



# HUNAN NONFERROUS METALS CORP., LTD.

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

(Stock Code: 02626)

## 2012 INTERIM REPORT





# CONTENTS

---

2	Corporate Information
4	Market Review and Outlook
8	Management Discussion and Analysis
15	Directors and Senior Management
16	Profiles of Directors, Supervisors and Senior Management
28	Employees
29	Share Capital
30	Substantial Shareholders
31	Directors' and Supervisors' Interests
33	Corporate Governance
35	Condensed Consolidated Income Statement
36	Condensed Consolidated Statement of Comprehensive Income
37	Condensed Consolidated Statement of Financial Position
39	Condensed Consolidated Statement of Changes in Equity
40	Condensed Consolidated Statement of Cash Flows
41	Notes to the Condensed Consolidated Interim Financial Information

# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Li Fuli (*Chairman of board of directors*)

Li Li

Liao Luhai

Guo Wenzhong

### Non-Executive Directors

Cao Xiuyun (*Vice-chairman of board of directors*)

Huang Guoping

Chen Zhixin

Zou Jian (*Held office up to 29 May 2012*)

Lu YuanJing (*Appointed on 29 May 2012*)

### 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 (*Held office up to 29 May 2012*)

Hou Xiaohong

He GuoXin (*Appointed on 29 May 2012*)

Xu Xiaoyan (*Appointed on 29 May 2012*)

### Independent Supervisor

Liu Dongrong

Xiao Yinong (*Held office up to 29 May 2012*)

Fan Haiyong (*Appointed on 29 May 2012*)

## 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

Wan Ten Lap (*Chairman of remuneration committee*)

Cao Xiuyun

Liao Luhai

Gu Desheng

Choi Man Chau, Michael

## 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

Kang Yi

Guo Wenzhong

Gu Desheng

Lu Yuanjing

Wan Ten Lap

# CORPORATE INFORMATION

## INTERNATIONAL AUDITOR

Baker Tilly Hong Kong Limited

## PRC AUDITOR

Baker Tilly China

## 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

Hunan Nonferrous Building

No. 290 Laodongxi Road

Changsha City, Hunan, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6/F Nexxus Building,

41 Connaught Road Central,

Central, 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 27 August 2012

Interim Results

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

6/F Nexxus Building,

41 Connaught Road Central,

Central, Hong Kong

Tel: (852) 28511038

Fax: (852) 28151352

# MARKET REVIEW AND OUTLOOK

## MARKET REVIEW

(The following information is mainly extracted from [www.metalchina.com](http://www.metalchina.com). Prices of commodities include value-added tax.)

### Tungsten

For international markets, there is a declining trend towards the price of tungsten in the first half year of 2012. In the first quarter, the price of Ammonium paratungstate (“APT”) in Europe slightly decreased from US\$430 to US\$445 per ton as at the beginning of the year to US\$428 to US\$430 per ton as at the end of March. In the second quarter, the price of APT plunged severely with the domestic APT price in China, and decreased to the lowest level of US\$360 to US\$395 per metric ton unit in mid April. Subsequently, as the domestic APT price recovered, the price of tungsten in Europe increased slightly and maintained at US\$390 to US\$415 per ton at the end of June.

For domestic market, with the impact of European debt crisis, slow recovery of US economy and retarding economic growth of the PRC, market demand is weak causing a decline in price of tungsten. As of the end of June, the price of tungsten concentrates decreased from RMB135,000 to RMB137,000 per ton as at the beginning of the year to RMB120,000 to RMB121,000 per ton. The average price of tungsten concentrates was RMB126,000 per ton in the first half year of 2012, representing a decrease of 12% and 8% as compared with December last year and the same period in prior year respectively.

In general, the price of tungsten still depends on the domestic and global economic conditions, in particular, the demand from downstream industries. It is expected that the tungsten market will continue to decline in the third quarter with an average tungsten concentrates price of RMB105,000 per ton. With the implementation of stimulative plans in the domestic and overseas economies in the fourth quarter, the market demand of tungsten is expected to improve slightly to an average price of RMB115,000 per ton. The average price of tungsten concentrates is estimated to be RMB110,000 per ton for the second half of 2012.

### Antimony

The domestic antimony price continues to be weakened in the first half year of 2012. The price of antimony increased for a short period of time in February and subsequently went through the an adjustment cycle for three consecutive months. The general price level declined in June, with an average decrease of RMB5,500 per ton. The highest monthly average price of 2# antimony in the domestic market was RMB80,100 per ton in February, whereas the lowest price was RMB71,200 per ton in January. During the first half of the year, the annual average price of #2 antimony in the domestic market was RMB76,900 per ton, representing a decrease of 17% and 22% as compared with December last year and the same period in prior year respectively.

For international markets, contrast to the slight decline in antimony price of the domestic market, the antimony price of the European market surged from mid April to late May and dropped slightly in June due to the decrease in quoted antimony price in the PRC. The average price of antimony (Class II) in June amounted to US\$13,456 to US\$13,956 per ton, representing a decrease of 1.5% and 7.7% as compared with December last year and the same period in prior year, respectively.



## MARKET REVIEW AND OUTLOOK

In general, the antimony market will continue to fluctuate at low levels in the second half year, and may set a bottom line for a medium to long term period. It is expected the domestic antimony price will remain stable at RMB63,000 to RMB72,000 per ton, while the average domestic antimony price is estimated to be about RMB70,000 per ton in the second half of the year. The average price of antimony in international markets is expected to be about US\$12,000 per ton.

### Lead

For international markets, the lead price quoted on LME fluctuated within the narrow range of US\$1,900 to US\$2,300 per ton in the first half of 2012 with a declining trend and reached its top at US\$2,329 per ton in late January. Since early May, the price declined gradually and reached its bottom at US\$1,742 per ton in late June. The average lead price quoted on LME in the first half year of 2012 amounted to US\$2,054 per ton, representing a decrease of 8.0% and 19.6% as compared with December last year and the corresponding period in prior year respectively. The average spot price of lead quoted on LME amounted to US\$2,036 per ton, representing a decrease of 8.5% and 20.9% as compared with December last year and the same period in prior year respectively.

For domestic market, the lead price declined in line with the overseas markets, but at a lower extent. The performance of domestic lead market surpassed the international markets. The dominant contract price of Shanghai in the first half of this year reached its top at RMB16,440 per ton at the end of January and its bottom at RMB14,190 per ton. At the end of June, the closing dominant contract price of Shanghai was RMB14,635 per ton, representing a decrease of 4.3% and 14.9% as compared with December last year and the same period in prior year respectively. In the first half of the year, the average dominant contract price of Shanghai was RMB15,567 per ton, representing a decrease of 2.5% and 10.9% as compared with December last year and the same period in prior year respectively. The extent of lead price decrease in the domestic market was less than that in the overseas markets, not only because of the economic production cost of the smelting enterprises, but also the limited linkage of the lead prices between the domestic and overseas markets.

In general, the lead price is expected to keep at low level. The lead price will fluctuate within a narrow range during the second half of the year and will grow substantially afterwards. The lead price quoted on the LME will be between US\$1,650 and US\$2,200 per ton. The domestic dominant contract price of Shanghai will range between RMB13,500 and RMB16,500 per ton.

### Zinc

For international markets, the price of zinc during the first half year of 2012 revealed a descending trend with the highest price recorded at the beginning of first quarter and the lowest price recorded at the end of second quarter. In particular, since the beginning of the second quarter, the price of zinc quoted at low level of US\$ 1,745 per ton. The monthly average price of three-month zinc futures in June was US\$1,857 per ton as quoted on the London Metal Exchange (the "LME"), representing a decrease of 3.4% and 17.5% as compared with December last year and the same period in prior year respectively. The spot price of zinc was US\$1,855 per ton, representing a decrease of 3.2% and 16.8% as compared with December last year and the same period in prior year respectively.

## MARKET REVIEW AND OUTLOOK

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. The price recorded an increase in January and fluctuated in February and March. It remained stable in April and declined subsequently within the range of RMB14,150 to RMB16,400 per ton. The price maintained at low level of RMB15,000 per ton in June. The market sentiment was weak, and the zinc price tended to decline. In particular, most of the merchants and investors were pessimistic towards the outlook of spot market and acted cautiously. The monthly average price of zinc in June quoted on the SHFE was RMB14,567 per ton, representing a decrease of 2.9% and 15.4% as compared with December last year and the same period in prior year respectively. The monthly average domestic price of zinc was RMB14,597 per ton, representing a decrease of 2.8% and 14.6% as compared with December last year and the same period in prior year respectively.

In general, the excess supply in the global zinc market will continue while price movement will be affected primarily by the macro-economic situation. It is expected that the zinc price will decline further in the second half year and the zinc futures prices in both markets may reach the bottom in the fourth quarter with price shortly be lower than RMB13,000 per ton . However, as the price of zinc is significantly below its cost, it is unlikely that the price will decrease further. It is expected that the zinc price quoted on the SHFE will fluctuate between RMB13,000 and RMB16,500 per ton, while the zinc price quoted on the LME will fluctuate between US\$1,600 and US\$2,150 per ton.

### BUSINESS OUTLOOK

In the first half year of 2012, the global economic growth was slack causing the price of non-ferrous metals continued to decrease. The average selling price of certain major products of the Company declined sharply over last year. The production of major products, including Zinc concentrate and cemented carbides, decreased by over 10% as compared with the corresponding period last year. In the meantime, the decrease of gross profit margin in majority of our subsidiaries resulted in lower profitability. Thus the operating results of the Company for the first year half of 2012 were seriously affected.

From January to June 2012, the production of zinc was 240,118 tons, representing a decrease of 12.92% as compared with the corresponding period last year; production of lead was 40,422 tons, representing a decrease of 0.3% as compared with the corresponding period last year; production of antimony was 16,230 tons, representing a decrease of 1.55% as compared with the corresponding period last year; production of cemented carbides was 3,940 tons, representing a decrease of 15.09% as compared with the corresponding period last year; production of lead concentrates was 6,038 tons, representing a decrease of 43.1% as compared with the corresponding period last year; production of zinc concentrates was 11,904 tons, representing an increase of 30.74% as compared with the corresponding period last year; production of tungsten concentrates was 4,549 tons, representing a decrease of 0.73% as compared with the corresponding period last year; production of antimony concentrates was 6,862 tons, representing a decrease of 7.26% as compared with the corresponding period last year.



## MARKET REVIEW AND OUTLOOK

In response to the unfavorable situation of the declining price of major products during the first half of the year, the Company adopted a market-oriented approach, further optimized the product structure, enhanced organizational management of production and strengthened the internal business synergies to ensure the steady increase of proportion of high value-added products. As a result, production of lead and zinc concentrates increased significantly. Furthermore, the Company implemented various measures based on the comprehensive budget, such as stricter cost control, reducing the proportion of three major expense items, improving efficiency of capital utilization and controlling the gearing ratio tightly. As a result, the operation of the Company remained stable in the first half of the year.

In the second half of the year, the economic policies of major economies in the world, including China, are expected to further loosen. However, the global economy will still be full of uncertainties. The European debt crisis may further worsen and spread away. It is expected that the global economic growth will remain unstable while the demand for non-ferrous metals is more likely to improve in the fourth quarter. The Company will adhere to its working principle of “three decreases, two increases and one acceleration”, which refers to the decreases in cost, expenses, proportion of three major expense items, the increases of productivity and efficiency while ensuring production safety, as well as accelerating construction of projects. This helps to reverse the passive business operation in the first half year and achieve outstanding operating results.



# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

During the six months ended 30 June 2012, loss before income tax amounted to RMB242 million, albeit profit before income tax amounted to RMB244 million for the six months ended 30 June 2011. Loss attributable to owners of the Company was RMB63 million, albeit profit of RMB171 million for the six months ended 30 June 2011.

The followings are the comparisons between the financial performance for the six months ended 30 June 2012 and 2011:

## TURNOVER

Turnover decreased by RMB511 million or 4.26% to RMB11,476 million (2011: RMB11,987 million), primarily due to the decrease in turnover before sales tax and surcharges from the nonferrous metal mine site segment by RMB376 million or 16.03% and the decrease in turnover before sales tax and surcharges from the nonferrous metal smelting segment by RMB315 million or 5.27% being offset by the increase in turnover before sales tax and surcharges from the cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment of RMB184 million or 4.95%.

Gross profit decreased by RMB575 million or 40.90% to RMB831 million (2011: RMB1,406 million), while the gross profit margin decreased by 4.49% to 7.24% (2011: 11.73%).

## NONFERROUS METAL MINE SITE SEGMENT

The sales volume and average selling price of our products from nonferrous metal mine sites are as follows:

	Six months ended 30 June			
	2012		2011	
	Sales volume (ton)	Average selling price (RMB/ton)	Sales volume (ton)	Average selling price (RMB/ton)
<b>Shizhuyuan</b>				
Tungsten concentrates	1,991	103,787	2,107	108,144
Oxidized molybdenum	146	87,186	430	98,121
Bismuth products	299	124,873	501	121,511
<b>Huangshaping Branch</b>				
Zinc concentrates	4,212	8,676	1,773	10,242
Lead concentrates	4,222	17,437	2,490	21,175
<b>Hsikwangshan</b>				
Antimony products	16,348	61,340	14,610	69,216
Zinc products	10,870	13,327	13,430	15,499
<b>Xin Tianling</b>				
Tungsten concentrates	545	108,639	798	113,612

# MANAGEMENT DISCUSSION AND ANALYSIS

Turnover before sales tax and surcharges from the nonferrous metal mine site segment decreased by RMB376 million or 16.03% to RMB1,970 million (2011: RMB2,346 million). The decrease in turnover was primarily due to the decrease in average selling prices of major products in the nonferrous metals mine site segment, such as tungsten concentrates, zinc concentrates, lead concentrates and antimony products and the decrease in sales volume of tungsten concentrates, oxidized molybdenum and Bismuth products.

Gross profit from the nonferrous metal mine site segment decreased by RMB248 million or 43.97% to RMB316 million (2011: RMB564 million), while the gross profit margin decreased by 8.00% to 16.03% (2011: 24.03%). These were mainly due to the decrease in selling price of major products in the segment and the increase in write down of inventories. Total amount of write down of inventories increased by RMB43 or 186.96% to RMB66 million (2011: RMB23 million).

## NONFERROUS METAL SMELTING SEGMENT

The sales volume and average selling price of our nonferrous metal smelted products are as follows:

	Six months ended 30 June			
	2012		2011	
	Sales volume (ton)	Average selling price (RMB/ton)	Sales volume (ton)	Average selling price (RMB/ton)
Zinc products	230,263	14,124	257,465	15,746
Lead products	39,791	13,617	40,630	15,405
Precious metal - Indium	13.7	3,175,502	0.2	3,575,255
Precious metal - Silver	67	5,539,071	50	5,770,045

Turnover before sales tax and surcharges from the nonferrous metal smelting segment decreased by RMB315 million or 5.27% to RMB5,666 million (2011: RMB5,981 million). The decrease in turnover was primarily due to the decrease in average selling price of nonferrous metal smelted products and the decrease in sale volume of zinc products and lead products.

The nonferrous metal smelting segment incurred a gross loss of RMB30 million (2011: profit of RMB163 million) while the gross margin turnarounds to loss of 0.53% (2011: profit of 2.73%). These were mainly due to the decrease in average selling price of the nonferrous metal smelted products and the increase in write down of inventories. Total amount of write down of inventories increased by RMB216 or 400.00% to RMB270 million (2011: RMB54 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

	Six months ended 30 June			
	2012		2011	
	Sales volume (ton)	Average selling price (RMB/ton)	Sales volume (ton)	Average selling price (RMB/ton)
Cemented carbides	5,807	391,539	6,594	347,047
Tungsten and its compounds	5,048	236,336	4,959	210,431
Molybdenum and its compounds	378	312,867	354	340,273
Tantalum, niobium and their compounds	45	2,614,894	72	1,475,281

Turnover before sales tax and surcharges from the cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment increased by RMB184 million or 4.95% to RMB3,898 million (2011: RMB3,714 million). The increase in turnover was primarily due to the increase in average selling price of cemented carbides, tungsten and its compounds, tantalum, niobium and their compounds and a slight increase in the sale volume of tungsten and its compounds and molybdenum and its compounds.

Gross profit from the cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment decreased by RMB134 million or 19.73% to RMB545 million (2011: RMB679 million), while the gross profit margin decreased by 4.29% to 13.99% (2011: 18.28%). These are mainly due to a more rapid increase in average cost than the increase in average selling price of cemented carbides, tungsten and its compounds, and tantalum, niobium and their compounds, together with the increase in write down of inventories. Write down of inventories amounted to RMB20 million, albeit reversal of write down of inventories amounted to RMB4 million in 2011.

### OTHER INCOME

Other income increased by RMB10 million or 5.85% to RMB181 million (2011: RMB171 million). The increase was primarily due to the increase in recognition of government grants by RMB73 million being offset by the decrease in net realised and unrealised gains on derivative financial instruments amounting to RMB65 million in the current period.

### SELLING AND DISTRIBUTION COSTS

Selling and distribution costs decreased by RMB9 million or 4.23% to RMB204 million (2011: RMB213 million). The decrease was primarily due to the decrease in transportation and packaging expenses.



# MANAGEMENT DISCUSSION AND ANALYSIS

## ADMINISTRATIVE EXPENSES

Administrative expenses increased by RMB24 million or 3.90% to RMB639 million (2011: RMB615 million). The increase was primarily due to the increase in exchange loss and other items by RMB78 million and RMB41 million respectively being offset by the decrease in research and development expenses amounting to RMB81 million.

## OTHER EXPENSES, NET

Other expenses, net decreased by RMB35 million or 60.34% to RMB23 million (2011: RMB58 million). The decrease was primarily due to the decrease in price participation payments to former shareholders of Beaver Brook Antimony Mine Inc., a subsidiary of the Group by RMB21 million and the decrease in impairment of intangible assets and other assets by RMB16 million.

## IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The Group has made no impairment of property, plant and equipment, albeit the Group made an impairment of property, plant and equipment amounted to RMB149 million in 2011. Impairment for 2011 represented impairment of assets related to Australian joint venture project. Since the impairment was reasonably made in previous year, no further impairment being made in the current period.

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

The Group has made reversal of impairment of trade and other receivables amounted to RMB5 million, albeit provision has been made in 2011 amounted to RMB6 million. The provision in 2011 was mainly related to the impairment of receivable from partner of Australian joint venture project. Since the partner has commenced to repay those receivables, corresponding amount of reversal has been made in the current period amounted to RMB21 million.

## FINANCE COSTS

Finance costs increased by RMB102 million or 32.90% to RMB412 million (2011: RMB310 million). The increase was primarily due to the increase in average balance of bank loans and average interest rate of bank borrowings.

## INCOME TAX EXPENSE

Income tax expense decreased by RMB37 million or 38.95% to RMB58 million (2011: RMB95 million). The decrease was primarily due to the decrease in current tax expense profit by RMB31 million arising from the decrease in current period and the decrease in deferred tax expenses by RMB6 million that was attributable to the net change in deferred income tax assets and liabilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LOSS/PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Loss for the period attributable to the owners of the Company amounted to RMB63 million, albeit profit of RMB171 million for 2011. The turnaround from profit to loss was mainly due to sharp decrease in profit margin in nonferrous metal mine site segment and significant loss in nonferrous metal smelting segment.

## LOSS FOR THE PERIOD ATTRIBUTABLE NON-CONTROLLING INTERESTS

Loss for the period attributable to non-controlling interests increased by RMB214 million or 972.73% to RMB236 million (2011: RMB22 million), primarily due to a subsidiary, Zhuzhou Smelter Group Holding Co., Ltd and its subsidiaries suffered from an increased operating losses during the period.

## LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 June 2012, majority of financial resources were generated from operating cash inflows and short-term and long-term borrowings. The Group's financial resources were applied mainly to operating activities, capital expenditures and repayment of bank borrowings. As at 30 June 2012, the Group's cash and cash equivalents amounted to RMB1,865 million.

The cash and cash equivalents were primarily denominated in Renminbi ("RMB") (RMB accounted for approximately 77.65%, Australian dollar ("AUD") accounted for approximately 16.62%, United States dollar ("USD") accounted for approximately 2.57%, Euro ("EUR") accounted for approximately 1.66%, Canadian dollar ("CAD") accounted for approximately 1.02%, and Hong Kong dollars ("HKD") accounted for approximately 0.48%.)

As at 30 June 2012, total amount of short-term and long-term bank loans and other borrowings amounted to RMB13,452 million, among which loans denominated in RMB accounted for approximate 89.84%, USD loans accounted for approximately 9.80%, HKD loans accounted for approximately 0.23%, JPY loans accounted for 0.06%, EUR loans accounted for approximately 0.05% and CAD loans accounted for 0.02%.

## CHARGES ON THE GROUP'S ASSETS

As at 30 June 2012, the assets of the Group with aggregate carrying value of RMB898 million have been pledged for securing certain bank loans. These pledged assets included property, plant and equipment, land lease prepayment, inventories, trade receivables and bills receivables amounted to RMB534 million, RMB211 million, RMB70 million, RMB72 million and RMB11 million.

## DEBT TO TOTAL ASSETS RATIO

As at 30 June 2012, the debt to total assets ratio of the Group increased to 77.12% (31 December 2011: 75.10%). The debt to total assets ratio is equivalent to the percentage of total liabilities divided by total assets. The debt to total assets ratio increased as the growth rate of total interest-bearing bank loans and borrowings was higher than that of total assets.



# MANAGEMENT DISCUSSION AND ANALYSIS

## EXPOSURES TO FLUTUATIONS IN EXCHANGE RATES

The Group primarily operates in the People's Republic of China, with export certain products to various overseas countries. Apart from the export sales transacted mainly in the USD, revenue of the Group mainly denominated in RMB at present. The risk in foreign exchange of the Group primarily arises from the investments in Australia and Canada, of which the sales of products and purchase of raw materials are denominated in foreign currency. Currently, the Group has neither formally adopted any hedging policy nor executed any foreign exchange contract or derivative to hedge against the Group's foreign currency risk.

## COMMODITY PRICE RISK

As the trading prices of nonferrous metals of the Group are calculated at the global and local prices that 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 managed this risk by the execution of commodity futures contracts on a limited basis.

## INTEREST RATE RISK

The risk in the interest rate concerning the Group primarily relates to our short-term and long-term bank loans and other borrowings (amounting to RMB13,452 million as at 30 June 2012). The interests charged on the outstanding borrowings are calculated at both fixed rates and floating rates. Any rise in the current interest rate will increase the interest cost of our short-term borrowings upon extension. To date, the Group has neither executed any form of interest rate agreement nor derivative instruments to hedge against the interest rate risk.

## CONTINGENT LIABILITIES

As at 30 June 2012 and 31 December 2011, the Group had no contingent liabilities.

## PROPOSED TRANSACTIONS

On 23 June 2012, the Company entered into a sale and purchase agreement with ZhongWu GaoXin Materials Company Limited ("ZhongWu GaoXin"), an associate of the Company, pursuant to which the Company conditionally agreed to dispose of its 100% equity interests in Zhuzhou Cemented Carbides Group Corp., Ltd. ("Zhuying") and 80% equity interests in Zigong Cemented Carbides Company Limited ("Zigong") to ZhongWu GaoXin in consideration of the issue and allotment of approximately 303.1 million shares of ZhongWu GaoXin to the Company. Subject to and immediately after the completion of the transaction, ZhongWu GaoXin will be owned as to 72.60% by the Company and become a subsidiary of the Company. Each of Zhuying and Zigong will become an indirect subsidiary of the Company through the Company's controlling shareholding in ZhongWu GaoXin. Up to 27 August 2012, the transaction is yet to complete.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

The Company has adopted the Model Code for Securities Transactions by Directors, Supervisors and Chief Executive of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Based on specific enquiries with all the Directors, 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 2012.

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

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

## PUBLICATION OF THE RESULTS ON WEBSITE

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

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

By Order of the Board

**Li Fuli**

*Chairman*

Changsha, the PRC, 27 August 2012



## 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, Lu Yuanjing

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

Li Fuli (李福利), aged 46, is currently the executive Director, the chairman of the Board and the Chairman of the board of directors of HNG.

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

Li Li (李立), aged 48, is currently the executive Director and general manager of the Company. He is a senior administrator (高級政工師).

Mr. Li graduated from Zhuzhou Metallurgy Industrial School (株州冶金工業學校) 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. Since September 2005, Mr. Li has been an executive director and general manager of the company.



## PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Liao Luhai (廖魯海), aged 41, is currently the executive Director, deputy general manager of the Company and secretary of the Board. He is a senior economist.

Mr. Liao graduated in July 1992 from the Department of Exploration, East China University of Petroleum (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 China University of Petroleum (Beijing) (中國石油大學) where he also obtained a doctoral degree in mine exploration of management engineering in July 1998. Prior to joining HNG, Mr. Liao served as an officer and division head at China Development Bank from July 1998 to February 2005 and successively engaged in credit, project evaluation, the central enterprise group comprehensive financial services, etc. From March 2005 to August 2005, Mr. Liao served as a member of party committee and the deputy general manager of HNG.

Guo Wenzhong(郭文忠), aged 49, is currently the executive Director and financial controller of the Company.

Mr. Guo graduated from Zhejiang Finance and Economics College (浙江冶金經濟專科學校) (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 deputy general manager and general manager of Hunan Nonferrous Metals Enterprise Finance Company ("HNME Finance"). From April 2002 to September 2004, Mr. Guo was the general manager of Hunan Nonferrous Investment Company Limited. From October 2002 to September 2004, Mr. Guo also acted as the researcher of Hunan Nonferrous Metals Industry Company ("HNMC"). Mr. Guo was the manager of the audit and legal department of Hunan Nonferrous Metals Holding Group Company Limited. from September 2004 to September 2005. From September 2005 to July 2006, Mr. Guo was the manager of the financial department of the Company. From July 2006 to November 2010, Mr. Guo was the deputy financial controller and manager of the financial department of the Company. From November 2010 to February 2012, Mr. Guo was the financial controller and manager of the financial department of the Company. Since February 2012, Mr. Guo is the financial controller of the Company.

# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## NON-EXECUTIVE DIRECTORS

Cao Xiuyun(曹修運), aged 50, is currently the non-executive Director, the vice chairman of the Board 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. Currently, Mr. Cao is a director of Zhuzhou Smelter Group Co., Ltd.

Huang Guoping (黃國平), aged 49, is currently the non-executive Director. He is also the executive director and the Secretary of the party committee of HNG, and the Deputy General Manager of HNG responsible for General Affairs. He graduated from Central South Institute of Mining and Metallurgy in July 1983 with a major in Nonferrous Metals Metallurgy. In 1997, Mr. Huang graduated from Renmin University of China with a major in Political Economy and obtains post graduate certificate of Education.

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 Lead and Zinc Division of China National Nonferrous Metals Industry Trading Group Corporation. In December 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 April 2002 to October 2004, Mr. Huang was the general manager of the aluminum department of China Minmetals Non-Ferrous Metals Co. Ltd. as well as the person in charge of the project in Nandan county of Guangxi province. Since October 2004, Mr. Huang has been the deputy general manager of China Minmetals Non-Ferrous Metals Co. Ltd. Since August 2010, Mr. Huang act as the Executive Director and the Secretary of the party committee of HNG, and the Deputy General Manager of HNG responsible for General Affairs with effect from December 2010.

## PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Chen Zhixin (陳志新), aged 56, is currently the non-executive Director. He is a senior accountant and a member of the Chinese Institute of Certified Public Accountants.

Mr. Chen graduated from Hubei University of Finance and Economics with a major in industrial accounting. Prior to joining HNG in August 2004, Mr. Chen served as head of the finance departments of Hunan Nonferrous Labor Protection Research Institute and CNNCCS. From 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 a Director, deputy general manager and financial controller of HNG from November 2010. Currently, Mr. Chen is a director of Zhuzhou Smelter Group Co., Ltd.

Zou Jian (鄒健), aged 39, has been our non-executive Director from March 2009 to May 2012.

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).

Lu Yuanjing (陸源京), aged 47, is currently an independent non-executive Director of the Company. He is an on-the-job postgraduate student studying in the Faculty of Business and Administration in Hunan University. He received a master's degree of the faculty in Management in 1988 and is a senior economist.

From July 1984 to April 1987, Mr. Lu was a staff member in Changsha Public Security Bureau of Hunan Province. From April 1987 to December 2004, he served as the deputy officer and officer in Hunan Branch of Bank of China. From December 2004 to January 2007, he was the deputy director of Changsha office of China Orient Asset Management Corporation. Since January 2007, he has served as the manager (division chief grade) of Changsha office of Bangxin Asset Management Co., Ltd., a wholly-owned subsidiary of China Orient Asset Management Corporation.

# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Kang Yi(康義), aged 72, has been an independent non-executive Director 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 honorary chairman of the China Nonferrous Metals Industry Association (中國有色金屬工業協會). He also serves as council member of the Nonferrous Metals Society of China (中國有色金屬學會) and independent non-executive director for Shan'xi Jinduicheng Molybdenum Company Limited (陝西金堆城鋁業股份有限公司).

Gu Desheng (古德生), aged 74, has been an 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 (校學位委員會) and has been teaching to date. In 1995, Mr. Gu became a fellow of the Chinese Academy of Engineering. Mr. Gu received 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 published more than 130 professional articles worldwide. Mr. Gu was a committee member of the 9th and 10th National Committee of the Chinese People's Political Consultative Conference (全國政協第九、第十屆委員會) and a member of the Evaluation Committee of the National Natural Science Foundation (國家自然科學基金). Mr. Gu also serves as consultant and independent director of various companies and holds four patents.

Chen Xiaohong (陳曉紅), aged 48, has been an independent non-executive Director since 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 Honorary Dean of Business School at Central South University, Chairman of the academic professor's committee (學術委員會), Dean of institute of two-style Social Sciences Research (兩型社會研究院) of Central South University and the vice president of the Society of Management of China (中國管理學會). Ms. Chen is also an economic consultant in the government sector and acts as an independent director of many large-scale enterprises and listed companies.

Ms. Chen has received numerous awards, including the grant from the "National Outstanding Young Scientist Fund" (國家杰出青年科學基金), the "Outstanding Social Scientist of China" (中國杰出社會科學家), the "Chief Scientist of Innovation Team of Yangtze River Scholars and the National Innovation Group" (長江學者創新團隊和國家創新群體首席科學家), the "National Outstanding Teacher" (全國優秀教師), the "National March 8th Red Banner holder" (全國三八紅旗手), the "Fok Ying Tung Education Fund — National Outstanding Young Teachers (Research)", the "Outstanding Individual of Younger Generation in Hunan Province" and the "Outstanding Economists in Hunan Province". The State Council of PRC has granted Ms Chen a special allowance based on her expertise in her field since 1998.

# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Wan Ten Lap (溫天納), aged 42, has been an independent non-executive Director since September 2005.

He is an expert in finance and investment banking, serving as the Vice Chairman of CUAA Finance Association, a committee member of Hong Kong Securities Institute and the Managing Director of investment banking business of China Merchants Securities (HK) Limited. He previously served as chair professor (講座教授) at the School of Business of Renmin University of China (中國人民大學商學院) and was the founding managing director of BOCOM International. He is a registered officer under the SFC and a member of the Hong Kong Securities Institute. Mr. Wan has been repeatedly appointed by 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.

Choi Man Chau, Michael (蔡文洲), aged 55, 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 non-executive 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), China CBM Group Limited, and Nam Tai Electronic & Electrical Products Limited.

## SUPERVISORS

### Shareholders' representative supervisors

Jin Liangshou (金良壽), aged 54, is a shareholder representative supervisor and the chairman of our supervisory standing committee. 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 Central 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 of the department of finance. From July 1994 to July 1998, Mr. Jin was the manager of the department of finance of Zhuzhou. From December 1997 to December 2002, he was appointed by HNMC, and acted as the deputy general manager of HNME Finance and the general manager of the brokerage office in Shenzhen. Between January 2003 and August 2004, Mr. Jin was a researcher at HNMC and the general manager of HNME Finance. Mr. Jin joined HNG in August 2004. From October 2004 to July 2006, he served as the manager of Finance and Assets Department of HNG. From July 2006 to November 2010, Mr. Jin was the deputy finance controller of HNG and the manager of Finance and Assets Department. Mr. Jin is the assistant to the general manager from November 2011 until now.

## PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

He Hongsen (賀洪森), aged 51, is one of the shareholder representative 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. From March 1993 to August 1997, Mr. He was the office assistant director of working committee of Hunan Province, business department vice-minister, the assistant department head of Industry Department of Hunan provincial planning department. From September 1997 to July 2004, Mr. He was the deputy secretary and later deputy chairman (office level) of labor organization of Hunan Province, the department head of organization and propaganda department of industrial working committee of Hunan provincial party, poverty relief work team group leader, department head of propaganda and public working department of the Hunan Provincial State-owned Assets Supervision and Administration Commission and was granted class two merit citation one time. Since August 2004, Mr. He has been a member of the Party Committee, secretary of the discipline inspection commission and the chairman of the labour union of HNG, as well as the secretary to the Party Committee, Deputy Chairman and the head of the liquidation team of Shuikoushan Group (水口山集團). Currently he is a member of the party committee and a deputy general manager of HNG.

Chen Hui (陳輝), aged 42, is one of the shareholder representative supervisors of the Company.

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 and the manager of the Finance and Assets Department of HNG since November 2010. Currently, Mr. Chen is a Director of Zhuzhou Smelter Group Co., Ltd.

Liu Xiaochu (劉曉初), aged 66, is one of shareholder representative supervisors of the Company.

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

# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## INDEPENDENT SUPERVISORS

Liu Dongrong(劉冬榮), aged 70, 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.

Xiao Yinong (蕭亦農), aged 43, has been our Supervisor from December 2010 to May 2012. 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.

Fan Haiyong (樊海勇), aged 46, is an independent Supervisor of the Company.

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



# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## Employees' representative supervisors

Hou Xiaohong (侯曉鴻), aged 41, is our employees' representative supervisor. He is a senior engineer and senior economist.

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

Qi Yang (祁楊), aged 44, has been our Supervisor from March 2009 to May 2012.

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.

## PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

He Guoxin (何國新), aged 44, is currently an employees' representative Supervisor.

Mr. He started his career in July 1992. He received a postgraduate degree and is a senior engineer. From July 1992 to December 1997, he worked as a team leader of scientific research of Zhuzhou Cemented Carbides Technical Center (株洲硬質合金技術中心) (formerly Zhuzhou Cemented Carbides Technical Institute). From December 1997 to December 2001, he served as an assistant to the director, deputy director and an officer of research administration office of the Fine Ceramics Institute of Zhuzhou Cemented Carbides Technical Center (株洲硬質合金技術中心精密陶瓷研究所). He worked as a deputy manager of Model and Material Department (型材事業部) in Zhuzhou Cemented Carbides Plant from December 2001 to December 2002. Mr. He served as a team leader of the project of mixture technical innovation (混合料技改項目) of Zhuzhou Cemented Carbides Group Co., Ltd. from December 2002 to December 2003. From December 2003 to April 2005, he worked as an officer of the technical innovation infrastructure office, the secretary of sub-department and a team leader of the project of mixture technical innovation of Zhuzhou Cemented Carbides Group Co., Ltd. He also served as the director of technology department, the secretary of sub-department, the director of engineering department, the secretary of sub-department, an officer of director of technical center, an officer of technical innovation office, the executive vice chairman of association of science and a team leader of the project of mixture technical innovation of Zhuzhou Cemented Carbides Group Co., Ltd. from April 2005 to December 2005. From December 2005 to July 2006, Mr. He was appointed as a general manager of Tungsten and Molybdenum Department (鎢鉬事業部) and the secretary of Party Committee of Zhuzhou Cemented Carbides Group Co., Ltd. From July 2006 to December 2009, he served as a director of Corporate Development Department (企業發展部) and the secretary of sub-department of Zhuzhou Cemented Carbides Group Co., Ltd. He was also appointed as the senior management of Sustainable Development Department (持續發展部) of Hunan Nonferrous Metals Corp., Ltd. from December 2009 to December 2010 and was responsible for the operation of the Company. From December 2010 to October 2011, he served as the deputy director of Supervision and Audit Department of the Company. Since 2011, he has served as an officer of secretary office of Hunan Nonferrous Metal Corp., Ltd.

Xu Xiaoyan (許小燕), aged 49, is currently an employees' representative Supervisor.

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


# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## OTHER SENIOR MANAGEMENT

Hong Mingyang (洪明洋), aged 54, is a deputy general manager of the company. He joined the workforce in August 1980 after tertiary education. Mr. Hong is a senior engineer, a senior economist, a 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, and 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 50, is a deputy general manager of the company. 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.



## PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

From August 1982 to August 1985, Mr. Sheng Zhongjie worked for the tungsten mine in Yaogangxian, Hunan Province and was responsible for technology management, engineering project design and construction management. From June 1988 to October 1990, he worked for research projects of Changsha Research Institute of Mining and Metallurgy (長沙礦冶研究院) of the Ministry of Metallurgical Industry. From October 1990 to October 2004, he served in the planning department, the planning and technology department and the corporate reform and development department of China Nonferrous Metals Industry Company Limited (Changsha Branch) (中國有色金屬工業長沙公司) (now known as Hunan Nonferrous Metals Industry Company Limited (湖南有色金屬工業總公司)) and was responsible for the management of planning, investment, scientific research, technological reform, reorganisation and system restructuring. He served as the deputy director of the planning and technology department in 1997 and served as director of the corporate reform and development department in 2001. From October 2004 to June 2006, he served as director of the scientific and technological industry department and the investment planning department of HNG. 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 43, 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 Master Degree in Business Administration from Oxford Brookes University in the United Kingdom.

# EMPLOYEES

As of 30 June 2012, the Group had approximately 26,474 full-time employees. Their job nature and their distribution in department are as follows:

<b>Department</b>	<b>Employees</b>	<b>Percentage of the total (%)</b>
Management and administration	3,406	12.86%
Engineering and technical personnel	2,281	8.62%
Production personnel	16,919	63.91%
Repair and maintenance	1,674	6.32%
Inspection	1,491	5.63%
Sales	703	2.66%
Total	<u>26,474</u>	<u>100.00%</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, injury insurance, the unemployment insurance and the housing reserve fund. According to the current applicable local regulations, the contribution of the Group to the employees' pension insurance, medical insurance, injury insurance, unemployment insurance, maternity insurance and housing reserve fund shall be equivalent to 20%, 8%, 3%, 2%, 0.7% and 12% respectively of the total basic monthly salary of each employee.

## SHARE CAPITAL

	As at 30 June 2012		As at 31 December 2011	
	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
	<b>3,668,058</b>	<b>3,668,058</b>	<b>3,668,058</b>	<b>3,668,058</b>

### SHARE CAPITAL STRUCTURE

As at 30 June 2012, the share capital structure of the Company was as follows:

	As at 30 June 2012	
	Percentage of the 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%
<b> Holders of domestic shares </b>	<b>2,035,330,000</b>	<b>55.49%</b>
<b> Holders of H shares </b>	<b>1,632,728,000</b>	<b>44.51%</b>
		<b>Approximate percentage of the total share capital</b>
<b> Class of Shares </b>	<b> Number of Shares </b>	
Domestic shares	2,035,330,000	55.49%
H shares	1,632,728,000	44.51%
Total number of shares	<b>3,668,058,000</b>	<b>100%</b>

## SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director or Supervisor, as at 30 June 2012, 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:

<b>Shareholders' Name</b>	<b>Number of shares held</b>	<b>Approximate percentage of shareholding</b>
Hunan Nonferrous Metals Holding Group Co. Ltd	1,947,074,266(L)	53.08%(#)
Hunan Nonferrous Metals Jinsheng Development Co., Ltd	159,872,000 (L)	9.79%(*)
The Hamon Investment Group Pte Limited	97,618,000(L)	5.98%(*)

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

Save as disclosed above, as at 30 June 2012, the Directors were not aware of any other person (other than a Director or Supervisor of the Company) who had interests and short positions in the shares and underlying shares of the Company as those recorded in the register required to be kept under Section 336 of the SFO.

# DIRECTORS' AND SUPERVISORS' INTERESTS

## DIRECTORS', 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.

## 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 2012:

Name	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
Cao Xiuyun	1,025,641	0.05	Vice Chairman of Board of Directors and Non-Executive Director
Li Li	897,436	0.04	Executive Director and Senior Manager
Zeng Shaoxiong	769,231	0.04	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	Former Senior Officer of a Subsidiary
Yang Lingyi	512,820	0.03	Former 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
<b>Total</b>	<b>10,000,000</b>		



## DIRECTORS' AND SUPERVISORS' INTERESTS

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.

Save as disclosed above, as at 30 June 2012, 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 director, supervisor and 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 or Supervisors or Chief Executive to acquire such rights in any other body corporate.

# 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 2012, the Company has complied with the code provisions of the Code on Corporate Governance set out in Appendix 14 of the Listing Rules and the Code on Corporate Governance Practice effective before 1 April 2012.

## 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:

<b>Name</b>	<b>Number of board meetings attended during the period under review</b>
Li Fuli ( <i>Chairman of Board of Directors</i> )	5 out of 5
Cao Xiuyun	5 out of 5
Li Li	5 out of 5
Liao Luhai	5 out of 5
Guo Wenzhong	5 out of 5
Huang Guoping	5 out of 5
Chen Zhixin	5 out of 5
Zou Jian (Held office up to 29 May 2012)	2 out of 2
Lu YuanJing (Appointed on 29 May 2012)	3 out of 3
Kang Yi	5 out of 5
Gu Desheng	4 out of 5
Chen Xiaohong	5 out of 5
Wan Ten Lap	4 out of 5
Choi Man Chau, Michael	5 out of 5

## 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 meeting during the six months ended 30 June 2012, which was attended by all supervisors.

# 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 2012 are unaudited. It has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", and has been reviewed by the Audit Committee of the Company and by the independent auditors, Baker Tilly Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity, who has issued an un-modified review report to the Board and audit committee.

The audit committee was of the opinion that the unaudited results were prepared in compliance with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure has been made. The committee has held one meeting during the six months ended 30 June 2012, which was attended by all members.

## INDEPENDENT NON-EXECUTIVE DIRECTOR

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

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>Revenue</b>	5,6	<b>11,476,034</b>	11,987,340
Cost of sales		<b>(10,644,887)</b>	(10,581,494)
Gross profit		<b>831,147</b>	1,405,846
Other income	6	<b>180,612</b>	170,768
Selling and distribution costs		<b>(203,765)</b>	(213,018)
Administrative expenses		<b>(638,839)</b>	(614,713)
Other expenses, net		<b>(22,654)</b>	(57,896)
Impairment of property, plant and equipment		–	(149,229)
Reversal/(provision) of impairment of trade and other receivables		<b>5,082</b>	(5,870)
Finance income		<b>13,833</b>	12,091
Finance costs		<b>(411,779)</b>	(309,853)
Share of profits of associates		<b>4,602</b>	5,768
<b>(Loss)/profit before income tax</b>	7	<b>(241,761)</b>	243,894
Income tax expense	8	<b>(57,539)</b>	(94,959)
<b>(Loss)/profit for the period</b>		<b>(299,300)</b>	148,935
<b>Attributable to:</b>			
Owners of the Company		<b>(63,165)</b>	170,903
Non-controlling interests		<b>(236,135)</b>	(21,968)
<b>(Loss)/profit for the period</b>		<b>(299,300)</b>	148,935
<b>(Loss)/earnings per share</b>			
Basic and diluted	10	<b>(1.72 cents)</b>	4.66 cents

The notes on pages 41 to 68 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>(Loss)/profit for the period</b>	<b>(299,300)</b>	148,935
<b>Other comprehensive income for the period (net of tax):</b>		
Exchange differences arising on translation of foreign operations	<b>(3,982)</b>	71,276
Disposal of available-for-sale financial assets	–	(8,484)
Changes in fair value of available-for-sale financial assets	<b>(12,603)</b>	(63,014)
Net actuarial gains/(losses) of defined benefit retirement schemes	<b>1,717</b>	(30,198)
Others	–	232
<b>Other comprehensive loss for the period (net of tax)</b>	<b>(14,868)</b>	(30,188)
<b>Total comprehensive (loss)/income for the period</b>	<b>(314,168)</b>	118,747
<b>Attributable to:</b>		
Owners of the Company	<b>(69,666)</b>	166,441
Non-controlling interests	<b>(244,502)</b>	(47,694)
<b>Total comprehensive (loss)/income for the period</b>	<b>(314,168)</b>	118,747

The notes on pages 41 to 68 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	30 June 2012 RMB'000 (Audited)	31 December 2011 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	8,700,365	8,457,345
Land lease prepayments		965,293	977,488
Intangible assets		1,231,626	1,291,380
Other assets	12	809,754	801,588
Goodwill		79,547	79,547
Interests in associates		177,498	172,896
Available-for-sale financial assets		203,747	218,419
Deferred tax assets		93,581	98,073
Total non-current assets		<u>12,261,411</u>	<u>12,096,736</u>
<b>CURRENT ASSETS</b>			
Inventories		6,060,803	6,037,335
Trade receivables	13	1,190,777	759,085
Bills receivable		655,624	1,338,075
Prepayments, deposits and other receivables	14	1,498,225	1,368,453
Tax recoverable		105,788	63,799
Pledged deposits		61,218	55,093
Non-pledged time deposits with maturity over three months from date of deposits		6,749	5,000
Cash and cash equivalents		1,864,579	1,895,760
Total current assets		<u>11,443,763</u>	<u>11,522,600</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	15	1,291,812	1,197,207
Bills payable		348,066	87,518
Other payables and accruals	16	1,588,941	2,068,529
Interest-bearing bank and other borrowings	17	10,946,477	10,182,461
Tax payable		26,827	89,638
Dividend payable		116,792	61,206
Total current liabilities		<u>14,318,915</u>	<u>13,686,559</u>
<b>NET CURRENT LIABILITIES</b>		<u>(2,875,152)</u>	<u>(2,163,959)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>9,386,259</u>	<u>9,932,777</u>

The notes on pages 41 to 68 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	30 June 2012 RMB'000 (Audited)	31 December 2011 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	17	2,505,667	2,642,093
Other liabilities	18	707,251	721,994
Payables for mining rights		105,178	105,320
Government grants		398,517	332,913
Deferred tax liabilities		244,864	248,738
Total non-current liabilities		<u>3,961,477</u>	<u>4,051,058</u>
<b>NET ASSETS</b>		<u>5,424,782</u>	<u>5,881,719</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	19	3,668,058	3,668,058
Reserves		569,410	651,328
		<u>4,237,468</u>	<u>4,319,386</u>
<b>Non-controlling interests</b>		<u>1,187,314</u>	<u>1,562,333</u>
<b>TOTAL EQUITY</b>		<u>5,424,782</u>	<u>5,881,719</u>

The notes on pages 41 to 68 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 2012

Note	Attributable to the owners of the Company								
	Issued share capital	Capital reserve	Statutory reserves	Exchange fluctuation reserve	Other reserves	Accumulated losses	Total	Non-controlling interests	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2012</b>	<b>3,668,058</b>	<b>752,879</b>	<b>95,597</b>	<b>58,777</b>	<b>30,171</b>	<b>(286,096)</b>	<b>4,319,386</b>	<b>1,562,333</b>	<b>5,881,719</b>
Loss for the period	-	-	-	-	-	(63,165)	(63,165)	(236,135)	(299,300)
Other comprehensive loss for the period	-	-	-	(3,347)	(4,581)	1,427	(6,501)	(8,367)	(14,868)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,347)</b>	<b>(4,581)</b>	<b>(61,738)</b>	<b>(69,666)</b>	<b>(244,502)</b>	<b>(314,168)</b>
<b>Transactions with owners in their capacity as owners:</b>									
Acquisition of additional interests in subsidiaries	20	(12,252)	-	-	-	-	(12,252)	(29,788)	(42,040)
Disposal of subsidiaries	21	-	-	-	-	-	-	(38,148)	(38,148)
Dividend paid and payable to non-controlling interests		-	-	-	-	-	-	(62,581)	(62,581)
<b>Total transactions with owners</b>	<b>-</b>	<b>(12,252)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,252)</b>	<b>(130,517)</b>	<b>(142,769)</b>
<b>Balance at 30 June 2012 (Unaudited)</b>	<b>3,668,058</b>	<b>740,627</b>	<b>95,597</b>	<b>55,430</b>	<b>25,590</b>	<b>(347,834)</b>	<b>4,237,468</b>	<b>1,187,314</b>	<b>5,424,782</b>
<b>Balance at 1 January 2011</b>	<b>3,668,058</b>	<b>917,442</b>	<b>95,597</b>	<b>26,118</b>	<b>101,265</b>	<b>(539,848)</b>	<b>4,268,632</b>	<b>2,234,001</b>	<b>6,502,633</b>
Profit for the period	-	-	-	-	-	170,903	170,903	(21,968)	148,935
Other comprehensive loss for the period	-	-	-	51,993	(31,679)	(24,776)	(4,462)	(25,726)	(30,188)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,993</b>	<b>(31,679)</b>	<b>146,127</b>	<b>166,441</b>	<b>(47,694)</b>	<b>118,747</b>
<b>Transactions with owners in their capacity as owners:</b>									
Capital contributions from non-controlling interests		-	-	-	-	-	-	2,171	2,171
Acquisition of additional interests in subsidiaries	20	(82,355)	-	-	-	(72,387)	(154,742)	(221,547)	(376,289)
Deemed partial disposal of a subsidiary		475	-	-	-	-	475	(475)	-
Recognition of equity-settled share-based payments of a listed subsidiary	22	-	-	-	-	-	-	2,275	2,275
Dividend paid and payable to non-controlling interests		-	-	-	-	-	-	(35,892)	(35,892)
<b>Total transactions with owners</b>	<b>-</b>	<b>(81,880)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(72,387)</b>	<b>(154,267)</b>	<b>(253,468)</b>	<b>(407,735)</b>
<b>Balance at 30 June 2011 (Unaudited)</b>	<b>3,668,058</b>	<b>835,562</b>	<b>95,597</b>	<b>78,111</b>	<b>69,586</b>	<b>(466,108)</b>	<b>4,280,806</b>	<b>1,932,839</b>	<b>6,213,645</b>

The notes on pages 41 to 68 form an integral part of this condensed consolidated interim financial information.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Note			
	<b>Net cash generated from operating activities</b>	<b>247,535</b>	434,454
	<b>INVESTING ACTIVITIES</b>		
	Purchase of property, plant and equipment and other assets	(527,310)	(726,979)
	Proceeds from disposal of property, plant and equipment	3,594	11,014
21	Proceeds from disposal of subsidiaries	(35,662)	–
	Other investing cash flows - net	174,414	(168,221)
	<b>Net cash used in investing activities</b>	<b>(384,964)</b>	(884,186)
	<b>FINANCING ACTIVITIES</b>		
	Dividend paid to non-controlling interests	(6,995)	(11,628)
	Additions of borrowings	6,047,577	5,473,305
	Repayments of borrowings	(5,422,885)	(3,818,224)
	Payments for acquisition of additional interests in subsidiaries	(27,728)	(162,464)
	Interest paid	(447,790)	(316,005)
	Other financing cash flows - net	(31,079)	110,791
	<b>Net cash generated from financing activities</b>	<b>111,100</b>	1,275,775
	<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(26,329)</b>	826,043
	Cash and cash equivalents at beginning of period	1,895,760	1,797,599
	Effect of foreign exchange rate changes, net	(4,852)	40,184
	<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>1,864,579</b>	2,663,826

The notes on pages 41 to 68 form an integral part of this condensed consolidated interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

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

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

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

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

HNG currently directly holds 53.08% and indirectly holds 4.36% (31 December 2011: 4.17%) of the issued share capital of the Company through its wholly owned subsidiary, Hunan Nonferrous Metals Jinsheng Development Co., Ltd.. Accordingly, CM’s indirect interests in the Company also increase to 57.44%.

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

This condensed consolidated interim financial information is 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with the applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited and with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. This condensed consolidated interim financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2011, which has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board.

The accounting policies used in this 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 2011, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 2(a) below.

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

The following amendments to IFRSs are mandatory for the first time adoption for the accounting period beginning on 1 January 2012:

IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The adoption of these amendments to IFRSs had no material effects on the amounts reported and disclosures set out in this condensed consolidated interim financial information.

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

The following new standards and amendments to standards and interpretations have been issued but are not yet effective for the accounting period beginning on 1 January 2012 and have not been early adopted:

IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
IFRS 9	Financial Instruments <sup>4</sup>
IFRS 10	Consolidated Financial Statements <sup>2</sup>
IFRS 11	Joint Arrangements <sup>2</sup>
IFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
IFRS 13	Fair Value Measurement <sup>2</sup>
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>1</sup>
IAS 19 (as revised in 2011)	Employee Benefits <sup>2</sup>
IAS 27 (as revised in 2011)	Separate Financial Statements <sup>2</sup>
IAS 28 (as revised in 2011)	Investments in Associate and Joint Ventures <sup>2</sup>
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
IFRIC Interpretation-20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>
Improvements to IFRSs	Annual Improvements 2009-2011 Cycle <sup>2</sup>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

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

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

- <sup>1</sup> Effective for annual periods beginning on or after 1 July 2012.
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2013.
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2014.
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2015.

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

## 3. ESTIMATES

The preparation of this 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 on a year to date basis. Actual results may differ from these estimates.

Except as described below, 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 Group's annual financial statements for the year ended 31 December 2011.

### Changes in accounting estimates

On 1 January 2012, the Group reviewed the estimated useful lives and the residual values of property, plant and equipment as at 31 December 2011. As a result they are revised as follows:

	Estimated useful life		Residual value	
	Original	As revised	Original	As revised
Buildings and mining structures	Mine life for mine specific, 20 to 40 years for non-mine specific	Mine life for mine specific, 10 to 40 years for non-mine specific	Nil to 5%	3% to 5%
Plant, machinery and equipment	5 to 15 years	3 to 20 years	3% to 5%	3% to 5%

Had these items continued to be depreciated over the original estimated useful lives with the original residual values, the depreciation charges for the six months ended 30 June 2012 would have been RMB279,000 lower than reported in this condensed consolidated interim financial information, and that for the future periods would have been increased by RMB30,275,000.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 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.

This 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 2011.

There have been no changes in the risk management department since 31 December 2011 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 2011, there was no material change 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

For the six months ended 30 June 2012

## 4. FINANCIAL RISK MANAGEMENT (Continued)

### 4.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2012.

	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Assets</b>				
Available-for-sale financial assets				
– Listed equity investments	173,785	–	–	173,785
<b>Total assets</b>	<b>173,785</b>	<b>–</b>	<b>–</b>	<b>173,785</b>
<b>Liabilities</b>				
Derivative financial liabilities	10,034	–	–	10,034
<b>Total liabilities</b>	<b>10,034</b>	<b>–</b>	<b>–</b>	<b>10,034</b>

The following table presents the Group's assets that are measured at fair value at 31 December 2011.

	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	Total RMB'000 (Audited)
<b>Assets</b>				
Available-for-sale financial assets				
– Listed equity investments	188,348	–	–	188,348
Derivative financial assets	711	–	–	711
<b>Total assets</b>	<b>189,059</b>	<b>–</b>	<b>–</b>	<b>189,059</b>

In 2012, there were no significant transfers between levels of the fair value hierarchy used in measuring the fair value of the financial assets.

The Group reclassified for available-for-sale financial assets profit of RMBNil (six months ended 30 June 2011: RMB8,484,000) from other comprehensive income into the condensed consolidated income statement due to disposal.

In 2012, 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 2012, there were no reclassification of financial assets.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 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. The board of directors reviews the Group's internal reporting in order to assess performance, financial budget and allocate resources. Management has determined the business segments based on the reports reviewed by the board of directors that are used to make strategic decisions.

Summary details of the business segments are as follows:

- (a) Nonferrous metal mine site segment: mining and trading of nonferrous metals;
- (b) Nonferrous metal smelting segment: smelting and trading of nonferrous metals;
- (c) Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment: manufacture and trading of hard alloys and refractory metal compounds such as cemented carbides, tungsten, molybdenum, tantalum, niobium and their compounds.

The accounting policies of the reportable segments are the same as the accounting policies described in note 2 of the Group's last annual financial statements. Segment (loss)/profit represents the (loss)/profit 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

For the six months ended 30 June 2012

## 5. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2012 (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	1,969,568	5,665,834	3,898,955	-	-	11,534,357
Inter-segment sales	225,400	631	-	-	(226,031)	-
Less: Sales tax and surcharges	(29,155)	(2,577)	(26,591)	-	-	(58,323)
<b>Total</b>	<u>2,165,813</u>	<u>5,663,888</u>	<u>3,872,364</u>	<u>-</u>	<u>(226,031)</u>	<u>11,476,034</u>
<b>Segment profit/(loss)</b>	<u>72,878</u>	<u>(192,511)</u>	<u>291,130</u>	<u>(8,781)</u>	<u>-</u>	<u>162,716</u>
Dividend income	-	-	-	-	-	2,700
Finance costs	-	-	-	-	-	(411,779)
Share of profits of associates	-	-	-	-	-	4,602
Loss before income tax						(241,761)
Income tax expense	-	-	-	-	-	(57,539)
<b>Loss for the period</b>						<u>(299,300)</u>
<b>At 30 June 2012 (Unaudited)</b>						
<b>Assets:</b>						
Segment assets	8,046,212	6,401,683	8,303,312	373,353	-	23,124,560
Interests in associates	-	-	-	-	-	177,498
Unallocated assets	-	-	-	-	-	403,116
<b>Total assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,705,174</u>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 5. SEGMENT INFORMATION (Continued)

<b>For the six months ended 30 June 2011 (Unaudited)</b>	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>Total</b>	<u>2,736,265</u>	<u>5,980,769</u>	<u>3,721,577</u>	<u>-</u>	<u>(451,271)</u>	<u>11,987,340</u>
<b>Segment profit</b>	<u>196,475</u>	<u>33,197</u>	<u>297,870</u>	<u>14,122</u>	<u>-</u>	<u>541,664</u>
Dividend income						6,315
Finance costs	-	-	-	-	-	(309,853)
Share of profits of associates	-	-	-	-	-	5,768
Profit before income tax	-	-	-	-	-	243,894
Income tax expense	-	-	-	-	-	(94,959)
<b>Profit for the period</b>	-	-	-	-	-	<u>148,935</u>
<b>At 31 December 2011 (Audited)</b>						
<b>Assets:</b>						
Segment assets	8,204,853	6,639,566	7,793,854	427,877	-	23,066,150
Interests in associates	-	-	-	-	-	172,896
Unallocated assets	-	-	-	-	-	380,290
<b>Total assets</b>	-	-	-	-	-	<u>23,619,336</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 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:

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
<b>Revenue</b>		
Sale of goods	11,534,357	12,041,130
Less: Sales tax and surcharges	(58,323)	(53,790)
	<u>11,476,034</u>	<u>11,987,340</u>
<b>Other income</b>		
Dividend income	2,700	6,315
Profit from scrap sales	24,183	38,327
Gross rental income	8,278	4,236
Gains on disposal of available-for-sale financial assets	–	10,802
Gains on disposal of subsidiaries	17,736	–
Net gains on disposal of property, plant and equipment	224	–
Net realised and unrealised gains on derivative financial instruments	–	64,674
Recognition of government grants	105,293	32,581
Rendering of services	7,920	744
Others	14,278	13,089
	<u>180,612</u>	<u>170,768</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

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

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

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Cost of inventories sold	10,644,887	10,581,494
Depreciation of property, plant and equipment	365,946	356,549
Amortisation of land lease prepayments	12,521	11,786
Amortisation of intangible assets		
– Mining rights	18,399	23,245
– Technical know-how and others	4,987	4,783
Write down of inventories	355,966	73,120
Impairment of property, plant and equipment	–	149,229
Impairment of intangible assets	–	10,000
(Reversal)/provision of impairment of trade and other receivables	(5,082)	5,870
Impairment of other assets	–	5,796
Net (gains)/losses on disposal of property, plant and equipment*	(224)	251
Net realised and unrealised losses/(gains) on derivative financial instruments*	2,903	(64,674)

\* 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

For the six months ended 30 June 2012

## 8. INCOME TAX EXPENSE

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

PRC corporate income tax ("CIT") has been provided at a rate of 25% (2011: 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 purposes, except for the following subsidiaries of the Company which are qualified as high and new technology enterprises and subject to a preferential CIT rate of 15%:

- (i) Zhuzhou Smelter Group Co., Ltd. ("Zhuye")
- (ii) Zhuzhou Cemented Carbides Group Corp., Ltd. ("Zhuying")
- (iii) Hunan Shizhuyuan Nonferrous Metals Co., Ltd.
- (iv) Zhuzhou Diamond Cutting Tools Company Limited ("Zhuzhou Diamond")
- (v) Chenzhou Diamond Tungsten Products Company Limited
- (vi) Hsikwangshan Twinkling Star Antimony Co., Ltd. ("Hsikwangshan")
- (vii) Shenzhen Jinzhou Jinggong Scientific and Technological Company Limited ("Shenzhen Jinzhou")
- (viii) Zigong Cemented Carbides Company Limited ("Zigong")
- (ix) Chengdu Keruide High-Tech New Materials Co., Ltd.
- (x) Zigong Tungsten Carbide Co., Ltd.
- (xi) Zigong AsiaTech High-Tech Ltd.

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

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
<b>Current tax - CIT</b>		
Provision for the period	54,703	85,911
<b>Deferred tax</b>		
Temporary differences	2,836	9,048
Income tax expense	<b>57,539</b>	<b>94,959</b>

The share of income tax expense of associates of RMB481,000 (six months ended 30 June 2011: RMB1,641,000) 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

For the six months ended 30 June 2012

## 9. DIVIDENDS

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: RMBNil).

## 10. (LOSS)/EARNINGS PER SHARE

### (a) Basic

Basic (loss)/earnings per share is calculated by dividing the loss attributable to owners of the Company of approximately RMB63,165,000 (six months ended 30 June 2011: profit of RMB170,903,000) by the weighted average number of ordinary shares of approximately 3,668,058,000 shares (six months ended 30 June 2011: 3,668,058,000 shares) in issue during the period.

### (b) Diluted

The diluted (loss)/earnings per share for the six months ended 30 June 2012 and 2011 is the same as the basic (loss)/earnings per share as there are no diluted ordinary shares during the period.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
At 1 January	8,457,345	7,822,027
Additions	630,440	783,602
Interest capitalised	19,249	8,443
Disposals	(17,106)	(11,265)
Disposal of subsidiaries	(19,634)	–
Depreciation charge	(365,946)	(356,549)
Impairment charge	–	(149,229)
Exchange differences	(3,983)	11,945
At 30 June	<u>8,700,365</u>	<u>8,108,974</u>

At 30 June 2012, certain of the Group's buildings and mining structures and plant, machinery and equipment with an aggregate carrying value of approximately RMB534,292,000 (31 December 2011: RMB579,732,000) were pledged to secure bank loans granted to the Group (note 17).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 12. OTHER ASSETS

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Exploration and evaluation assets	<b>809,754</b>	801,588

## 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 the reporting period, based on invoice date, is as follows:

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Within 1 year	<b>1,191,179</b>	751,195
Over 1 year but within 2 years	<b>15,552</b>	14,509
Over 2 years but within 3 years	<b>10,858</b>	12,200
Over 3 years	<b>40,105</b>	39,734
	<b>1,257,694</b>	817,638
Less: Provision for impairment	<b>(66,917)</b>	(58,553)
	<b>1,190,777</b>	759,085

At 30 June 2012, included in trade receivables are balances due from HNG and its subsidiaries ("HNG Group") and CMC and its subsidiaries ("Minmetals Group") of RMB58,529,000 and RMB16,238,000 respectively (31 December 2011: RMB59,589,000 and RMB4,547,000 respectively) which are unsecured, interest-free and receivable on demand.

At 30 June 2012, included in trade receivables is balance due from an associate of RMB71,302,000 (31 December 2011: RMB26,743,000) which is unsecured, interest-free and receivable in accordance with normal credit terms to those offered to the major customers of the Group.

At 30 June 2012, the Group's bank loans were secured by certain of the Group's trade receivables, with an aggregate net carrying amount of RMB71,880,000 (31 December 2011: RMB465,066,000) (note 17).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Prepayments to suppliers (note i, ii)	<b>423,344</b>	361,612
Deposit for acquisition of additional interest in a subsidiary	<b>30,121</b>	44,403
Deposits for derivative financial instruments (note iii)	<b>25,920</b>	15,681
Derivative financial assets (note iv)	–	711
Other receivables (note i, ii)	<b>1,180,910</b>	1,056,020
	<b>1,660,295</b>	1,478,427
Less: Provision for impairment	<b>(162,070)</b>	(109,974)
	<b>1,498,225</b>	1,368,453

### Notes:

- (i) At 30 June 2012, included in prepayments to suppliers and other receivables are balances due from HNG Group and Minmetals Group of RMB57,858,000 and RMB988,000 respectively (31 December 2011: RMB61,586,000 and RMB2,239,000 respectively) which are unsecured, interest-free and receivable on demand.
- (ii) At 30 June 2012, included in prepayments to suppliers and other receivables is balance due from an associate of RMB1,000 (31 December 2011: RMB200,000) which is unsecured, interest-free and receivable on demand.
- (iii) 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.
- (iv) The Group has entered into various forward contracts to manage its metal price risks. The carrying amounts of those financial assets are the same as their fair values. The above transactions involving trading of derivative financial instruments are conducted with creditworthy financial instructions with no recent history of default.
- (v) The other amounts with third parties are unsecured, interest-free and have no fixed terms of repayment. At 30 June 2012, the Group does not hold any collateral or other credit enhancements over these balances except for other receivables amounted to approximately AUD14,974,000 (equivalent to RMB95,046,000) (31 December 2011: AUD19,678,000 (equivalent to RMB126,124,000)) being secured by way of charges over third parties' assets in the mining tenements.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 15. TRADE PAYABLES

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

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Within 1 year	<b>1,271,388</b>	1,164,162
Over 1 year but within 2 years	<b>4,393</b>	16,980
Over 2 years but within 3 years	<b>4,873</b>	5,643
Over 3 years	<b>11,158</b>	10,422
	<b><u>1,291,812</u></b>	<u>1,197,207</u>

At 30 June 2012, included in trade payables are balances due to HNG Group and Minmetals Group of RMB83,930,000 and RMB42,451,000 respectively (31 December 2011: RMB194,920,000 and RMB53,298,000 respectively) which are unsecured, interest-free and repayable within trade credit period.

## 16. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Advances from customers	<b>539,371</b>	772,391
Accrued taxes other than income tax	<b>42,369</b>	63,983
Accrued salaries, wages and benefits	<b>103,059</b>	78,958
Payables for mining rights - current portion	<b>365,263</b>	365,263
Derivative financial liabilities (note i)	<b>10,034</b>	–
Accrued expenses and other payables	<b>528,845</b>	787,934
	<b><u>1,588,941</u></b>	<u>2,068,529</u>

Note:

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



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 16. OTHER PAYABLES AND ACCRUALS (Continued)

At 30 June 2012, included in other payables and accruals of the Group (excluding the payables for mining rights – current portion) are balances due to HNG Group and Minmetals Group of RMB269,603,000 and RMB6,736,000 respectively (31 December 2011: RMB327,288,000 and RMB16,567,000 respectively) which are unsecured, interest-free and repayable on demand.

At 30 June 2012, included in other payables and accruals of the Group is balance due to an associate of RMBNil (31 December 2011: RMB8,000) which is unsecured, interest-free and repayable on demand.

At 30 June 2012, included in other payables and accruals of the Group is the current portion of payables to HNG of RMB358,553,000 (31 December 2011: RMB358,553,000) in connection with the purchase of mining rights.

At 31 December 2011, included in other payables of the Group are certain financing arrangements with the Bank of China Limited of RMB31,079,000 which are unsecured, interest bearing at 4% per annum and have been repaid in accordance with the terms of those financial arrangements on 25 January 2012.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Current	<b>10,946,477</b>	10,182,461
Non-current	<b>2,505,667</b>	2,642,093
	<b>13,452,144</b>	12,824,554

Movement of borrowings is analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2012 RMB'000 (Unaudited)</b>	2011 RMB'000 (Unaudited)
At 1 January	<b>12,824,554</b>	11,327,250
Additions of borrowings	<b>6,047,577</b>	5,473,305
Repayments of borrowings	<b>(5,422,885)</b>	(3,818,224)
Exchange differences	<b>2,898</b>	(3,871)
At 30 June	<b>13,452,144</b>	12,978,460

Certain of the Group's bank loans are denominated in foreign currencies:

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
United States Dollars	<b>1,317,595</b>	1,555,519
Canadian Dollars	<b>2,686</b>	2,948
Euros	<b>6,759</b>	–
Australian Dollars (“AUD”)	–	108
Hong Kong Dollars (“HKD”)	<b>30,760</b>	30,590
Japanese Yen (“JPY”)	<b>8,132</b>	–
Total	<b>1,365,932</b>	1,589,165

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 17. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

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

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Property, plant and equipment (note 11)	<b>534,292</b>	579,732
Land lease prepayments	<b>210,982</b>	231,173
Inventories	<b>70,000</b>	136,782
Trade receivables (note 13)	<b>71,880</b>	465,066
Bills receivables	<b>10,750</b>	208,521

At 30 June 2012, entrusted loans amounting to RMB3,050,000,000 (31 December 2011: RMB2,650,000,000) are granted by HNG to the Group.

At 30 June 2012, certain of the Group's bank loans to the extent of RMB1,049,078,000 and RMB60,000,000 (31 December 2011: RMB1,059,333,000 and RMBNil) are guaranteed by HNG and CMC respectively.

During the six months ended 30 June 2012, interest expenses on bank and other borrowings are RMB411,779,000 (six months ended 30 June 2011: RMB309,853,000), including RMB95,567,000 (six months ended 30 June 2011: RMB10,346,000) being paid to the banks in respect of the entrusted loans granted by HNG.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 18. OTHER LIABILITIES

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Provision for supplementary pension subsidies and early retirement benefits (note i)	<b>405,476</b>	420,023
Stock appreciation rights plan	<b>5,719</b>	5,719
Provision for reclamation and rehabilitation	<b>25,761</b>	25,842
Special fiscal funds (note ii)	<b>302,780</b>	302,780
Payables for emission right	—	3,600
	<b><u>739,736</u></b>	<b><u>757,964</u></b>
Represented by:		
Current portion included in other payables and accruals	<b>32,485</b>	35,970
Long-term liabilities	<b>707,251</b>	721,994
	<b><u>739,736</u></b>	<b><u>757,964</u></b>

### Notes:

- (i) 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 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.

- (ii) Approved by the Ministry of Finance, central state-owned capital management budget funds of RMB302,780,000 was allocated to the Group during year 2011. According to relevant provisions, the above payment should be treated as capital injection by HNG. Before application of the capital injection procedures, these funds are recorded as special fiscal funds.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 19. SHARE CAPITAL

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Registered, issued and fully paid:		
– Domestic shares of RMB1.00 each	<b>2,035,330</b>	2,035,330
– H shares of RMB1.00 each	<b>1,632,728</b>	1,632,728
	<b><u>3,668,058</u></b>	<u>3,668,058</u>

## 20. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

During the six months ended 30 June 2012, the Group acquired additional interests in a number of subsidiaries. The details are as follows:

Name of subsidiaries	Date of acquisition	Additional equity interests acquired
Held by a wholly-owned subsidiary, Hsikwangshan:		
– Shanghai Shanxing Diye Ltd.	17 January 2012	25%
– Guangzhou Shanxing Diye Ltd.	28 February 2012	20%
Held by a wholly-owned subsidiary, Zhuying:		
– Shenzhen Jinzhou	15 May 2012	12%

During the year ended 31 December 2011, the Group acquired additional interests in a number of subsidiaries. The details are as follows:

Name of subsidiaries	Date of acquisition	Additional equity interests acquired
Held by a 63.31% owned subsidiary, Zhuye:		
– Torch Metal Limited	28 February 2011	30%
Held by a wholly-owned subsidiary, Zhuying:		
– Zhuzhou Diamond	11 March 2011	36.6%
Held by a 80% owned subsidiary, Zigong:		
– Wangqing Haichuang Mining Co., Ltd.	29 March 2011	10%
Held by the Company:		
– Abra Mining Limited (“Abra”)	4 November 2011	26.09%

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 20. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL (Continued)

The details of the changes in the ownership interests in these subsidiaries are summarised as follows:

	<b>Six months ended 30 June 2012 RMB'000 (Unaudited)</b>	Year ended 31 December 2011 RMB'000 (Audited)
Carrying amount of non-controlling interests acquired	<b>29,788</b>	322,200
Consideration paid to non-controlling interests	<b>(42,040)</b>	(486,763)
Excess of consideration paid	<b>(12,252)</b>	(164,563)

As a result of the above transactions, a total amount of RMB29,788,000 (year ended 31 December 2011: RMB322,200,000), being the carrying amount of non-controlling interests acquired, has been transferred from non-controlling interests.

The excess of consideration paid to non-controlling interest over the carrying amount of non-controlling interests acquired of RMB12,252,000 (year ended 31 December 2011: RMB164,563,000) has been debited to equity attributable to the owners of the Company.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 21. DISPOSAL OF SUBSIDIARIES

On 5 January 2012, the Group disposed 62% equity interests in Hunan Nonferrous Nanling Resource Development Company Limited (“Nanling Resource”) to HNG at a cash consideration of approximately RMB61,789,000. Nanling Resource has then been owned as to 62% and 38% by HNG and other third parties, respectively, and has ceased to be a subsidiary of the Company.

On 21 June 2012, Zigong, a 80% owned subsidiary of the Company disposed 100% equity interests in Wangqing Ziyang Tungsten Molybdenum Company Limited (“Wangqing Ziyang”) to HNG at a cash consideration of approximately RMB19,474,000. Wangqing Ziyang has then been wholly owned by HNG and has ceased to be a subsidiary of the Company.

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

	<b>Nanling Resource</b> RMB'000	<b>Wangqing Ziyang</b> RMB'000	<b>Total</b> RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	704	18,930	19,634
Intangible assets	–	45,602	45,602
<b>Current assets</b>			
Inventories	–	178	178
Prepayments, deposits and other receivables	40,084	441	40,525
Non-pledged time deposits with maturity over three months from date of deposits	5,000	–	5,000
Cash and cash equivalents	54,945	191	55,136
<b>Current liabilities</b>			
Trade payables	–	(445)	(445)
Other payables and accruals	(45)	(63,610)	(63,655)
Tax payable	(300)	–	(300)
Net assets disposed of	<u>100,388</u>	<u>1,287</u>	<u>101,675</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 21. DISPOSAL OF SUBSIDIARIES (Continued)

	Nanling Resource RMB'000	Wangqing Ziyang RMB'000	Total RMB'000
<b>(Loss) /gain on disposal of subsidiaries:</b>			
Consideration			
– Consideration received in cash	–	19,474	19,474
– Waiver of payables to disposed subsidiary	61,789	–	61,789
	61,789	19,474	81,263
Net assets disposed of	(100,388)	(1,287)	(101,675)
Non-controlling interests	38,148	–	38,148
	<u>(451)</u>	<u>18,187</u>	<u>17,736</u>
<b>Net cash (outflow)/inflow arising on disposal:</b>			
Consideration received in cash	–	19,474	19,474
Cash and cash equivalents of the disposed subsidiaries	(54,945)	(191)	(55,136)
	<u>(54,945)</u>	<u>19,283</u>	<u>(35,662)</u>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

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

On 4 January 2011, Abra issued 2,900,000 incentive options to its certain directors, the fair value of the options granted is AUD0.149 on the date of grant and the share-based payments expenses amounted to approximately AUD432,000 (equivalent to RMB2,953,000). Among these options, 700,000 incentive options were exercised at an exercise price of AUD0.325 and issued at fair value of AUD0.38 during year 2011, the spread amounted to approximately AUD38,500 (equivalent to RMB266,000).

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 year ended 31 December 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	AUD0.25

On 31 July 2011, the directors of Abra passed an ordinary resolution to cancel all outstanding options. The options were cancelled with effect from the date of remittance advice which evidenced the payment of consideration to the option holders. The purchase consideration of AUD951,000 (equivalent to RMB6,733,000) was paid by the Company to the option holders. Accordingly, there are no incentive options outstanding as at 30 June 2012 and 31 December 2011.

## 23. OPERATING LEASE COMMITMENTS

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

At the end of the reporting period, the Group had total future minimum lease payments under such non-cancellable operating leases falling due as follows:

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Less than 1 year	<b>24,374</b>	18,639
More than 1 year and less than 5 years	<b>67,563</b>	67,541
More than 5 years	<b>125,842</b>	138,733
	<b>217,779</b>	224,913

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 24. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Contracted, but not provided for:		
– Property, plant and equipment	<b>364,472</b>	221,692
– Others	<b>27,444</b>	18,270
	<b>391,916</b>	239,962
Authorised, but not contracted for:		
– Property, plant and equipment	<b>1,760</b>	–

## 25. RELATED PARTY TRANSACTIONS

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 25. RELATED PARTY TRANSACTIONS (Continued)

### (a) Key management personnel compensation

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Salaries, wages and benefits	4,993	2,719
Pension scheme contributions	749	381
	<u>5,742</u>	<u>3,100</u>

### (b) Transactions with HNG Group

#### Nature of transactions

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Sales of raw materials and products	<u>205,989</u>	<u>69,135</u>
Provision for electricity and water	<u>349</u>	<u>2,154</u>
Subcontracting income	<u>269</u>	<u>–</u>
Purchases of raw materials and products	<u>169,458</u>	<u>241,935</u>
Transportation service fees	<u>9,253</u>	<u>11,898</u>
Repair and maintenance expenses	<u>13,303</u>	<u>18,042</u>
Subcontracting fees	<u>8,828</u>	<u>8,305</u>
Rental expenses	<u>8,417</u>	<u>2,113</u>
Property management service fees	<u>443</u>	<u>250</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 25. RELATED PARTY TRANSACTIONS (Continued)

### (c) Transactions with Minmetals Group

Nature of transactions	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Sales of raw materials and products	143,887	296,388
Purchases of raw materials and products	270,984	195,290
Repair and maintenance expenses	4,343	11,528

### (d) Transactions with associates

Nature of transactions	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Sales of raw materials and products	575,050	556,396
Purchases of raw materials and products	674,614	634,107
Rental income	363	360
Other service fees	2,705	3,230

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

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Lease of land use rights	7,562	7,562

- (f) During the six months ended 30 June 2012, 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 2012 and the relevant interest earned or paid during the six months ended 30 June 2012 are transacted with banks and other financial institutions controlled by the PRC government.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 26. EVENT AFTER THE REPORTING PERIOD

On 23 June 2012, the Company entered into a sale and purchase agreement with ZhongWu GaoXin Materials Company Limited (“ZhongWu GaoXin”), an associate of the Company, pursuant to which the Company conditionally agreed to dispose of its 100% equity interests in Zhuying and 80% equity interests in Zigong to ZhongWu GaoXin in consideration of the issue and allotment of approximately 303.1 million shares of ZhongWu GaoXin to the Company. Subject to and immediately after the completion of the transaction, ZhongWu GaoXin will be owned as to 72.60% by the Company and become a subsidiary of the Company. Each of Zhuying and Zigong will become an indirect subsidiary of the Company through the Company’s controlling shareholding in ZhongWu GaoXin. Up to the date of approving this condensed consolidated interim financial information, the transaction is yet to complete.

## 27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period’s presentation.

## 28. 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 27 August 2012.