



# HUNAN NONFERROUS METALS CORP., LTD.

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

(Stock Code: 02626)



Interim Report  
**2013**



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# CORPORATE INFORMATION

As at 30 June 2013

## 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

Yang Guang<sup>1</sup>

### 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

Hou Xiaohong<sup>2</sup>

He GuoXin

Xu Xiaoyan

### Independent Supervisors

Liu Dongrong

Fan Haiyong

## COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Lam Kai Yeung<sup>3</sup>

## AUTHORISED REPRESENTATIVES

Liao Luhai

Lam Kai Yeung<sup>3</sup>

## 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<sup>4</sup>

Li Fuli (*Chairman of strategy committee*)

Cao Xiuyun

Li Li

Liao Luhai

Guo Wenzhong

Kang Yi

Gu Desheng

Wan Ten Lap

## INTERNATIONAL AUDITOR

Baker Tilly Hong Kong Limited

## PRC AUDITOR

Baker Tilly China

# CORPORATE INFORMATION

As at 30 June 2013

## 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 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

No. 290 Laodongxi Road  
Changsha City, Hunan, PRC (410015)

## 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 Interim Results	30 August 2013
Closure of Register	N/A
Interim Dividend	N/A

## INVESTOR'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

Notes:

1. Mr. Lu Yuanjing had resigned as a non-executive director of the Company with effect from 30 January 2013. Mr. Yang Guang was appointed as a non-executive director of the Company on 30 January 2013. For details, please refer to the announcement of the Company dated 30 January 2013.
2. Mr. Hou Xiaohong had resigned as an Employee Representative Supervisor of the Company with effect from 31 August 2013. Mr. Yang Daiyao was appointed as an Employee Representative Supervisor of the Company on 31 August 2013. For details, please refer to the announcement of the Company dated 30 August 2013.
3. Mr. Lam Kai Yeung had resigned as the Company Secretary, Qualified Accountant and Authorized Representative of the Company with effect from 31 August 2013. Mr. Hou Xiaohong and Dr. Liu Wei were appointed as the Joint Company Secretaries of the Company, and Mr. Hou Xiaohong was also appointed as the Authorized Representative of the Company. For details, please refer to the announcement of the Company dated 30 August 2013.
4. Mr. Lu Yuanjing had resigned as a member of the Strategy Committee of the Company with effect from 30 January 2013. Mr. Yang Guang was appointed as a member of the Strategy Committee of the Company on 30 August 2013. For details, please refer to the announcement of the Company dated 30 August 2013.

# 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 domestic market, the price movement of tungsten in the first half of 2013 can be broadly divided into two stages, with purchasing and storage being the mark off point of the two stages. The first stage commenced before April, which experienced a period of price falling in tungsten with sluggish demand. It then bounded back due to tight supply and fell with the sluggish demand again. The lowest price during the first half of the year appear in this stage, with tungsten concentrates priced at RMB110,000 per ton and APT priced at RMB165,000 per ton. In the second stage, market news came about increasing purchase and inventory volume substantially by the State Reserve Bureau. In addition, there was shortage of tungsten spots in the market due to the continuous purchases of tungsten by certain major enterprises, which resulted in a constant and rapid rise in the price of tungsten. This come to the highest price of tungsten in the first half of the year, with tungsten concentrates priced at RMB155,000 per ton and APT priced at RMB222,000 per ton. From January to June, the average domestic price of tungsten was RMB129,900 per ton, representing an increase of 1.75% as compared with the same period in prior year; APT average price of tungsten was RMB189,100 per ton, representing a decrease of 4.68% as compared with the same period in prior year.

For international markets, the price of tungsten fluctuates vigorously in accordance with the domestic market. Influenced by the flat demand in international market and the fact that it took time for the news about inflated price of raw materials in domestic market to spread overseas, the price of tungsten in international markets rose far less than that in domestic market. From January to June, the APT average price of tungsten in European markets was US\$345.99 per ton, representing a decrease of 17.29% as compared with the same period in prior year.

To summarize, despite that price for most of the nonferrous metals decreased, the price of tungsten basically grew with an upward trend in the first half of the year as the news of purchase and inventory volume increased. In the second half of the year, it is expected that the price of tungsten will continue to be significantly impacted by the rising purchase and inventory volume. The domestic price of tungsten concentrates is expected to fluctuate within RMB150,000 to RMB160,000 per ton, with the APT fluctuate within a range of approximately RMB210,000 to RMB230,000 per ton. If the State Reserve Bureau delayed in confirming the news of purchase and inventory volume, the market demand in the second half of the year will not be able to further drive up the price of tungsten.

### Antimony

With the extremely weak demand from downstream, domestic antimony market slowed down significantly in 2013. The highest monthly average price of antimony slab (2#) in the domestic market reached RMB67,920 per ton in March, whereas the lowest price was RMB64,750 per ton in June. From January to June, the average price of antimony slab (2#) in the domestic market was approximately RMB67,175 per ton, representing a decrease of 12.6% as compared with the same period in prior year.

## MARKET REVIEW AND OUTLOOK

For international markets, the price of antimony continued to depress with low turnover. In the European antimony market, most consumers held up their orders at this stage due to the poor economy and lack of confidence in the market. In the US market, demand for antimony had no significant improvement in the first half of the year and most of the buyers acted cautiously. Likewise, transactions status in the Japanese antimony market was not optimistic. From January to June, average price of MMAT antimony (Class II) was US\$10,616 per ton, representing a decrease of 18.3% as compared with the same period in prior year.

To summarize, both domestic and foreign antimony markets were in surplus during the first half of the year. This was mainly characterized by lacking of confidence. In the second half year, the antimony market is expected to be volatile in general at low level and the price may rise to a certain extent in the fourth quarter. The average price of antimony in domestic market is expected to linger between RMB60,000 and RMB67,000 per ton, while the average price at low level of antimony in international markets is expected to be about US\$10,600 per ton.

### Lead

For international markets, during the first half year of 2013, the shortage of refined lead in the market, lead stocks in London Metal Exchange (LME) decreased steadily, LME lead prices showed a stronger resilience relate to other basic metals, with dominant price moving upward as compared with the same period in prior year. From January to June, the spot-month and three-month average lead price of LME were US\$2,176 per ton and US\$2,189 per ton respectively, representing an increase of 6.8% and 7.0% respectively as compared with the same period in prior year.

For domestic market, the tendency of lead price went in line with overseas markets, but at a narrower extent. Contrast to the overseas markets, the lead price in Shanghai Futures Exchange (SHFE) dropped significantly over the same period in prior year. This showed that the performance of international lead markets had surpassed its domestic market. From January to June, SHFE spot-month and three-month average lead price were RMB14,408 per ton and RMB14,490 per ton respectively, representing a decrease of 7.9% and 7.4% respectively as compared with the same period.

In the second half of the year, with the stable recovery of world economy, it is expected that lead price in foreign markets will remain at trough and domestic dominant lead price will decrease related to the first half year. Yet the general trend of international markets outperforming domestic market will not change. LME lead prices will fluctuate mainly within the range of US\$1,800 to US\$2,300 per ton and the average price will be approximately at US\$2,100 per ton; SHFE lead dominant contracts largely fluctuates within the range of RMB13,500 to RMB15,000 per ton, and the average price will be approximately RMB14,000 per ton.

## MARKET REVIEW AND OUTLOOK

### Zinc

For international markets, the price of LME three-month zinc futures appeared a temporary V-shaped rise in early 2013. It then decreased steadily without any leap and bound. The price fluctuated within the range of US\$1,840 to US\$2,220 per ton in the first quarter and fell to the range of US\$1,810 to US\$1,910 per ton in the second quarter. The average price of LME three-month zinc futures in June was US\$1,874 per ton, representing a significant decrease of 9.26% as compared with December last year and an increase of 0.94% as compared with the same period in prior year. LME average spot price in June was US\$1,839 per ton, representing a decrease of 9.73% as compared with December last year and an increase of 0.89% as compared with the same period in prior year.

For domestic market, the price of zinc futures quoted on SHFE moved in line with that of the overseas market, i.e., the price recorded a V-rally in January, decreased in February and March, fluctuated at low level with a slightly rebound in April and May and then fell again in June. From January to June, SHFE zinc futures fluctuated within the range of RMB14,000 to RMB16,300 per ton. The monthly average price of SHFE spot 0# zinc was RMB14,645 per ton, representing a decrease of 3.1% as compared with December last year and a slight increase of 0.33% as compared with the same period in prior year.

In the second half of the year, with relatively abundant supply of zinc both domestically & internationally and flat demand, it is expected that global zinc price is unlikely to increase significantly, and may decrease to a lower level as compared with the same period in prior year. Domestic zinc price is expected to fluctuate largely within the range of RMB14,000 to RMB15,500 per ton, while LME zinc price is expected to fluctuate mainly within the range of US\$1,750 to US\$2,150 per ton.

### BUSINESS OUTLOOK

The first half year of 2013 featured a slack world economy with slow economic growth in emerging markets like China, which caused the prices of global commodities to decline in general. Except for the price of tungsten concentrates, which increased due to the rising purchase and inventory volume in the domestic market, the average selling price of most major products of the Company declined to different extents. In particular, antimony recorded a significant decrease in gross margin due to the decrease of both price and sales volume as well as the suspension of production in a wholly-owned subsidiary of the Company, Beaver Brook Antimony Mine Inc.. Meanwhile, exchange loss increased substantially over last year on the assets held by the Company denominated in foreign currency. As such, the operating results of the Company for the first half year of 2012 continued to record loss, with significant increase in loss attributable to holders of the Company for the period as compared with the same period in prior year.

From January to June 2013, the Company recorded a total production of 272,315 tons of zinc, representing an increase of 13.41% as compared with the same period in prior year; production of lead was 44,548 tons, representing an increase of 10.21% as compared with the same period in prior year; production of cemented carbides was 4,401 tons, representing an increase of 11.7% as compared with the same period in prior year; production of antimony was 13,347 tons, representing a decrease of 17.76% as compared with the same period in prior year; production of tungsten concentrates was 5,099 tons, representing an increase of 10.37% as compared with the same period in prior year; production of zinc concentrates was 12,072 tons, representing an increase of 1.42% as compared with the same period in prior year; production of lead concentrates was 4,556 tons, representing a decrease of 24.55% as compared with the same period in prior year; production of antimony concentrates was 5,632 tons, representing a decrease of 17.92% as compared with the same period in prior year.

## MARKET REVIEW AND OUTLOOK

In response to the unfavorable situation of weak external demand and declining product price during the first half of the year, the Company strictly implemented its duties of safety and environmental protection, strengthened its operating status analysis and operating schedules, carefully organized production management and strived to increase the proportion of competitive products. Meanwhile, the Company actively carried out management enhancement activities to consolidate and promote comprehensive budget management, improve cost efficiency, strengthen cost control and control the proportion of three major expense items. For the six months ended 30 June 2013, the production costs of most major products of the Company decreased to different extents as compared with the same period in prior year. Excluding the impact of foreign exchange losses, the production and operation of the Company recorded an overall improvement in the first half year.

Looking at the second half of the year, driven by the US recovering economy and stability of emerging markets, the global economy is expected to remain a trend of slow recovery. However, due to withdrawal of the economic stimulation measures by the US, coupled with anticipated slowing growth of China's economy during a period of structural adjustment, the market of most non-ferrous metals are expected to be volatile at low level on the whole during the second half of the year. On the basis of "three decreases, two increases and one acceleration", which refers to the decreases in cost, expenses, proportion of three major expense items, the increases in productivity and efficiency while ensuring production safety, as well as accelerating project construction, the Company will focus on turning loss to profit and strive to achieve annual production and business goals through further strengthening management, deepening business coordination, enhancing technological innovation, controlling operation risk and exploring beneficial potentials in all aspects.



# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

During the six months ended 30 June 2013, loss before income tax decreased by RMB35 million or 14.06% to RMB214 million, while loss before income tax amounted to RMB249 million for the six months ended 30 June 2012. Loss attributable to owners of the Company was RMB161 million, representing an increase of RMB98 million or 155.56%, from RMB63 million for the six months ended 30 June 2012.

The following is the comparison between the financial performance for the six months ended 30 June 2013 and 2012 (The following comparative stated in the analysis was restated in respect of the consolidation of Zhongwu Gaoxin Materials Company Limited into the Group):

## TURNOVER

Turnover increased from RMB10,971 million for the six months ended 30 June 2012 to RMB14,080 million for the six months ended 30 June 2013, representing an increase of RMB3,109 million or 28.34%, primarily due to the increase in turnover before sales tax and surcharges from the nonferrous metal mine site segment of RMB901 million or 45.74% and the increase in turnover before sales tax and surcharges of RMB1,349 million or 23.81% from the nonferrous metal smelting segment, and increase in turnover before sales tax and surcharges of RMB861 million or 25.35% from the cemented carbides, tungsten, molybdenum, tantalum, niobium and their compounds segment.

Gross profit increased by RMB84 million or 10.05% from RMB836 million for the six months ended 30 June 2012 to RMB920 million for the six months ended 30 June 2013, while the gross profit margins for the six months ended 2012 and 2013 were 7.62% and 6.53% respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## NONFERROUS METAL MINE SITE SEGMENT

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

	Six months ended 30 June			
	2013		2012	
	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)
<b>Shizhuyuan</b>				
Tungsten concentrates	2,750	111,019	1,991	103,787
Oxidized molybdenum	—	—	146	87,186
Bismuth products	357	97,626	299	124,873
<b>Huangshaping Branch</b>				
Zinc concentrates	3,904	9,013	4,212	8,676
Lead concentrates (containing sliver)	1,779	14,995	4,222	17,437
<b>Hsikwangshan</b>				
Antimony products	15,818	52,457	16,348	61,340
Zinc products	5,693	13,502	10,870	13,327
<b>Xin Tianling</b>				
Tungsten concentrates	1,049	115,227	545	108,639
<b>Hengyang Yuanjing</b>				
Tungsten concentrates	519	112,847	78	96,289

Turnover before sales tax and surcharges from the nonferrous metal mine site segment increased by RMB901 million or 45.74% from RMB1,970 million for the six months ended 30 June 2012 to RMB2,871 million for the six months ended 30 June 2013. The increase in turnover is primarily due to the increase in sales volume of tungsten concentrates and bismuth products and the increase of average selling price of tungsten concentrates during the period.

Gross profit from the nonferrous metal mine site segment increased by RMB40 million or 12.66% from RMB316 million for the six months ended 30 June 2012 to RMB356 million for the six months ended 30 June 2013, while the gross profit margin decreased by 3.63% from 16.03% for the six months ended 30 June 2012 to 12.40% for the six months ended 30 June 2013. This is mainly due to the decrease of gross profit margin of antimony products and lead concentrates (containing sliver) during the period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## NONFERROUS METAL SMELTING SEGMENT

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

	Six months ended 30 June			
	2013		2012	
	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)
Zinc products	264,309	13,227	230,263	14,124
Lead products	45,148	12,717	39,791	13,617
Precious metal - Indium	47	3,205,303	14	3,175,502
Precious metal - Silver	89	3,810,248	67	5,539,071

Turnover before sales tax and surcharges from the nonferrous metal smelting segment increased by RMB1,349 million or 23.81% from RMB5,666 million for the six months ended 30 June 2012 to RMB7,015 million for the six months ended 30 June 2013. The increase in turnover is primarily due to the increase in sales volume of the zinc products, lead products and precious metal – indium.

Gross profit from the nonferrous metal smelting segment was RMB58 million for the six months ended 30 June 2013, albeit gross loss of RMB30 million for the six months ended 30 June 2012. The gross margin turned from loss of 0.53% for the six months ended 30 June 2012 to profit of 0.83% for the six months ended 30 June 2013. Increase in segment gross profit margin is due to increase in gross profit margin of zinc products and lead products arising from the decrease in their costs.

# 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			
	2013		2012	
	Sales volume	Average selling price (RMB)	Sales volume	Average selling price (RMB)
Cemented carbides	3,652 tons	436,304/ton	3,297 tons	502,091/ton
Tungsten and its compounds	5,040 tons	208,875/ton	3,495 tons	267,716/ton
Molybdenum and its compounds	382 tons	302,660/ton	381 tons	310,341/ton
Tantalum, niobium and their compounds	85 tons	1,217,737/ton	77 tons	1,485,545/ton
Indexable insert tips	1,969 thousand pieces	60,810/thousand pieces	1,541 thousand pieces	69,008/thousand pieces
PCB drills	83,215 thousand pieces	2,739/thousand pieces	68,233 thousand pieces	2,920/thousand pieces

Turnover before sales tax and surcharges from the cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment increased by RMB861 million or 25.35% from RMB3,396 million for the six months ended 30 June 2012 to RMB4,257 million for the six months ended 30 June 2013. The increase in turnover is primarily due to the increase in sales volume of tungsten and its compounds, indexable insert tips and PCB drills.

Gross profit from the cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment decreased by RMB44 million or 8.00% from RMB550 million for the six months ended 30 June 2012 to RMB506 million for the six months ended 30 June 2013, while the gross profit margin decreased by 4.31% from 16.20% for the six months ended 30 June 2012 to 11.89% for the six months ended 30 June 2013. This is mainly due to decrease of gross profit margin of cemented carbides, tungsten and its compounds, tantalum, niobium and their compounds and PCB drills.

To ensure improved conformity of product classification with product characteristics and more accurate statistics, items of indexable insert tips and PCB drills have been extracted from cemented carbides during the current period. In addition, the products supplied by Zhongwu Gaoxin Materials Company Limited, which has been newly consolidated into the Group, are categorised in tungsten and its compounds.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OTHER INCOME

Other income increased by RMB47 million, or 24.87% from RMB189 million for the six months ended 30 June 2012 to RMB236 million for the six months ended 30 June 2013. The increase is primarily due to the increase in gains on disposal of available-for-sale financial assets and profit from sales of raw materials and scraps.

## SELLING AND DISTRIBUTION COSTS

The selling and distribution costs increased by RMB6 million, or 2.94% from RMB204 million for the six months ended 30 June 2012 to RMB210 million for the six months ended 30 June 2013. The increase is primarily due to the increase in travelling expenses and packing expenses.

## ADMINISTRATIVE EXPENSES

The administrative expenses increased by RMB126 million, or 19.09% from RMB660 million for the six months ended 30 June 2012 to RMB786 million for the six months ended 30 June 2013. The increase is primarily due to the increase in research and development costs and exchange differences.

## OTHER EXPENSES, NET

Other expenses, net decreased by RMB8 million, or 34.78% from RMB23 million for the six months ended 30 June 2012 to RMB15 million for the six months ended 30 June 2013. The decrease is primarily due to the suspension of production of Beaver Brook Antimony Mine Inc., a subsidiary of the Group, such that no price participation payments are paid to its former shareholders.

## PROVISION FOR IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Provision for impairment of property, plant and equipment increased by RMB2 million for the six months ended 30 June 2013, albeit no provision for impairment of property, plant and equipment was made for the same period in 2012. Provision for impairment for the current period was made primarily for the tailing pool of Hunan Nonferrous Xintianling Tungsten Company Limited, a subsidiary of the Group.

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

The Group has made provision for impairment of trade and other receivables of RMB11 million, albeit reversal of RMB5 million has been made for the same period in 2012. The main reason for the reversal was due to the recovery of part of the investment receivable from partner of Australia joint venture project for which provision had been fully made in prior periods. And provision for the current period was mainly bad debt provision charged for estimated possible bad debt losses in trade and other receivables.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCE COSTS

Finance costs decreased by RMB51 million or 12.35% from RMB413 million for the six months ended 30 June 2012 to RMB362 million for the six months ended 30 June 2013. The decrease is primarily due to fund financing by certain short term bank loan with low interest rate.

## INCOME TAX EXPENSE

Income tax expense increased by RMB5 million or 9.09% from RMB55 million for the six months ended 30 June 2012 to RMB60 million for the six months ended 30 June 2013. The increase is due to the net change in deferred income tax assets and liabilities.

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

Loss for the period attributable to the owners of the Company increased by RMB98 million or 155.56% from RMB63 million for the six months ended 30 June 2012 to RMB161 million for the six months ended 30 June 2013. The increase is primarily due to the exchange losses caused by depreciation of assets in terms of foreign currency held by the Group as well as the decrease in sales volume and selling price of antimony products of Hsikwangshan and substantial decrease in profit margin of antimony products of Beaver Brook Antimony Mine Inc., arising from cessation of its production.

## LOSS FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Loss for the period attributable to non-controlling interests decreased by RMB128 million or 53.11% from RMB241 million for the six months ended 30 June 2012 to RMB113 million for the six months ended 30 June 2013. The decrease in losses is mainly due to improvement of business operations of the subsidiary, Zhuzhou Smelter Group Holding Co., Ltd. and its subsidiaries during the period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY, SOURCE OF FUNDS AND CAPITAL STRUCTURE

During the six months ended 30 June 2013, interest-bearing bank and other borrowings were the main sources of funds. The funds of the Group were applied mainly to the operating activities, the capital expenditures and the repayment of bank loans. As at 30 June 2013, the cash and cash equivalents of the Group amounted to RMB1,253 million are denominated in currencies as follows:

Currencies	RMB'000	Percentage
– Renminbi (“RMB”)	979,307	78.18%
– Australian dollars	142,501	11.38%
– United States dollars (“USD”)	55,012	4.39%
– Euros (“EUR”)	46,628	3.72%
– Hong Kong dollars (“HKD”)	12,122	0.97%
– Canadian dollars (“CAD”)	16,421	1.31%
– Others	649	0.05%
	<u>1,252,640</u>	<u>100.00%</u>

As at 30 June 2013, total amount of interest-bearing bank and other borrowings were RMB13,709 million which are denominated in currencies as follows:

Currencies	RMB'000	Percentage
– RMB	12,554,024	91.57%
– USD	1,095,740	7.99%
– EUR	25,985	0.19%
– HKD	24,477	0.18%
– CAD	1,840	0.02%
– Others	7,250	0.05%
	<u>13,709,316</u>	<u>100.00%</u>

# MANAGEMENT DISCUSSION AND ANALYSIS

Details of the interest-bearing bank and other borrowings are set out as follows:

Repayable:	RMB'000	Percentage
– Within one year	9,416,144	68.68%
– In the second year	1,874,467	13.67%
– In the third to fifth year, inclusive	1,611,330	11.75%
– Beyond five years	807,375	5.90%
	<u>13,709,316</u>	<u>100.00%</u>

  

Interest rate basis:	RMB'000	Percentage
– Floating rate	4,935,103	36.00%
– Fixed rate	8,774,213	64.00%
	<u>13,709,316</u>	<u>100.00%</u>

  

Nature of debts:	RMB'000	Percentage
– Unsecured	13,178,792	96.13%
– Secured	530,524	3.87%
	<u>13,709,316</u>	<u>100.00%</u>

## MAJOR CUSTOMERS AND SUPPLIERS

For the six months ended 30 June 2013, the proportion of purchase and sales from our major suppliers and major customers to our total purchases and sales are as follows:

### Purchases

The total purchases from the largest supplier was approximately 3.00% of total purchases value.

The total purchases from the five largest suppliers was approximately 9.77% of total purchases value.

### Sales

The total sales to the largest customer was approximately 4.28% of total sales value.

The total sales to the five largest customers was approximately 14.10% of total sales value.

During the period, none of the directors or supervisors or their respective associates, or to the best of the directors' knowledge, any shareholder who holds more than 5% of our shares, hold any material rights in our five largest customers or our five largest suppliers.



# MANAGEMENT DISCUSSION AND ANALYSIS

## ASSET MORTGAGE OF THE GROUP

At the end of the reporting period, the interest-bearing bank and other borrowings are secured by certain of the Group's assets:

	Six months ended 30 June 2013 RMB'000 (Unaudited)	Year ended 31 December 2012 RMB'000 (Audited)
Property, plant and equipment	422,532	459,319
Land lease prepayments	205,839	214,839
Trade receivables	375,906	791,703

## ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

For the six months ended 30 June 2013, the Group acquired an additional interest in a subsidiary. The details are as follows:

Name of subsidiaries	Date of acquisition	Additional equity interest acquired
Held by a wholly-owned subsidiary, Zhuzhou Cemented Carbides Group Corp., Ltd.: – Shenzhen Jinzhou Jinggong Scientific and Technological Company Limited	20 June 2013	2.92%

## NEWLY ESTABLISHED SUBSIDIARY

For the six months ended 30 June 2013, the Group established a subsidiary called Hunan Nonferrous Tai Li Mining Company Limited, with registered and paid-up share capital of RMB10 million, in which the Group held 51% equity interests and its principal activity was trading of mineral products.

## DEBT TO TOTAL ASSETS RATIO

The debt to total assets ratio of the Group increased from 76.96% as at 31 December 2012 to 79.42% as at 30 June 2013. The debt to total assets ratio is equivalent to total liabilities divided by total assets and multiplied by 100%. The debt to total assets ratio increased as the growth rate of total interest-bearing bank and other borrowings was higher than that of total assets.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FLUCTUATION RISK IN FOREIGN EXCHANGE RATE

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

## RISK IN COMMODITY PRICES

As the trading prices of nonferrous metals of the Group are calculated at the global and local prices which subject to substantial fluctuation, the Group has to bear the risk in 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 execution of commodity futures contracts on a limited basis.

## RISK IN INTEREST RATE

The risk in the interest rate concerning the Group primarily relates to our short-term and long-term bank and other borrowings (amounting to RMB13,709 million as at 30 June 2013). The interest charged on part of the outstanding RMB debts of the Group are calculated at floating rates. Any rise in the current interest rate will increase the interest cost of our short-term loans upon extension. To date, the Group has neither executed any form of interest rate agreement or derivative to hedge against the fluctuation in interest rate.

## CONTINGENT LIABILITIES

As at 30 June 2013, the Group has no contingent liabilities.

## HISTORICAL CAPITAL EXPENDITURE

The following table sets out the capital expenditure of each segment of the Group and their proportions to the segmented capital expenditure of the Group for the six months ended 30 June 2013:

	RMB'000	Percentage
Nonferrous metals mine site	481,014	59.82%
Nonferrous metals smelting	167,492	20.83%
Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds	153,256	19.05%
The Company and others	2,407	0.30%
<b>Total</b>	<b>804,169</b>	<b>100.00%</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEES

As at 30 June 2013, the Group had a total of about 25,026 full-time employees, classified by functions and department as follows:

Department	Employees	Percentage
Management and administration	3,055	12.21%
Engineering and technical personnel	2,372	9.48%
Production personnel	15,126	60.44%
Repair and maintenance	1,450	5.79%
Inspection	1,531	6.12%
Sales	676	2.70%
Services	816	3.26%
<b>Total</b>	<b>25,026</b>	<b>100.00%</b>

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. The Group provides training to the employees of different function according to the annual plan.

The Group provides training for employees of different functions in accordance with annual plans.

## TREASURY POLICIES

The Group adopts a prudent approach towards treasury policies. In respect of trade receivables, generally, the standard credit period given to customers with established trading history is one to three months. For other customers, sales on cash terms are required. In respect of bills receivables, the standard credit term is within 120 days. In certain circumstances, the credit period may be extended to appropriate level after relevant due diligence investigation. In determining the length of the credit term extended to any specific customer, the Group will consider the reputation of the customer, the length of business relationship with the customer and its past payment record. The Group's management also endeavors on credit control on its customers by closely monitoring the outstanding balance owed by them. The actions taken by the Group include conducting monthly reviews on accounts receivable, following up each debtor overdue and enforcing collection of outstanding balance of accounts receivable. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of financial condition of its customers. For trade payables, the standard credit term granted by suppliers is one month. Depending on the urgency of our supply needs and trading terms granted by certain suppliers for rush orders, purchases on cash terms may be required. For bills payables, the standard credit term is within 120 days. To manage liquidity risk, the management closely monitors the liquidity position to ensure that the liquidity restructure of the Group can meet its funding requirements.

# MANAGEMENT DISCUSSION AND ANALYSIS

## MODEL CODE FOR DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors and Supervisors 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 and Supervisors of the Company, the Directors and Supervisors confirmed that they had complied with the required standards as set out in the Model Code for the six months ended 30 June 2013.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the reporting period .

# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTOR

**Li Fuli (李福利)**, aged 47, is currently an 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). From October 1994 to February 1997, Mr. Li was the Deputy General Manager of Minmetals Finance Co. Ltd. of China National Metals and Minerals Import and Export Corporation. From February 1997 to October 2001, Mr. Li was the General Manager of Minmetals Finance Co. Ltd under China Minmetals Corporation Metals & Minerals Import and Export Corporation (中國五金礦產進出口總公司). He was also the Deputy General Manager of the Finance Branch of China Minmetals Corporation Metals & Minerals Import and Export Corporation (中國五金礦產進出口總公司) and General Manager of Minmetals Finance Co. Ltd from October 2001 to March 2002. From March 2002 to July 2005, Mr. Li was the Deputy General Manager of Minmetals Investment & Development Co. Ltd. and the General Manager of Minmetals Finance Co. Ltd. under 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 July 2005 to April 2009, he was the General Manager of Minmetals Investment & Development Co. Limited (中國五礦投資發展有限責任公司). 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, the Director and Deputy General Manager of China Minmetals Corporation Limited (中國五礦股份有限公司) and the Board Chairman of Hunan Nonferrous Metals Holding Group Company Limited (湖南有色金屬控股集團有限公司) since December 2010, and the Board Chairman of China Minmetals Non-ferrous Metals Holding Company Limited (五礦有色金屬控股有限公司) since December 2011. Mr. Li has extensive experience in corporate finance, financial management and strategic investment.

**Li Li (李立)**, aged 49, is currently an 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 (株洲冶金工業學校) in 1982 and received his Bachelor 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 the 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. Since November 2010, Mr. Li served as a member of the Party Committee of HNG.

# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Liao Luhai** (廖魯海), aged 42, is currently an 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, China University of Petroleum (East China) with a Bachelor Degree in Engineering majoring in Oil Geology and Exploration. He received his Master Degree in Engineering 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 consolidated financial services, etc. From March 2005 to August 2005, Mr. Liao served as the Deputy General Manager of HNG. From August 2005 to November 2010, Mr. Liao served as a member of the Party Group of HNG and an Executive Director, Deputy General Manager and Secretary to the Board of the Company. Since November 2010, Mr. Liao served as a member of the Party Committee of HNG and an Executive Director, Deputy General Manager and Secretary to the Board of the Company.

**Guo Wenzhong** (郭文忠), aged 50, is currently an Executive Director and Financial Controller of the Company.

Mr. Guo graduated from Zhejiang Yejin Economic Professional School (now renamed as Jiaying 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 Chief Accountant and 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 an Executive Director, the Financial Controller and Manager of the Financial Department of the Company. Since February 2012, Mr. Guo is an Executive Director and the Financial Controller of the Company.

# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## NON-EXECUTIVE DIRECTORS

**Cao Xiuyun (曹修運)**, aged 51, is currently a 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 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 the Deputy Head 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 Group (Committee) and the General Manager of HNG. Since September 2005, Mr. Cao served as the Vice Chairman of the Company. Since November 2010, Mr. Cao served as the Deputy Secretary of the Party Committee, Director and General Manager of HNG. Since July 2012, Mr. Cao also served as Chairman of Zhuye and its holding company.

**Huang Guoping (黃國平)**, aged 50, is currently a Non-Executive Director. He is also an 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 the Production Department and the Lead and Zinc Bureau of China National Nonferrous Metals Industrial 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 Minmetals 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 Minmetals Corporation from December 2000 to April 2002. From October 2002 to October 2004, Mr. Huang was the General Manager of the Aluminum Department of China Minmetals Non-Ferrous Metals Co. Ltd. as well as the person in charge of the project in Nandan county of Guangxi province. Since October 2004, Mr. Huang has been the Deputy General Manager of China Minmetals Non-Ferrous Metals Co. Ltd.. Since August 2010, Mr. Huang served as a Director and the Secretary of the Party Group of HNG, and the Executive Director, Secretary of Party Committee and 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 57, is currently a 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 February 2001 to November 2002, Mr. Chen was the Head of Finance Division of HNMC. From December 2002 to November 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 December 2004 to February 2006, 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 March 2006 to November 2010, Mr. Chen has been a member of the Party Group of HNG, our Executive Director, Deputy General Manager and Financial Controller. He is a member of the Party Committee, Director, Deputy General Manager and Financial Controller of HNG from November 2010. Currently, Mr. Chen is a Director of Zhuzhou Smelter Group Co., Ltd. (株洲冶煉集團股份有限公司)

**Yang Guang**<sup>Note</sup> (楊光), aged 40, has been a Non-Executive Director since 30 January 2013.

Mr. Yang graduated from the Financial Accounting Department of Renmin University of China. Mr. Yang worked at the Internal Audit Department of the Head Office of Bank of China from July 1993 to October 1999. From October 1999, Mr. Yang was transferred to China Orient Asset Management Corporation. From October 1999 to October 2005, Mr. Yang worked at the Audit Department of the Head Office of China Orient Asset Management Corporation. From October 2005 to July 2007, Mr. Yang served as Assistant General Manager of Qingdao Office of China Orient Asset Management Corporation. From July 2007 to April 2009, Mr. Yang served as Deputy General Manager of Shijiazhuang Office of China Orient Asset Management Corporation. From April 2009 to March 2010, Mr. Yang served as Deputy General Manager at the Investment Management Department of the Head Office of China Orient Asset Management Corporation. Mr. Yang has served as Deputy General Manager of Bangxin Asset Management Co., Ltd., a wholly-owned subsidiary of China Orient Asset Management Corporation, since March 2010. Mr. Yang is an accountant. He has extensive experience in enterprise operation management and investment and financing.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Kang Yi** (康義), aged 73, is currently an Independent Non-Executive Director.

Mr. Kang graduated from Central-South Institute of Mining and Metallurgy (中南礦冶學院) with a Bachelor Degree 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 Deputy Secretary of the Party Committee of Ningxia Autonomous Region, Deputy Party Secretary and Deputy 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 President of the Nonferrous Metals Society of China (中國有色金屬學會) and Independent Non-Executive Director of listed companies such as Baoji Titanium Industry Co., Ltd. (寶雞鈦業股份有限公司).

Note: Mr. Yang Guang was appointed as a member of the Strategy Committee of the Company on 30 August 2013.



## PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Gu Desheng** (古德生), aged 76, is currently an Independent Non-Executive Director. 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 was elected a fellow of the Chinese Academy of Engineering. Mr. Gu received a First Prize in the National Technology Advancement Award (國家科技進步一等獎), three Second Prize in the National Technological Advancement Awards (國家科技進步二等獎), and a Third Prize in the National Invention Award (國家發明三等獎), and has published four professional articles. 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), a Senior Minister (高級資政) of the China Mining Association (中國礦業聯合會), a member of the Expert Committee of the China Nonferrous Metals Industry Association (中國有色金屬工業協會), as well as the consultant of various companies and Independent Director of Western Mining Co., Ltd. (西部礦業股份有限公司).

**Chen Xiaohong** (陳曉紅), aged 50, is currently an Independent Non-Executive Director.

Ms. Chen is a professor and an academic adviser to Ph.D. students, having obtained a doctoral degree from Tokyo Institute of Technology. Ms. Chen is now Honorary Dean of Business School at Central South University, and is also the Dean of institute of two-style Social Sciences Research (兩型社會研究院) of Central South University, Chairman of the Academic Professor's Committee (教授(學術)委員會), 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 "Second Prize in the National Technology Progress Awards" (國家科技進步二等獎), the "National Outstanding Young Scientist Fund" (國家傑出青年科學基金), the "Outstanding Social Scientist of China" (中國傑出社會科學家), "National Women's Red Flag" (全國三八紅旗手), the "National Outstanding Teacher" (全國優秀教師) and the "Award of Outstanding Teacher of High Education" (高校青年教師獎) and the "Fok Ying Tung Education Fund — National Outstanding Young Teachers (Research)" (霍英東教育基金會全國優秀青年教師(研究類)獎), "Outstanding Individual of Younger Generation in Hunan Province" (湖南省十大傑出青年) and "Outstanding Economists in Hunan Province" (湖南省十大傑出經濟人物). The State Council of PRC has granted Ms Chen a special allowance based on her expertise in her field since 1998.

**Wan Ten Lap** (溫天納), aged 43, is currently an Independent Non-Executive Director.

Mr. Wan is an expert in finance and investment banking, serving as the founding Vice Chairman and Director of CUAA Finance Association, and a committee member of Hong Kong Securities Institute. He had 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 Holdings Company Limited. He is a registered person 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 relevant ordinances in Hong Kong. Mr. Wan graduated from the London School of Economics and Political Science with a Master 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 and was granted various distinguished awards in the industry.

# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Choi Man Chau, Michael** (蔡文洲), aged 57, is currently an Independent Non-Executive Director.

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 practising Certified Public Accountant. Mr. Choi is also an Independent Non-Executive Director of Oriental Watch Holdings Limited which is listed on the Main Board of the Stock Exchange of Hong Kong Limited. Mr. Choi was previously an Independent Non-Executive Director of Simsen International Corporation Limited and Dynamic Energy Holdings Limited.

## SUPERVISORS

### Shareholders' Representative Supervisors

**Jin Liangshou** (金良壽), aged 55, is currently a shareholders' representative Supervisor and the Chairman of the Supervisory Committee. He is a senior accountant, a member of the Chinese Institute of Certified Public Accountants, and a Certified Public Valuer in the PRC as well as a Senior International Finance Manager.

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 by correspondence studies and obtained a Bachelor Degree. From July 1981 to July 1986, Mr. Jin worked in various positions at Zhuying including the capital division manager, assistant to the manager (at deputy level) and 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 to HNMC to serve as Deputy General Manager of HNMC Finance and General Manager of Business Department of Shenzhen Securities. 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, Mr. Jin is the Department Head of the Finance Department of HNG. From July 2006 to November 2010, Mr. Jin was the Deputy Finance Controller of HNG and the Manager of Finance Department. Mr. Jin is the assistant to the General Manager from November 2010 until now.

**He Hongsen** (賀洪森), aged 53, is currently a shareholders' representative Supervisor and 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 Deputy Director of the Office of the Direct Working Committee of Hunan Province, Deputy Head of the Business Department, the Assistant to 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 a class two merit citation. From August 2004 to March 2009, Mr. He has been a member of the Party Committee of HNG, Secretary of the Discipline Inspection Commission, the Chairman of the Labour Union, 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). From April 2009 to November 2010, Mr. He served as a member of the Party Group and Deputy General Manager of HNG. Since November 2010, Mr. He served as a member of the Party Committee and Deputy General Manager of HNG.

## PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Chen Hui (陳輝), aged 43, is currently a shareholders' representative Supervisor.

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 majoring in International Finance.

Mr. Chen Hui joined the workforce in 1992. From August 1992 to October 1997, he worked in China Minerals Import and Export Company of China Minmetals Corp. From October 1997 to July 1999, Mr. Chen was the Deputy Manager of Financial Department of China Minerals Import and Export Company of China Minmetals Corp. From July 1999 to April 2000, Mr. Chen was the Department Manager of the Financial Department of China Minerals Import and Export Company of China Minmetals Corp. From April 2000 to May 2001, Mr. Chen was the Accounting Manager of Financial Department of China Minmetals Corporation. From May 2001 to November 2002, he was the Assistant to General Manager of Financial Department 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 served as the Department Head of Financial and Assets Department of Hunan Nonferrous Metals Holding Group Company Limited (湖南有色金屬控股集團有限公司) from November 2010 to April 2013, the Deputy Financial Controller of Hunan Nonferrous Metals Holding Group Company Limited (湖南有色金屬控股集團有限公司) from November 2010 to July 2013, and the Deputy General Manager of the Finance Headquarters of China Minmetals Corporation Limited (中國五礦股份有限公司) since April 2013. Currently, Mr. Chen also serves as a Director of Zhuzhou Smelter Group Co., Ltd.

Liu Xiaochu (劉曉初), aged 66, is currently a shareholders' representative Supervisor 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.. Mr. Liu was appointed the Vice Chairman of Zijin Mining Group Co. Ltd. from August 2000 to March 2012, and currently serves as the consultant to Zijin Mining Group Co. Ltd..

### INDEPENDENT SUPERVISORS

Liu Dongrong (劉冬榮), aged 71, is currently an Independent Supervisor.

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 (湖南省政府參事). Ms. Liu is an expert enjoying a special allowance granted by the State Council.

# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Fan Haiyong** (樊海勇), aged 47, is an Independent Supervisor with effect from 29 May 2012.

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 November 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.

## EMPLOYEES' REPRESENTATIVE SUPERVISOR

**Hou Xiaohong**<sup>Note</sup> (侯曉鴻), aged 42, is currently an 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 in 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 in Engineering majoring in geophysical prospecting research in May 1995 and a Doctoral Degree of Management majoring in 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 to 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 Chief Analyst in Tai Yang Future Agent Company (泰陽期貨經紀公司) in 2005 and Deputy General Manager 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 Deputy 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.

Note: Mr. Hou Xiaohong had resigned as an Employee Representative Supervisor of the Company with effect from 31 August 2013. Mr. Yang Daiyao was appointed as an Employee Representative Supervisor of the Company on 31 August 2013. For biographical details of Mr. Yang Daiyao, please refer to the announcement of the Company dated 30 August 2013.

## PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

He Guoxin (何國新), aged 46, 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. From November 2011 to September 2012, Mr. He has served as an officer of secretary office of Hunan Nonferrous Metal Corp., Ltd.. Since September 2012, Mr. He served as Director of Corporate Planning and Development Department of the Company.

# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Xu Xiaoyan** (許小燕), aged 50, is currently an employees' representative Supervisor. Ms. Xu is a member of Chinese Institute of Certified Public Accountants and a Senior International Finance Manager.

Ms. Xu graduated from Hunan Commerce institute and major in Commerce and Financial Accounting on June 1982. Ms. Xu started her career in July 1982. Ms. Xu served as an Accountant in charge in Hengyang City Food Company from July 1982 to November 1985 and worked as an Accountant, Deputy Manager and Manager of the Finance Division of CNNCCS from December 1985 to February 2001. From March 2001 to October 2004, she was appointed as the Deputy Director of Finance Division of Hunan Nonferrous Metals Industry Corporation. Ms. Xu served as the Deputy Director of Finance and Assets Department of HNG from October 2004 to September 2005. After that, she served as the Senior Management of Finance and Assets Department of the Company from September 2005 to October 2011. Since October 2011, she has served as the Deputy Director of Supervision and Audit Department of the Company.

## OTHER SENIOR MANAGEMENT

**Hong Mingyang** (洪明洋), aged 55, is a Deputy General Manager of the Company.

Mr. Hong joined the workforce in August 1980 after tertiary education. He 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, 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. Since December 2010, Mr. Hong served as a member of Party Committee of HNG.

## PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Sheng Zhongjie (盛忠傑), aged 51, is a Deputy General Manager of the Company.

Mr. Sheng received his Bachelor Degree in Engineering in Mine Selection at the Mineral Engineering Department (礦物工程系選礦專業) of Central South University of Technology (中南工業大學) in August 1982. He was a postgraduate student of mineral engineering mathematical model (礦物工程數學模型) in Changsha Research Institute of Mining and Metallurgy (長沙礦冶研究院) of the Ministry of Metallurgical Industry from August 1985 to June 1988 and received his Master of Engineering Degree in June 1988.

From August 1982 to August 1985, Mr. Sheng Zhongjie worked for the tungsten mine in Yaogangxian, Hunan Province and was responsible for technology management, engineering project design and construction management. From June 1988 to October 1990, he worked for research projects of Changsha Research Institute of Mining and Metallurgy (長沙礦冶研究院) of the Ministry of Metallurgical Industry. From October 1990 to October 2004, he served in the planning department, the planning and technology department and the corporate reform and development department of China Nonferrous Metals Industry Company Limited (Changsha Branch) (中國有色金屬工業長沙公司) (now known as Hunan Nonferrous Metals Industry Company Limited (湖南有色金屬工業總公司)) and was responsible for the management of planning, investment, scientific research, technological reform, reorganisation and system restructuring. He served as the Deputy Director of the Planning and Technology Department in 1997 and served as Director of the Corporate Reform and Development Department in 2001. From October 2004 to June 2006, he served as Director of the Scientific and Technological Industry Department and the Investment Planning Department of HNG. From June 2006 to February 2009, Mr. Sheng 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. Since January 2012, Mr. Sheng served as a member of Party Committee of HNG.

Lam Kai Yeung<sup>Note</sup> (林繼陽), aged 44, 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 Hunan Nonferrous Metals Jinsheng Development Co., Ltd. which is a Hong Kong subsidiary of HNG. Mr. Lam is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. Mr. Lam holds a Master Degree in Business Administration from Oxford Brookes University in the United Kingdom.

Note: Mr. Lam Kai Yeung had resigned as the Company Secretary and Qualified Accountant of the Company with effect from 31 August 2013. Mr. Hou Xiaohong and Dr. Liu Wei were appointed as the Joint Company Secretaries of the Company on 31 August 2013. For biographical details of Mr. Hou Xiaohong and Dr. Liu Wei, please refer to the announcement of the Company dated 30 August 2013.





## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, the persons (other than a Director or Supervisor or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Class of shares	Nature of interests	Number of shares	Approximate percentage of relevant class of share capital	Approximate percentage of total number of shares of the Company	Long/short position
China Minmetals Corporation (Note 1)	Domestic Share	Interest of controlled corporation	1,947,074,266	95.66%	53.08%	Long position
	H Share	Interest of controlled corporation	159,872,000	9.79%	4.36%	Long position
China Minmetals Corporation Limited (Note 2)	Domestic Share	Interest of controlled corporation	1,947,074,266	95.66%	53.08%	Long position
	H Share	Interest of controlled corporation	159,872,000	9.79%	4.36%	Long position
Minmetals Nonferrous Metals Holding Company Limited (Note 3)	Domestic Share	Interest of controlled corporation	1,947,074,266	95.66%	53.08%	Long position
	H Share	Interest of controlled corporation	159,872,000	9.79%	4.36%	Long position
Hunan Nonferrous Metals Holding Group Company Limited (Note 4)	Domestic Share	Beneficial owner	1,947,074,266	95.66%	53.08%	Long position
	H Share	Interest of controlled corporation	159,872,000	9.79%	4.36%	Long position
Hunan Nonferrous Metals Jinsheng Development Co., Ltd. (a wholly-owned subsidiary of Hunan Nonferrous Metals Holding Group Company Limited)	H Share	Beneficial owner	159,872,000	9.79%	4.36%	Long position

Note:

1. China Minmetals Corporation is the controlling shareholder of China Minmetals Corporation Limited, and is therefore deemed to be interested in the domestic shares of the Company held by Hunan Nonferrous Metals Holding Group Company Limited and the H shares of the Company held by Hunan Nonferrous Metals Jinsheng Development Co., Ltd. under the SFO.

## SUBSTANTIAL SHAREHOLDERS

2. China Minmetals Corporation Limited is the controlling shareholder of Minmetals Nonferrous Metals Holding Company Limited, and is therefore deemed to be interested in the domestic shares of the Company held by Hunan Nonferrous Metals Holding Group Company Limited and the H shares of the Company held by Hunan Nonferrous Metals Jinsheng Development Co., Ltd. under the SFO.
3. Minmetals Nonferrous Metals Holding Company Limited is the controlling shareholder of Hunan Nonferrous Metals Holding Group Company Limited, and is therefore deemed to be interested in the domestic shares of the Company held by Hunan Nonferrous Metals Holding Group Company Limited and the H shares of the Company held by Hunan Nonferrous Metals Jinsheng Development Co., Ltd. under the SFO.
4. Hunan Nonferrous Metals Holding Group Company Limited is directly interested in 1,947,074,266 domestic shares of the Company, and indirectly interested in 159,872,000 H shares of the Company through Hunan Nonferrous Metals Jinsheng Development Co., Ltd. (a wholly-owned subsidiary of Hunan Nonferrous Metals Holding Group Company Limited).

Save as disclosed above, as at 30 June 2013, the Directors are not aware of any other person (other than a Director, Supervisor or the Chief Executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company which would be required to be entered in the register kept under section 336 of the SFO.

# DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S 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, UNDERLYING SHARES AND DEBENTURES

### 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 2013:

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

## DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S 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 and to the best knowledge of the Directors, as at 30 June 2013, none of the Directors, Supervisors and Chief Executive had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which would be required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein or otherwise required to be 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 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 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, save as disclosed below, for the six months ended 30 June 2013, the Company has complied with the code provisions of the Code on Corporate Governance set out in Appendix 14 of the Listing Rules.

During the reporting period, the Company held one shareholders general meeting. Some directors were unable to attend the shareholders general meeting of the Company due to business and will try their best to participate in the future.

### BOARD OF DIRECTORS

Our board of directors consists of thirteen directors: four Executive Directors, four Non-Executive Directors and five Independent Non-Executive Directors.

The attendance of directors to board meetings is as follows:

Name	Number of board meetings attended during the period under review
Li Fuli ( <i>Chairman of board of directors</i> )	4 out of 4
Cao Xiuyun	4 out of 4
Li Li	4 out of 4
Liao Luhai	4 out of 4
Guo Wenzhong	4 out of 4
Huang Guoping	4 out of 4
Chen Zhixin	4 out of 4
Lu Yuanjing ( <i>Resigned on 30 January 2013</i> )	1 out of 1
Yang Guang ( <i>Appointed on 30 January 2013</i> )	3 out of 3
Kang Yi	3 out of 4
Gu Desheng	4 out of 4
Chen Xiaohong	4 out of 4
Wan Ten Lap	4 out of 4
Choi Man Chau, Michael	4 out of 4

### SUPERVISORY COMMITTEE

The Company has a Supervisory Committee comprising nine supervisors to exercise supervision over the Board, its members and senior management and prevent them from abusing their power and authorities and jeopardising the legal interests of the shareholders, the Company and its employees. The Supervisory Committee held one meeting during the six months ended 30 June 2013. Except for individual supervisors who took leaves due to business, the rest of the Supervisors have attended the meetings.

## 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 2013 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 2013, 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 2013

	Note	Six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited and restated)
Revenue	5,6	14,079,764	10,970,946
Cost of sales		<u>(13,159,310)</u>	<u>(10,135,287)</u>
Gross profit		920,454	835,659
Other income	6	235,873	188,707
Selling and distribution costs		(209,585)	(203,765)
Administrative expenses		(785,724)	(660,020)
Other expenses, net		(15,139)	(22,654)
Impairment of property, plant and equipment		(2,100)	—
(Provision for)/reversal of impairment of trade and other receivables		(10,990)	4,756
Finance income		11,653	13,920
Finance costs		(362,031)	(412,963)
Share of profit of an associate		<u>3,792</u>	<u>7,359</u>
Loss before income tax	7	(213,797)	(249,001)
Income tax expense	8	<u>(60,263)</u>	<u>(55,357)</u>
Loss for the period		<u><u>(274,060)</u></u>	<u><u>(304,358)</u></u>
Attributable to:			
Owners of the Company		(160,707)	(63,165)
Non-controlling interests		<u>(113,353)</u>	<u>(241,193)</u>
Loss for the period		<u><u>(274,060)</u></u>	<u><u>(304,358)</u></u>
Loss per share			
Basic and diluted	10	<u><u>(4.38 cents)</u></u>	<u><u>(1.72 cents)</u></u>

The notes on pages 45 to 78 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited and restated)
Loss for the period	<u>(274,060)</u>	<u>(304,358)</u>
Other comprehensive (loss)/income for the period, net of tax:		
<i>Item that will not be reclassified to profit or loss</i>		
Net actuarial (losses)/gains of defined benefit retirement schemes	<u>(5,129)</u>	<u>1,717</u>
Item that will not be reclassified to profit or loss	<u>(5,129)</u>	<u>1,717</u>
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation of foreign operations	(14,919)	(3,982)
Disposal of available-for-sale financial assets	(34,957)	–
Changes in fair value of available-for-sale financial assets	<u>(34,403)</u>	<u>(12,603)</u>
Items that may be reclassified subsequently to profit or loss	<u>(84,279)</u>	<u>(16,585)</u>
Other comprehensive loss for the period, net of tax	<u>(89,408)</u>	<u>(14,868)</u>
Total comprehensive loss for the period	<u><u>(363,468)</u></u>	<u><u>(319,226)</u></u>
Attributable to:		
Owners of the Company	(203,481)	(69,666)
Non-controlling interests	<u>(159,987)</u>	<u>(249,560)</u>
Total comprehensive loss for the period	<u><u>(363,468)</u></u>	<u><u>(319,226)</u></u>

The notes on pages 45 to 78 form an integral part of this condensed consolidated interim financial information.



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Note	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited and restated)	1 January 2012 RMB'000 (Audited and restated)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	11	9,414,126	9,181,833	8,606,546
Investment properties	12	—	—	3,405
Land lease prepayments		945,891	958,034	977,488
Intangible assets		1,393,391	1,332,110	1,293,567
Other assets	13	830,666	876,978	801,588
Goodwill		79,547	79,547	79,547
Interest in an associate		70,770	66,977	55,744
Available-for-sale financial assets		109,519	181,084	226,100
Deferred tax assets		76,166	78,224	100,932
Total non-current assets		<u>12,920,076</u>	<u>12,754,787</u>	<u>12,144,917</u>
<b>CURRENT ASSETS</b>				
Inventories		6,436,369	6,361,344	6,253,246
Trade receivables	14	1,646,123	1,660,269	732,367
Bills receivable		676,257	786,370	1,338,075
Prepayments, deposits and other receivables	15	1,726,978	1,455,589	1,374,926
Tax recoverable		59,176	66,956	64,040
Pledged deposits		85,472	78,116	55,093
Non-pledged time deposits with maturity over three months from date of deposits		7,096	771	5,000
Cash and cash equivalents		1,252,640	640,009	1,903,273
Total current assets		<u>11,890,111</u>	<u>11,049,424</u>	<u>11,726,020</u>
<b>CURRENT LIABILITIES</b>				
Trade payables	16	2,030,315	1,519,075	1,208,865
Bills payable		310,592	513,279	87,518
Other payables and accruals	17	1,908,979	3,347,037	2,091,308
Interest-bearing bank and other borrowings	18	9,416,144	7,324,397	10,182,461
Tax payable		35,666	44,315	90,731
Dividend payable		61,901	61,901	61,933
Total current liabilities		<u>13,763,597</u>	<u>12,810,004</u>	<u>13,722,816</u>
<b>NET CURRENT LIABILITIES</b>		<u>(1,873,486)</u>	<u>(1,760,580)</u>	<u>(1,996,796)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>11,046,590</u>	<u>10,994,207</u>	<u>10,148,121</u>

The notes on pages 45 to 78 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Note	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited and restated)	1 January 2012 RMB'000 (Audited and restated)
<b>NON-CURRENT LIABILITIES</b>				
Interest-bearing bank and other borrowings	18	4,293,172	3,863,969	2,642,093
Other liabilities	19	697,359	702,192	721,994
Payables for mining rights		99,305	103,694	105,320
Government grants		644,001	628,103	332,913
Deferred tax liabilities		205,841	212,744	248,738
Total non-current liabilities		<u>5,939,678</u>	<u>5,510,702</u>	<u>4,051,058</u>
<b>NET ASSETS</b>		<u>5,106,912</u>	<u>5,483,505</u>	<u>6,097,063</u>
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	20	3,668,058	3,668,058	3,668,058
Reserves		423,740	630,408	651,328
		<u>4,091,798</u>	<u>4,298,466</u>	<u>4,319,386</u>
Non-controlling interests		<u>1,015,114</u>	<u>1,185,039</u>	<u>1,777,677</u>
<b>TOTAL EQUITY</b>		<u>5,106,912</u>	<u>5,483,505</u>	<u>6,097,063</u>

The notes on pages 45 to 78 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 2013

Note	Attributable to the owners of the Company							Non-controlling interests	Total Equity
	Issued share capital	Capital reserve	Statutory reserves	Exchange fluctuation reserve	Other reserves	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2013 (Audited and restated)	3,668,058	733,450	174,486	63,909	15,578	(357,015)	4,298,466	1,185,039	5,483,505
Comprehensive loss									
Loss for the period	—	—	—	—	—	(160,707)	(160,707)	(113,353)	(274,060)
Other comprehensive (loss)/income, net of tax									
Exchange differences arising on translation of foreign operations	—	—	—	(15,038)	—	—	(15,038)	119	(14,919)
Disposal of available-for-sale financial assets, net of tax	—	—	—	—	(10,993)	—	(10,993)	(23,964)	(34,957)
Changes in fair value of available-for-sale financial assets, net of tax	—	—	—	—	(12,102)	—	(12,102)	(22,301)	(34,403)
Net actuarial losses of defined benefit retirement schemes, net of tax	—	—	—	—	—	(4,641)	(4,641)	(488)	(5,129)
Total other comprehensive loss for the period, net of tax	—	—	—	(15,038)	(23,095)	(4,641)	(42,774)	(46,634)	(89,408)
Total comprehensive loss for the period	—	—	—	(15,038)	(23,095)	(165,348)	(203,481)	(159,987)	(363,468)
Transactions with owners in their capacity as owners:									
Appropriation to reserves	—	—	10,041	—	—	(10,041)	—	—	—
Capital injection from non-controlling interests	—	—	—	—	—	—	—	4,900	4,900
Acquisition of additional interests in a subsidiary	21	(3,187)	—	—	—	—	(3,187)	(5,515)	(8,702)
Dividend paid and payable to non-controlling interests	—	—	—	—	—	—	—	(9,323)	(9,323)
Total transactions with owners	—	(3,187)	10,041	—	—	(10,041)	(3,187)	(9,938)	(13,125)
Balance at 30 June 2013 (Unaudited)	3,668,058	730,263	184,527	48,871	(7,517)	(532,404)	4,091,798	1,015,114	5,106,912

The notes on pages 45 to 78 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 2013

Note	Attributable to the owners of the Company							Non-controlling interests	Total Equity
	Issued share capital	Capital reserve	Statutory reserves	Exchange fluctuation reserve	Other reserves	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2012 (Audited and restated)	3,668,058	752,879	95,597	58,777	30,171	(286,096)	4,319,386	1,777,677	6,097,063
Comprehensive loss									
Loss for the period	—	—	—	—	—	(63,165)	(63,165)	(241,193)	(304,358)
Other comprehensive (loss)/income, net of tax									
Exchange differences arising on translation of foreign operations	—	—	—	(3,347)	—	—	(3,347)	(635)	(3,982)
Changes in fair value of available-for-sale financial assets, net of tax	—	—	—	—	(4,581)	—	(4,581)	(8,022)	(12,603)
Net actuarial income of defined benefit retirement schemes, net of tax	—	—	—	—	—	1,427	1,427	290	1,717
Total other comprehensive (loss)/income for the period, net of tax	—	—	—	(3,347)	(4,581)	1,427	(6,501)	(8,367)	(14,868)
Total comprehensive loss for the period	—	—	—	(3,347)	(4,581)	(61,738)	(69,666)	(249,560)	(319,226)
Transactions with owners in their capacity as owners:									
Acquisition of additional interests in subsidiaries	21	(12,252)	—	—	—	—	(12,252)	(29,788)	(42,040)
Disposal of subsidiaries	22	—	—	—	—	—	—	(38,148)	(38,148)
Dividend paid and payable to non-controlling interests	—	—	—	—	—	—	—	(62,581)	(62,581)
Total transactions with owners	—	(12,252)	—	—	—	—	(12,252)	(130,517)	(142,769)
Balance at 30 June 2012 (Unaudited and restated)	3,668,058	740,627	95,597	55,430	25,590	(347,834)	4,237,468	1,397,600	5,635,068

The notes on pages 45 to 78 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Note	Six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited and restated)
<b>Net cash generated from operating activities</b>		<b>881,883</b>	<b>277,837</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment and other assets		(741,950)	(535,541)
Proceeds from disposal of property, plant and equipment		10,501	3,641
Proceeds from disposal of investment properties		–	3,805
Purchase of other intangible assets		(2,319)	(380)
Disposal of subsidiaries	22	–	(35,662)
Payments for mining rights		(162,095)	(142)
Other investing cash flows - net		97,438	174,642
<b>Net cash used in investing activities</b>		<b>(798,425)</b>	<b>(389,637)</b>
<b>FINANCING ACTIVITIES</b>			
Dividend paid to non-controlling interests		(9,323)	(6,995)
Additions of borrowings		6,994,367	6,047,577
Repayments of borrowings		(4,464,594)	(5,422,885)
Repayments of loans from immediate holding company		(1,559,761)	–
Capital injection from non-controlling interests		4,900	–
Payments for acquisition of additional interests in subsidiaries		–	(27,728)
Interest paid		(410,801)	(448,975)
Other financing cash flows - net		–	(31,079)
<b>Net cash generated from financing activities</b>		<b>554,788</b>	<b>109,915</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>638,246</b>	<b>(1,885)</b>
Cash and cash equivalents at beginning of period		640,009	1,903,273
Effect of foreign exchange rate changes, net		(25,615)	(4,852)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>1,252,640</b>	<b>1,896,536</b>

The notes on pages 45 to 78 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 2013

## 1. CORPORATE INFORMATION

Hunan Nonferrous Metals Corporation Limited (the “Company”) was established as a joint stock company with limited liability in the People’s Republic of China (the “PRC”) on 1 September 2005. On 31 March 2006, the Company’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 2012, 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 2012, 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 2012: 4.36%) of the issued share capital of the Company through its wholly owned subsidiary, Hunan Nonferrous Metals Jinsheng Development Co., Ltd.. Accordingly, CM’s indirect interests in the Company 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 2013

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2013 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 2012, 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 2012, except for the accounting policy changes that are expected to be reflected in the 2013 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 2013:

IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statement
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 10, IFRS 11, IFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 13	Fair Value Measurement
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associate and Joint Ventures
IFRIC Interpretation - 20	Stripping Costs in the Production Phase of a Surface Mine
IFRSs (Amendments)	Annual Improvements to IFRSs 2009 – 2011 Cycle, except for amendments IAS 1

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

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

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

#### IFRS 10 Consolidated financial statements

IFRS 10 replaces the parts of IAS 27 “Consolidated and separate financial statements” that deal with consolidated financial statements and SIC – Interpretation 12 “Consolidation – Special purpose entities”. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all of the three criteria, including (a) an investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has the ability to use its power over the investee to affect the amount of the investor’s returns, must be met. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Much more guidance has been included in IFRS 10 to explain when an investor has control over an investee. In particular, detailed guidance has been established in IFRS 10 to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. For example, in assessing whether an investor with less than a majority of the voting rights in an investee has a sufficiently dominant voting interest to meet the power criterion, IFRS 10 requires the investor to take into account all relevant facts and circumstances including the size of the investor’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders, rights arising from other contractual arrangements, and any additional facts and circumstances, including voting patterns at previous shareholders’ meetings.

The adoption of IFRS 10 has affected the Group’s accounting for the interest in Zhongwu Gaoxin Materials Company Limited (“Zhongwu Gaoxin”).

On 12 October 2006, the Company completed the acquisition of 27.78% and 3.15% equity interests in Zhongwu Gaoxin, a company listed on Shenzhen Stock Exchange, from two independent third parties. Zigong Cemented Carbides Company Limited (“Zigong”), a 80% owned subsidiary of the Company, also held a 14.97% equity interests in Zhongwu Gaoxin, thus the Company directly and indirectly held 42.91% equity interests in Zhongwu Gaoxin after the acquisitions.

Pursuant to the share reform plan of Zhongwu Gaoxin implemented on 26 October 2006, the Group is required to grant certain of their shareholdings in Zhongwu Gaoxin to the public shareholders of Zhongwu Gaoxin in order to convert the state-owned non-tradable shares held by the Company and Zigong into tradable shares. Thereafter the shareholding of the Group was diluted from 42.91% to 32.98%.

During 2008, the Company acquired the shares of Zhongwu Gaoxin owned by Zigong, and thus the Company held 35.28% equity interests in Zhongwu Gaoxin since then. The remaining 64.72% of the shares are owned by numerous widely dispersed shareholders. No other individual shareholders holds more than 5% interests in Zhongwu Gaoxin since 12 October 2006 and up to the date of these condensed consolidated interim financial information. At present, the directors nominated by the Company have formed the majority of the board of directors of Zhongwu Gaoxin.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

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

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

#### IFRS 10 Consolidated financial statements (Continued)

In current period, the directors examined the effect of application of IFRS 10 taking into account all the relevant facts and circumstances, including the Group's dominant voting interest in Zhongwu Gaoxin, dispersion of holding of other vote holders, participation rates of shareholders and voting patterns in previous shareholders' meetings and concluded that the Group did not lose control over Zhongwu Gaoxin since 12 October 2006 despite its shareholding therein has been less than 50% and that Zhongwu Gaoxin qualified as a subsidiary of the Group under IFRS 10 throughout the relevant reporting periods. Accordingly, the financial information of Zhongwu Gaoxin is consolidated retrospectively for all relevant periods as if the Group has not lost control over Zhongwu Gaoxin since 12 October 2006. The impact of the Group's condensed consolidated interim financial information is set out below.

In addition, the Group has applied the transitional guidance under IFRS 10 which only requires an entity to present the quantitative information for the annual period immediately preceding the date of initial application of IFRS 10 notwithstanding the requirements of paragraph 28 of IAS 8 "Accounting policies, changes in accounting estimates and errors". As such, the Group has not presented the impacts on condensed consolidated interim financial information for the six month ended 30 June 2013.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

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

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

#### Summary of the effect of the above changes in accounting policies

The effect of changes in accounting policies described above on the results for the six months ended 30 June 2012 is as follows:

	As originally stated RMB'000	IFRS 10 adjustments RMB'000	Restated amount RMB'000
Revenue	11,476,034	(505,088)	10,970,946
Cost of sales	(10,644,887)	509,600	(10,135,287)
Gross profit	831,147	4,512	835,659
Other income	180,612	8,095	188,707
Selling and distribution costs	(203,765)	—	(203,765)
Administrative expenses	(638,839)	(21,181)	(660,020)
Other expenses, net	(22,654)	—	(22,654)
Reversal of impairment for trade and other receivables	5,082	(326)	4,756
Finance income	13,833	87	13,920
Finance costs	(411,779)	(1,184)	(412,963)
Share of profits of associates	4,602	2,757	7,359
<b>Loss before income tax</b>	<b>(241,761)</b>	<b>(7,240)</b>	<b>(249,001)</b>
Income tax expense	(57,539)	2,182	(55,357)
<b>Loss for the period</b>	<b>(299,300)</b>	<b>(5,058)</b>	<b>(304,358)</b>
<b>Attributable to:</b>			
Owners of the Company	(63,165)	—	(63,165)
Non-controlling interests	(236,135)	(5,058)	(241,193)
<b>Loss for the period</b>	<b>(299,300)</b>	<b>(5,058)</b>	<b>(304,358)</b>
<b>Loss per share</b>			
Basic and diluted	(1.72 cents)	—	(1.72 cents)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

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

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

#### Summary of the effect of the above changes in accounting policies (Continued)

The effect of changes in accounting policies described above on the results for the six months ended 30 June 2012 is as follows: (Continued)

	As originally Stated RMB'000	IFRS 10 adjustments RMB'000	Restated amount RMB'000
Loss for the period	<u>(299,300)</u>	<u>(5,058)</u>	<u>(304,358)</u>
Other comprehensive (loss)/income for the period, net of tax:			
<i>Item that will not be reclassified to profit or loss</i>			
Net actuarial gains of defined benefit retirement schemes	<u>1,717</u>	<u>—</u>	<u>1,717</u>
Item that will not be reclassified to profit or loss	<u>1,717</u>	<u>—</u>	<u>1,717</u>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations	(3,982)	—	(3,982)
Changes in fair value of available-for-sale financial assets	<u>(12,603)</u>	<u>—</u>	<u>(12,603)</u>
Items that may be reclassified subsequently to profit or loss	<u>(16,585)</u>	<u>—</u>	<u>(16,585)</u>
Other comprehensive loss for the period, net of tax	<u>(14,868)</u>	<u>—</u>	<u>(14,868)</u>
Total comprehensive loss for the period	<u>(314,168)</u>	<u>(5,058)</u>	<u>(319,226)</u>
Attributable to:			
Owners of the Company	(69,666)	—	(69,666)
Non-controlling interests	<u>(244,502)</u>	<u>(5,058)</u>	<u>(249,560)</u>
Total comprehensive loss for the period	<u>(314,168)</u>	<u>(5,058)</u>	<u>(319,226)</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

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

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

#### Summary of the effect of the above changes in accounting policies (Continued)

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 January 2012 and 31 December 2012 are as follows:

	1 January 2012 RMB'000 (originally stated)	IFRS 10 adjustments RMB'000	1 January 2012 RMB'000 (restated)	31 December 2012 RMB'000 (originally stated)	IFRS 10 adjustments RMB'000	31 December 2012 RMB'000 (restated)
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	8,457,345	149,201	8,606,546	9,028,532	153,301	9,181,833
Investment properties	—	3,405	3,405	—	—	—
Land lease prepayments	977,488	—	977,488	958,034	—	958,034
Intangible assets	1,291,380	2,187	1,293,567	1,329,924	2,186	1,332,110
Other assets	801,588	—	801,588	876,978	—	876,978
Goodwill	79,547	—	79,547	79,547	—	79,547
Interests in associates	172,896	(117,152)	55,744	165,990	(99,013)	66,977
Available-for-sale financial assets	218,419	7,681	226,100	173,643	7,441	181,084
Deferred tax assets	98,073	2,859	100,932	75,479	2,745	78,224
<b>Total non-current assets</b>	<b>12,096,736</b>	<b>48,181</b>	<b>12,144,917</b>	<b>12,688,127</b>	<b>66,660</b>	<b>12,754,787</b>
<b>CURRENT ASSETS</b>						
Inventories	6,037,335	215,911	6,253,246	6,180,731	180,613	6,361,344
Trade receivables	759,085	(26,718)	732,367	1,662,327	(2,058)	1,660,269
Bills receivables	1,338,075	—	1,338,075	823,604	(37,234)	786,370
Prepayments, deposits and other receivables	1,368,453	6,473	1,374,926	1,460,003	(4,414)	1,455,589
Tax recoverable	63,799	241	64,040	66,956	—	66,956
Pledged deposits	55,093	—	55,093	78,116	—	78,116
Non-pledged time deposits with maturity over three months from date of deposits	5,000	—	5,000	771	—	771
Cash and cash equivalents	1,895,760	7,513	1,903,273	623,699	16,310	640,009
<b>Total current assets</b>	<b>11,522,600</b>	<b>203,420</b>	<b>11,726,020</b>	<b>10,896,207</b>	<b>153,217</b>	<b>11,049,424</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

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

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

#### Summary of the effect of the above changes in accounting policies (Continued)

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 January 2012 and 31 December 2012 are as follows: (Continued)

	1 January 2012 RMB'000 (originally stated)	IFRS 10 adjustments RMB'000	1 January 2012 RMB'000 (restated)	31 December 2012 RMB'000 (originally stated)	IFRS 10 adjustments RMB'000	31 December 2012 RMB'000 (restated)
<b>CURRENT LIABILITIES</b>						
Trade payables	1,197,207	11,658	1,208,865	1,511,861	7,214	1,519,075
Bills payable	87,518	—	87,518	513,279	—	513,279
Other payables and accruals	2,068,529	22,779	2,091,308	3,317,497	29,540	3,347,037
Interest-bearing bank and other borrowings	10,182,461	—	10,182,461	7,324,397	—	7,324,397
Tax payable	89,638	1,093	90,731	44,315	—	44,315
Dividend payable	61,206	727	61,933	61,206	695	61,901
<b>Total current liabilities</b>	<b>13,686,559</b>	<b>36,257</b>	<b>13,722,816</b>	<b>12,772,555</b>	<b>37,449</b>	<b>12,810,004</b>
<b>NET CURRENT LIABILITIES</b>	<b>(2,163,959)</b>	<b>167,163</b>	<b>(1,996,796)</b>	<b>(1,876,348)</b>	<b>115,768</b>	<b>(1,760,580)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>						
	<b>9,932,777</b>	<b>215,344</b>	<b>10,148,121</b>	<b>10,811,779</b>	<b>182,428</b>	<b>10,994,207</b>
<b>NON-CURRENT LIABILITIES</b>						
Interest-bearing bank and other borrowings	2,642,093	—	2,642,093	3,863,969	—	3,863,969
Other liabilities	721,994	—	721,994	702,192	—	702,192
Payables for mining rights	105,320	—	105,320	103,694	—	103,694
Government grants	332,913	—	332,913	628,103	—	628,103
Deferred tax liabilities	248,738	—	248,738	212,744	—	212,744
<b>Total non-current liabilities</b>	<b>4,051,058</b>	<b>—</b>	<b>4,051,058</b>	<b>5,510,702</b>	<b>—</b>	<b>5,510,702</b>
<b>NET ASSETS</b>	<b>5,881,719</b>	<b>215,344</b>	<b>6,097,063</b>	<b>5,301,077</b>	<b>182,428</b>	<b>5,483,505</b>
<b>EQUITY</b>						
<b>Equity attributable to owners of the Company</b>						
Share capital	3,668,058	—	3,668,058	3,668,058	—	3,668,058
Reserves	651,328	—	651,328	630,466	(58)	630,408
	4,319,386	—	4,319,386	4,298,524	(58)	4,298,466
<b>Non-controlling interests</b>	<b>1,562,333</b>	<b>215,344</b>	<b>1,777,677</b>	<b>1,002,553</b>	<b>182,486</b>	<b>1,185,039</b>
<b>TOTAL EQUITY</b>	<b>5,881,719</b>	<b>215,344</b>	<b>6,097,063</b>	<b>5,301,077</b>	<b>182,428</b>	<b>5,483,505</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

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

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

The following new standards and amendments to standards and interpretations have been issued but are not yet effective for the accounting period beginning on 1 January 2013 and have not been early adopted:

IFRS 9	Financial Instruments <sup>2</sup>
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Liabilities <sup>2</sup>
IFRS 10, IFRS 12 and IAS 27 (as revised in 2011) (Amendments)	Investment Entities <sup>1</sup>
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
IAS 36 (Amendments)	Recoverable amount disclosures for non-financial assets <sup>1</sup>
IAS 39 (Amendments)	Novation of derivatives and continuation of hedge accounting <sup>1</sup>
IFRIC Interpretation - 21	Levies <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014.

<sup>2</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 consolidated 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.

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 2012.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 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 2012.

There have been no changes in the risk management department since 31 December 2012 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 2012, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 4. FINANCIAL RISK MANAGEMENT (Continued)

### 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”).

The following table presents the Group’s assets and liabilities that are measured at fair value at 30 June 2013.

	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	85,392	–	–	85,392
Derivative financial assets	334	–	–	334
<b>Total assets</b>	<b>85,726</b>	<b>–</b>	<b>–</b>	<b>85,726</b>
<b>Liabilities</b>				
Derivative financial liabilities	10,496	–	–	10,496
<b>Total liabilities</b>	<b>10,496</b>	<b>–</b>	<b>–</b>	<b>10,496</b>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 4. FINANCIAL RISK MANAGEMENT (Continued)

### 4.3 Fair value estimation (Continued)

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

	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	145,799	–	–	145,799
Derivative financial assets	6,054	–	–	6,054
<b>Total assets</b>	<b>151,853</b>	<b>–</b>	<b>–</b>	<b>151,853</b>

In 2013, 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 RMB34,957,000 (six months ended 30 June 2012: RMBNil) from other comprehensive income to profit or loss due to disposal.

In 2013, 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 2013, there were no reclassification of financial assets.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 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 profit/(loss) represents the loss before income tax of each segment without allocation of dividend income, finance costs and share of profit of an associate. This is the measure reported to the board of directors of the Company for the purposes of resource allocation and performance assessment.

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

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 2013

## 5. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2013 (Unaudited)	Nonferrous metal mine sites RMB'000	Nonferrous metal smelting RMB'000	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:						
Sales to external customers	2,871,089	7,014,758	4,257,398	–	–	14,143,245
Inter-segment sales	86,426	425	–	–	(86,851)	–
Less: Sales tax and surcharges	(26,308)	(3,829)	(33,344)	–	–	(63,481)
<b>Total</b>	<u>2,931,207</u>	<u>7,011,354</u>	<u>4,224,054</u>	<u>–</u>	<u>(86,851)</u>	<u>14,079,764</u>
<b>Segment profit/(loss)</b>	<u>71,550</u>	<u>(80,417)</u>	<u>261,138</u>	<u>(145,661)</u>	<u>–</u>	<u>106,610</u>
Dividend income and gains on disposal of available-for-sale financial assets	–	–	–	–	–	37,832
Finance costs	–	–	–	–	–	(362,031)
Share of profit of an associate	–	–	–	–	–	3,792
Loss before income tax	–	–	–	–	–	(213,797)
Income tax expense	–	–	–	–	–	(60,263)
<b>Loss for the period</b>						<u>(274,060)</u>
<b>At 30 June 2013 (Unaudited)</b>						
Assets:						
Segment assets	8,755,036	6,739,500	8,813,878	186,142	–	24,494,556
Interest in an associate	–	–	–	–	–	70,770
Unallocated assets	–	–	–	–	–	244,861
<b>Total assets</b>						<u>24,810,187</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 5. SEGMENT INFORMATION (Continued)

	Nonferrous metal mine sites RMB'000	Nonferrous metal smelting RMB'000	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
<b>For the six months ended</b>						
30 June 2012 (Unaudited and restated)						
<b>Segment revenue:</b>						
Sales to external customers	1,969,568	5,665,834	3,395,650	—	—	11,031,052
Inter-segment sales	225,400	631	—	—	(226,031)	—
Less: Sales tax and surcharges	(29,155)	(2,577)	(28,374)	—	—	(60,106)
<b>Total</b>	<u>2,165,813</u>	<u>5,663,888</u>	<u>3,367,276</u>	<u>—</u>	<u>(226,031)</u>	<u>10,970,946</u>
<b>Segment profit/(loss)</b>	<u>72,878</u>	<u>(192,511)</u>	<u>282,317</u>	<u>(8,781)</u>	<u>—</u>	<u>153,903</u>
Dividend income	—	—	—	—	—	2,700
Finance costs	—	—	—	—	—	(412,963)
Share of profit of an associate	—	—	—	—	—	7,359
Loss before income tax	—	—	—	—	—	(249,001)
Income tax expense	—	—	—	—	—	(55,357)
<b>Loss for the period</b>						<u>(304,358)</u>
<b>At 31 December 2012</b>						
(Audited and restated)						
<b>Assets:</b>						
Segment assets	8,706,516	6,156,738	8,363,379	184,337	—	23,410,970
Interest in an associate	—	—	—	—	—	66,977
Unallocated assets	—	—	—	—	—	326,264
<b>Total assets</b>						<u>23,804,211</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 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	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited and restated)
<b>Revenue</b>		
Sale of goods	14,143,245	11,031,052
Less: Sales tax and surcharges	(63,481)	(60,106)
	<u>14,079,764</u>	<u>10,970,946</u>
<b>Other income</b>		
Dividend income	2,875	2,700
Profit from sales of raw materials and scrap products	84,368	27,349
Gross rental income	7,701	8,884
Gains on disposal of available-for-sale financial assets	34,957	—
Gains on disposal of subsidiaries, net	—	17,736
Gains on disposal of investment properties	—	4,301
Net gains on disposal of property, plant and equipment	3,952	227
Recognition of government grants	92,360	105,293
Rendering of services	1,376	7,940
Others	8,284	14,277
	<u>235,873</u>	<u>188,707</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 7. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited and restated)
Cost of inventories sold	13,159,310	10,135,287
Depreciation of property, plant and equipment	387,645	375,113
Depreciation of investment properties	–	173
Amortisation of land lease prepayments	11,555	12,521
Amortisation of intangible assets		
– Mining rights	20,252	18,399
– Technical know-how and others	6,996	5,186
Write down of inventories	287,975	365,251
Impairment of property, plant and equipment	2,100	–
Provision for/(reversal of) impairment of trade and other receivables	10,990	(4,756)
Gains on disposal of investment properties	–	(4,301)
Net gains on disposal of property, plant and equipment	(3,952)	(227)
Net realised and unrealised losses on derivative financial instruments	10,959	2,903

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 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% (2012: 25%) on the taxable income as reported in the statutory accounts of the companies comprising the Group, which are prepared in accordance with the relevant PRC accounting standards, as adjusted for income and expense items which are not assessable or deductible for income tax purposes, except for the following subsidiaries of the Company which are qualified as high and new technology enterprises and subject to a preferential CIT rate of 15%:

- (a) Zhuzhou Smelter Group Co., Ltd.
- (b) Zhuzhou Cemented Carbides Group Corp., Ltd. ("Zhuying")
- (c) Hunan Shizhuyuan Nonferrous Metals Co., Ltd.
- (d) Zhuzhou Diamond Cutting Tools Company Limited
- (e) Chenzhou Diamond Tungsten Products Company Limited
- (f) Hsikwangshan Twinkling Star Antimony Co., Ltd. ("Hsikwangshan")
- (g) Shenzhen Jinzhou Jinggong Scientific and Technological Company Limited ("Shenzhen Jinzhou")
- (h) Zigong Cemented Carbides Company Limited
- (i) Chengdu Keruide High-Tech New Materials Co., Ltd.
- (j) Zigong Tungsten Carbide Co., Ltd.
- (k) Zigong AsiaTech High-Tech Ltd.
- (l) Zhongwu Gaoxin Materials Company Limited Zigong Cemented Carbides Branch

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
<b>Current tax - CIT</b>		
Provision for the period	51,969	54,705
<b>Deferred tax</b>		
Temporary differences	8,294	652
<b>Income tax expense</b>	<u>60,263</u>	<u>55,357</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 9. DIVIDENDS

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: RMBNil).

## 10. LOSS PER SHARE

### (a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of approximately RMB160,707,000 (six months ended 30 June 2012: RMB63,165,000) by the weighted average number of ordinary shares of approximately 3,668,058,000 shares (six months ended 30 June 2012: 3,668,058,000 shares) in issue during the period.

### (b) Diluted

The diluted loss per share for the six months ended 30 June 2013 and 2012 is the same as the basic loss per share as there are no diluted ordinary shares during the period.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited and restated)
At 1 January	9,181,833	8,606,546
Additions	681,301	638,671
Interest capitalised	27,937	19,249
Disposals	(49,138)	(17,151)
Disposal of subsidiaries	—	(19,634)
Depreciation charge	(387,645)	(375,113)
Impairment charge	(2,100)	—
Exchange differences	(38,062)	(3,983)
At 30 June	<u>9,414,126</u>	<u>8,848,585</u>

At 30 June 2013, certain of the Group's buildings and mining structures and plant, machinery and equipment with an aggregate carrying value of approximately RMB422,532,000 (31 December 2012: RMB459,319,000) were pledged to secure bank loans granted to the Group (note 18).



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 12. INVESTMENT PROPERTIES

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited and restated)
At 1 January	—	3,405
Disposals	—	(3,232)
Depreciation charge	—	(173)
At 30 June	—	—

## 13. OTHER ASSETS

	30 June	31 December
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Audited)
Exploration and evaluation assets	830,666	876,978

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 14. 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:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited and restated)
Within 1 year	1,650,267	1,658,580
Over 1 year but within 2 years	13,032	12,803
Over 2 years but within 3 years	5,583	2,979
Over 3 years	54,540	54,057
	<u>1,723,422</u>	<u>1,728,419</u>
Less: Provision for impairment	(77,299)	(68,150)
	<u><u>1,646,123</u></u>	<u><u>1,660,269</u></u>

At 30 June 2013, included in trade receivables of the Group are balances due from HNG and its subsidiaries ("HNG Group") and CMC and its subsidiaries ("Minmetals Group") of RMB22,027,000 and RMB364,369,000 respectively (31 December 2012: RMB443,471,000 and RMB425,003,000 respectively) which are unsecured, interest-free and receivable on demand.

At 30 June 2013, included in trade receivables of the Group is balance due from an associate of RMB2,308,000 (31 December 2012: RMB506,000) which are unsecured, interest-free and receivable on demand.

At 30 June 2013, the Group's bank loans were secured by certain of the Group's trade receivables, with an aggregate net carrying amount of RMB375,906,000 (31 December 2012: RMB791,703,000) (note 18).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited and restated)
Prepayments to suppliers (note (a),(b))	643,918	453,260
Deposit for acquisition of additional interest in a subsidiary	–	8,673
Deposits for derivative financial instruments (note (c))	64,079	13,264
Derivative financial assets (note (d))	334	6,054
Other receivables (note (a),(b),(e))	1,203,032	1,168,559
	<u>1,911,363</u>	<u>1,649,810</u>
Less: Provision for impairment	(184,385)	(194,221)
	<u>1,726,978</u>	<u>1,455,589</u>

Notes:

- (a) At 30 June 2013, included in prepayments to suppliers and other receivables of the Group are balances due from HNG Group and Minmetals Group of RMB23,194,000 and RMB119,006,000 respectively (31 December 2012: RMB32,316,000 and RMB2,270,000 respectively) which are unsecured, interest-free and receivable on demand.
- (b) At 30 June 2013, included in prepayments to suppliers and other receivables of the Group is balance due from an associate of RMB6,260,000 (31 December 2012: RMB5,781,000) which are unsecured, interest-free and receivable on demand.
- (c) 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.
- (d) 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.
- (e) The other amounts with third parties are unsecured, interest-free and have no fixed terms of repayment. At 30 June 2013, the Group does not hold any collateral or other credit enhancements over these balances except for other receivables amounted to approximately RMB71,061,000 (equivalent to AUD12,454,000) (31 December 2012: RMB79,320,000 (equivalent to AUD12,135,000)) 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 2013

## 16. TRADE PAYABLES

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited and restated)
Within 1 year	1,978,642	1,478,298
Over 1 year but within 2 years	34,631	25,466
Over 2 years but within 3 years	3,805	2,963
Over 3 years	13,237	12,348
	<u>2,030,315</u>	<u>1,519,075</u>

At 30 June 2013, included in trade payables of the Group are balances due to HNG Group and Minmetals Group of RMB133,413,000 and RMB367,628,000 respectively (31 December 2012: RMB87,297,000 and RMB357,536,000 respectively) which are unsecured, interest-free and repayable within trade credit period.

## 17. OTHER PAYABLES AND ACCRUALS

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited and restated)
Advances from customers	811,812	612,296
Accrued taxes other than income tax	59,614	41,539
Accrued salaries, wages and benefits	121,488	84,418
Payables for mining rights - current portion	237,483	306,618
Derivative financial liabilities (note (a))	10,496	—
Accrued expenses and other payables	668,086	2,302,166
	<u>1,908,979</u>	<u>3,347,037</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 17. OTHER PAYABLES AND ACCRUALS (Continued)

Note:

- (a) 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.

At 30 June 2013, 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 RMB241,093,000 and RMB18,751,000 respectively (31 December 2012: RMB1,936,818,000 and RMB6,515,000 respectively) which are unsecured, interest-free and repayable on demand.

At 30 June 2013, included in other payables and accruals of the Group is the current portion of payables to HNG of RMB230,733,000 (31 December 2012: RMB299,908,000) in connection with the purchase of mining rights.

## 18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Current	9,416,144	7,324,397
Non-current	4,293,172	3,863,969
	<u>13,709,316</u>	<u>11,188,366</u>

Movement of borrowings is analysed as follows:

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
At 1 January	11,188,366	12,824,554
Additions of borrowings	6,994,367	6,047,577
Repayments of borrowings	(4,464,594)	(5,422,885)
Exchange differences	(8,823)	2,898
At 30 June	<u>13,709,316</u>	<u>13,452,144</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

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

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
United States Dollars	1,095,740	832,987
Canadian Dollars	1,840	2,287
Euros	25,985	—
Hong Kong Dollars	24,477	24,477
Japanese Yen	7,250	7,791
Total	<u>1,155,292</u>	<u>867,542</u>

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Property, plant and equipment (note 11)	422,532	459,319
Land lease prepayments	205,839	214,839
Trade receivables (note 14)	<u>375,906</u>	<u>791,703</u>

At 30 June 2013, loans amounting to RMB6,919,000,000 (31 December 2012: RMB3,573,000,000) are granted by HNG to the Group through the banks.

At 30 June 2013, certain of the Group's bank loans to the extent of RMB876,426,000 and RMB320,000,000 (31 December 2012: RMB967,715,000 and RMB90,000,000) are guaranteed by HNG and CMC respectively.

During the six months ended 30 June 2013, interest expenses on bank and other borrowings are RMB362,031,000 (six months ended 30 June 2012: RMB412,963,000), including RMB180,207,000 (six months ended 30 June 2012: RMB95,567,000) being paid in respect of the loans granted by HNG.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 19. OTHER LIABILITIES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Provision for supplementary pension subsidies and early retirement benefits (note (a))	394,601	396,693
Stock appreciation rights plan	7,786	7,786
Provision for reclamation and rehabilitation	23,693	26,692
Special fiscal funds (note (b))	302,780	302,780
	<u>728,860</u>	<u>733,951</u>
Represented by:		
Current portion included in other payables and accruals	31,501	31,759
Long-term liabilities	697,359	702,192
	<u>728,860</u>	<u>733,951</u>

### Notes:

- (a) 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.

- (b) 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 2013

## 20. SHARE CAPITAL

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Registered, issued and fully paid:		
– Domestic shares of RMB1.00 each	2,035,330	2,035,330
– H shares of RMB1.00 each	<u>1,632,728</u>	<u>1,632,728</u>
Total	<u><u>3,668,058</u></u>	<u><u>3,668,058</u></u>

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

During the six months ended 30 June 2013, the Group acquired an additional interest in a subsidiary. The details are as follows:

Name of subsidiaries	Date of acquisition	Additional equity interests acquired
Held by a wholly-owned subsidiary, Zhuying:		
– Shenzhen Jinzhou	20 June 2013	2.92%

During the year ended 31 December 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 Antimony Trading Ltd.	17 January 2012	25.00%
– Guangzhou Shanxing Antimony Ltd.	28 February 2012	20.00%
– Beijing Shanxing Antimony Trading Ltd.	8 November 2012	8.00%
Held by a wholly-owned subsidiary, Zhuying:		
– Shenzhen Jinzhou	15 May 2012	12.00%
– Zhuzhou Changjiang Cemented Carbides Tools Company Limited	4 July 2012	34.86%
– Zhuzhou Yinzhi Hejin Jiagong Ltd.	4 July 2012	0.83%
– Zhuzhou Jinyuan Feijiu Huishou Ltd.	4 July 2012	5.00%



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 21. 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:

	Six months ended 30 June 2013 RMB'000 (Unaudited)	Year ended 31 December 2012 RMB'000 (Audited)
Carrying amount of non-controlling interests acquired	5,515	46,931
Consideration paid to non-controlling interests	<u>(8,702)</u>	<u>(66,360)</u>
Excess of consideration paid	<u><u>(3,187)</u></u>	<u><u>(19,429)</u></u>

As a result of the above transactions, a total amount of RMB5,515,000 (year ended 31 December 2012: RMB46,931,000), being the carrying amount of non-controlling interests acquired, has been transferred from non-controlling interests.

The excess of consideration paid to non-controlling interest over the carrying amount of non-controlling interests acquired of RMB3,187,000 (year ended 31 December 2012: RMB19,429,000) has been debited to equity attributable to the owners of the Company.

## 22. 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 Ziyong Tungsten Molybdenum Company Limited ("Wangqing Ziyong") to HNG at a cash consideration of approximately RMB19,474,000. Wangqing Ziyong has then been wholly owned by HNG and has ceased to be a subsidiary of the Company.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 22. DISPOSAL OF SUBSIDIARIES (Continued)

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

	Nanling Resource RMB'000	Wangqing Ziyang RMB'000	Total RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	704	18,930	19,634
Land lease prepayment	—	117	117
Intangible assets	—	45,485	45,485
<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>
<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 2013

## 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:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Less than 1 year	19,387	21,476
More than 1 year and less than 5 years	70,533	78,221
More than 5 years	108,872	118,291
	<u>198,792</u>	<u>217,988</u>

## 24. CAPITAL COMMITMENTS

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Contracted, but not provided for:		
– Property, plant and equipment	518,672	346,458
– Others	19,710	30,691
	<u>538,382</u>	<u>377,149</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 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:

### (a) Key management personnel compensation

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

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Salaries, wages and benefits	4,208	4,993
Pension scheme contributions	738	749
	<u>4,946</u>	<u>5,742</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 25. RELATED PARTY TRANSACTIONS (Continued)

### (b) Transactions with HNG Group

#### Nature of transactions

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Sales of raw materials and products	126,248	205,989
Provision for electricity and water	906	349
Subcontracting income	—	269
Purchases of raw materials and products	299,349	169,458
Transportation service fees	14,062	9,253
Repair and maintenance expenses	30,340	13,303
Subcontracting fees	1,465	8,828
Rental expenses	1,977	3,596
Property management service fees	284	443
Other service fees	6,534	—

These transactions were conducted in accordance with prices and terms mutually agreed between the parties.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 25. RELATED PARTY TRANSACTIONS (Continued)

### (c) Transactions with Minmetals Group

Nature of transactions

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Sales of raw materials and products	1,347,927	143,887
Purchases of raw materials and products	982,025	270,984
Repair and maintenance expenses	3,148	4,343
Other service fees	2,200	—

These transactions were conducted in accordance with prices and terms mutually agreed between the parties.

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

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Lease of land use rights	7,562	7,562

The Group has entered into property lease agreements on 35 pieces of land with HNG for terms of one to twenty years.

- (e) During the six months ended 30 June 2013, the Group's significant transactions with other state-owned enterprises (excluding HNG Group and Minmetals Group) are a large portion of its sales of goods and purchases of raw materials, electricity, property, plant and equipment and services. In addition, substantially all bank deposits, cash and cash equivalents and borrowings as of 30 June 2013 and the relevant interest earned or paid during the six months ended 30 June 2013 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 2013

## 26. EVENT AFTER THE REPORTING DATE

On 23 June 2012, the Company entered into a sale and purchase agreement with Zhongwu Gaoxin and, pursuant to the supplemental agreement entered into on 8 September 2012, the Company conditionally agreed to dispose of its 100% equity interests in Zhuying and 80% equity interests in Zigong to Zhongwu Gaoxin in consideration of the issue and allotment of approximately 304.6 million shares of Zhongwu Gaoxin to the Company. Subject to and immediately after the completion of the transaction, Zhongwu Gaoxin will be owned as to 72.67% by the Company. Each of Zhuying and Zigong will become a direct subsidiary of Zhongwu Gaoxin and an indirect subsidiary of the Company through the Company's controlling shareholding in Zhongwu Gaoxin. The transaction was conditionally agreed by China Securities Regulatory Commission on 14 August 2013. Up to the date of approving these condensed consolidated financial information, the transaction is yet to complete.

## 27. 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 30 August 2013.