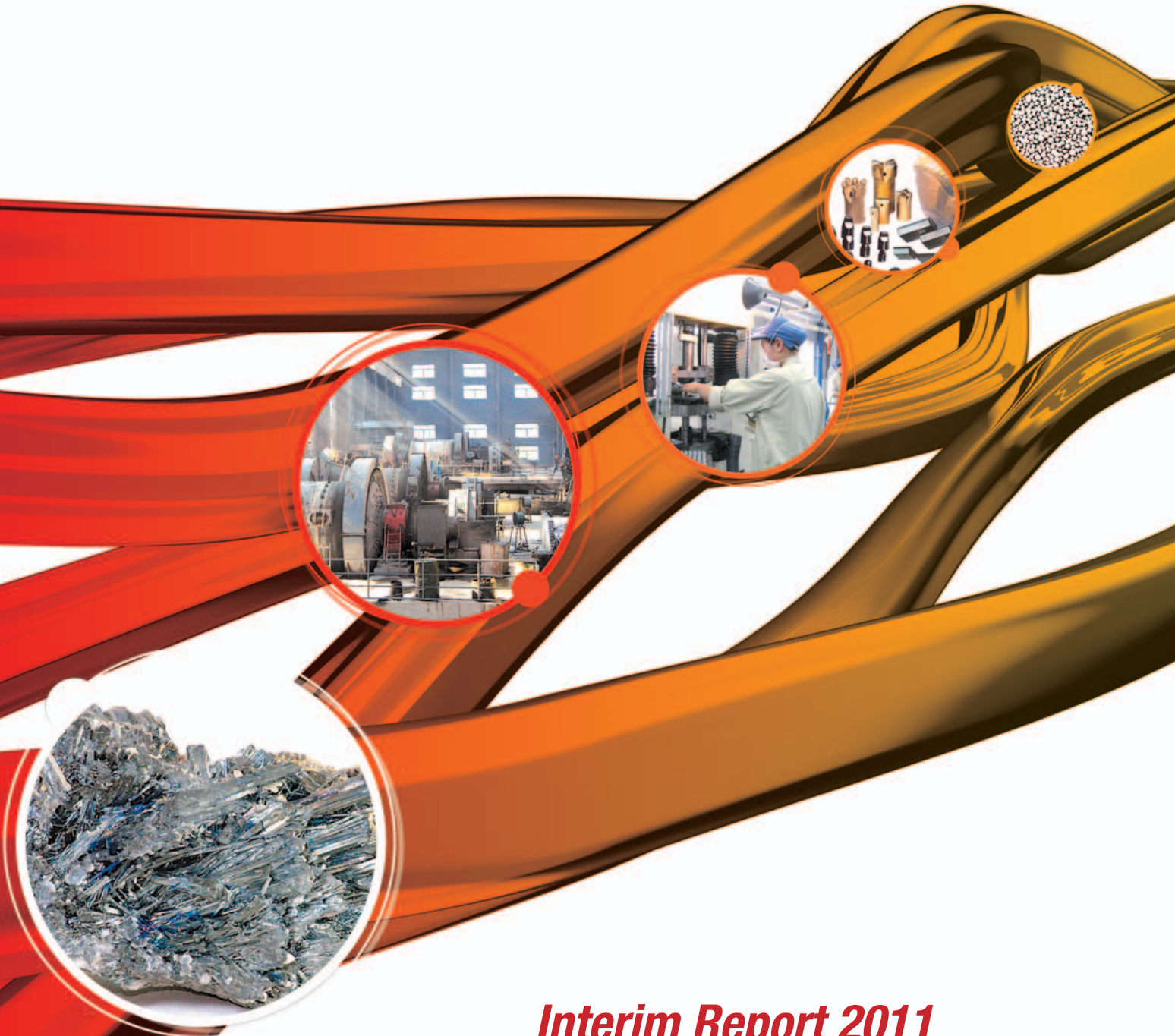




# HUNAN NONFERROUS METALS CORP., LTD.

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

(Stock Code: 02626)




## *Interim Report 2011*





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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Li Fuli (*Chairman of board of directors*)

Li Li

Liao Luhai

Guo Wenzhong

### Non-Executive Directors

Cao Xiuyun

Huang Guoping

Chen Zhixin

Zou Jian

### Independent Non-Executive Directors

Kang Yi

Gu Desheng

Chen Xiaohong

Wan Ten Lap

Choi Man Chau, Michael

### Supervisors

Jin Liangshou (*Chairman of supervisory committee*)

He Hongsen

Liu Xiaochu

Chen Hui

Qi Yang

Kang Weihua (Resigned on May 2011)

Hou Xiaohong

### Independent Supervisor

Liu Dongrong

Xiao Yinong

## 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*)

Chen Zhixin

Wan Ten Lap

## REMUNERATION COMMITTEE

Gu Desheng (*Chairman of remuneration committee*)

Cao Xiuyun

Liao Luhai

Choi Man Chau, Michael

Wan Ten Lap

## NOMINATION COMMITTEE

Chen Xiaohong (*Chairman of nomination committee*)

Huang Guoping

Gu Desheng

## STRATEGY COMMITTEE

Li Fuli (*Chairman of strategy committee*)

Cao Xiuyun

Li Li

Liao Luhai

Guo Wenzhong

Gu Desheng

Zou Jian

Wan Ten Lap

## INTERNATIONAL AUDITOR

Baker Tilly Hong Kong Limited

# CORPORATE INFORMATION

## LEGAL ADVISORS

DLA Piper  
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

## 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: 02626  
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 28 August 2011  
Closure of Register N/A  
Interim Dividend N/A

## SHAREHOLDER'S ENQUIRIES

Finance and Securities Department  
(86) 731-85385556

Financial Public Relation Consultant and Media Enquiries  
Wonderful Sky Financial Group  
Unit 3103, 31st Floor,  
Office Tower, Convention Plaza,  
1 Harbour Road, Wanchai,  
Hong Kong

Tel: (852) 28511038

Fax: (852) 28151352

# MARKET REVIEW AND OUTLOOK

## MARKET REVIEW

(The following information is mainly derived from [www.metalchina.com](http://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 2011 was volatile with the highest and lowest price recorded in February and May, respectively. In the first quarter, the price fluctuated between US\$2,200 and US\$2,600 per ton and decreased to the range between US\$2,050 and US\$2,550 per ton in the second quarter. The monthly average price of three-month zinc futures in June was US\$2,251 per ton as quoted on the London Metal Exchange (the "LME"), representing a slight decrease of 1.6% as compared with that of December 2010 and an increase of 26.8% as compared with that of the corresponding period last year. In June, the spot price was US\$2,230 per ton as quoted on the LME, representing a slight decrease of 2.2% as compared with that of December 2010 and an increase of 28% as compared with that of the corresponding period last year. In general, the price of zinc was relatively weak among six base metals. The price of zinc had decreased under the overall market fluctuation in the first five months and rebounded to the similar level of the end of last year until June.

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 RMB16,000 and RMB20,000 per ton. However, the price remained below RMB18,500 per ton in the second quarter of the year. In the first half of the year, the highest and lowest price was RMB19,404 and RMB16,721 per ton respectively. As at the end of June, the monthly average price of zinc quoted on the SHFE was RMB17,215 per ton, representing a decrease of 7.2% as compared with that of the end of 2010 and an increase of 17.8% as compared with the same period of last year.

It is expected that the domestic and international prices of zinc in the second half of 2011 will be volatile and fluctuate between RMB15,000 and RMB20,000 per ton and US\$2,000 and US\$2,500 per ton, respectively.

### Lead

For international markets, the price of lead quoted on the LME generally fluctuated between US\$2,300 and US\$2,700 per ton in the first half of 2011. The spot price and three-month futures price of lead was US\$2,584 and US\$2,559 per ton respectively, representing an increase of 24% and 21.3% as compared with those of the corresponding period last year, respectively.

For domestic market, the lead futures began to be quoted on the SHFE in March 2011, which was a significant event of the domestic lead market. However, its effect on domestic lead price was much less than the market expectation. In the first half of the year, the price of refined lead generally fluctuated and decreased. The average spot price was RMB16,956 per ton, representing an increase of 8.9% as compared with that of the corresponding period last year, but such increase was much less than that quoted on the LME. The performance of international lead market was better than that of domestic market. It was mainly due to the excessive pressure on the domestic market resulting from over-supply of lead products in the People's Republic of China (the "PRC").

In general, the oversupply will continue in the global lead market but the situation will be improved. It is anticipated that the domestic and international lead price will be highly volatile in the second half of 2011. However, as the supply and demand was relatively weak in the domestic lead market, the domestic lead price will continue to be lower than those in the international market. It is expected that the lead price quoted on the LME will fluctuate between US\$2,200 and US\$2,850 per ton, while the domestic lead price will fluctuate between RMB15,000 and RMB21,000 per ton.



# MARKET REVIEW AND OUTLOOK

## Tungsten

For domestic market, the price of tungsten increased and subsequently fell during the first half of 2011. In the first five months, due to the mine sites administration and reorganization measures and continuous shortage in power supply, the price of tungsten concentrates surged to its peak of RMB158,000 per ton, representing an increase of 46% as compared with that of the beginning of the year. As at the end of June, the price of tungsten concentrates decreased by 18% from its peak to RMB130,000 per ton as a result of a rationalization of tungsten price after the divestment of speculative investors. The average price of tungsten concentrates from January to June was RMB131,000 per ton, representing an increase of 70% as compared with that of the corresponding period last year. Average price of Ammonium Paratungstate products (“APT”) from January to June was RMB203,000 per ton, representing an increase of 69% as compared with that of the corresponding period last year.

For international markets, under the effect of export quota, the fluctuation of the price of APT in the European market was slightly lagged behind. From January to June this year, the price of APT in the European market was US\$401 per degree of ton (噸度), representing an increase of 89% as compared with that of the corresponding period last year.

In long term, the global economy will recover moderately while the domestic economic growth will remain steady but the pace will slow down. The growth of export and consumption of tungsten in the PRC will be driven by the macro-economic situation. It is anticipated that the shortage of supply may not be improved in near future and the price of tungsten will be volatile and remain at a relatively high level due to the official constraint on production in the PRC. It is expected the tungsten price will fluctuate between RMB125,000 and RMB150,000 per ton in the second half of 2011.

## Antimony

For domestic market, the price of antimony increased and subsequently fell during the first half of 2011. Since October 2010, the price of antimony had increased for six consecutive months until mid April from which antimony price turned around and decreased. Subsequently, antimony price became steady at the end of June. In the first half of the year, The average price of antimony ingots 2# stood at RMB98,000 per ton, representing an increase of nearly 92% as compared with that of the corresponding period last year.

For international markets, the antimony price moved generally in line with the domestic antimony market. Due to the adjustment of the domestic antimony market, the international antimony price has decreased since mid April. From January to June, the monthly average price of international standard grade II refined antimony was US\$14,990 per ton, representing an increase of 98% as compared with that of the corresponding period last year.

It is anticipated that the antimony market will be highly volatile and stagnant in the second half of the year. The Antimony price will fluctuate between RMB80,000 and RMB100,000 per ton.

# MARKET REVIEW AND OUTLOOK

## BUSINESS REVIEW AND OUTLOOK

In general, there was a sign of recovery in the global economy in the first half of 2011. The global metal market has fluctuated which had increased and subsequently slowed down. The prices of our major products, such as tungsten, antimony and cemented carbides, have maintained their rising momentum after a significant growth last year. In particular, prices of several products recorded their historic peaks. Prices of our lead and zinc products were still fluctuating at a relatively low level and the profitability of our lead and zinc segments has continued to deteriorate.

From January to June 2011, the Company produced 40,540 tons of copper, representing a decrease of 19.81%; 275,726 tons of zinc, representing an increase of 5.68%; 16,485 tons of antimony, representing an increase of 3.46%, and 4,960 tons of cemented carbides, representing an increase of 24.12%; 4,582 tons of tungsten concentrates, representing an increase of 52.07%; 4,219 tons of lead concentrates, representing an increase of 0.6%; 9,105 tons of zinc concentrates, representing a decrease of 3.59%; and 7,399 tons of antimony concentrates, representing an increase of 9.44% when compared to the corresponding period of last year.

In the first half of the year, the production and operation of the Company realised a relatively rapid growth by seizing the rare market opportunities. Several key economic indicators met their targets or surpassed their records in the corresponding period in the past. In addition, the Company strengthened its cost management and strived to reduce its manageable expenses. The adjustment of our product mix was also expedited by increasing the proportion of high value-added products. Gross margin of our nonferrous metal mine sites and cemented carbides segment increased significantly and our product mix was optimized obviously.

In view of the prevailing market condition, it is expected the macro economy will improve but has certain concerns. In international markets, the sovereign debt crisis in some European countries has not yet overcome and there are uncertainties in the economic recovery of the US market. Emerging economies may continue their tight monetary policies to control inflation. In domestic market, the development speed may slow down due to a stagnant economy and continuous tight monetary policies. Nevertheless, in the Twelfth Five-year Plan of the PRC, the Company will continue to benefit from the further increase of metal consumption along with the rebound of real metal demands resulting from a relatively fast growth of investments after the acceleration of civil construction projects, such as indemnificatory housing. Furthermore, the Company will fully capitalize on the favourable conditions and positive factors to further strengthen its strong development momentum. The Company will increase the resources reserves and the proportion of internal supply, tighten cost control and strengthened and enhanced its profitability. The management is full of confidence in the prospect of the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

During the six months ended 30 June 2011, the profit before income tax was RMB244 million, representing an increase of RMB481 million as compared with the loss of RMB237 million for the six months ended 30 June 2010. Profit attributable to owners of the Company was RMB171 million, representing an increase in profit of RMB346 million as compared with the loss of RMB175 million for the six months 30 June 2010.

The following is a comparison of financial results between the six months ended 30 June 2011 and 30 June 2010:

### Turnover

Turnover has increased by RMB2,321 million or 24.01%, from RMB9,666 million for the six months ended 30 June 2010 to RMB11,987 million for the six months ended 30 June 2011, mainly due to the increased in turnover before sales tax and surcharge from the nonferrous metal mine sites segment of RMB1,056 million or 81.86%, the increased in turnover from the nonferrous metal smelting segment of RMB390 million or 6.98%, the increased in turnover from cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment of RMB882 million or 31.14%.

Gross profit has increased by RMB645 million or 84.76%, from RMB761 million for the six months ended 30 June 2010 to RMB1,406 million for the six months ended 30 June 2011; the gross profit margin has increased by 3.86%, from 7.87% for the six months ended 30 June 2010 to 11.73% for the six months ended 30 June 2011.

### Nonferrous metal mine sites

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

	Six months ended 30 June			
	2011		2010	
	Sales volume (ton)	Average selling price (RMB/ton)	Sales volume (ton)	Average selling price (RMB/ton)
<b>Shizhuyuan</b>				
Tungsten concentrates	2,017	108,144	1,986	63,262
Oxidized molybdenum	430	98,121	550	99,755
<b>Huangshaping Branch</b>				
Zinc concentrates	1,773	10,242	2,824	9,811
Lead concentrates	2,490	21,175	2,176	14,524
<b>Hsikwangshan</b>				
Antimony products	14,610	69,216	14,907	37,974
Zinc products	13,430	15,499	9,436	15,788
<b>Xin Tianling</b>				
Tungsten concentrates	798	113,612	—	—



# MANAGEMENT DISCUSSION AND ANALYSIS

Turnover before sales tax and surcharge from the nonferrous metal mine sites segment has increased by RMB1,056 million, or 81.86%, from RMB1,290 million for the period ended 30 June 2010 to RMB2,346 million for the period ended 30 June 2011, mainly due to a sharp increase in average prices of antimony products, tungsten concentrates and lead concentrates with silver.

Gross profit from the nonferrous metals mine sites segment has increased by RMB370 million, or 190.72%, from RMB194 million for the period ended 30 June 2010 to RMB564 million for the six months ended 30 June 2011. Gross profit margin has increased from 15.04% for the six months ended 30 June 2010 to 24.04% for the six months ended 30 June 2011.

## NONFERROUS METAL SMELTING SEGMENT

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

	Six months ended 30 June			
	2011		2010	
	Sales volume (ton)	Average selling price (RMB/ton)	Sales volume (ton)	Average selling price (RMB/ton)
Zinc products	257,465	15,746	234,634	15,321
Lead products	40,630	15,405	44,617	13,843
Precious metal-indium	0.2	3,575,255	6	3,501,258
Precious metal-silver	50	5,770,045	28	3,373,703

Turnover before sales tax and surcharge from the nonferrous metal smelting segment has increased by RMB390 million, or 6.98%, from RMB5,591 million for the six months ended 30 June 2010 to RMB5,981 million for the six months ended 30 June 2011, mainly due to the increase in the average selling price of silver and increase sales volume of zinc as compared with the corresponding period of 2010.

Gross profit from the nonferrous metal smelting segment has increased by RMB44 million, or 36.97%, from RMB119 million for the six months ended 30 June 2010 to RMB163 million for the six months ended 30 June 2011, while gross profit margin has increased from 2.13% for the six months ended 30 June 2010 to 2.73% for the six months ended 30 June 2011.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

	Six months ended 30 June			
	2011		2010	
	Sales volume (ton)	Average selling price (RMB/ton)	Sales volume (ton)	Average selling price (RMB/ton)
Cemented carbides	6,594	347,047	6,088	269,118
Tungsten and its compounds	4,959	210,431	7,183	127,123
Molybdenum and its compounds	354	340,273	227	339,481
Tantalum, niobium and their compounds	72	1,475,281	120	679,617

Turnover from cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds before sales tax and surcharge has increased by RMB882 million, or 31.14%, from RMB2,832 million for the six months ended 30 June 2010 to RMB3,714 million for the six months ended 30 June 2011. The increase was mainly due to the increase of average price of cemented carbides and tungsten and their compounds as compared with that in the same period in 2010.

Gross profit of cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds has increased by RMB231 million, or 51.56%, from RMB448 million for the six months ended 30 June 2010 to RMB679 million for the six months ended 30 June 2011, and gross profit margin has increased from 15.82% for the six months ended 30 June 2010 to 18.28% for the six months ended 30 June 2011.

## OTHER INCOME

Other income has increased by RMB97 million, or 131.08%, from RMB74 million for the six months ended 30 June 2010 to RMB171 million for the six months ended 30 June 2011, mainly due to the realised and unrealised gains on certain derivative financial instruments of net amount RMB65 million, gains on disposal of available-for-sale financial assets amount RMB11 million.

## SELLING AND DISTRIBUTION COSTS

Selling and distribution costs have increased by RMB40 million, or 23.12%, from RMB173 million for the six months ended 30 June 2010 to RMB213 million for the six months ended 30 June 2011 primarily due to increase in staff costs, import and export commission, transportation expenses.

# MANAGEMENT DISCUSSION AND ANALYSIS

## ADMINISTRATIVE EXPENSES

Administrative expenses were RMB615 million for six months ended 30 June 2011 and 2010, and there is no material fluctuation.

## OTHER EXPENSES, NET

Other expenses, net have increased by RMB21 million, or 56.76%, from net expenses of RMB37 million for the six months ended 30 June 2010 to net expenses of RMB58 million for the six months ended 30 June 2011. The increase was mainly due to the balance provision for RMB36 million paid to its former shareholder Beaver Brook Antimony Mine Inc (水瀨溪銻礦公司), while no such payment in the corresponding period. In addition, net realised and unrealised losses on derivative financial instruments was RMB23 million in corresponding period, and it changed to a gains of RMB65 million in the current period.

## IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Impairment of property, plant and equipment increased by RMB149 million while no such impairment last year. The increase primarily due to the Group's assets invested in Australian joint venture projects, which amounted to RMB145 million was impaired in current period.

## FINANCE COSTS

Finance costs have increased by RMB51 million, or 19.69%, from RMB259 million for the six months 30 June 2010 to RMB310 million for the six months ended 30 June 2011. The increase was mainly due to the effect of increase in the outstanding bank loan balances and loan interest.

## INCOME TAX EXPENSES

Income tax expenses have increased by RMB56 million, or 143.59%, from RMB39 million for the six months ended 30 June 2010 to RMB95 million for the six months ended 30 June 2011, primarily due to the increase of taxable income and decrease in recognition of deferred income tax assets.

## LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Loss attributable to non-controlling interests has decreased by RMB79 million, or 78.22%, from RMB101 million for the six months ended 30 June 2010 to RMB22 million for the six months ended 30 June 2011, primarily due to dramatic decrease of loss of Zhuzhou Smelter Group Co., Ltd., the subsidiary of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 June 2011, 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 2011, cash and cash equivalents owned by the Group were RMB2,664 million.

Cash and cash equivalents were mainly denominated in Renminbi (“RMB”) (RMB accounted for approximately 80.36%, Australian dollars (“AUD”) accounted for approximately 9.95%, Canadian dollars (“CAD”) accounted for approximately 3.46%, Hong Kong dollars (“HKD”) accounted for approximately 3.23%, United States dollars (“USD”) accounted for approximately 2.07%, Euro (“EUR”) accounted for approximately 0.90%, Japanese Yen (“JPY”) accounted approximately 0.03%).

As of 30 June 2011, the short and long term bank loans and other borrowings amounted to RMB12,978 million in aggregate, among which RMB loans accounted for approximately 88.97%, USD loans accounted for approximately 10.85%, EUR loans accounted for approximately 0.18%.

## ASSET PLEDGED OF THE GROUP

As of 30 June 2011, the net book value of the assets of the Group amounting to RMB1,689 million have been pledged for securing certain bank loans, of which the net book value of trade receivable amounted to RMB744 million, net book value of buildings and mining constructions and plant, machinery and equipment amounted to RMB610 million, the net book value of prepaid land lease payment amounted to RMB241 million and the net book value of inventories amounted to RMB49 million, net book value of bill receivable amount to RMB45 million.

## DEBT TO TOTAL ASSETS RATIO

As of 30 June 2011, the debt to total assets ratio of the Group has increased from 70.09% as of 31 December 2010 to 74.13%. The debt to total assets ratio is equivalent to total liabilities divided by total assets and multiplied by 100%. The debt to total assets ratio has increased as the growth rate of total interest-bearing bank loans and borrowings was higher than that of total assets.

## FLUCTUATION RISK IN FOREIGN EXCHANGE RATE

The Group primarily operates in China, with exports to various countries in small quantities. Apart from the export sales transacted mainly in the USD, the sales income of the Group is denominated in RMB at present. The risk in foreign exchange of the Group primarily arises from the investment in Australia and Canada 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 RMB12,978 million as of 30 June 2011). The interests for the outstanding borrowings are calculated at fixed and floating rates. Any rise in the current interest rate will increase the interest cost of our short-term loans upon extension. To date, the Group has neither executed any form of interest rate agreement or derivative to hedge against the fluctuation in interest rate.

## CONTINGENT LIABILITIES

As of 30 June 2011 and 31 December 2010, the Group has no contingent liabilities.

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

By Order of the Board

**Li Fuli**

*Chairman*

Changsha, the PRC, 28 August 2011

## 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: Li Fuli, Li Li, Liao Luhai, Guo Wenzhong

Non-executive Directors: Cao Xiuyun, Huang Guoping, Chen Zhixin, Zou Jian

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

Other senior management: Hong Mingyang, Sheng Zhongjie, Lam Kai Yeung





# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Li Fuli (李福利)**, aged 44, is appointed to replace Mr. He Renchun as the executive director of the Company and the Chairman of the Board of the Company and the HNG on 23 August 2010. He graduated from the Financial Accounting Department of Renmin University of China in 1988, and obtained an EMBA degree from Cheung Kong Graduate School of Business in June 2006.

Mr. Li joined China Minmetals Corporation in 1988 and had been subsequently assigned to a number of its subsidiaries. From December 1994 to April 1997, Mr. Li was the Vice General Manager of Minmetals Finance Co. Ltd. of Minmetals Corp.. From April 1997 to January 2008, Mr. Li was the General Manager of Minmetals Finance Co. Ltd. He was also the Vice General Manager of the Finance Branch of Minmetals Corp. from October 2001 to March 2002. From March 2002 to July 2005, Mr. Li was the Vice General Manager of Minmetals Investment & Development Co. Ltd. of Minmetals Corp. (renamed as China Minmetals Corporation in January 2004) and was the General Manager from July 2005 to April 2009. From June 2007 to October 2008, he was the assistant to President of China Minmetals Corporation. Mr. Li has been the Vice President of China Minmetals Corporation since October 2008. Mr. Li has extensive experience in corporate finance, financial management and strategic investment.

**Li Li (李立)**, aged 47, 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 (“CNNC”) at the University of Maryland in the United States. He holds an Executive Master of Business Administration for Senior Management at Hunan University. Mr. Li worked at Zhuzhou Cemented Carbides Group Co., Ltd. (“Zhuying”) (and its predecessors) from July 1982 to September 2004 in various positions. From January 1998 to June 2002, he was 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.

**Liao Luhuai (廖魯海)**, aged 40, 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 of engineering degree in geology and exploration of coal fields, petroleum and natural gas (煤田油汽地質與勘探) in July 1995 from University of Petroleum (Beijing) (中國石油大學(北京)) where he also obtained a doctoral degree in mine exploration of management engineering in July 1998. Prior to joining HNG, Mr. Liao served as an officer and division head at China Development Bank from July 1998 to February 2005. From March 2005 to August 2005, Mr. Liao served as a member of party committee and the deputy general manager of HNG.

# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Guo Wenzhong** (郭文忠), aged 48, is our Executive Director and financial controller with effect from November 2010. He graduated from Zhejiang Zhijin Economic Professional School (now renamed as Jiaxing University) in 1985 with a major in Finance and Accounting, and graduated from Hunan Administration Institute with a bachelor degree in Laws in December 2004. He is a senior accountant, a member of the Chinese Institute of Certified Public Accountants and a Senior International Finance Manager.

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

## NON-EXECUTIVE DIRECTORS

**Cao Xiuyun** (曹修運), aged 49, is 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 was working for Zhuzhou Smelter Group Co., Ltd. (“Zhuye”) (and its predecessors) and CNNCCS between 1992 and 2004. He was in charge of quality control, environmental protection, energy technology and management at Zhuye. Mr. Cao studied and conducted research at Mitsubishi Materials Group in Japan in 1990 and 1991. From February 1992 to August 2004, Mr. Cao served in various executive positions, such as a deputy chief of a zinc roasting plant and the head of a leaching plant, a deputy head of Zhuye, a director, a deputy general manager and the general manager of Hunan Zhuye Torch Metals Co., Ltd. (“Zhuye Torch”) and a director and the general manager of Zhuye. Since August 2004, Mr. Cao has been a Director, deputy secretary of party committee and the general manager of HNG.

**Huang Guoping** (黃國平), aged 48, is our Non-executive Director with effect from November 2010. He graduated from Central South Institute of Mining and Metallurgy in July 1983 with a major in Nonferrous Metals Metallurgy. He is the Executive Director and the Secretary of the party committee of HNG, and the Deputy General Manager of HNG responsible for General Affairs.

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

## PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

2000, Mr. Huang joined the head office of China Minmentals Corporation, and he was the deputy general manager of the zinc and lead department China National Nonferrous Metals Industry Trading Group Corporation of the head office of China Minmentals Corporation from December 2000 to April 2002. From October 2002 to October 2004, Mr. Huang was the general manager of the aluminum department of China Minmetals Non-Ferrous Metals Co. Ltd. as well as the person in charge of the project in Nandan county of Guangxi province. Since August 2010, Mr. Huang act as the director and the deputy secretary of the party committee of Hunan Nonferrous Metals Holding Group Company Limited (“HNG”), and the Deputy General Manager of General Affairs of HNG. Mr. Huang act as the Executive Director and the Secretary of the party committee of Hunan Nonferrous Metals Holding Group Company Limited (“HNG”), and the Deputy General Manager of HNG responsible for General Affairs with effect from December 2010.

**Chen Zhixin (陳志新)**, aged 55. He has been re-designated from an executive director to a non-executive director of the Company with effect from November 2010. He is a senior accountant and a member of the Chinese Institute of Certified Public Accountants. He has been re-designated from an executive director to a non-executive director of the Company with effect from November 2010.

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 party committee and chief accountant. He was in charge of financial matters and supervised areas such as asset management, accounting and fund raising activities. Since the establishment of HNC on September 2005 to November 2010, Mr. Chen has been our Executive Director, deputy general manager and financial controller. He is Executive Director, deputy general manager and financial controller HNG from November 2010.

**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 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

Gu Desheng (古德生), aged 73, 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 Central South University. Mr. Gu graduated from Central South University in July 1960 and joined the faculty thereafter as a professor and academic adviser to its Ph.D. students, department head, head of the research institute and a member of the degree-awarding committee (校學委員會) 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 of 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.

**Wan Ten Lap** (溫天納), aged 41, 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 serve as chair professor (講座教授) at the School of Business of Renmin University of China (中國人民大學商學院) and was the founding managing director of BOCOM International. He is a registered officer under the SFC and a member of the Hong Kong Securities Institute. Mr. Wan has been repeatedly appointed by Hong Kong Securities Institute as a working group member for the Ad Hoc Working Group in relation to the papers on the licensing examination for the securities and futures intermediaries on the basis of his substantial knowledge and expertise in financial markets and the corresponding practices in Hong Kong. Mr. Wan graduated from the London School of Economics and Political Science with a master’s degree in international accounting and finance. He joined the corporate finance department of Standard Chartered Asia Limited in 1993, and then joined Creditanstalt Group as an associate director in 1996. Mr. Wan later joined Sun Hung Kai International Limited as a director in 1998. Mr. Wan specialised in corporate financing, mergers and acquisitions, restructurings and insolvencies before he assisted in the establishment of BOCOM International in 2004.

**Chen Xiaohong** (陳曉紅), aged 47, 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, having 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.

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**Kang Yi (康義)**, aged 71, 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 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).

**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

**Jin Liangshou (金良壽)**, aged 53, is the chairman of our supervisory standing committee with effect from November 2010. He is a senior accountant, a member of the Chinese Institute of Certified Public Accountants, and a Certified Public Valuer in the People's Republic of China.

Mr. Jin graduated from Zhuzhou Metallurgy Industrial School in July 1981. Mr. Jin studied in the Accounting Department of Cental China Finance University from May 1984 to September 1989 and obtained a bachelor degree. From July 1981 to July 1986, Mr. Jin worked in various positions at Zhuzhou Cemented Carbides Group Co., Ltd. ("Zhuzhou") including the capital department manager, assistant to the manager (at deputy level), the deputy manager and the manager of the department of finance. From July 1994 to July 1998, Mr. Jin was the manager of the department of finance of Zhuzhou. Between January 2003 and August 2004, Mr. Jin was a researcher at HNMC and the deputy general manager and general manager of HNME Finance. Mr. Jin joined HNG in August 2004. From July 2006 to November 2010, Mr. Jin was the deputy finance controller of HNG and the manager of Finance department. Mr. Jin is the assistant to the general manager from November 2011 until now.

**He Hongsen (賀洪森)**, aged 50, 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

**Chen Hui (陳輝)**, aged 41, is one of the Supervisors with effect from November 2010. Mr. Chen is a member of the Chinese Institute of Certified Public Accountants. He graduated from The University of International Business & Economics in July 1992 with a major in International Finance.

Mr. Chen Hui joined the workforce in 1992. From August 1992 to October 1997, he worked in Minmetals Corp. From October 1997 to July 1999, Mr. Chen was the deputy manager of financial department of Minmetals Corp. From July 1999 to April 2000, Mr. Chen was the department manager of financial department of Minmetals Corp. From April 2000 to May 2001, Mr. Chen was the department manager of financial department of China Minmetals Corporation. From May 2001 to November 2002, he was the assistant of general manager of Minmetals Development Co., Ltd. From November 2002 to November 2010, he was the deputy general manager of financial department of China Minmetals Corporation. Mr. Chen is the deputy financial controller of HNG since November 2010.

**Liu Xiaochu (劉曉初)**, aged 65, 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 the vice chairman of Zijin in August 2000.

**Qi Yang (祁楊)**, aged 43, 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.

**Kang Weihua (康衛華)**, aged 40, a Supervisor of the Company. He holds a doctorate degree in economics, and is a post-doctoral researcher in business administration, a senior economist and a visiting scholar of Cambridge University.

Mr. Kang first joined the Group in May 2008. From May 2008 to November 2010 and resigned on May 2011, he was the director of the Secretariat Office. From December 2010 to May 2011, he is the head of the Finance and Securities Department of the Group. In May 2011, he resigned from the Group.

Mr. Kang graduated from Xiantan University in 1992 with a bachelor degree of arts and a minor major in economics. He obtained a master degree in science from Nankai University in 1995 and obtained a doctorate degree in economics from the Faculty of Finance of Nankai University in July 2003. He completed the post-doctoral research program in business administration from Nankai University in November 2007. Prior to joining the Group, Mr. Kang worked for Tianjin Jinwan Media Group (天津今晚傳媒集團) and had served as various positions including the director of the administration office at department level of Jinwan Media Group (今晚傳媒集團), general manager of Jinwan Media Investment Company Ltd (今晚傳媒投資有限公司), and vice general manager of Jinwan Newspaper Group Holdings Ltd (今晚報業集團控股有限公司).



# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Hou Xiaohong (侯曉鴻), aged 40, a Supervisor representing staff. He is a senior engineer.

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

## INDEPENDENT SUPERVISORS

Xiao Yinong (蕭亦農), aged 43, has been our Supervisor since December 2010. Mr.Xiao graduated from East China Normal University in July 1990 with a major in Mathematics and Statistics, and acquired a Master's Degree in Public Administration from National University of Defense Technology.

Mr. Xiao joined the workforce in July 1990. From July 1990 to December 1990, he was an assistant accountant in Hengyang Steel Tube Company Limited. From December 1990 to December 1991, he was a member of the teaching team of the rural community of the Hengyang Municipal Party Committee. From December 1991 to May 1997, he was an officer of the quality office, corporate management department, quality inspection department, technology department of Hengyang Steel Tube Company Limited. From May 1997 to March 2005, Mr. Xiao was an officer, deputy supervisor officer and department head of the economic operation department, as well as a department head of corporate department. From March 2005 to May 2008, Mr. Xiao was the deputy supervisor and a member of the Party Committee of the State-owned Assets Supervision and Administration Commission of Hengyang city. From May 2007 to March 2008, he was a researcher of the State-owned Assets Supervision and Administration Commission of Hengyang city. From March 2008 to August 2010, Mr. Xiao was the deputy director and researcher of the State-owned Assets Supervision and Administration Commission of Hunan province. Mr. Xiao is appointed to be the specialist supervisor (Leading roles of divisions or equivalents) of HNG of China Minmetals Corporation by the provincial government since September 2010.

Liu Dongrong (劉冬榮), aged 69, 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.

# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## OTHER SENIOR MANAGEMENT

**Hong Mingyang** (洪明洋), aged 53, 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 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.

**Sheng Zhongjie** (盛忠傑), aged 49. He received his bachelor of engineering degree in mine selection at the mineral engineering department (礦物工程系選礦專業) of Central South University of Technology (中南工業大學) in August 1982. He was a postgraduate student of mineral engineering mathematical model (礦物工程數學模型) in Changsha Research Institute of Mining and Metallurgy (長沙礦冶研究院) of the Ministry of Metallurgical Industry from August 1985 to June 1988 and received his master of engineering degree in June 1988.

From August 1982 to August 1985, Mr. Sheng Zhongjie worked for the tungsten mine in Yaogangxian, Hunan Province and was responsible for technology management, engineering project design and construction management. From June 1988 to October 1990, he worked for research projects of Changsha Research Institute of Mining and Metallurgy (長沙礦冶研究院) of the Ministry of Metallurgical Industry. From October 1990 to October 2004, he served in the planning department, the planning and technology department and the corporate reform and development department of China Nonferrous Metals Industry Company Limited (Changsha Branch) (中國有色金屬工業長沙公司) (now known as Hunan Nonferrous Metals Industry Company Limited (湖南有色金屬工業總公司) and was responsible for the management of planning, investment, scientific research, technological reform, reorganisation and system restructuring. He served as the deputy director of the planning and technology department in 1997 and served as director of the corporate reform and development department in 2001. From October 2004 to June 2006, he served as director of the scientific and technological industry department and the investment planning department of 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 42, has been the company secretary and qualified accountant of the Company since joining the Group in July 2006, he also served as the Chief Financial Officer of a Hong Kong subsidiary of HNG. 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 bachelor degree of Accounting from Xiamen University and a Master Degree in Business Administration from Oxford Brookes University in the United Kingdom.

# EMPLOYEES

As of 30 June 2011, the Group had approximately 26,223 full-time employees. Their job nature and their distribution in department are as follows:

Department	Employees	Percentage of the total (%)
Management and administration	3,082	11.8%
Engineering and technical personnel	4,207	16.0%
Production personnel	14,708	56.0%
Repair and maintenance	1,565	6.0%
Inspection	1,594	6.1%
Sales	1,067	4.1%
Total	<u>26,223</u>	<u>100.0%</u>

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, employment injury insurance, unemployment insurance, women maternity insurance and housing reserve fund shall be equivalent to 20%, 8%, 1.6%, 2%, 0.6% and 12% respectively of the total basic monthly salary of each employee.

## SHARE CAPITAL

	As at 30 June 2011		As at 31 December 2010	
	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
	<u>3,668,058</u>	<u>3,668,058</u>	<u>3,668,058</u>	<u>3,668,058</u>

### SHARE CAPITAL STRUCTURE

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

	As at 30 June 2011	
	Number of shares in issue	Percentage of share capital
<b>Holders of domestic shares and H shares</b>		
<b>Holders of domestic shares</b>		
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%
	<u>2,035,330,000</u>	<u>55.49%</u>
<b>Holders of domestic shares</b>		
	<u>1,632,728,000</u>	<u>44.51%</u>
<b>Holders of H shares</b>		
<b>Class of Shares</b>	<b>Number of Shares</b>	<b>Approximate percentage of the total share capital</b>
Domestic shares	2,035,330,000	55.49%
H shares	1,632,728,000	44.51%
Total number of shares	<u>3,668,058,000</u>	<u>100.00%</u>

## SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director or Supervisor, as at 30 June 2011, 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 shares held	Approximate percentage of shareholding
China Minmetals Corporation	1,947,074,266(L)	53.08%(#)
China Minmetals Non-ferrous Metals Company Limited	1,947,074,266(L)	53.08%(#)
Hunan Nonferrous Metals Holding Group Co. Ltd	1,947,074,266(L)	53.08%(#)
The Hamon Investment Group Pte Limited	144,792,000(L)	8.87%(*)
The Dreyfus Corporation	89,992,000(L)	5.51%(*)
Platinum Investment Management Limited	83,125,025(L)	5.09%(*)

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

Save as disclosed above, as at 30 June 2011, 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.

## USE OF PROCEEDS

The Company received an aggregate net proceed of approximately HK\$2.0 billion from the issue of H shares at the time of its listing on the Stock Exchange; and an aggregate net proceed of approximately HK\$1.214 billion from placing new shares on 9 July 2007. Such net proceeds were net of related issuance expenses. The Directors are of the opinion that the remaining proceeds will be applied in the coming years to their intended uses as set out in the Company's prospectus dated 21 March 2006 and the announcement of placing new shares dated 9 July 2007.

### USE OF PROCEEDS

As of 30 June 2011, the Company used the proceeds in the amount of RMB2,947.83 million mainly for the purposes as follows:

- In July 2006, the Company used the proceeds in the amount of RMB400 million for the acquisition of 80% equity interest in Zigong Cemented Carbides Company Limited.
- In July 2006, the Company used the proceeds in the amount of RMB184.88 million for the 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 and RMB80 million for the acquisition of 6.12% equity interest in Hunan Shizhuyuan Nonferrous Metals Co., Ltd., with a shareholding up to 97.35%, and to increase the capital of this company, respectively.
- In September 2006, the Company used the proceeds in the amount of RMB78.47 million and RMB87.60 million for the acquisition of 24.42% equity interest in Hsikwangshan Twinkling Star Antimony Co., Ltd., a holding subsidiary of the Company with a shareholding up to 100% and to increase the capital of the company, respectively.
- In October 2006, the Company used the proceeds in the amount of RMB214 million for acquisition of 23.77% equity interest in ZhongWu GaoXin Materials Company Limited, 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 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 Nanling 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%.



## USE OF PROCEEDS

- 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%.
- Between March and April 2008, the Company used the proceeds in the amount of RMB87.28 million for acquisition of 17.76% equity interest in Abra Mining Limited in Australia.
- 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%.
- In October 2008, the Company used the proceeds in the amount of RMB159.76 million for acquisition of 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 wholly-owned 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.
- In August 2010, the Company used the proceeds in the amount of RMB22.88 million for increasing the registered capital of HNC (Australia) Resources Holding PTY Ltd., a wholly-owned subsidiary of the Company (King Island Scheelite Mine Project).

# 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 2011, 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
Li Fuli ( <i>Chairman of Board of Directors</i> )	7 out of 8
Cao Xiuyun	8 out of 8
Li Li	8 out of 8
Liao Luhai	8 out of 8
Guo Wenzhong	8 out of 8
Huang Guoping	6 out of 8
Chen Zhixin	7 out of 8
Zou Jian	6 out of 8
Kang Yi	6 out of 8
Gu Desheng	8 out of 8
Chen Xiaohong	6 out of 8
Wan Ten Lap	8 out of 8
Choi Man Chau, Michael	8 out of 8

## 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 two meetings during the six months ended 30 June 2011, were attended by all supervisors.

## DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN CONTRACTS

None of Directors, Supervisors and Chief Executive 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.

# CORPORATE GOVERNANCE

## DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S 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 2011:

Name	Number of Stock Appreciation Rights	Percentage of the Issued Domestic Shares (%)	Note
He Renchun	1,282,051	0.06	Former Chairman of Board of Directors and Executive Director
Gao 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 General Manager
Zeng Shaoxiong	769,231	0.04	Former Chairman of the Supervisory Committee
Liao Luhai	769,231	0.04	Executive Director
Chen Zhixin	769,231	0.04	Former Executive Director, now Non-executive Director
Wu Longyun	641,027	0.03	Former Non-executive Director
He Hongsen	641,026	0.03	Supervisor
Zhang Yixian	641,026	0.03	Former 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	Former Senior Officer of a Subsidiary
Total	<u>10,000,000</u>		

The initial exercise price of the stock appreciation rights, which will be determined as the higher of the closing price of the first trading day following the 30th trading day after the Company being listed on the Stock Exchange and the average closing price of the five trading days following the 30th trading day after the Company being listed on the Stock Exchange, was HKD2.8 per share.

## **DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES**

Save as disclosed above, as at 30 June 2011, none of the Directors, Supervisors, Chief Executive and their respective associates had interests nor short positions in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which would be required (a) 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', SUPERVISORS' AND CHIEF EXECUTIVE'S 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 directors, supervisors, chief executive or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors, Supervisors or Chief Executive to acquire such rights in any other body corporate.

## **MODEL CODE FOR DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors', Supervisors' and Chief Executive's securities transactions. Based on specific enquiries with all the Directors, Supervisors and Chief Executive of the Company, the Directors, Supervisors and Chief Executive confirmed that they had complied with the required standards as set out in the Model Code for the period ended 30 June 2011.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

# CORPORATE GOVERNANCE

## AUDIT COMMITTEE

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

The interim results for the six months ended 30 June 2011 are unaudited, but have been reviewed by the Audit Committee of the Company and by the independent auditors, Baker Tilly Hong Kong Limited, in accordance with International Accounting Standard 34 "Interim Financial Reporting", 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 audit committee has held one meeting during the six months ended 30 June 2011, 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.

## PUBLICATION OF THE INTERIM REPORT ON WEBSITE

The 2011 interim report containing the financial information required to be disclosed under Appendix 16 of the Listing Rules, will be dispatched to the shareholders and available on the websites of the Stock Exchange and the Company in due course.

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Note	Six months ended 30 June	
		2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited and restated)
<b>Revenue</b>	5,6	<b>11,987,340</b>	9,666,249
Cost of sales		<b>(10,581,494)</b>	(8,905,333)
Gross profit		<b>1,405,846</b>	760,916
Other income	6	<b>170,768</b>	74,226
Selling and distribution costs		<b>(213,018)</b>	(173,225)
Administrative expenses		<b>(614,713)</b>	(614,555)
Other expenses, net		<b>(57,896)</b>	(37,026)
Impairment of property, plant and equipment		<b>(149,229)</b>	—
Impairment of trade and other receivables		<b>(5,870)</b>	(2,813)
Finance income		<b>12,091</b>	13,220
Finance costs		<b>(309,853)</b>	(258,813)
Share of profits of associates		<b>5,768</b>	1,350
<b>Profit/(loss) before income tax</b>	7	<b>243,894</b>	(236,720)
Income tax expenses	8	<b>(94,959)</b>	(39,059)
<b>Profit/(loss) for the period</b>		<b>148,935</b>	(275,779)
<b>Attributable to:</b>			
Owners of the Company		<b>170,903</b>	(174,637)
Non-controlling interests		<b>(21,968)</b>	(101,142)
<b>Profit/(loss) for the period</b>		<b>148,935</b>	(275,779)
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Basic and diluted	10	<b>4.66 cents</b>	(4.76 cents)

The notes on pages 38 to 64 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited and restated)
<b>Profit/(loss) for the period</b>	<b>148,935</b>	<b>(275,779)</b>
<b>Other comprehensive income/(loss):</b>		
Exchange differences arising on translation of foreign operations	71,276	(25,029)
Disposal of available-for-sale financial assets, net of tax	(8,484)	(402)
Changes in fair value of available-for-sale financial assets, net of tax	(63,014)	(84,932)
Net actuarial losses of defined benefit retirement schemes, net of tax	(30,198)	(8,136)
Other comprehensive income/(loss) for the period, net of tax	232	(191)
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>118,747</b>	<b>(394,469)</b>
<b>Attributable to:</b>		
Owners of the Company	166,441	(242,206)
Non-controlling interests	(47,694)	(152,263)
	<b>118,747</b>	<b>(394,469)</b>

The notes on pages 38 to 64 form an integral part of this condensed consolidated interim financial information.



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	8,108,974	7,822,027
Land lease prepayments		912,751	922,664
Intangible assets		1,287,100	1,208,036
Other assets	12	802,339	806,307
Goodwill		79,547	79,547
Interests in associates		170,302	124,227
Available-for-sale financial assets		333,132	436,336
Deferred tax assets		88,859	86,524
<b>Total non-current assets</b>		<b>11,783,004</b>	<b>11,485,668</b>
<b>CURRENT ASSETS</b>			
Inventories		5,388,745	5,337,050
Trade receivables	13	1,255,495	679,707
Bills receivable		941,177	628,313
Prepayments, deposits and other receivables	14	1,867,918	1,708,971
Tax recoverable		69,725	81,995
Bank deposits		45,817	21,711
Cash and cash equivalents		2,663,826	1,797,599
<b>Total current assets</b>		<b>12,232,703</b>	<b>10,255,346</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	15	1,093,421	931,295
Bills payable		161,181	20,000
Other payables and accruals	16	2,369,407	1,844,030
Interest-bearing bank and other borrowings	17	9,046,966	7,464,288
Tax payable		55,630	36,296
Dividend payable		87,311	63,047
<b>Total current liabilities</b>		<b>12,813,916</b>	<b>10,358,956</b>
<b>NET CURRENT LIABILITIES</b>		<b>(581,213)</b>	<b>(103,610)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>11,201,791</b>	<b>11,382,058</b>

The notes on pages 38 to 64 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	17	3,931,494	3,862,962
Other liabilities	18	438,544	413,276
Payables for mining rights		75,295	113,293
Government grants		287,252	258,919
Deferred tax liabilities		255,561	230,975
Total non-current liabilities		4,988,146	4,879,425
<b>NET ASSETS</b>		<b>6,213,645</b>	<b>6,502,633</b>
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	19	3,668,058	3,668,058
Reserves		612,748	600,574
		4,280,806	4,268,632
<b>Non-controlling interests</b>		<b>1,932,839</b>	<b>2,234,001</b>
<b>TOTAL EQUITY</b>		<b>6,213,645</b>	<b>6,502,633</b>

The notes on pages 38 to 64 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

		Attributable to equity holders of the Company								
		Issued	Capital	Statutory	Exchange	Other	Accumulated		Non-	Total
		share	reserve	reserve	fluctuation	reserves	losses	Total	controlling	equity
		capital			reserve				interests	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Note										
	Balance at 1 January 2011	3,668,058	917,442	95,597	26,118	101,265	(539,848)	4,268,632	2,234,001	6,502,633
	Total comprehensive income/(loss) for the period ended 30 June 2011	—	—	—	51,993	(31,679)	146,127	166,441	(47,694)	118,747
	<b>Transactions with owners in their capacity as owners:</b>									
	Capital contributions from non-controlling interests	—	—	—	—	—	—	—	2,171	2,171
	Acquisition of additional interest in subsidiaries	21	(82,355)	—	—	—	(72,387)	(154,742)	(221,547)	(376,289)
	Deemed partial disposal of a subsidiary	22	475	—	—	—	—	475	(475)	—
	Recognition of equity-settled share-based payments of a listed subsidiary	23	—	—	—	—	—	—	2,275	2,275
	Dividend paid and payable to non-controlling interests	—	—	—	—	—	—	—	(35,892)	(35,892)
	<b>Total transactions with owners</b>	—	(81,880)	—	—	—	(72,387)	(154,267)	(253,468)	(407,735)
	<b>Balance at 30 June 2011 (Unaudited)</b>	<u>3,668,058</u>	<u>835,562</u>	<u>95,597</u>	<u>78,111</u>	<u>69,586</u>	<u>(466,108)</u>	<u>4,280,806</u>	<u>1,932,839</u>	<u>6,213,645</u>

The notes on pages 38 to 64 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

		Attributable to equity holders of the Company								
		Issued share capital	Capital reserve	Statutory reserve	Exchange fluctuation reserve	Other reserves	Accumulated losses	Total	Non- controlling interests	Total equity
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<b>Balance at 1 January 2010</b>	3,668,058	953,438	95,597	18,782	78,135	(545,246)	4,268,764	2,171,854	6,440,618
	Effect of common control combination	20	54,980	1,846	—	—	(15,600)	41,226	—	41,226
	<b>At 1 January 2010 (Restated)</b>	3,668,058	1,008,418	97,443	18,782	78,135	(560,846)	4,309,990	2,171,854	6,481,844
	<b>Total comprehensive loss for the period ended 30 June 2010</b>	—	—	—	(23,629)	(36,534)	(182,043)	(242,206)	(152,263)	(394,469)
	<b>Transactions with owners in their capacity as owners:</b>									
	Capital contributions from non-controlling interests	—	—	—	—	—	—	—	18,980	18,980
	Dividend paid and payable to non-controlling interests	—	—	—	—	—	—	—	(120,231)	(120,231)
	<b>Total transactions with owners</b>	—	—	—	—	—	—	—	(101,251)	(101,251)
	<b>Balance at 30 June 2010 (Unaudited and restated)</b>	3,668,058	1,008,418	97,443	(4,847)	41,601	(742,889)	4,067,784	1,918,340	5,986,124

The notes on pages 38 to 64 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

**Six months ended 30 June**

	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited and restated)
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES - NET</b>	<b>434,454</b>	(604,910)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(726,979)	(539,946)
Proceeds on disposal of property, plant and equipment	11,014	15,085
Other investing cash flows - net	(168,221)	(93,697)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES - NET</b>	<b>(884,186)</b>	(618,558)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to non-controlling interests	(11,628)	(88,368)
Additions of borrowings	5,473,305	4,491,517
Repayments of borrowings	(3,818,224)	(3,373,280)
Other financing cash flows - net	(367,678)	(91,466)
<b>CASH FLOWS FROM FINANCING ACTIVITIES - NET</b>	<b>1,275,775</b>	938,403
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>826,043</b>	(285,065)
Effect of foreign exchange rate changes, net	40,184	(28,042)
Cash and cash equivalents at beginning of period	1,797,599	2,526,615
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>2,663,826</b>	2,213,508

The notes on pages 38 to 64 form an integral part of this condensed consolidated interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 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 address of the registered office of the Company is 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.

On 28 December 2009, the Company, State-Owned Assets Supervision and Administration Commission of Hunan Provincial People’s Government, Hunan Nonferrous Metals Holdings Group Co., Ltd. (“HNG”), China Minmetals Hong Kong (Holdings) Limited and China Minmetals Corporation (“CMC”) entered into an equity transfer agreement, subject to the agreement becoming effective and satisfaction (or waiver, when applicable), Minmetals Nonferrous Metals Holding Company Limited, a wholly-owned subsidiary of CMC, will become the registered owner of an aggregate of 51% interest in HNG by way of capital injection and equity transfer, and through HNG, which currently holds 53.08% of the issued share capital of the Company, obtain and indirect control of the Company. On 2 August 2010, the equity transfer at the relevant administration authority of industry and commerce has been completed in accordance with the applicable PRC laws and regulations and all the related conditions have thus been satisfied and completed. In consequence, HNG is the parent company of the Group while CMC is the ultimate holding company.

This condensed consolidated interim financial information are presented in Renminbi (“RMB”), which is also the functional currency of the Company unless otherwise stated. This condensed consolidated interim financial information has not been audited.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2011 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 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 2010, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board.

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 2010.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### (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 2011:

IFRSs (Amendments)	Improvements to IFRSs issued in 2010 (except for the amendments to IFRS 3 (as revised in 2008))
IFRS 1 (Amendments)	Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters
IAS 24 (Revised)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IAS 34 (Amendments)	Interim Financial Reporting
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the adoption of the new and amended standards had no material effect on the amounts reported and disclosures set out in the condensed consolidated interim financial information of the Group for the current or prior accounting periods:

- IAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of IAS 24 (Revised) for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:
  - o The name of the government and the nature of their relationship;
  - o The nature and amount of any individually significant transactions; and
  - o The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party. See note 26 for disclosures of transactions among government related entities.

- IAS 34 (Amendments) "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in IAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

(b) The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets <sup>1</sup>
IFRS 9	Financial Instruments <sup>4</sup>
IFRS 10	Consolidated Financial Statements <sup>4</sup>
IFRS 11	Joint Arrangements <sup>4</sup>
IFRS 12	Disclosure of Interests in Other Entities <sup>4</sup>
IFRS 13	Fair Value Measurement <sup>4</sup>
IAS 1 (Amendments)	Presentation of Items of Others Comprehensive Income <sup>3</sup>
IAS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets <sup>2</sup>
IAS 19 (as revised in 2011)	Employee Benefits <sup>4</sup>
IAS 27 (as revised in 2011)	Separate Financial Statements <sup>4</sup>
IAS 28 (as revised in 2011)	Investments in Associate and Joint Ventures <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## 3. ESTIMATES

The preparation of condensed consolidation interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 4. FINANCIAL RISK MANAGEMENT

### 4.1 Financial risk factors

Exposure to interest rate risk, foreign currency risk, credit risk, liquidity risk and commodity price risk arise in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities or financial products.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

There have been no changes in the risk management department since 31 December 2010 or in any risk management policies.

### 4.2 Liquidity risk

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

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

Compared to 31 December 2010, there was no material changes in the contractual undiscounted cash outflows for financial liabilities.

### 4.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 4. FINANCIAL RISK MANAGEMENT (Continued)

### 4.3 Fair value estimation (Continued)

The following table presents the Group's assets that are measured at fair value at 30 June 2011.

<b>Assets</b>	<b>Level 1 RMB'000 (Unaudited)</b>	<b>Level 2 RMB'000 (Unaudited)</b>	<b>Level 3 RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
Available-for-sale financial assets				
– Listed equity investments	297,428	—	—	297,428
– Unlisted equity investments	—	—	35,704	35,704
Derivative financial assets	57,899	—	—	57,899
<b>Total assets</b>	<b>355,327</b>	<b>—</b>	<b>35,704</b>	<b>391,031</b>

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010.

<b>Assets</b>	<b>Level 1 RMB'000 (Audited)</b>	<b>Level 2 RMB'000 (Audited)</b>	<b>Level 3 RMB'000 (Audited)</b>	<b>Total RMB'000 (Audited)</b>
Available-for-sale financial assets				
– Listed equity investments	382,372	—	—	382,372
– Unlisted equity investments	—	—	53,964	53,964
<b>Total assets</b>	<b>382,372</b>	<b>—</b>	<b>53,964</b>	<b>436,336</b>
<b>Liabilities</b>				
Derivative financial liabilities	1,751	—	—	1,751
<b>Total liabilities</b>	<b>1,751</b>	<b>—</b>	<b>—</b>	<b>1,751</b>

In 2011, there were no significant transfers between levels of the financial assets.

The Group reclassified for available-for-sale financial assets profit of RMB8,484,000 (31 December 2010: RMB402,000) from equity into the condensed consolidated income statement due to disposal.

In 2011, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

In 2011, there were no reclassification of financial assets.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of directors. The board of directors consists of the executive directors, non-executive directors and independent non-executive directors. This board of directors 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 sites segment: mining and trading of nonferrous metals;
- (b) Nonferrous metal smelting segment: smelting and trading of nonferrous metals;
- (c) Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment: manufacture and trading of hard alloys and refractory metal compounds such as cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit/(loss) represents the profit/(loss) before income tax of each segment without allocation of dividend income, finance costs and share of profits of associates. This is the measure reported to the board of directors of the Company for the purposes of resource allocation and performance assessment.

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

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 2011

## 5. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2011 (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
<b>Segment revenue:</b>						
Sales to external customers	2,345,636	5,981,426	3,714,068	—	—	12,041,130
Inter-segment sales	418,956	401	31,914	—	(451,271)	—
Less: Sales tax and surcharges	(28,327)	(1,058)	(24,405)	—	—	(53,790)
<b>Revenue from external customers</b>	<b>2,736,265</b>	<b>5,980,769</b>	<b>3,721,577</b>	<b>—</b>	<b>(451,271)</b>	<b>11,987,340</b>
<b>Segment results</b>	<b>196,475</b>	<b>33,197</b>	<b>297,870</b>	<b>14,122</b>	<b>—</b>	<b>541,664</b>
Dividend income						6,315
Finance costs						(309,853)
Share of profits of associates						5,768
Profit before income tax						243,894
Income tax expenses						(94,959)
Profit for the period						148,935
<b>Total assets</b>						
<b>30 June 2011</b>						
Segment assets	8,115,769	6,648,810	7,395,561	1,193,549	—	23,353,689
Interests in associates						170,302
Unallocated assets						491,716
Total assets						24,015,707

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 5. SEGMENT INFORMATION (Continued)

	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
For the six months ended 30 June 2010 (Unaudited and restated)						
<b>Segment revenue:</b>						
Sales to external customers	1,289,728	5,591,255	2,831,776	—	—	9,712,759
Inter-segment sales	155,915	399	33,569	—	(189,883)	—
Less: Sales tax and surcharges	(17,825)	(9,263)	(19,422)	—	—	(46,510)
<b>Revenue from external customers</b>	<u>1,427,818</u>	<u>5,582,391</u>	<u>2,845,923</u>	<u>—</u>	<u>(189,883)</u>	<u>9,666,249</u>
<b>Segment results</b>	93,732	(133,303)	189,519	(130,125)	—	19,823
Dividend income						920
Finance costs						(258,813)
Share of profits of associates						1,350
Loss before income tax						(236,720)
Income tax expenses						(39,059)
Loss for the period						<u>(275,779)</u>
<b>Total assets</b>						
<b>31 December 2010</b>						
Segment assets	7,136,615	6,423,231	6,381,023	1,071,064	—	21,011,933
Interests in associates						124,227
Unallocated assets						604,854
Total assets						<u>21,741,014</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 6. REVENUE AND OTHER INCOME

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 and other income is as follows:

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited and restated)
<b>Revenue:</b>		
Sale of goods	12,041,130	9,712,759
Less: sales tax and surcharges	(53,790)	(46,510)
	<u>11,987,340</u>	<u>9,666,249</u>
<b>Other income:</b>		
Dividend income	6,315	920
Profit from scrap sales	38,327	9,867
Gross rental income	4,236	4,536
Gains on disposal of available-for-sale financial assets	10,802	652
Net realised and unrealised gains on derivative financial instruments	64,674	—
Recognition of government grants	32,581	39,044
Rendering of services	744	8,307
Net gains on disposal of property, plant and equipment	—	2,038
Investments income	—	81
Others	13,089	8,781
	<u>170,768</u>	<u>74,226</u>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

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

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

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited and restated)
Cost of inventories sold	10,581,494	8,905,333
Depreciation of property, plant and equipment	356,549	353,623
Amortisation of land lease prepayments	11,786	10,000
Amortisation of intangible assets		
– Mining rights	23,245	20,245
– Technical know-how and others	4,783	5,926
Provision for obsolete inventories	73,120	117,480
Impairment of property, plant and equipment	149,229	—
Impairment of intangible assets	10,000	—
Impairment of other assets	5,796	2,813
Net losses/(gains) on disposal of property, plant and equipment*	251	(2,038)
Profit from scrap sales*	(38,327)	(9,867)
Net realised and unrealised (gains)/losses on derivative financial instruments *	(64,674)	23,368
	<u>                    </u>	<u>                    </u>

\* Items classified under "Other income/Other expenses, net" on the face of the condensed consolidated income statement.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 8. INCOME TAX EXPENSES

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

PRC corporate income tax ("CIT") has been provided at a rate of 25% (2010: 25%) on the taxable income as reported in the statutory accounts of the companies comprising the Group, which are prepared in accordance with the relevant PRC accounting standards, 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) Zigong Cemented Carbides Company Limited ("Zigong"), Zigong Keruide New Materials Co., Ltd., Zigong Keruide Materials Trading Co., Ltd., Chengdu Keruide High-Tech New Materials Co., Ltd., and Zigong Tungsten Carbide Co., Ltd. are located in western region of Mainland China, which is subject to a preferential CIT rate of 15% according to the PRC tax regulations.
- (ii) Zhuzhou Smelter Group Co., Ltd. ("Zhuye"), Zhuzhou Cemented Carbides Group Corp., Ltd. ("Zhuying"), Hunan Shizhuyuan Nonferrous Metals Co., Ltd., Zhuzhou Diamond Cutting Tools Company Limited ("Zhuzhou Diamond"), Chenzhou Diamond Tungsten Products Company Limited, Hsikwangshan Twinkling Star Antimony Co., Ltd., Shenzhen Jinzhou Jinggong Scientific and Technological Company Limited ("Shenzhen Jinzhou") and Zigong Asia Tech. High-Tech Ltd. are subject to a preferential CIT rate of 15% as they are qualified as high and new technology enterprises.

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

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited and restated)
<b>Current tax - PRC income tax</b>		
Current tax on profit for the period	85,911	38,921
<b>Deferred tax</b>		
Temporary difference	9,048	138
Income tax expenses	<u>94,959</u>	<u>39,059</u>

The share of income tax expenses attributable to associates is RMB1,641,000 (six months ended 30 June 2010: RMB140,000) which is included in "Share of profits of associates" on the face of the condensed consolidated income statement.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 9. DIVIDENDS

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: RMBNil).

## 10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

### (a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited and restated)
<b>Profit/(loss)</b>		
Net profit/(loss) for the period attributable to owners of the Company	<u>170,903</u>	<u>(174,637)</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue (thousands)	<u>3,668,058</u>	<u>3,668,058</u>

### (b) Diluted

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 11. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited and restated)
At 1 January	7,822,027	7,415,187
Additions	783,602	579,694
Interest capitalised	8,443	8,850
Impairment charge	(149,229)	—
Disposals	(11,265)	(13,047)
Depreciation charge	(356,549)	(353,623)
Exchange differences	11,945	(27,091)
At 30 June	<u>8,108,974</u>	<u>7,609,970</u>

At 30 June 2011, certain of the Group's buildings and mining structures and plant, machinery and equipment with an aggregate carrying value of approximately RMB610,384,000 (31 December 2010: RMB630,316,000) were pledged to secure bank loans granted to the Group (note 17).

At 30 June 2011, included in property, plant and equipment of the Group are the Group's assets used in project with an aggregate carrying value of approximately RMB276,302,000, of which RMB145,263,000 was impaired and provided for during the period.

## 12. OTHER ASSETS

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Exploration and evaluation assets	<u>802,339</u>	<u>806,307</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 13. TRADE RECEIVABLES

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

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

	<b>30 June 2011 RMB'000 (Unaudited)</b>	31 December 2010 RMB'000 (Audited)
Within 1 year	1,245,269	672,121
Over 1 year but within 2 years	16,040	13,394
Over 2 years but within 3 years	10,915	14,051
Over 3 years	36,543	29,311
	<hr/>	<hr/>
	1,308,767	728,877
Less: Provision for impairment	(53,272)	(49,170)
	<hr/>	<hr/>
	<b>1,255,495</b>	<b>679,707</b>
	<hr/> <hr/>	<hr/> <hr/>

At 30 June 2011, included in the trade receivables, are receivables from HNG and its subsidiaries ("HNG Group") and CMC and its subsidiaries ("Minmetals Group") of RMB10,722,000 and RMB2,678,000 respectively (31 December 2010: RMB45,060,000 and RMB36,576,000 respectively) which were unsecured, interest-free and receivable on demand.

Trade receivables of the Group included trading balance due from an associate of RMB84,958,000 as at 30 June 2011 (31 December 2010: RMB11,958,000). The balance due from an associate is unsecured, interest-free and receivable in accordance with normal credit terms to those offered to the major customers of the Group.

At 30 June 2011, the Group's bank loans were secured by certain of the Group's trade receivables, with an aggregate net carrying amount of RMB744,290,000 (31 December 2010: RMB531,082,000) (note 17).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2011 RMB'000 (Unaudited)</b>	31 December 2010 RMB'000 (Audited)
Prepayments to suppliers	896,662	659,182
Deposit for acquisition of additional interest in a subsidiary	—	213,825
Deposits for derivative financial instruments (note ii)	21,599	12,470
Derivative financial instruments	57,899	—
Other receivables	976,058	906,026
	<hr/>	<hr/>
	<b>1,952,218</b>	<b>1,791,503</b>
Less: Provision for impairment	<b>(84,300)</b>	<b>(82,532)</b>
	<hr/>	<hr/>
	<b>1,867,918</b>	<b>1,708,971</b>
	<hr/> <hr/>	<hr/> <hr/>

- (i) At 30 June 2011, included in the prepayments to suppliers and other receivables are receivables from the HNG Group and Minmetals Group of RMB114,610,000 and RMB2,735,000 respectively (31 December 2010: RMB101,565,000 and RMB1,021,000 respectively) which were unsecured, interest-free and receivable on demand.
- (ii) The Group placed deposits with independent futures trading agents for commodity derivative contracts entered by the Group in the normal course of business primarily to protect the Group from the impact of price fluctuation in nonferrous metals commodities.

## 15. TRADE PAYABLES

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

	<b>30 June 2011 RMB'000 (Unaudited)</b>	31 December 2010 RMB'000 (Audited)
Within 1 year	1,068,734	906,088
Over 1 year but within 2 years	11,305	10,770
Over 2 years but within 3 years	5,063	5,862
Over 3 years	8,319	8,575
	<hr/>	<hr/>
	<b>1,093,421</b>	<b>931,295</b>
	<hr/> <hr/>	<hr/> <hr/>

At 30 June 2011, the amounts due to the HNG Group and Minmetals Group, totaling RMB79,658,000 and RMB2,416,000 respectively (31 December 2010: RMB17,534,000 and RMB31,313,000 respectively), included in the Group's trade payables were unsecured, interest-free and repayable within trade credit periods.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 16. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2011 RMB'000 (Unaudited)</b>	31 December 2010 RMB'000 (Audited)
Advances from customers	1,099,813	775,022
Accrued taxes other than income tax	57,838	57,553
Accrued salaries, wages and benefits	126,417	92,224
Payables for mining rights - current portion	399,275	358,553
Accrued expenses and other payables	686,064	558,927
Derivative financial instruments	—	1,751
	<u>2,369,407</u>	<u>1,844,030</u>

At 30 June 2011, included in other payables and accruals of the Group were balances due to the HNG Group and Minmetals Group, totaling of RMB242,976,000 and RMB9,188,000 respectively (31 December 2010: RMB92,757,000 and RMBNil respectively) which were unsecured, interest-free and repayable on demand.

At 30 June 2011, included in other payables and accruals of the Group included amount due to an associate of RMB1,442,000 as at 30 June 2011 (31 December 2010: RMBNil). The balance due to an associate is unsecured, interest-free and repayable on demand.

At 30 June 2011, there is no financing arrangement with bank included in accrued expenses and other payables of the Group. At 31 December 2010, included in other payables of the Group are the financing arrangement with the Bank of China of RMB26,033,000 which was unsecured, interest-free and repayable on 20 June 2011.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<b>30 June 2011 RMB'000 (Unaudited)</b>	31 December 2010 RMB'000 (Audited)
Current	9,046,966	7,464,288
Non-current	3,931,494	3,862,962
	<u>12,978,460</u>	<u>11,327,250</u>

Movement of borrowings is analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2011 RMB'000 (Unaudited)</b>	2010 RMB'000 (Unaudited and restated)
At 1 January	11,327,250	10,481,608
Exchange differences	(3,871)	(2,233)
Additions of borrowings	5,473,305	4,491,517
Repayments of borrowings	(3,818,224)	(3,373,280)
At 30 June	<u>12,978,460</u>	<u>11,597,612</u>

- (i) Other than certain of the bank loans in the aggregate amount of USD193,352,000, CAD28,000, EUR2,451,000 and AUD21,000 respectively as at 30 June 2011 (31 December 2010: USD258,536,000, CAD38,000, EUR1,933,000 and AUD26,000 respectively), all of the Group's bank loans are denominated in RMB.
- (ii) Certain of the Group's bank loans are secured by mortgages over certain of the Group's property, plant and equipment, land lease prepayments, inventories, trade receivables and bills receivable, which had an aggregate carrying value of approximately RMB610,384,000, RMB240,575,000, RMB49,500,000, RMB744,290,000 and RMB44,557,000 respectively as at 30 June 2011 (31 December 2010: approximately RMB630,316,000, RMB238,365,000, RMBNil, RMB531,082,000 and RMB250,000,000 respectively).
- (iii) The entrusted loans amounting to RMB2,596,400,000 were granted by HNG to the Group (31 December 2010: RMB2,320,000,000) as at 30 June 2011.
- (iv) HNG guaranteed certain of the Group's bank loans to the extent of RMB1,087,573,000 (31 December 2010: RMB1,024,916,000) as at 30 June 2011 (note 26(d)).
- (v) Interest expenses on bank and other borrowings for the six months ended 30 June 2011 are RMB309,853,000 (six months ended 30 June 2010: RMB258,813,000).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 18. OTHER LIABILITIES

	<b>30 June 2011 RMB'000 (Unaudited)</b>	31 December 2010 RMB'000 (Audited)
Provision for supplementary pension subsidies and early retirement benefits (note)	437,623	417,756
Stock appreciation rights plan	12,781	12,781
Provision for reclamation and rehabilitation	26,720	25,861
Payable for emission right	7,200	—
	<hr/>	<hr/>
Balance as at period/year end	<b>484,324</b>	456,398
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Current portion included in other payables and accruals	45,780	43,122
Long-term liabilities	438,544	413,276
	<hr/>	<hr/>
	<b>484,324</b>	456,398
	<hr/> <hr/>	<hr/> <hr/>

Note:

Prior to 1 September 2005, the Group paid certain supplementary pension subsidies to its employees. These supplementary pension subsidies mainly included living allowances which were payable to employees on a monthly basis after they reached the normal retirement age. The amount of monthly allowances to be paid to the employees depended on the number of years of service and the policy of the local subsidiaries concerned. The costs of providing these supplementary pension subsidies were charged to the 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 were calculated based on the factors including the number of years from the date of early retirement to the date of normal retirement and the salary on the date of early retirement of an employee. The costs of early retirement benefits were recognised in the period when employees opted for early retirement.

## 19. SHARE CAPITAL

	<b>30 June 2011 RMB'000 (Unaudited)</b>	31 December 2010 RMB'000 (Audited)
Registered, issued and fully paid:		
– Domestic shares of RMB1.00 each	2,035,330	2,035,330
– H shares of RMB1.00 each	1,632,728	1,632,728
	<hr/>	<hr/>
	<b>3,668,058</b>	3,668,058
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 20. BUSINESS COMBINATIONS UNDER COMMON CONTROL

On 11 August 2010, the Company entered into an equity transfer agreement with HNG to acquire the entire equity interest of Chenzhou City Huangshaping Iron Ore Processing Co., Limited (“Huangshaping Iron Ore”) at an aggregate consideration of RMB67,285,900.

The Group and Huangshaping Iron Ore are immediately controlled by HNG before and after the business combinations and that control is not transitory. The Group and Huangshaping Iron Ore are regarded as continuing entities as at the date of business combination and have the acquisitions been accounted for as business combination under common control by applying the principles of merger accounting.

The Group regarded the date of acquisition of Huangshaping Iron Ore to be on 31 August 2010 at which the Group obtained the control on Huangshaping Iron Ore.

Such acquisition is regarded as a business acquisition under common control. The assets and liabilities acquired by the Company in the merger of enterprises shall be measured at book value of the merger party on the merger date.

On 13 December 2010, Huangshaping Iron Ore was deregistered and the assets and liabilities were transferred to Hunan Nonferrous Metals Corporation Huangshaping Mining Branch, a branch of the Company.

The financial effects of the business combination under common control are as follows:

	<b>As previously reported</b> RMB'000	<b>Combined subsidiary</b> RMB'000	<b>Consolidation adjustment</b> RMB'000	<b>As restated</b> RMB'000
<b>For the six months ended</b>				
<b>30 June 2010</b>				
Revenue	9,665,852	2,848	(2,451)	9,666,249
Loss before income tax	(230,846)	(5,874)	—	(236,720)
Loss for the period	(269,905)	(5,874)	—	(275,779)

Note: No other significant adjustments were made to the net assets and net profit of any entities or businesses as a result of the common control combinations to achieve consistency of accounting policies.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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## 21. ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

(a) On 28 February 2011, Zhuye, a 63.31% owned subsidiary of the Group, acquired an additional 30% of the issued shares of Torch Metal Limited (“Hong Kong Torch”) for a purchase consideration of HKD1,593,000 (equivalent to RMB1,336,000). The carrying amount of the non-controlling interests in Hong Kong Torch on the date of acquisition was RMB1,204,000. The Group recognised a decrease in non-controlling interests of RMB1,204,000 and a decrease in equity attributable to owners of the Company of RMB132,000.

On 11 March 2011, Zhuying, a wholly owned subsidiary of the Group, acquired an additional 36.6% of the issued shares of Zhuzhou Diamond for a purchase consideration of RMB368,293,000. The carrying amount of the non-controlling interests in Zhuzhou Diamond on the date of acquisition was RMB214,005,000. The Group recognised a decrease in non-controlling interests of RMB214,005,000 and a decrease in equity attributable to owners of the Company of RMB154,288,000.

On 29 March 2011, Zigong, a 80% owned subsidiary of the Group acquired an additional 8% of the issued shares of Wangqing Haichuang Mining Co., Ltd. (“Wangqing Haichuang”) for a purchase consideration of RMB6,660,000. The carrying amount of the non-controlling interests in Wangqing Haichuang on the date of acquisition was RMB6,338,000. The Group recognised a decrease in non-controlling interests of RMB6,338,000 and a decrease in equity attributable to owners of the Company of RMB322,000.

The effect of changes in the ownership interest of Hong Kong Torch, Zhuzhou Diamond, and Wangqing Haichuang on the equity attributable to the owners of the Company during the period is summarised as follows:

	<b>Hong Kong Torch</b> RMB'000	<b>Zhuzhou Diamond</b> RMB'000	<b>Wangqing Haichuang</b> RMB'000	<b>Total</b> RMB'000
Carrying amount of non-controlling interests acquired	1,204	214,005	6,338	221,547
Consideration paid to non-controlling interests	<u>(1,336)</u>	<u>(368,293)</u>	<u>(6,660)</u>	<u>(376,289)</u>
Excess of consideration paid recognised in capital reserve within equity	<u>(132)</u>	<u>(154,288)</u>	<u>(322)</u>	<u>(154,742)</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 21. ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES (Continued)

(b) On 18 August 2010, Zhuying, a 99.28% owned subsidiary of the Company, acquired an additional 0.08% of the issued shares of Shenzhen Jinzhou for a purchase consideration of RMB81,000. The carrying amount of the non-controlling interests in Shenzhen Jinzhou on the date of acquisition was RMB145,000. The Group recognised a decrease in non-controlling interests of RMB145,000 and an increase in equity attributable to owners of the Company of RMB64,000.

On 6 September 2010, the Company acquired an additional 0.72% of the issued shares of Zhuying for a purchase consideration of RMB10,682,000. The carrying amount of the non-controlling interests in Zhuying on the date of acquisition was RMB6,071,000. The Group recognised a decrease in non-controlling interests of RMB6,071,000 and a decrease in equity attributable to owners of the Company of RMB4,611,000.

On 21 September 2010, Zhuying, a wholly owned subsidiary of the Company, acquired an additional 0.05% of the issued shares of Zhuzhou Diamond for a purchase consideration of RMB239,000. The carrying amount of the non-controlling interests in Zhuzhou Diamond on the date of acquisition was RMB275,000. The Group recognised a decrease in non-controlling interests of RMB275,000 and an increase in equity attributable to owners of the Company of RMB36,000.

The effect of changes in the ownership interest of Shenzhen Jinzhou, Zhuying and Zhuzhou Diamond on the equity attributable to the owners of the Company during the year ended 31 December 2010 is summarised as follows:

	Shenzhen Jinzhou RMB'000	Zhuying RMB'000	Zhuzhou Diamond RMB'000	Total RMB'000
Carrying amount of non-controlling interests acquired	145	6,071	275	6,491
Consideration paid to non-controlling interests	(81)	(10,682)	(239)	(11,002)
Excess of consideration paid recognised in capital reserve within equity	64	(4,611)	36	(4,511)

## 22. DEEMED PARTIAL DISPOSAL OF INTEREST IN A SUBSIDIARY

On 19 April 2011, 700,000 shares of Abra Mining Limited ("Abra"), a subsidiary of the Company, were issued and allotted as a result of exercise of incentive option granted by Abra on 4 January 2011 with an aggregate principal amount of AUD227,500 (equivalent to RMB1,559,000) at an issue price of AUD0.325. After that, the Group's equity interest in Abra was diluted by approximately 0.37% from 74.28% to 73.91%. The Group recognised an decrease in non-controlling interests of RMB475,000 and a corresponding increase in equity attributable to owners of the Company of RMB475,000.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 23. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

On 4 January 2011, Abra issued 2,900,000 incentive options to its certain directors and 700,000 incentive options were exercised (note 22) during the period. There are 6,125,000 incentive options outstanding as at 30 June 2011 (31 December 2010: 3,925,000).

The fair value of the options granted is estimated on the date of grant using Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted. The contractual life of each option granted is 5 years. There is no cash settlement of the options. The fair value of options granted during the half year ended 30 June 2011 was estimated on the date of grant using the following assumptions:

Dividend yield	5%
Expected volatility	88%
Risk-free interest rate	5.81%
Expected life	3.75 years
Closing share price of Abra on the grant date (cents)	AUD25

## 24. OPERATING LEASE COMMITMENTS

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

At 30 June 2011, the Group had total future minimum lease payments under such non-cancellable operating leases falling due as follows:

	<b>30 June 2011 RMB'000 (Unaudited)</b>	31 December 2010 RMB'000 (Audited)
Less than 1 year	21,819	20,064
More than 1 year and less than 5 years	62,644	67,498
More than 5 years	138,644	146,207
	<u>223,107</u>	<u>233,769</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 25. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 24 to the condensed consolidated interim financial information, the Group and the Company had the following capital commitments at the end of reporting period:

	<b>30 June 2011 RMB'000 (Unaudited)</b>	31 December 2010 RMB'000 (Audited)
Contracted, but not provided for:		
Purchase additional interest of a subsidiary (note)	—	195,210
Property, plant and equipment	<b>259,260</b>	456,624
Others	—	1,800
	<b>259,260</b>	653,634
Authorised, but not contracted for:		
Property, plant and equipment	—	88,179

Note: On 30 September 2010, the Group signed a share transfer agreement with Xiangjiang Industrial Investment Co. Ltd. to acquire a further 19.4% equity interest in a subsidiary, Zhuzhou Diamond, for a consideration of RMB195,210,000. This share transfer transaction was completed on 11 March 2011.

## 26. RELATED PARTY TRANSACTIONS

The Company is controlled by HNG and CMC, the parent company and the ultimate holding company respectively, a state-owned enterprise established in the PRC. HNG and CMC itself are controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with IAS 24 (revised), "Related Party disclosures", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include HNG Group and Minmetals Group (other than the Group), other government-related entities and their subsidiaries ("other state-owned enterprises"), other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company, HNG and CMC as well as their close family members.

For the purposes of the related party transaction disclosures, the directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 26. RELATED PARTY TRANSACTIONS (Continued)

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

### (a) Transactions with the HNG Group

*Nature of transactions*

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited and restated)
Sales of raw materials and products	69,135	55,363
Provision for electricity and water	2,154	449
Subcontracting income	—	182
Purchase of raw materials and products	241,935	47,462
Transportation service fees	11,898	11,321
Repairs and maintenance fees	18,042	5,642
Construction service fees	—	588
Subcontracting fees	8,305	9,524
Rental fees	2,113	6,635
Property management service fees	250	1,041



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 26. RELATED PARTY TRANSACTIONS (Continued)

### (b) Transactions with Minmetals Group

*Nature of transactions*

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited and restated)
Sales of raw materials and products	<u>296,388</u>	<u>—</u>
Purchase of raw materials and products	<u>195,290</u>	<u>—</u>
Repairs and maintenance expenses	<u>11,528</u>	<u>—</u>

### (c) Transactions with associates

*Nature of transactions*

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited and restated)
Sales of raw materials and products	<u>556,396</u>	<u>457,589</u>
Purchase of raw materials and products	<u>634,107</u>	<u>591,361</u>
Other service fees	<u>3,230</u>	<u>9,778</u>

### (d) Guarantee granted by HNG to the Group

	<b>30 June</b>	31 December
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Corporate guarantees	<u>1,087,573</u>	<u>1,024,916</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 26. RELATED PARTY TRANSACTIONS (Continued)

### (e) Lease of land use right from HNG

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited and restated)
Lease of land use right	<u>7,562</u>	<u>4,502</u>

(f) During the six months ended 30 June 2011, the Group's significant transactions with other state-owned enterprises (excluding HNG Group and Minmetals Group) are a large portion of its sales of goods and purchases of raw materials, electricity, property, plant and equipment and services. In addition, substantially all bank deposits, cash and cash equivalents and borrowings as of 30 June 2011 and the relevant interest earned or paid during the period are transacted with banks and other financial institutions controlled by the PRC government.

## 27. EVENT AFTER THE REPORTING PERIOD

On 4 April 2011, the Company and Abra announced that the Company would make an offer to acquire all issued ordinary shares of Abra ("Abra Shares") not already owned by the Company for AUD0.40 per share and acquire or enter into cancellation deed polls in respect of the 6,125,000 options to subscribe for shares at the agreed prices.

On 11 July 2011, the Company had received acceptances in respect of at least 75% of Abra Shares it offered to acquire on 4 April 2011, and the Company had a relevant interest in at least 90% of Abra Shares. The Company therefore proposed to acquire the remaining Abra Shares not already owned by the Company under relevant Australian laws and regulations ("Compulsory Acquisition").

On 4 August 2011, Abra was delisted from Australian Stock Exchange Limited following the Compulsory Acquisition.

On 31 July 2011, the directors of Abra passed an ordinary resolution to cancel all outstanding options. The options would be cancelled with effect from the date of remittance advice which evidences the payment of consideration to the holders of the options.

Up to the date of approval of this condensed consolidated interim financial information, the Group's equity interest in Abra was increased by approximately 24.37% from 73.91% to 98.28%.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2011

## 28. COMPARATIVE FIGURES

During the year 2010, the Company has business combinations under common control as detailed in note 20. The Group and the acquired unit are regarded as continuing entities as at the date of business combination and have been accounted for by applying the principles of merger accounting. The resulting changes which lead to the restatements on the condensed consolidated income statement as detailed in note 20 and the condensed consolidated statement of cash flows. In addition, certain comparative figures have been adjusted to conform to current period's presentation.

## 29. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

This condensed consolidated interim financial information was approved and authorised for issue by the board of directors on 28 August 2011.