

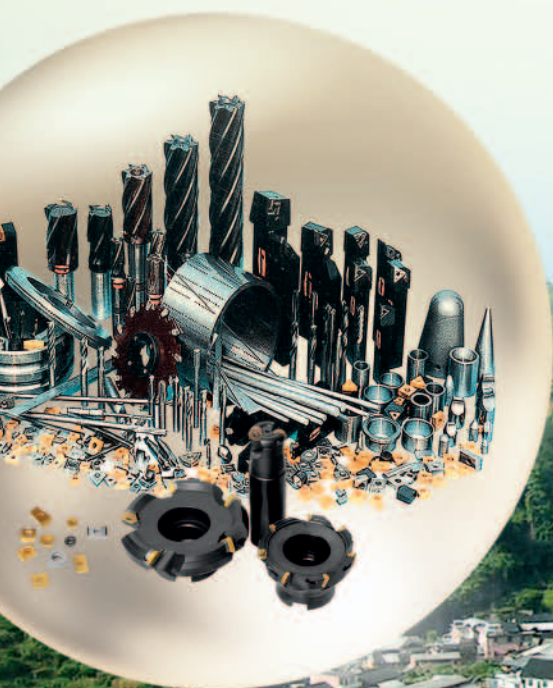


HUNAN NONFERROUS METALS CORP., LTD.

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

(Stock Code: 02626)

Interim Report 2014



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CORPORATE INFORMATION

As at 30 June 2014

DIRECTORS

Executive Directors

Li Fuli (*Chairman of Board of Directors*)

Deng Yingjie

He Yawen¹

Wu Xiaopeng²

Non-Executive Directors

Cao Xiuyun (*Vice-chairman of Board of Directors*)

Huang Guoping⁶

Chen Zhixin⁶

Yang Guang

Independent Non-Executive Directors³

Kang Yi⁴

Chen Xiaohong

Wan Ten Lap

Choi Man Chau, Michael

Supervisors⁵

Jin Liangshou (*Chairman of Supervisory Committee*)

He Hongsen

Liu Xiaochu

He GuoXin

Xu Xiaoyan

Yang Daiyao

Independent Supervisors

Liu Dongrong

Fan Haiyong

JOINT COMPANY SECRETARIES

Hou Xiaohong

Liu Wei

AUTHORISED REPRESENTATIVES

Deng Yingjie

Hou Xiaohong

AUDIT COMMITTEE⁷

Choi Man Chau, Michael (*Chairman of Audit Committee*)

Chen Zhixin⁶

Wan Ten Lap

REMUNERATION AND ASSESSMENT COMMITTEE^{3, 7}

Wan Ten Lap (*Chairman of Remuneration and Assessment Committee*)

Cao Xiuyun

Deng Yingjie

Choi Man Chau, Michael

NOMINATION COMMITTEE^{3, 7}

Chen Xiaohong (*Chairman of Nomination Committee*)

Huang Guoping⁶

STRATEGY COMMITTEE^{3, 7}

Li Fuli (*Chairman of Strategy Committee*)

Cao Xiuyun

Deng Yingjie

Wu Xiaopeng²

Yang Guang

Kang Yi⁴

Wan Ten Lap

INTERNATIONAL AUDITOR

Baker Tilly Hong Kong Limited

PRC AUDITOR

Baker Tilly China (Special General Partnership)

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
17M 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	20 August 2014
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. Li Li resigned as a director and general manager of the Company on 22 April 2014, and Mr. He Yawen was appointed as an executive director of the Company with effect from 22 April 2014. For details, please refer to the Company's announcement dated 22 April 2014.
2. Mr. Guo Wenzhong resigned as a director of the Company on 19 June 2014 and ceased to be a member of the Strategy Committee under the Board, and Mr. Wu Xiaopeng was appointed as an executive director and member of the Strategy Committee under the Board of the Company. For details, please refer to the Company's announcement dated 19 June 2014.
3. Mr. Gu Desheng resigned as a director of the Company on 6 June 2014 and ceased to be a member of the Remuneration Committee, the Nomination Committee and the Strategy Committee under the Board. For details, please refer to the Company's announcement dated 6 June 2014.
4. Mr. Kang Yi resigned as a director of the Company on 6 August 2014 and ceased to be a member of the Strategy Committee under the Board. For details, please refer to the Company's announcement dated 6 August 2014.
5. Mr. Chen Hui resigned as a Shareholder Representative Supervisor of the Company on 30 May 2014. Mr. Wu Xiaopeng was appointed as a Shareholder Representative Supervisor of the Company with effect from 30 May 2014 and resigned as a Shareholder Representative Supervisor of the Company on 5 June 2014. For details, please refer to the Company's announcements dated 26 March 2014, 30 May 2014 and 5 June 2014.

CORPORATE INFORMATION

As at 30 June 2014

6. Mr. Huang Guoping resigned as a director of the Company at the conclusion of the Board meeting convened on 20 August 2014 and ceased to be a member of the Nomination Committee under the Board. Mr. Chen Zhixin resigned as a director of the Company on 20 August 2014 and ceased to be a member of the Audit Committee under the Board. For details, please refer to the Company's announcement dated 20 August 2014.

7. A Board meeting was held on 20 August 2014, adjustment of composition of each committee under the Board was considered and passed. After such adjustment: Audit Committee comprising Mr. Choi Man Chau, Michael, Mr. Cao Xiuyun, Mr. Wan Ten Lap; Remuneration and assessment committee comprising Mr. Wan Ten Lap; Mr. He Yawen, Mr. Choi Man Chau; Nomination Committee comprising Ms. Chen Xiaohong, Ms. Deng Yingjie and Mr. Choi Man Chau; Strategy Committee comprising Li Fuli, Cao Xiuyun, Wu Xiaopeng, Yang Guang, Wan Ten Lap. For details, please refer to the Company's announcement dated 20 August 2014.



MARKET REVIEW AND OUTLOOK

MARKET REVIEW

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

Tungsten

For domestic market, the price of tungsten in the first half of 2014 continued to decline since the second half of last year due to sufficient supply. It was hoped that the rising purchase and inventory volume would drive up the price. However, there were not such measures in place in the industry all the time. From January to June, the average domestic price of tungsten concentrates was RMB112,500 per ton, representing a decrease of 10.06% as compared with the same period in prior year. Its highest price was RMB118,000 per ton while its lowest price was RMB106,000 per ton. APT average price of tungsten was RMB172,900 per ton, representing a decrease of 6.05% as compared with the same period in prior year. Its highest price was RMB180,000 per ton while its lowest price was RMB166,000 per ton.

For international markets, the price of tungsten also continued to decrease gradually since the end of last year. Although it showed a rebound indication from the bottom in May and June, it still presented an overall downward trend in the market. From January to June, the average price of APT was USD365 per ton unit in European market. The highest price was USD372 per ton unit while the lowest price was USD358 per ton unit.

In the second half of 2014, it is expected that the demand and supply will not have significant changes. If there are no special events to stimulate and speculate, the domestic prices of wolframite concentrates and APT will fluctuate around approximately RMB110,000 per ton and RMB170,000 per ton, respectively. The APT price will fluctuate around USD370 per ton unit in European market.

Antimony

For domestic market, due to the ample supply, sluggish downstream demand, intense market competition and other factors, antimony price declined significantly in the first half of 2014. It reduced from a level of RMB58,000-59,500 per ton in mid-March to RMB55,500-57,500 per ton in mid-April, and such price remained until late June. From January to June, the average price of antimony ingots (2#) in domestic market was RMB56,670-58,510 per ton, representing a decrease of 14.3% as compared with the same period in prior year.

For international markets, antimony price showed a downtrend following a rise. In the first quarter, as the export volume of antimony decreased in China, antimony price in European market slowly grew up to USD9,600-9,850 per ton in late January, and remained at such level in February and mid-March. Subsequently, with the increase of antimony ingot supply, antimony price gradually fell to USD9,300-9,600 per ton in mid-April. In late May, as the smuggled antimony products out of China were hindered, the market supply became tight and the antimony price gradually rose to USD9,400-9,700 per ton until late June. From January to June, the average price of antimony (Class II) in the international market was USD9,437-9,725 per ton, representing a decrease of 9.7% as compared with the same period in prior year.

MARKET REVIEW AND OUTLOOK

In the second half of 2014, the situation is still not optimistic in the antimony market with its downward trend in price. However, supported by the production costs of antimony, the declining space is small in respect of antimony price. The average price of antimony ingots (2#) in the domestic market will fluctuate within RMB55,000-56,000 per ton, while the average price of antimony ingots in the international market will be approximately USD9,500 per ton.

Lead

For international markets, during the first half of 2014, the price of 3-month lead future on London Metal Exchange (“LME”) generally showed a “V” shaped trend which characterised with an upsurge following a dip, with a fluctuation within USD2,050-2,200 per ton. The favorable fundamentals on tightening supply of peripheral metals and the significant rising of their prices were the main driving forces for this round of rebound in lead price. From January to June, the average prices of LME 3-month and spot-month lead future were USD2,123 per ton and USD2,100 per ton respectively, representing a decrease of 3.0% and 3.5% respectively as compared with the same period in prior year.

For domestic market, the trend of lead price was in line with the international market with an upward trend following a decline. At the beginning of the year, the opening price of lead dominant contracts quoted in the Shanghai Futures Exchange (“SHFE”) was RMB14,235 per ton, subsequently followed the downward trend in the international market and fell to its lowest point at RMB13,495 per ton in mid-March. In April, lead price increased successively with the rising nickel and zinc prices and hit its the highest point at RMB14,480 per ton in June. From January to June, SHFE lead dominant contract and spot-month contract average prices were RMB13,494 per ton and RMB13,872 per ton respectively, representing a decrease of 3.9% and 3.7% respectively as compared with the same period in prior year.

In the second half of this year, due to the favorable factors such as positive microeconomic trend, peripheral metal fundamentals and overseas lead market, it is expected that it is quite possible that the domestic and international lead prices will rise on a period-on-period basis, despite the limited increases as affected by the weak fundamentals in domestic market. It is estimated that the average price of LME 3-month lead future will be USD2,150 per ton, within the range of USD2,050-2,250 per ton. The average price of SHFE lead dominant contracts will be RMB14,150 per ton, within the range of RMB13,900-14,250 per ton. The average domestic spot price will be RMB14,000 per ton.

Zinc

For international markets, zinc price showed a W-shaped trend in the first half of 2014. During the first quarter, after a rising wave in spring, zinc price returned to its declining trend and reached bottom in mid-March, and then gradually rebounded. At the beginning of June, driven by the public opinion of supply shortage in zinc market and successive entries of long funds, zinc price hit its highest point since the previous 16 months. The monthly average price of 3-month zinc future in June was USD2,131 per ton, representing an increase of 3.2% as compared with the same period in prior year and an increase of 13.7% on a period-on-period basis. From January to June, the average price of LME 3-month zinc future was USD2,051 per ton, representing an increase of 4.3% as compared with the same period in prior year, and the average price of spot zinc was USD2,051 per ton, representing an increase of 5.9% as compared with the same period in prior year.



MARKET REVIEW AND OUTLOOK

For domestic market, zinc price passively increased with international markets with its highest point above RMB16,000 per ton and its lowest point near RMB14,600 per ton. From January to June, the average SHFE zinc price was RMB15,143 per ton, representing an increase of 1.4% as compared with the same period in prior year, and the average domestic price of spot 0# zinc was RMB15,060 per ton, representing an increase of 1.1% as compared with the same period in prior year.

Given the sufficient supply of zinc concentrates in current domestic and international markets, it is expected that zinc price will continue to fluctuate within certain ranges of higher bottoms. The LME zinc price will mainly fluctuate within USD1,900-2,500 per ton; and the dominant contract price of SHFE zinc will passively increase and mainly fluctuate within RMB14,500-17,500 per ton. The average price of spot zinc will be primarily above RMB15,000 per ton.

BUSINESS OUTLOOK

During the first half year of 2014, the world's economy continued a moderate recovery. Developed economies represented by the United States had a more solid recovery momentum while the growth of emerging economies slowed down. China had a slow yet stable economic growth with still sluggish demand for non-ferrous metals. The average selling prices of antimony ingots and tungsten concentrates, the Company's main products, declined significantly as compared with the same period in prior year. Zhongwu Gaoxin Materials Company Limited, a major subsidiary of the Company, recorded substantial losses as compared with profit recorded in the same period in prior year due to factors such as significant decrease in prices of raw materials and products together with a large inventory. As a result, the Company continued to record losses in its interim results, with significant increase in losses attributable to shareholders of the Company during the period as compared with the same period in 2013.

From January to June 2014, the Company recorded a total production of 249,269 tons of zinc, representing a decrease of 3.40% as compared with the same period in prior year; production of lead was 61,034 tons, representing an increase of 30.67% as compared with the same period in prior year; production of cemented carbides(excluding CNC cutting blades) was 3,816 tons, representing a decrease of 10.34% as compared with the same period in prior year; production of antimony was 13,757 tons, representing an increase of 7.27% as compared with the same period in prior year; production of tungsten concentrates was 5,241 tons, representing an increase of 2.75% as compared with the same period in prior year; production of zinc concentrates was 11,578 tons, representing a decrease of 4.1% as compared with the same period in prior year; production of lead concentrates was 5,101 tons, representing an increase of 11.96% as compared with the same period in prior year; production of antimony concentrates was 5,289 tons, representing a decrease of 6.08% as compared with the same period in prior year.

MARKET REVIEW AND OUTLOOK

In response to the unfavorable factors of weak external demand and declining prices of the main profitable products during the first half of the year, with structural adjustment, excellent management and efficiency enhancement as the general principle of production and on the basis of technology progress, the Company strived to increase the proportion of competitive products, fully explored the mining capacity, strengthened integrated recovery and achieved increases both in production and efficiency. Meanwhile, the Company enhanced financial operating analysis at each level to effectively control its costs and expenses, fully promoted to enhance management and effectively controlled various risks. Under the external economic situation without obvious recovery signs, the Company basically achieved its safe and sound production targets in the first half of this year.

Looking forward to the second half of the year, the global economy is expected to keep a recovery trend. However, due to withdrawal of the economic stimulation measures by the US, appreciation of US dollars as well as the excess production capacity in nonferrous industry, it is expected that the price of nonferrous metals will keep volatile within certain ranges. While ensuring safe and environment-friendly production, the Company will rationally regulate and control production capacity on a market-oriented basis, strive to increase income and save expenses, promote the construction of projects in progress and practically prevent various risks in order to turn from loss to profit in operations.



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the six months ended 30 June 2014, loss before income tax increased by RMB105 million or 49.07% to RMB319 million, while loss before income tax amounted to RMB214 million for the six months ended 30 June 2013. Loss attributable to owners of the Company was RMB304 million, representing an increase of RMB143 million or 88.82%, from RMB161 million for the six months ended 30 June 2013.

The following is the comparison between the financial performance for the six months ended 30 June 2014 and 2013:

TURNOVER

Turnover decreased from RMB14,080 million for the six months ended 30 June 2013 to RMB13,089 million for the six months ended 30 June 2014, representing an decrease of RMB991 million or 7.04%, primarily due to the decrease in turnover before sales tax and surcharges from the nonferrous metal mine site segment of RMB685 million or 23.86% and the slight increase in turnover before sales tax and surcharges of RMB201 million or 2.87% from the nonferrous metal smelting segment, and decrease in turnover before sales tax and surcharges of RMB507 million or 11.90% from the cemented carbides, tungsten, molybdenum, tantalum, niobium and their compounds segment.

Gross profit decreased by RMB118 million or 12.83% from RMB920 million for the six months ended 30 June 2013 to RMB802 million for the six months ended 30 June 2014, while the gross profit margins for the six months ended 2013 and 2014 were 6.53% and 6.13% 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			
	2014		2013	
	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)
Shizhuyuan				
Tungsten concentrates	2,906	88,309	2,750	111,019
Bismuth products	766	116,740	357	97,626
Huangshaping Branch				
Zinc concentrates	2,370	8,420	3,904	9,013
Lead concentrates (containing sliver)	1,665	14,415	1,779	14,995
Hsikwangshan				
Antimony products	14,457	45,050	15,818	52,457
Zinc products	8,809	13,151	5,693	13,502
Xin Tianling				
Tungsten concentrates	1,607	91,458	1,049	115,227
Hengyang Yuanjing				
Tungsten concentrates	631	88,074	519	112,847

Turnover before sales tax and surcharges from the nonferrous metal mine site segment decreased by RMB685 million or 23.86% from RMB2,871 million for the six months ended 30 June 2013 to RMB2,186 million for the six months ended 30 June 2014. The turnover decreased primarily due to decrease in average selling price of the tungsten concentrates and decrease in average selling prices, sales volume and trading amounts of the antimony products in the first half of 2014.

Gross profit from the nonferrous metal mine site segment decreased by RMB142 million or 39.89% from RMB356 million for the six months ended 30 June 2013 to RMB214 million for the six months ended 30 June 2014, while the gross profit margin decreased by 2.59% from 12.40% for the six months ended 30 June 2013 to 9.81% for the six months ended 30 June 2014. This is mainly due to the decrease of gross profit margin of tungsten concentrates and antimony products 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			
	2014		2013	
	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)
Zinc products	264,914	13,270	264,309	13,227
Lead products	62,242	12,605	45,148	12,717
Precious metal – Indium	40	4,313,443	47	3,205,303
Precious metal – Silver	102	3,312,183	89	3,810,248

Turnover before sales tax and surcharges from the nonferrous metal smelting segment increased by RMB201 million or 2.87% from RMB7,015 million for the six months ended 30 June 2013 to RMB7,216 million for the six months ended 30 June 2014. The increase in turnover is primarily due to the increase in sales volume of the lead products.

Gross profit from the nonferrous metal smelting segment increased by RMB244 million or 420.69% from RMB58 million for the six months ended 30 June 2013 to RMB302 million for the six months ended 30 June 2014, while the gross profit margin increased by 3.35% from 0.83% for the six months ended 30 June 2013 to 4.18% for the six months ended 30 June 2014. Increase in gross profit margin is due to increase in gross profit margin of precious metal – indium and other ancillary products and decrease in impairment of inventories.

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			
	2014		2013	
	Sales volume	Average selling price (RMB)	Sales volume	Average selling price (RMB)
Cemented carbides	3,752 tons	410,559/ton	3,652 tons	436,304/ton
Tungsten and its compounds	3,259 tons	230,694/ton	5,040 tons	208,875/ton
Molybdenum and its compounds	486 tons	275,465/ton	382 tons	302,660/ton
Tantalum, niobium and their compounds	99 tons	1,182,210/ton	85 tons	1,217,737/ton
Indexable insert tips	2,245 thousand pieces	56,010/thousand piece	1,969 thousand pieces	60,810/thousand piece
PCB drills	104,430 thousand pieces	2,376/thousand piece	83,215 thousand pieces	2,739/thousand piece

Turnover before sales tax and surcharges from the cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment decreased by RMB507 million or 11.90% from RMB4,257 million for the six months ended 30 June 2013 to RMB3,750 million for the six months ended 30 June 2014. The decrease in turnover is primarily due to the decrease in trade volume and sales volume of tungsten and its compounds.

Gross profit from the cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds segment decreased by RMB220 million or 43.48% from RMB506 million for the six months ended 30 June 2013 to RMB286 million for the six months ended 30 June 2014, while the gross profit margin decreased by 4.27% from 11.89% for the six months ended 30 June 2013 to 7.62% for the six months ended 30 June 2014. This is mainly due to decrease of gross profit margin of cemented carbides and tungsten and its compounds.

OTHER INCOME

Other income decreased by RMB102 million, or 43.22% from RMB236 million for the six months ended 30 June 2013 to RMB134 million for the six months ended 30 June 2014. The decrease is primarily due to the decrease in profit from sales of raw materials and scraps, and no gains on disposal of available-for-sale financial assets was recognised during the period.



MANAGEMENT DISCUSSION AND ANALYSIS

SELLING AND DISTRIBUTION COSTS

The selling and distribution costs increased by RMB16 million, or 7.62% from RMB210 million for the six months ended 30 June 2013 to RMB226 million for the six months ended 30 June 2014. The increase is primarily due to the increase in unloading and transportation expenses.

ADMINISTRATIVE EXPENSES

The administrative expenses decreased by RMB153 million, or 19.47% from RMB786 million for the six months ended 30 June 2013 to RMB633 million for the six months ended 30 June 2014. The decrease is primarily due to the decrease in entertainment and travelling expenses by RMB17 million and exchange losses by RMB112 million.

OTHER EXPENSES, NET

Other expenses, net decreased by RMB6 million, or 40% from RMB15 million for the six months ended 30 June 2013 to RMB9 million for the six months ended 30 June 2014. The decrease is primarily due to the decrease in net realised and unrealised loss on derivative financial instruments.

PROVISION FOR IMPAIRMENT OF PROPERTY, PLANT AND EQUIPEMENT

No provision for impairment of property, plant and equipment was made for the six months ended 30 June 2014, albeit provision for impairment of property, plant and equipment of RMB2 million was made for the same period in 2013.

PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

The Group has made provision for impairment of trade and other receivables of RMB18 million, provision of RMB11 million has been made for the same period in 2013. The main reason for the increase is due to more receivables were aged over 1 year. Current provision was recognised through the assessment of recoverability of trade and other receivables.

FINANCE COSTS

Finance costs increased by RMB21 million or 5.80% from RMB362 million for the six months ended 30 June 2013 to RMB383 million for the six months ended 30 June 2014. The increase is primarily due to the corresponding increase in interest-bearing bank and other borrowings.

INCOME TAX EXPENSE

Income tax expense decreased by RMB13 million or 21.67% from RMB60 million for the six months ended 30 June 2013 to RMB47 million for the six months ended 30 June 2014. The decrease is primarily due to decrease in net profits of subsidiaries which led to the corresponding decrease in provision for income tax expense.

MANAGEMENT DISCUSSION AND ANALYSIS

LOSS FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Loss for the period attributable to the owners of the Company increased by RMB143 million or 88.82% from RMB161 million for the six months ended 30 June 2013 to RMB304 million for the six months ended 30 June 2014. The increase is primarily due to Zhongwu Gaoxin turned from profit to loss and the decrease in both selling price and gross profit of tungsten concentrates and antimony products.

LOSS FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Loss for the period attributable to non-controlling interests decreased by RMB51 million or 45.13% from RMB113 million for the six months ended 30 June 2013 to RMB62 million for the six months ended 30 June 2014. The decrease is mainly due to improvement of business operations of the subsidiary, Zhuzhou Smelter Group Holding Co., Ltd. and its subsidiaries during the period.

LIQUIDITY, SOURCE OF FUNDS AND CAPITAL STRUCTURE

During the six months ended 30 June 2014, 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 2014, the cash and cash equivalents of the Group amounted to RMB1,970 million are denominated in currencies as follows:

Currencies	RMB'000	Percentage
– Renminbi (“RMB”)	1,739,028	88.29%
– Australian dollars	126,012	6.40%
– United States dollars (“USD”)	39,496	2.00%
– Euros (“EUR”)	57,070	2.90%
– Hong Kong dollars (“HKD”)	3,456	0.17%
– Canadian dollars (“CAD”)	2,567	0.13%
– Others	2,092	0.11%
	<u>1,969,721</u>	<u>100.00%</u>



MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2014, total amount of interest-bearing bank and other borrowings were RMB15,530 million which are denominated in currencies as follows:

Currencies	RMB'000	Percentage
– RMB	14,199,958	91.43%
– USD	822,595	5.30%
– EUR	18,915	0.12%
– HKD	483,750	3.11%
– CAD	1,202	0.01%
– Others	4,010	0.03%
	<u>15,530,430</u>	<u>100.00%</u>

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

Repayable:	RMB'000	Percentage
– Within one year	11,752,478	75.67%
– In the second year	1,519,643	9.79%
– In the third to fifth year, inclusive	2,228,146	14.35%
– Beyond five years	30,163	0.19%
	<u>15,530,430</u>	<u>100.00%</u>

Interest rates basis	RMB'000	Percentage
– Floating rate	4,029,015	25.94%
– Fixed rate	11,501,415	74.06%
	<u>15,530,430</u>	<u>100.00%</u>

Nature of debts	RMB'000	Percentage
– Unsecured	14,751,570	94.98%
– Secured	778,860	5.02%
	<u>15,530,430</u>	<u>100.00%</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR CUSTOMERS AND SUPPLIERS

For the six months ended 30 June 2014, the proportions of purchase and sales from our major suppliers and major customers to our total purchases and sales were as follows:

Purchases

The total purchases from the largest supplier was approximately 4.44% of our total purchases value.

The total purchases from the five largest suppliers was approximately 15.56% of our total purchases value.

Sales

The total sales to the largest customer was approximately 2.92% of our total sales value.

The total sales to the five largest customers was approximately 9.64% of our 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 held more than 5% of our shares, held any material rights in our five largest customers or our five largest suppliers.

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:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Property, plant and equipment	280,949	263,785
Land lease prepayments	200,695	205,233
Trade receivables	484,382	549,226
Pledged deposits	2,400	2,400



MANAGEMENT DISCUSSION AND ANALYSIS

ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

For the six months ended 30 June 2014, the Group acquired an additional interest in a subsidiary. The details are as follows:

Name of a subsidiary	Date of acquisition	Additional equity interests acquired
Held by the Company: Hunan Nonferrous Xintianling Tungsten Co., Ltd.	17 January 2014	3.47%

DEBT TO TOTAL ASSETS RATIO

The debt to total assets ratio of the Group increased from 74.89% as at 31 December 2013 to 77.92% as at 30 June 2014. 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.

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 USD, the sales income of the Group is denominated in RMB at present. The risk in foreign exchange of the Group primarily arises from the investments in Australia and Canada, of which the sales of products and the purchases of raw materials denominated in foreign currencies. 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 RMB15,530 million as at 30 June 2014). Any rise in the current interest rate will increase the interest cost of our short-term loans upon extension. To date, the Group has neither executed any form of interest rate agreement or derivative to hedge against the fluctuation in interest rate.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 30 June 2014 and 31 December 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 2014:

	RMB'000	Percentage
Nonferrous metals mine site	337,534	43.32%
Nonferrous metals smelting	144,291	18.52%
Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds	297,124	38.14%
Corporate and others	140	0.02%
Total	<u>779,089</u>	<u>100.00%</u>



MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As at 30 June 2014, the Group had a total of about 25,933 full-time employees, classified by functions and department as follows:

Department	Employees	Percentage
Management and administration	3,206	12.36%
Engineering and technical personnel	2,388	9.21%
Production personnel	16,765	64.65%
Repair and maintenance	1,383	5.33%
Inspection	1,535	5.92%
Sales	656	2.53%
	<u>25,933</u>	<u>100.00%</u>

The employees' remuneration package of the Group includes salary, bonus and allowance. The Group has participated in the social insurance contribution plans implemented by the local governments in the PRC. Pursuant to the relevant national and local labour and social welfare laws and regulations, the Group shall pay for the employees the monthly social insurance premium covering the pension insurance, the medical insurance, injury insurance, the unemployment insurance and the housing reserve fund. According to the current applicable local regulations, the contribution of the Group to the employees' pension insurance, medical insurance, injury insurance, unemployment insurance, maternity insurance and housing reserve fund shall be equivalent to 20%, 8%, 3%, 2%, 0.7% and 12% respectively of the total basic monthly salary of each employee.

The Group provides training for employees of different functions in accordance with annual plans. During the first half of 2014, the Group completed a total of 158 training projects with 23,583 attendance and cumulative 7,675 training hours. Skill-development trainings were provided for front-line operation personnel, modern management philosophy and training for management methods were provided to management, trainings on all safety education, legal education, education and training on construction of enterprise culture and teamwork are provided to all employees.

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICIES

The Group adopts a conservative approach towards treasury policies. For trade receivables, under normal circumstances the standard credit period given to customers with established trading history is one to three months. For the other customers, sales on cash terms are required. For bills receivables, the standard credit term is within 120 days. Under certain circumstance, the credit period might be extended to appropriate level after relevant due diligence investigation. In determining the length of 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 puts 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 the 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 period 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, management closely monitors the liquidity position to ensure that the liquidity restructure of the Group can meet its funding requirements.

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 2014.

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 DIRECTORS

Li Fuli (李福利), aged 48, is currently the executive director, the chairman of the Board of the Company.

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 January 1997, Mr. Li was the vice general manager of Minmetals Finance Co. Ltd. of China National Metals and Minerals Import and Export Corporation. From January 1997 to October 2001, Mr. Li was the general manager of Minmetals Finance Co. Ltd. of China National Metals and Minerals Import and Export Corporation. He was the vice general manager of the Finance Branch of China National Metals and Minerals Import and Export Corporation and the general manager of Minmetals Finance Co. Ltd. from October 2001 to March 2002. From March 2002 to July 2005, Mr. Li acted as the vice general manager of Minmetals Investment & Development Co. Ltd. of China National Metals and Minerals Import and Export Corporation (renamed as China Minmetals Corporation (中國五礦集團公司) in January 2004, hereinafter referred to as “China Minmetals.”) and the general manager of Minmetals Finance Co. Ltd. He served as the general manager of Minmetals Investment & Development Co. Ltd. of China Minmetals. from July 2005 to March 2009. From June 2007 to October 2008, he was the assistant to president of China Minmetals. Mr. Li has been the vice president of China Minmetals since October 2008 and has been the director and vice general manager of China Minmetals Corporation Limited and the chairman of Hunan Nonferrous Metals Holding Group Co., Ltd. (“HNG”) since December 2010. He has been the chairman of Minmetals Nonferrous Metals Holdings Company Limited since December 2011. Mr. Li has extensive experience in corporate finance management and strategic investment.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Deng Yingjie (鄧英傑), aged 49, is currently an executive director and the general manager of the Company. She is an associate senior translator.

Ms. Deng graduated in July 1985 from the Foreign Language Department, (Sichuan University with a bachelor's degree in English Language and Literature). She graduated in July 1988 from the Foreign Language Department, Sichuan University with a master's degree in English Language and Literature. In July 2006, Miss Deng graduated from Business School of Central South University and received her doctoral degree in management science and engineering. Prior to joining HNG, Ms. Deng served with Hunan Technology Import & Export Co., Ltd. from July 1988 to October 1994. She acted as the deputy general manager, executive deputy general manager and general manager of Hunan Jinguo Industrial Co., Ltd. ("Jinguo Industrial") from October 1994 to October 2005, during which she also was the legal representative of Hengyang Jinguo Foreign Trade Co., Ltd. (衡陽金果對外貿易有限公司), the legal representative and general manager of Hengyang Natural Gas Co., Ltd. (衡陽市天然氣有限責任公司), the legal representative of Hengyang Cable Factory (衡陽市電纜廠) and the legal representative of Resort Intime Sanya Hainan (海南三亞銀泰度假酒店). In December 2004, Ms. Deng was elected as an executive member of the 10th Woman's Congress of Hunan Province. Then she served as a member of the party committee and the deputy general manager of Hunan Electronic Information Industry Group Co., Ltd. from October 2005 to November 2007. Ms. Deng served as the deputy general manager of the Company from November 2007 to November 2010. She served as the secretary of the board of HNG from November 2010 to December 2013. Since January 2012, Ms. Deng has been a member of the CPC committee of HNG. She had been an executive director, vice general manager and secretary of the Board of the Company from December 2013 to April 2014. Ms. Deng has been an executive director and general manager of the Company and also served as a member of the provisional Party Committee of China Minmetals Non-ferrous Metals Holding Company Limited (五礦有色金屬控股有限公司) since April 2014. Ms. Deng serves also as a director of Abra Mining Limited, HNC (Australia) Resources Investment Co., Ltd. and Beaver Brook Antimony Mine Inc..

He Yawen (何亞文), aged 54, is currently an executive director, secretary of the Board and deputy general manager of the Company.

Mr. He is a professor level senior administration engineer (教授級高級政工師), and a representative of the 12th Hunan People's Congress. In August 1982, Mr. He graduated from Central-South Institute of Mining and Metallurgy (currently renamed as Central South University) with a bachelor's degree in Mechanical Engineering, and in June 1999, he completed courses of study of business administration in the graduate school of Central South University of Technology (currently renamed as Central South University). From August 1982 to September 2005, Mr. He worked at Hunan Huangshaping Lead and Zinc Mine, where he successively served as the technical cadre of expansion office, deputy section chief of infrastructure section, deputy division head of mechanical and transportation work area, division head of mechanical and transportation field, chairman of the labour union, deputy mine manager and secretary to the Party Committee. From December 2010 to 29 April 2014, Mr. He has served as the mine manager of Hunan Huangshaping Lead and Zinc Mine. From September 2005 to December 2010, Mr. He served as the secretary to the Party Committee and deputy general manager of Huangshaping Mining Branch of the Company. Since December 2010, Mr. He has severed as the general manager and deputy secretary to the Party Committee of Huangshaping Mining Branch of the Company. Mr. He has been an executive director, secretary of the Board and deputy general manager of the Company since April 2014.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Wu Xiaopeng (吳曉鵬), aged 36, is currently an executive director, deputy general manager and chief financial officer of the Company.

Mr. Wu is a member of the Chinese Institute of Certified Public Accountants and a member of International Institute of Internal Auditors. Mr. Wu is qualified as accountant and Certified Enterprise Risk Manager. Mr. Wu graduated from Nankai University majoring in accounting and obtained the Master degree in management in July 2005.

Mr. Wu joined in China Minmetals Corporation in July 2005. Mr. Wu worked in China Minmetals Nonferrous Metals Company Limited and served as the risk management clerk, Risk Management Supervisor and Auditing Supervisor and other positions in the Risk Management Department there from July 2005 to April 2009. Then Mr. Wu worked in Minmetals Nonferrous Metals Holding Company Limited and served as Manager of Auditing Division of Risk Management Department there from April 2009 to April 2011 and as Vice General Manager of Auditing Department there from April 2011 to February 2012. Mr. Wu served as Manager of Finance and Assets Department of the Company from February 2012 to April 2013. Mr. Wu served as the Vice Chief Financial Officer and Manager of Finance and Assets Department of Hunan Nonferrous Metals Holding Group Co., Ltd. from April 2013 to June 2014. Mr. Wu served as a shareholder's representative supervisor of the Company from 30 May 2014 to 5 June 2014. Mr. Wu has been an executive director, deputy general manager and chief financial officer of the Company since June 2014. Mr. Wu has served as a director of Zhuzhou Smelter Group Holding Co., Ltd. since August 2013 and a director of Hunan Nonferrous Metals Jinsheng Development Co., Ltd since July 2013.

NON-EXECUTIVE DIRECTORS

Cao Xiuyun (曹修運), aged 52, is currently the non-executive director, the vice chairman of the Board of the Company. He is a professor and senior engineer.

Mr. Cao received his master's degree in engineering from Central South University of Technology in 1989. He gained extensive experience in quality control and research and development in the nonferrous metal industry when he was working for Zhuzhou Smelter Group Co., Ltd. ("Zhuye") (and its predecessors) and CNNCCS between 1992 and 2004. He was in charge of quality control, environmental protection, energy technology and management at Zhuye. Mr. Cao studied and conducted research at Mitsubishi Materials Group in Japan in 1990 and 1991. From February 1992 to August 2004, Mr. Cao served in various executive positions, such as a deputy chief of a zinc roasting plant and the head of a leaching plant, a deputy head of Zhuye, a director, a deputy general manager and the general manager of Hunan Zhuye Torch Metals Co., Ltd. ("Zhuye Torch") and a director and the general manager of Zhuye. Since August 2004, Mr. Cao has been a director, deputy secretary of party committee and the general manager of HNG. Since September 2005, Mr. Cao served as the vice chairman of the Company. Since November 2010, Mr. Cao served as the managing director and the deputy secretary of HNG. Mr. Cao has been assistant to president of China Minmetals Corporation (中國五礦集團公司), deputy general manager of China Minmetals Non-ferrous Metals Holding Company Limited (五礦有色金屬控股有限公司), and a member of the provisional Party Committee of China Minmetals Non-ferrous Metals Holding Company Limited since April 2014. From July 2012 to November 2013, Mr. Cao served as Chairman of Zhuzhou Smelter Group Holding Co., Ltd. and Zhuzhou Smelter Group Co., Ltd.. Since November 2013, Mr. Cao also served as the chairman, general manager of Zhuzhou Smelter Group Holding Co., Ltd. and the chairman of Zhuzhou Smelter Group Co., Ltd.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Huang Guoping (黃國平), aged 51, was the non-executive director of the Company during November 2010 to August 2014.

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.

From August 1983 to January 1993, he had worked in production department of the head office of China National Nonferrous Metals Industrial Corporation and Lead and Zinc Bureau of China Nonferrous Metals Industry Corporation before he joined China Minmetals. 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, 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 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 act as the executive director and the secretary of the party committee of HNG, and the deputy general manager of HNG responsible for general affairs with effect from December 2010. Mr. Huang has been a deputy general manager of China Minmetals Non-ferrous Metals Holding Company Limited and secretary to the provisional Party Committee of China Minmetals Non-ferrous Metals Holding Company Limited since April 2014.

Chen Zhixin (陳志新), aged 58, was the non-executive director during November 2010 to August 2014. 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 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 party committee of HNG, our Executive Director, deputy general manager and financial controller. He is a member of party group, director, deputy general manager and financial controller of HNG from November 2010. Mr. Chen is currently the director of Zhuzhou Smelter Group Co., Ltd.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Yang Guang (楊光), aged 40, is currently the non-executive director.

Mr. Yang graduated from Renmin University of China majoring finance and accounting. Mr. Yang worked for the audit department at the headquarters of Bank of China from July 1993 to October 1999. He was transferred to China Orient Asset Management Corporation in October 1999 and worked for the audit department at the headquarters of China Orient Asset Management Corporation from October 1999 to October 2005. He served as assistant general manager for the Qingdao Office of China Orient Asset Management Corporation from October 2005 to July 2007. Mr. Yang acted as vice general manager for the Shijiazhuang Office of China Orient Asset Management Corporation from July 2007 to April 2009. He worked for the investment and management department at the headquarters of China Orient Asset Management Corporation from April 2009 to March 2010. Since March 2010, he has been the deputy general manager of Bangxin Asset Management Co., Ltd., a wholly-owned subsidiary of China Orient Asset Management Corporation. Mr. Yang is an accountant with rich experience in the operation and management of business, investment and financing business. Mr. Yang has been the non-executive director of the Company since January 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Kang Yi (康義), aged 73, was an independent non-executive director during March 2009 to August 2014.

Mr. Kang graduated from Central-South Institute of Mining and Metallurgy (中南礦冶學院) with a university diploma in nonferrous metals metallurgy in 1965. He is a professor of engineering. He served as director of Qingtongxia Aluminum Factory (青銅峽鋁廠), party secretary and director of the economy committee of Ningxia Autonomous Region, Minister of the Organisation Department, member of the standing committee and vice secretary of the party committee of Ningxia Autonomous Region, vice party secretary and vice general manager of China Nonferrous Metals Industry Corporation (中國有色金屬工業總公司) and deputy commissioner and member of the party committee of the National Nonferrous Metals Industry Bureau (國家有色金屬工業局). He is currently the honorary chairman of the China Nonferrous Metals Industry Association (中國有色金屬工業協會). He also serves as council member of the Nonferrous Metals Society of China (中國有色金屬學會) and independent non-executive director of Baoji Titanium Industry Co., Ltd. and other listed companies.

Chen Xiaohong (陳曉紅), aged 51, is currently an independent non-executive director.

Ms. Chen is a professor and an academic adviser to Ph.D. students, having obtained a doctorate degree from Tokyo Institute of Technology. Ms. Chen is now the honorary Dean of Business School of Central South University, the chairman of the academic professor's committee (教授學術委員會), the Dean of institute of two-style Social Sciences Research (兩型社會研究院) of Central South University, and the vice president of the Society of Management of China (中國管理學會). Ms. Chen is also an economic consultant in the government sector and acts as an independent director of many large-scale enterprises and listed companies.

Ms. Chen has received numerous awards, including the grant from "Second Class of National Science and Technology Progress Awards", the "National Outstanding Young Scientist Fund" (國家傑出青年科學基金), "Award for Research Achievements in the Humanities and Social Sciences of The Ministry of Education", the "Outstanding Social Scientist of China" (中國傑出社會科學家), "National March-eighth Red-Banner Pacesetter", 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)", "Outstanding Individual of Younger Generation in Hunan Province" and "Outstanding Economists in Hunan Province". The State Council of PRC has granted Ms. Chen a special allowance based on her expertise in her field since 1998.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Wan Ten Lap (溫天納), aged 44, is currently an independent non-executive director.

He is an expert in finance and investment banking, serving as the Vice Chairman of CUAA Finance Association and a committee member of Hong Kong Securities Institute. He previously served as chair professor (講座教授) at the School of Business of Renmin University of China (中國人民大學商學院) and was the founding managing director of BOCOM International. He is a registered officer under the SFC and a member of the Hong Kong Securities Institute. Mr. Wan has been repeatedly appointed by Hong Kong Securities Institute as a working group member for the Ad Hoc Working Group in relation to the papers on the licensing examination for the securities and futures intermediaries on the basis of his substantial knowledge and expertise in financial markets and the corresponding practices in Hong Kong. Mr. Wan graduated from the London School of Economics and Political Science with a master's degree in international accounting and finance. He joined the corporate finance department of Standard Chartered Asia Limited in 1993, and then joined Creditanstalt Group as an associate director in 1996. Mr. Wan later joined Sun Hung Kai International Limited as a director in 1998. Mr. Wan specialised in corporate financing, mergers and acquisitions, restructurings and insolvencies before he assisted in the establishment of BOCOM International in 2006. And he was awarded several prizes for his excellence in the industry in the past.

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.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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 and obtained a bachelor's degree. From July 1981 to July 1986, Mr. Jin worked in various positions at Zhuzhou Cemented Carbides Alloy Factory ("Zhuzhou") including the capital department manager, assistant to the manager (at deputy level), the deputy manager and the manager of the department of finance. From July 1994 to July 1998, Mr. Jin was the manager of the department of finance of Zhuzhou. From December 1997 to December 2002, he was appointed to HNMC to serve as deputy general manager of HNMC Finance and general manager of Shenzhen Securities business department. Between January 2003 and August 2004, Mr. Jin was a researcher at HNMC and the deputy general manager and general manager of HNME Finance. Mr. Jin joined HNG in August 2004. From 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 has served as the financial controller of the tungsten business department of Minmetals Nonferrous Metals Holdings Company Limited since July 2013. Mr. Jin has been deputy general manager and financial controller of the tungsten business division of Minmetals Nonferrous Metals Holdings Company Limited since April 2014 and has been general manager of the financial department of the tungsten business division of Minmetals Nonferrous Metals Holdings Company Limited since May 2014.

He Hongsen (賀洪森), aged 54, is currently a shareholders' representative supervisor.

Mr. He graduated from the Central Party School in December 1995. Prior to joining HNG, Mr. He served in various positions in the Hunan provincial government. From March 1993 to August 1997, Mr. He was the office assistant director of working committee of Hunan Province, business department vice-minister, the assistant department head of Industry Department of Hunan provincial planning department. From September 1997 to July 2004, Mr. He was the deputy secretary and later deputy chairman (office level) of labor organization of Hunan Province, the department head of organization and propaganda department of industrial working committee of Hunan provincial party, poverty relief work team group leader, department head of propaganda and public working department of the Hunan Provincial State-owned Assets Supervision and Administration Commission and was granted class two merit citation one time. Since August 2004, Mr. He has been a member of the Party Committee 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 party group and deputy general manager of HNG. Since November 2010, Mr. He served as a member of party committee and deputy general manager of HNG. Mr. He has been a member of the provisional Party Committee of Minmetals Nonferrous Metals Holdings Company Limited since April 2014.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Liu Xiaochu (劉曉初), aged 67, 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. He is currently the consultant of 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 (湖南省參事室參事). Ms. Liu is an expert enjoying a special allowance granted by the State Council.

Fan Haiyong (樊海勇), aged 47, is currently an independent supervisor.

Mr. Fan is a member of the Communist Party. He received a 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 Hunan Province Building Materials Industry Bureau from July 1984 to September 1989 and served as the deputy director of Audit department of Hunan Province Building Materials Industry Bureau from September 1989 to March 1992. He was appointed as the financial officer of trade center of Hunan Province Building Materials Industry Bureau from March 1992 to March 1994. He served as an officer and deputy director of Finance and Assets Department of Hunan Province Building Materials Industry Bureau from March 1994 to January 2002. From January 2002 to March 2005, he was a deputy director and director of the fifth representative office of the Board of Supervisors of Hunan Province State-owned Enterprises, an officer of the sixth representative office of the Board of Supervisors of Hunan Province State-owned Enterprises from March 2005 to October 2008 and an officer of the fourth representative office of the Board of Supervisors of Hunan Province State-owned Enterprises from October 2008 to 2010. Since October 2011, Mr. Fan has served as an officer of the Office of Supervisors of Hunan Nonferrous Metals Industry Corporation.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EMPLOYEES' REPRESENTATIVE SUPERVISORS

He Guoxin (何國新), aged 47, 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). 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), an officer of the technical innovation infrastructure office and a team leader of the project of mixture technical innovation of Zhuzhou Cemented Carbides Group Co., Ltd. ("Zhuying") from December 2002 to April 2005. He also served as the director of technology department, the director of engineering 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 Zhuying from April 2005 to December 2005. From December 2005 to July 2006, he worked as a general manager of Tungsten and Molybdenum Department (鎢鉬事業部) and the secretary of Party Committee of Zhuying Group. From July 2006 to December 2009, he served as a director of Corporate Development Department (企業發展部) of Zhuying Group. He was also appointed as the senior management of Sustainable Development Department (持續發展部) of HNG 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 HNG. Since September 2012, Mr. He served as director of Corporate Planning and Development Department of the Company.

Xu Xiaoyan (許小燕), aged 51, 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 commercial finance accounting on June 1982. Ms. Xu started her career in July 1982. She received an undergraduate degree and is a Certified Public Accountant of PRC and a Senior International Finance Manager. Ms. Xu served as an accountant in charge in Hengyang City Food Company from July 1982 to November 1985 and worked as an accountant, vice director and director of Accounting Department of CNNCCS from December 1985 to February 2001. From March 2001 to October 2004, she was appointed as the deputy director of Hunan Nonferrous Metals Industry Corporation. Ms. Xu served as the deputy director of Finance and Assets Department of 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.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Yang Daiyao (陽戴遙), aged 41, is currently an employees' representative supervisor. Mr. Yang holds the qualifications of senior economist, senior marketing manager and senior human resources manager.

Mr. Yang graduated from the Department of Mathematics of Xiangnan University in July 1994 with a college degree, and obtained a bachelor's degree in accounting from Hunan University in May 2004. Mr. Yang served as a teacher and the deputy secretary of the general League branch in the School for Children of Employees of Shizhuyuan from September 1994 to June 1996. He successively worked as a comprehensive management officer of Gaofeng Reservoir Hengshanling Zone (高峰水庫橫山嶺工區), a comprehensive management officer of multi-metal mining sites and a secretary to the Pricing Committee of Shizhuyuan from June 1996 to March 2006. From March 2006 to October 2008, he was seconded to the State-Owned Assets Supervision and Administration Commission of Hunan Province. Mr. Yang successively served as an officer in charge of the Department of Human Resource and the Board Office of HNG from October 2008 to September 2012, the deputy head of the Secretariat Office of the Company from September 2012 until now, and the deputy head of such office in charge of the overall work since May 2013. Mr. Yang has served as an employees' representative Supervisor of the Company since August 2013.

OTHER SENIOR MANAGEMENT

Liao Luhai (廖魯海), aged 43, is currently the deputy general manager of the Company. 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's degree in engineering in oil geology and exploration. He received his master of engineering degree in geology and exploration of coal fields, petroleum and natural gas (煤田油氣地質與勘探) 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. Mr. Liao has severed as the deputy general manager of the Company since August 2005. From August 2005 to December 2013, Mr. Liao also served as the executive director and secretary of the Board of the Company. From August 2005 to November 2010, Mr. Liao served as a member of party group of HNG. Since November 2010, Mr. Liao has served as a member of party committee of HNG.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Hou Xiaohong (侯曉鴻), aged 43, is currently one of the joint company secretaries of the Company. He is a senior economist.

Mr. Hou graduated from Central South University with a major in geological and mining exploration and obtained a bachelor degree of engineering in July 1992. He graduated from Central South University and obtained a master degree of engineering with a major of mineral survey and exploration in May 1995, graduated from Central South University with a major of management science and engineering in July 1999 and obtained a doctoral degree in management in December 1999. He graduated from Fudan University with a major of applied economics and obtained a post-doctoral certificate of applied economics in October 2004. Prior to joining the Company, he worked as a marketing manager and assistant of general manager in a subsidiary of Hunan Foreign Construction Group Company (湖南對外建設總公司) from July 1995 to August 1996. He worked for the General Office of Hunan Provincial Committee from August 1999 to July 2002, and worked for Shanghai Futures Exchange from August 2002 to October 2004. He served as chief researcher at Hainan Agricultural Products E-Commerce Commodity Exchange Center (海南農墾電子商務交易中心) from December 2004 to May 2005, chief analyst in Tai Yang Future Agent Company (泰陽期貨經紀公司) from May 2005 to March 2006 and vice general chairman of Hunan Tali Engineering Machinery Co., Ltd (湖南天立工程機械公司) from April 2006 to June 2009. He joined the Company in July 2009 and worked for the Finance and Securities Department of the Company as senior officer from July 2009 to November 2010. He worked as the vice director of the Secretariat Office and was in charge of the Secretariat Office of the Company from December 2010 to October 2011. He served as an employees' representative Supervisor from December 2012 to August 2013. He has been the head of the Finance and Securities Department of the Company since October 2011. Mr. Hou has severed as one of the joint company secretaries of the Company since August 2013.

Liu Wei (劉巍), aged 56, is currently one of the joint company secretaries of the Company.

Dr. Liu is currently chairman of the China Group and managing partner of DLA Piper's Beijing Office. Dr. Liu has PRC lawyer qualification and is also a solicitor qualified to practice law in Hong Kong and England. Dr. Liu graduated from the Northwest University of China, the Chinese University of Political Science and Law and the University of Cambridge with a bachelor's degree in Chinese literature, a master's degree in law and a PhD in Law in 1982, 1986 and 1996, respectively. He also completed his Postgraduate Certificate in Laws (PCLL) with the University of Hong Kong in 2000. Dr. Liu has been one of the joint company secretaries of the Company since 31 August 2013.

SHARE CAPITAL

	As at 30 June 2014		As at 31 December 2013	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Share capital issued and fully paid				
Domestic shares at par value of RMB1.00 each	2,035,330	2,035,330	2,035,330	2,035,330
H shares at par value of RMB1.00 each	1,632,728	1,632,728	1,632,728	1,632,728
	3,668,058	3,668,058	3,668,058	3,668,058

SHARE CAPITAL STRUCTURE

As at 30 June 2014, the share capital structure of the Company was as follows:

	As at 30 June 2014	
	Number of shares	Approximate percentage of issued share capital
Holders of domestic shares or H shares		
Holders of domestic shares		
Hunan Nonferrous Metals Holding Group Co. Ltd.	1,947,074,266	53.08%
Bangxin Asset Management Co., Ltd.	55,859,566	1.52%
Zijin Mining Group Co., Ltd.	30,000,000	0.82%
Hunan Valin Steel and Iron Group Co., Ltd.	1,396,168	0.04%
Chang Sha City Xinshi Technology Development Co., Ltd.	1,000,000	0.03%
	<u>2,035,330,000</u>	<u>55.49%</u>
Holders of H shares	<u>1,632,728,000</u>	<u>44.51%</u>
Class of shares		
Domestic shares	2,035,330,000	55.49%
H shares	1,632,728,000	44.51%
Total number of shares	<u>3,668,058,000</u>	<u>100.00%</u>

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, 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:

- 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.
- 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.

SUBSTANTIAL SHAREHOLDERS

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 2014, 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 2014:

Name	Stock Appreciation Rights	Note
He Renchun	1,282,051	Former Chairman of Board of Directors and Executive Director (Resigned on 23 August 2010)
Cao Xiuyun	1,025,641	Vice Chairman of Board of Directors and Non-Executive Director
Li Li	897,436	Former Executive Director and General Manager (Resigned on 22 April 2014)
Zeng Shaoxiong	769,231	Former Chairman of the Supervisory Committee (Resigned on 10 November 2010)
Liao Luhai	769,231	Former Executive Director (Resigned on 27 December 2013)
Chen Zhixin	769,231	Former Non-executive Director (Resigned on 20 August 2014)
Wu Longyun	641,027	Former Non-executive Director (Resigned on 10 November 2010)
He Hongsen	641,026	Supervisor
Zhang Yixian	641,026	Former Non-executive Director (Resigned on 10 November 2010)
Yang Bohua	512,820	Senior Officer of a Subsidiary
Fu Shaowu	512,820	Former Senior Officer of a Subsidiary (Resigned on 19 July 2012)
Yang Lingyi	512,820	Former Senior Officer of a Subsidiary (Resigned in December 2009)
Hong Mingyang	512,820	Former Deputy General Manager (Resigned on 25 November 2013)
Zhu Chongzhou	512,820	Former Senior Officer of a Subsidiary (Resigned in May 2010)
Total:	10,000,000	

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. The stock appreciation rights would expiry after eight years from the date of issued. No stock appreciation rights were exercised by the grantees during the period ended 30 June 2014.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2014, 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 and chief executive or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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 2014, 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. All directors have attended the meeting.

BOARD OF DIRECTORS

At the end of the reporting period, our board of directors consists of twelve directors: four Executive Directors, four Non-Executive Directors and four Independent Non-Executive Directors. ^(note 1)

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 (Resigned on 22 April 2014)	2 out of 2
Deng Yingjie	4 out of 4
He Yawen (Appointed on 22 April 2014)	1 out of 1
Guo Wenzhong (Resigned on 19 June 2014)	3 out of 3
Wu Xiaopeng (Appointed on 19 June 2014)	0 out of 0
Huang Guoping (Resigned on 20 August 2014)	4 out of 4
Chen Zhixin (Resigned on 20 August 2014)	4 out of 4
Yang Guang	3 out of 4
Kang Yi (Resigned on 6 August 2014)	3 out of 4
Gu Desheng (Resigned on 6 June 2014)	3 out of 3
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 eight 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 2014. All Supervisors have attended the meeting.

Note 1: A resolution approving the proposed change of the number of directors of the Board in the Articles of Association of the Company to nine, of which three shall be independent non-executive directors, had been passed at a Board meeting held on 20 August 2014, pending consideration and approval at a shareholders' general meeting. For details, please refer to the Company's announcement dated 20 August 2014.

CORPORATE GOVERNANCE

AUDIT COMMITTEE

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

The interim results for the six months ended 30 June 2014 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 2014, which was attended by all members.

REMUNERATION AND ASSESSMENT COMMITTEE

A remuneration and assessment committee has been established by the Company. The duties of the Remuneration and Assessment Committee include: to evaluate the standard for assessing the performance of directors and managers, conduct assessment and provide recommendation, propose the remuneration package of individual executive director and senior management to the Board, evaluate and review the remuneration policy and plan of directors and senior management. As at 5 June 2014, the Committee consists of one non-executive director, Mr. Cao Xiuyun, one executive director, Ms. Deng Yingjie, and three independent non-executive directors, Mr. Choi Man Chau, Michael, Mr. Gu Desheng and Mr. Wan Ten Lap. Mr. Wan Ten Lap is the chairman of the Remuneration and Assessment Committee. As Mr. Gu Desheng resigned as an independent non-executive director on 6 June 2014, the Remuneration and Assessment Committee failed to comply with Rule 3.25 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") following 6 June 2014 that the remuneration committee of a listed issuer shall comprise a majority of independent non-executive directors. The number of members of the Remuneration and Assessment Committee had been changed to three at a Board meeting held on 20 August 2014, of which two are independent non-executive directors, in order to meet the requirements of Rule 3.25 of the Listing Rules.

NOMINATION COMMITTEE

Pursuant to Code Provision A.5.1 of the Code on Corporate Governance in Appendix 14 of the Hong Kong Listing Rules, the majority members of the nomination committee should be independent non-executive directors. The Company has not complied with the above requirement during the period from 6 June 2014, the date of resignation of Mr. Gu Desheng, to re-election of a member of the Nomination Committee on 20 August 2014. The Company has been adjusted the composition of the nomination committee in the Board meeting which held on 20 August 2014, in order to comply with the requirements of the Code.

INDEPENDENT NON-EXECUTIVE DIRECTOR

During the reporting period, the Company has complied with the requirements of Rules 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. Of the Independent Non-Executive Directors appointed by the Company, one Independent Non-Executive Director has the expertise in financial management. ^(note 1)

Note 1: Mr. Gu Desheng resigned as an independent non-executive director on 6 June 2014, and Mr. Kang Yi resigned as an independent non-executive director on 6 August 2014. After resignation of Mr. Kang Yi, the Company has only three independent non-executive directors, a number which is less than the minimum requirement specified in Rule 3.10A of the Listing Rules. As Mr. Huang Guoping and Mr. Chen Zhixin resigned at the conclusion of the Board meeting held on 20 August 2014, the number of independent non-executive directors satisfies the requirement of Rule 3.10A of the Listing Rules.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
	Note		
Revenue	5,6	13,089,067	14,079,764
Cost of sales		<u>(12,286,750)</u>	<u>(13,159,310)</u>
Gross profit		802,317	920,454
Other income	6	133,510	235,873
Selling and distribution costs		(225,801)	(209,585)
Administrative expenses		(633,335)	(785,724)
Other expenses, net		(9,003)	(15,139)
Impairment of property, plant and equipment		—	(2,100)
Provision for impairment of trade and other receivables		(18,375)	(10,990)
Finance income		11,977	11,653
Finance costs		(383,132)	(362,031)
Share of profit of an associate		<u>2,762</u>	<u>3,792</u>
Loss before income tax	7	(319,080)	(213,797)
Income tax expense	8	<u>(47,031)</u>	<u>(60,263)</u>
Loss for the period		<u>(366,111)</u>	<u>(274,060)</u>
Attributable to:			
Owners of the Company		(304,216)	(160,707)
Non-controlling interests		<u>(61,895)</u>	<u>(113,353)</u>
Loss for the period		<u>(366,111)</u>	<u>(274,060)</u>
Loss per share			
Basic and diluted	10	<u>(8.29 cents)</u>	<u>(4.38 cents)</u>

The notes on pages 46 to 69 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period	(366,111)	(274,060)
Other comprehensive income/(loss) for the period, net of tax:		
<i>Item that will not be reclassified to profit or loss</i>		
Net actuarial losses of defined benefit retirement schemes	(28,111)	(5,129)
Item that will not be reclassified to profit or loss	(28,111)	(5,129)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation of foreign operations	56,695	(14,919)
Disposal of available-for-sale financial assets	—	(34,957)
Changes in fair value of available-for-sale financial assets	1,980	(34,403)
Items that may be reclassified subsequently to profit or loss	58,675	(84,279)
Other comprehensive income/(loss) for the period, net of tax	30,564	(89,408)
Total comprehensive loss for the period	(335,547)	(363,468)
Attributable to:		
Owners of the Company	(269,291)	(203,481)
Non-controlling interests	(66,256)	(159,987)
Total comprehensive loss for the period	(335,547)	(363,468)

The notes on pages 46 to 69 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	10,165,004	9,954,412
Land lease prepayments		1,031,135	949,704
Intangible assets		1,517,476	1,543,375
Other assets	12	776,212	731,908
Goodwill		79,547	79,547
Interest in an associate		66,251	63,489
Available-for-sale financial assets		43,521	41,963
Deferred tax assets		125,406	128,365
Total non-current assets		13,804,552	13,492,763
CURRENT ASSETS			
Inventories		6,460,803	6,022,444
Trade receivables	13	1,899,069	1,210,499
Bills receivable		875,450	961,262
Prepayments, deposits and other receivables	14	1,866,888	1,662,433
Tax recoverable		24,837	22,184
Pledged deposits		15,683	6,900
Non-pledged time deposits with maturity over three months from date of deposits		4,481	4,441
Cash and cash equivalents		1,969,721	1,781,974
Total current assets		13,116,932	11,672,137
CURRENT LIABILITIES			
Trade payables	15	1,775,327	1,244,948
Bills payable		124,604	42,493
Other payables and accruals	16	1,769,608	1,737,227
Interest-bearing bank and other borrowings	17	11,752,478	10,107,094
Tax payable		23,893	64,709
Dividend payable		61,901	61,901
Total current liabilities		15,507,811	13,258,372
NET CURRENT LIABILITIES		(2,390,879)	(1,586,235)
TOTAL ASSETS LESS CURRENT LIABILITIES		11,413,673	11,906,528

The notes on pages 46 to 69 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	17	3,777,952	4,016,910
Other liabilities	18	684,289	659,325
Payables for mining rights		100,762	101,120
Government grants		701,958	609,518
Deferred tax liabilities		205,218	201,242
Total non-current liabilities		<u>5,470,179</u>	<u>5,588,115</u>
NET ASSETS		<u>5,943,494</u>	<u>6,318,413</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	3,668,058	3,668,058
Reserves		64,723	352,317
		<u>3,732,781</u>	<u>4,020,375</u>
Non-controlling interests		<u>2,210,713</u>	<u>2,298,038</u>
TOTAL EQUITY		<u>5,943,494</u>	<u>6,318,413</u>

The notes on pages 46 to 69 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 2014

		Attributable to the owners of the Company								
		Issued share capital	Capital reserve	Statutory reserves	Exchange fluctuation reserve	Other reserves	Accumulated losses	Total	Non- controlling interests	Total Equity
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Balance at 1 January 2014 (Audited)	<u>3,668,058</u>	<u>438,993</u>	<u>145,085</u>	<u>(106,435)</u>	<u>(23,147)</u>	<u>(102,179)</u>	<u>4,020,375</u>	<u>2,298,038</u>	<u>6,318,413</u>
	Comprehensive loss									
	Loss for the period	—	—	—	—	—	(304,216)	(304,216)	(61,895)	(366,111)
	Other comprehensive income/ (loss), net of tax									
	Exchange differences arising on translation of foreign operations	—	—	—	54,910	—	—	54,910	1,785	56,695
	Changes in fair value of available-for-sale financial assets, net of tax	—	—	—	—	1,921	—	1,921	59	1,980
	Net actuarial losses of defined benefit retirement schemes, net of tax	—	—	—	—	—	(21,906)	(21,906)	(6,205)	(28,111)
	Total other comprehensive income/ (loss) for the period, net of tax	<u>—</u>	<u>—</u>	<u>—</u>	<u>54,910</u>	<u>1,921</u>	<u>(21,906)</u>	<u>34,925</u>	<u>(4,361)</u>	<u>30,564</u>
	Total comprehensive income/ (loss) for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>54,910</u>	<u>1,921</u>	<u>(326,122)</u>	<u>(269,291)</u>	<u>(66,256)</u>	<u>(335,547)</u>
	Transactions with owners in their capacity as owners:									
	Appropriation to reserves	—	—	7,607	—	—	(7,607)	—	—	—
	Acquisition of an additional interest in a subsidiary	—	(18,303)	—	—	—	—	(18,303)	(21,069)	(39,372)
	Total transactions with owners	<u>—</u>	<u>(18,303)</u>	<u>7,607</u>	<u>—</u>	<u>—</u>	<u>(7,607)</u>	<u>(18,303)</u>	<u>(21,069)</u>	<u>(39,372)</u>
	Balance at 30 June 2014 (Unaudited)	<u>3,668,058</u>	<u>420,690</u>	<u>152,692</u>	<u>(51,525)</u>	<u>(21,226)</u>	<u>(435,908)</u>	<u>3,732,781</u>	<u>2,210,713</u>	<u>5,943,494</u>

The notes on pages 46 to 69 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 2014

	Attributable to the owners of the Company									
	Note	Issued	Capital	Statutory	Exchange	Other	Accumulated	Total	Non-	Total
		share	reserve	reserves	fluctuation	reserves	losses		controlling	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2013 (Audited)		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 an additional interest in a subsidiary	20	—	(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 46 to 69 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Note			
	Net cash (used in)/generated from operating activities	(210,857)	881,883
	INVESTING ACTIVITIES		
	Purchase of property, plant and equipment and other assets	(678,079)	(741,950)
	Proceeds from disposal of property, plant and equipment	75,419	10,501
	Purchase of other intangible assets	(1,493)	(2,319)
	Payments for mining rights	(2,683)	(162,095)
	Other investing cash flows - net	52,603	97,438
	Net cash used in investing activities	(554,233)	(798,425)
	FINANCING ACTIVITIES		
	Dividend paid to non-controlling interests	—	(9,323)
	Additions of borrowings	8,403,142	6,994,367
	Repayments of borrowings	(7,000,004)	(4,464,594)
	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	(39,372)	—
20	Interest paid	(419,145)	(410,801)
	Net cash generated from financing activities	944,621	554,788
	NET INCREASE IN CASH AND CASH EQUIVALENTS	179,531	638,246
	Cash and cash equivalents at beginning of period	1,781,974	640,009
	Effect of foreign exchange rate changes, net	8,216	(25,615)
	CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,969,721	1,252,640

The notes on pages 46 to 69 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 2014

1. CORPORATE INFORMATION

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

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

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

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

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

HNG currently directly holds 53.08% and indirectly holds 4.36% (31 December 2013: 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 2014

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2014 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 2013, 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 2013, except for the accounting policy changes that are expected to be reflected in the 2014 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 2014:

IFRS 10, IFRS 12 and IAS 27 (as revised in 2011) (Amendments)	Investment Entities
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC Interpretation - 21	Levies

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 2014

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 2014 and have not been early adopted by the Group:

IFRS 9	Financial Instruments ⁴
IFRS 14	Regulatory Deferral Accounts ²
IFRS 15	Revenue from Contracts with Customer ³
IAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions ¹
IFRS (Amendments)	Annual Improvements to IFRSs 2010 – 2012 Cycle ¹
IFRS (Amendments)	Annual Improvements to IFRSs 2011 – 2013 Cycle ¹
IFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations ²
IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ²

¹ Effective for annual periods beginning on or after 1 July 2014.

² Effective for annual periods beginning on or after 1 January 2016.

³ Effective for annual periods beginning on or after 1 January 2017.

⁴ Effective for annual periods beginning on or after 1 January 2018.

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 2013.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

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 2013.

There have been no changes in the risk management department since 31 December 2013 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 2013, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

4.3 Fair value estimation

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2014.

	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Assets				
Available-for-sale financial assets				
– Listed equity investments	20,178	—	—	20,178
Total assets	20,178	—	—	20,178
Liabilities				
Derivative financial liabilities	36,880	—	—	36,880
Stock appreciation rights plan	—	2,809	—	2,809
Total liabilities	36,880	2,809	—	39,689

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	Total RMB'000 (Audited)
Assets				
Available-for-sale financial assets				
– Listed equity investments	18,120	—	—	18,120
Total assets	18,120	—	—	18,120
Liabilities				
Derivative financial liabilities	20,853	—	—	20,853
Stock appreciation rights plan	—	2,809	—	2,809
Total liabilities	20,853	2,809	—	23,662

In 2014, there were no significant transfers between levels of the fair value hierarchy used in measuring the fair value of the financial assets.

In 2014, no profit of available-for-sale financial assets due to disposal (six months ended 30 June 2013: RMB34,957,000) was reclassified from other comprehensive income to profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

In 2014, 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 2014, there were no reclassification of financial assets.

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 profit/(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 2014

5. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2014 (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	2,186,388	7,215,627	3,750,186	—	—	13,152,201
Inter-segment sales	108,112	—	—	—	(108,112)	—
Less: Sales tax and surcharges	(30,803)	(5,470)	(26,861)	—	—	(63,134)
Total	2,263,697	7,210,157	3,723,325	—	(108,112)	13,089,067
Segment (loss)/profit	(69,816)	198,513	(55,549)	(12,921)	—	60,227
Dividend income	—	—	—	—	—	1,063
Finance costs	—	—	—	—	—	(383,132)
Share of profit of an associate	—	—	—	—	—	2,762
Loss before income tax	—	—	—	—	—	(319,080)
Income tax expense	—	—	—	—	—	(47,031)
Loss for the period						(366,111)
At 30 June 2014 (Unaudited)						
Assets:						
Segment assets	9,718,928	6,525,813	10,180,963	235,765	—	26,661,469
Interest in an associate	—	—	—	—	—	66,251
Unallocated assets	—	—	—	—	—	193,764
Total assets						26,921,484

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

5. SEGMENT INFORMATION (Continued)

	Nonferrous metal mine sites RMB'000	Nonferrous metal smelting RMB'000	Cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
For the six months ended 30 June 2013 (Unaudited)						
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)
Total	<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>
Segment profit/(loss)	<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)
Loss for the period						<u>(274,060)</u>
At 31 December 2013 (audited)						
Assets:						
Segment assets	8,812,967	6,272,280	9,619,514	204,138	—	24,908,899
Interest in an associate	—	—	—	—	—	63,489
Unallocated assets	—	—	—	—	—	192,512
Total assets						<u>25,164,900</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

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	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	13,152,201	14,143,245
Less: Sales tax and surcharges	(63,134)	(63,481)
	<u>13,089,067</u>	<u>14,079,764</u>
Other income		
Dividend income	1,063	2,875
Profit from sales of raw materials and scrap products	29,446	84,368
Gross rental income	7,570	7,701
Gains on disposal of available-for-sale financial assets	—	34,957
Net gains on disposal of property, plant and equipment	1,711	3,952
Recognition of government grants	84,351	92,360
Rendering of services	5,909	1,376
Others	3,460	8,284
	<u>133,510</u>	<u>235,873</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

7. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Cost of inventories sold	12,286,750	13,159,310
Depreciation of property, plant and equipment	424,193	387,645
Amortisation of land lease prepayments	12,929	11,555
Amortisation of intangible assets		
– Mining rights	21,439	20,252
– Technical know-how and others	5,953	6,996
Write down of inventories	106,257	287,975
Impairment of property, plant and equipment	—	2,100
Provision for impairment of trade and other receivables	18,375	10,990
Net gains on disposal of property, plant and equipment	(1,711)	(3,952)
Net realised and unrealised losses on derivative financial instruments	5,655	10,959

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

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% (2013: 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) Hsikwangshan Twinkling Star Antimony Co., Ltd.
- (f) Shenzhen Jinzhou Jinggong Scientific and Technological Company Limited ("Shenzhen Jinzhou")
- (g) Zigong Cemented Carbides Company Limited
- (h) Chengdu Keruide High-Tech New Materials Co., Ltd.
- (i) Zigong Tungsten Carbide Co., Ltd.
- (j) Zigong Equipment Technology Co., Ltd. (formerly known as Zigong AsiaTech High-Tech Ltd.)
- (k) 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	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax - CIT		
Provision for the period	40,956	51,969
Deferred tax		
Temporary differences	6,075	8,294
Income tax expense	47,031	60,263

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

9. DIVIDENDS

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: 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 RMB304,216,000 (six months ended 30 June 2013: RMB160,707,000) by the weighted average number of ordinary shares of approximately 3,668,058,000 shares (six months ended 30 June 2013: 3,668,058,000 shares) in issue during the period.

(b) Diluted

The diluted loss per share for the six months ended 30 June 2014 and 2013 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	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
At 1 January	9,954,412	9,181,833
Additions	669,485	681,301
Interest capitalised	26,018	27,937
Disposals	(73,708)	(49,138)
Depreciation charge	(424,193)	(387,645)
Impairment charge	—	(2,100)
Exchange differences	12,990	(38,062)
At 30 June	<u>10,165,004</u>	<u>9,414,126</u>

At 30 June 2014, certain of the Group's buildings and mining structures and plant, machinery and equipment with an aggregate carrying value of approximately RMB280,949,000 (31 December 2013: RMB263,785,000) were pledged to secure bank loans granted to the Group (note 17).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

12. OTHER ASSETS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Exploration and evaluation assets	776,212	731,908

13. TRADE RECEIVABLES

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

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 1 year	1,893,021	1,209,095
Over 1 year but within 2 years	28,662	16,589
Over 2 years but within 3 years	9,483	6,889
Over 3 years	51,141	48,351
	1,982,307	1,280,924
Less: Provision for impairment	(83,238)	(70,425)
	1,899,069	1,210,499

At 30 June 2014, included in trade receivables of the Group are balances due from CMC and its subsidiaries ("Minmetals Group") of RMB110,386,000 (31 December 2013: RMB136,695,000) which are unsecured, interest-free and receivable within trade credit period.

At 30 June 2014, included in trade receivables of the Group is balance due from an associate of RMB6,205,000 (31 December 2013: RMB3,856,000) which is unsecured, interest-free and receivable on demand.

At 30 June 2014, the Group's bank loans were secured by certain of the Group's trade receivables, with an aggregate net carrying amount of RMB484,382,000 (31 December 2013: RMB549,226,000) (note 17).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Prepayments to suppliers (note (a),(b))	626,884	470,025
Deposits for derivative financial instruments (note (c))	132,456	99,559
Other receivables (note (a),(b),(d))	1,299,401	1,274,384
	2,058,741	1,843,968
Less: Provision for impairment	(191,853)	(181,535)
	1,866,888	1,662,433

Notes:

- (a) At 30 June 2014, included in prepayments to suppliers and other receivables of the Group are balances due from Minmetals Group of RMB84,258,000 (31 December 2013: RMB96,130,000) which are unsecured, interest-free and receivable on demand.
- (b) At 30 June 2014, included in prepayments to suppliers and other receivables of the Group is balance due from an associate of RMB24,201,000 (31 December 2013: RMB20,919,000) which is unsecured, interest-free and receivable on demand.
- (c) The Group placed deposits with independent futures trading agents and Minmetals Futures Company Limited ("Minmetals Futures"), an indirectly wholly-owned subsidiary of CMC, 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. As at 30 June 2014, the deposit placed with Minmetals Futures amounted to RMB128,295,000 (31 December 2013: RMB89,046,000).
- (d) The other amounts with third parties are unsecured, interest-free and have no fixed terms of repayment. At 30 June 2014, the Group does not hold any collateral or other credit enhancements over these balances except for other receivables amounted to approximately RMB75,784,000 (equivalent to AUD13,128,000) (31 December 2013: RMB69,380,000 (equivalent to AUD12,777,000)) 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 2014

15. TRADE PAYABLES

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 1 year	1,672,177	1,187,667
Over 1 year but within 2 years	83,323	38,308
Over 2 years but within 3 years	6,235	4,777
Over 3 years	13,592	14,196
	<u>1,775,327</u>	<u>1,244,948</u>

At 30 June 2014, included in trade payables of the Group are balances due to Minmetals Group of RMB318,282,000 (31 December 2013: RMB253,200,000) which are unsecured, interest-free and repayable within trade credit period.

16. OTHER PAYABLES AND ACCRUALS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Advances from customers (note (a))	770,660	722,685
Accrued taxes other than income tax	38,661	60,640
Accrued salaries, wages and benefits	140,291	93,996
Payables for mining rights - current portion (note (b))	237,443	237,443
Derivative financial liabilities (note (c))	36,880	20,853
Accrued expenses and other payables (note (a))	545,673	601,610
	<u>1,769,608</u>	<u>1,737,227</u>

Note:

- (a) At 30 June 2014, included in advances from customers, accrued expenses and other payables of the Group are balances due to Minmetals Group of RMB339,304,000 (31 December 2013: RMB278,135,000) which are unsecured, interest-free and repayable on demand.
- (b) At 30 June 2014, included in payables for mining rights of the Group is the current portion of payables to HNG of RMB230,733,000 (31 December 2013: RMB230,733,000) in connection with the purchase of mining rights.
- (c) The Group has entered into various forward contracts to manage its metal price risks. The carrying amounts of those financial instruments are the same as their fair values. The above transactions involving trading of derivative financial instruments are conducted with Minmetals Futures and creditworthy financial instructions with no recent history of default.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Current	11,752,478	10,107,094
Non-current	3,777,952	4,016,910
	<u>15,530,430</u>	<u>14,124,004</u>

Movement of borrowings is analysed as follows:

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
At 1 January	14,124,004	11,188,366
Additions of borrowings	8,403,142	6,994,367
Repayments of borrowings	(7,000,004)	(4,464,594)
Exchange differences	3,288	(8,823)
At 30 June	<u>15,530,430</u>	<u>13,709,316</u>

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
United States Dollars	822,595	890,842
Canadian Dollars	1,202	1,489
Euros	18,915	36,628
Hong Kong Dollars	483,750	69,008
Japanese Yen	4,010	4,010
Total	<u>1,330,472</u>	<u>1,001,977</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

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

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Property, plant and equipment (note 11)	280,949	263,785
Land lease prepayments	200,695	205,233
Trade receivables (note 13)	484,382	549,226
Pledged deposits	2,400	2,400

At 30 June 2014, loans amounting to RMB8,488,660,000 (31 December 2013: RMB7,409,660,000) are granted by Minmetals Group to the Group through the banks.

At 30 June 2014, certain of the Group's bank loans to the extent of RMB414,943,000 (31 December 2013: RMB840,588,000) are guaranteed by Minmetals Group.

During the six months ended 30 June 2014, interest expenses on bank and other borrowings are RMB383,132,000 (six months ended 30 June 2013: RMB362,031,000), including RMB224,832,000 (six months ended 30 June 2013: RMB180,207,000) being paid in respect of the loans granted by Minmetals Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

18. OTHER LIABILITIES

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Provision for supplementary pension subsidies and early retirement benefits (note (a))	380,945	359,294
Stock appreciation rights plan	2,809	2,809
Provision for reclamation and rehabilitation	28,739	27,068
Special fiscal funds (note (b))	302,780	302,780
	715,273	691,951
Represented by:		
Current portion included in other payables and accruals	30,984	32,626
Long-term liabilities	684,289	659,325
	715,273	691,951

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 statement of profit or loss 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 2014

19. SHARE CAPITAL

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Registered, issued and fully paid:		
– Domestic shares of RMB1.00 each	2,035,330	2,035,330
– H shares of RMB1.00 each	1,632,728	1,632,728
Total	<u>3,668,058</u>	<u>3,668,058</u>

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

During the six months ended 30 June 2014, the Group acquired an additional interest in a subsidiary. The details are as follows:

Name of a subsidiary	Date of acquisition	Additional equity interest acquired
Held by the Company:		
– Hunan Nonferrous Xintianling Tungsten Co., Ltd.	17 January 2014	3.47%

During the year ended 31 December 2013, the Group acquired an additional interest in a subsidiary. The details are as follows:

Name of a subsidiary	Date of acquisition	Additional equity interest acquired
Held by Zhuying:		
– Shenzhen Jinzhou	20 June 2013	2.92%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

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

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

	Six months ended 30 June 2014 RMB'000 (Unaudited)	Year ended 31 December 2013 RMB'000 (Audited)
Carrying amount of non-controlling interests acquired	21,069	5,515
Consideration paid to non-controlling interests (note (a))	(39,372)	(8,702)
Excess of consideration paid	(18,303)	(3,187)

As a result of the above transactions, a total amount of RMB21,069,000 (year ended 31 December 2013: RMB5,515,000), 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 RMB18,303,000 (year ended 31 December 2013: RMB3,187,000) has been debited to equity attributable to the owners of the Company.

Note:

- (a) The directors resolved to approve Zhuying to acquire an additional 14.92% equity interests in Shenzhen Jinzhou for a purchase consideration at RMB44,403,000 and a deposit of equivalent amount was placed during 2011. Share transfers of 12.00% and 2.92% were completed on 15 May 2012 and 30 June 2013, and deposits of RMB35,730,000 and RMB8,673,000 were utilised during the year 2012 and 2013 respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

21. 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. None of the leases includes contingent rentals.

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 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Less than 1 year	25,493	31,057
More than 1 year and less than 5 years	71,308	70,658
More than 5 years	93,982	102,105
	190,783	203,820

22. CAPITAL COMMITMENTS

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Contracted, but not provided for:		
– Property, plant and equipment	611,451	610,463
– Others	5,816	5,613
	617,267	616,076

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

23. 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 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	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, wages and benefits	1,229	4,208
Pension scheme contributions	144	738
	<u>1,373</u>	<u>4,946</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

23. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with Minmetals Group

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Nature of transactions		
Sales of raw materials and products	<u>550,956</u>	<u>1,474,175</u>
Provision for electricity and water	<u>989</u>	<u>906</u>
Other service income	<u>2</u>	<u>—</u>
Purchases of raw materials and products	<u>1,346,692</u>	<u>1,281,374</u>
Transportation service fees	<u>5,110</u>	<u>14,062</u>
Repair and maintenance expenses	<u>20,025</u>	<u>33,488</u>
Subcontracting fees	<u>500</u>	<u>1,465</u>
Rental fees	<u>1,767</u>	<u>1,977</u>
Property management service fees	<u>1,656</u>	<u>284</u>
Futures contract transaction fees	<u>113</u>	<u>—</u>
Other service fees	<u>3,197</u>	<u>8,734</u>

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 2014

23. RELATED PARTY TRANSACTIONS (Continued)

(c) Lease of land use rights from HNG

Nature of transactions	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Lease of land use rights	<u>7,562</u>	<u>7,562</u>

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

- (d) During the six months ended 30 June 2014, the Group's significant transactions with other state-owned enterprises (excluding 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 2014 and the relevant interest earned or paid during the six months ended 30 June 2014 are transacted with banks and other financial institutions controlled by the PRC government.

24. 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 20 August 2014.

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of Hunan Nonferrous Metals Corporation Limited (the “**Company**”) will be held at the conference room, 3/F, No. 290 Laodongxi Road, Tianxin District, Changsha City, Hunan Province, the People’s Republic of China (the “**PRC**”) at 10:00 a.m. on Tuesday, 28 October 2014, to consider and, if thought fit, to pass the following resolutions:

As Ordinary Resolution

1. To consider and approve the re-election of Mr. Wu Xiaopeng as an executive director of the Company, and to authorize the board of directors of the Company to determine his remuneration and any executive director of the Company to execute the service contract with him.#

As Special Resolution

2. To consider and approve the amendments to the Article 91 of the articles of association of the Company.#

By Order of the Board

Hunan Nonferrous Metals Corporation Limited*

Li Fuli

Chairman

5 September 2014, Changsha, PRC

As at the date of this announcement, the Board of the Company comprises Mr. Li Fuli, Ms. Deng Yingjie, Mr. He Yawen and Mr. Wu Xiaopeng as executive directors, Mr. Cao Xiuyun and Mr. Yang Guang as non-executive directors and Ms. Chen Xiaohong, Mr. Wan Ten Lap and Mr. Choi Man Chau, Michael as independent non-executive directors.

* *For identification purpose only*

Notes:

Please refer to the appendix to this notice for details of the resolution.

1. Holders of H Shares whose names appear on the register of members of the Company maintained by Computershare Hong Kong Investor Services Limited on Sunday, 28 September 2014 shall be entitled to attend and vote at the EGM.
2. The register of member of the Company will be closed from 28 September 2014 to 28 October 2014 (both days inclusive), during which time no transfer of shares will be registered. Transferees of H Shares who wish to attend the EGM must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to Computershare Hong Kong Investor Services Limited by no later than 4:30 p.m. on Friday, 26 September 2014 for completion of the registration of the relevant transfer in accordance with the articles of association of the Company. The address of Computershare Hong Kong Investor Services Limited is as follows:

17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
3. Shareholders of the Company who intend to attend the EGM must complete and return the written reply slips for attending the EGM to Computershare Hong Kong Investor Services Limited (for the holders of H Shares) or the Finance and Securities Department of the Company (for the holders of Domestic Shares) by facsimile or post by no later than Tuesday, 7 October 2014. Detailed contact information of the Finance and Securities Department of the Company is as follows:

Address: 602, 6/F, No. 290 Laodongxi Road, Tianxin District, Changsha City, Hunan Province, the PRC

Tel: (86) 731-8538-5556

Fax: (86) 731-8539-2448

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. Each shareholder of the Company who has the right to attend and vote at the EGM is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the EGM. Where a shareholder of the Company has appointed more than one proxy to attend the EGM, such proxies may only vote on a poll or a ballot. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing. In case that an appointer is a legal person, the power of attorney must be either under the common seal of the legal person or under the hand of its director or other person as duly authorized. If the instrument appointing a proxy is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign, or other documents of authorization, must be notarially certified. For holders of H Shares, the power of attorney or other documents of authorization and proxy forms must be delivered to Computershare Hong Kong Investor Services Limited, the Company's H Share Registrar, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no less than 24 hours before the time appointed for the holding of the EGM in order for such documents to be valid.
5. Shareholders of the Company or their proxies must present proof of their identities when attending the EGM. Should a proxy be appointed, the proxy must also present copies of his/her proxy form, copies of appointing instrument and power of attorney, if applicable.
6. The EGM is expected to last not more than one day. Shareholders of the Company or proxies attending the EGM are responsible for their own transportation and accommodation expenses.

APPENDIX TO THE NOTICE OF EGM

I. Re-election of Mr. Wu Xiaopeng as Executive Director

On 19 June 2014, Mr. Wu Xiaopeng (“**Mr. Wu**”) was appointed by the board of directors of the Company (the “**Board**”) as an executive director of the Third Session of the Board, subject to re-election by the shareholders of the Company at the the first general meeting after his appointment. The resolution in relation to the re-election of Mr. Wu as an executive director of the Company will be put forward to the extraordinary general meeting for shareholders' approval as an ordinary resolution.

Biographical details of Mr. Wu are as follows:

Mr. Wu Xiaopeng, aged 36, is a member of the Chinese Institute of Certified Public Accountants and a member of International Institute of Internal Auditors. Mr. Wu is qualified as accountant and Certified Enterprise Risk Manager. Mr. Wu graduated from Nankai University majoring in accounting and obtained the Master degree in management in July 2005.

Mr. Wu joined in China Minmetals Corporation in July 2005. Mr. Wu worked in China Minmetals Nonferrous Metals Company Limited and served as the risk management clerk, Risk Management Supervisor and Auditing Supervisor and other positions in the Risk Management Department there from July 2005 to April 2009. Then Mr. Wu worked in Minmetals Nonferrous Metals Holding Company Limited and served as Manager of Auditing Division of Risk Management Department there from April 2009 to April 2011 and as Vice General Manager of Auditing Department there from April 2011 to February 2012. Mr. Wu served as Manager of Finance and Assets Department of the Company from February 2012 to April 2013. Mr. Wu served as the Vice Chief Financial Officer and Manager of Finance and Assets Department of Hunan Nonferrous Metals Holding Group Co., Ltd. from April 2013 to June 2014. Mr. Wu served as a shareholder's representative supervisor of the Company from 30 May 2014 to 5 June 2014. Mr. Wu has serves as a director of Zhuzhou Smelter Group Holding Co., Ltd. since August 2013 and a director of Hunan Nonferrous Metals Jinsheng Development Co., Ltd since July 2013.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Save as disclosed above, Mr. Wu does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company, nor does he have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Save as disclosed above, Mr. Wu did not hold any other positions in the Company or any of its subsidiaries or any directorships in other listed companies in the last three years.

Save as disclosed above, the Company was not aware of any other matters that need to be brought to the attention of the Shareholders or any information in relation to the appointment of Mr. Wu as a director of the Company that need to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company and Mr. Wu will enter into a service contract in respect of the appointment of Mr. Wu as an executive director of the Company. Mr. Wu's remuneration for serving as an executive director of the Company will be determined based on the operating performance of the Company and his personal performance evaluation for the year.

II. Amendment to Articles of Association

On 20 August 2014, in accordance with the requirements of relevant laws, regulations and regulatory rules, and the practice and need of the Company, the Board resolved to propose certain amendments to Article 91 of the articles of association of the Company (the “**Articles of Association**”) to reflect the adjustments to the composition of the Board as follows:

Which originally read as: “The Company shall have a Board, which shall comprise thirteen (13) Directors, with one chairman and one Vice-chairman. And external directors (refer to directors who do not hold an office in the Company) shall represent one-half (inclusive) or more of members of the Board and there shall have four (4) executive directors and five (5) independent directors.

Directors shall be elected by a shareholders' general meeting with a term of office of three years. A director may be re-elected upon expiration of the term. The term of office of a director commences from the date of election.”

Is proposed to be amended as follows: “The Company shall have a Board, which shall comprise nine (9) Directors, with one chairman and one vice-chairman. Among which, external directors (refer to directors who do not hold an office in the Company) shall represent one-half (inclusive) or more of members of the Board and there shall be three (3) independent directors.

Directors shall be elected by a shareholders' general meeting with a term of office of three years. A director may be re-elected upon expiration of the term. The term of office of a director commences from the date of election.”

The proposed amendments to the Articles of Association are subject to the approval by the shareholders at the EGM by way of a special resolution.