

Report of the Supervisory Committee

Dear Shareholders,

On behalf of the first session of the Supervisory Committee of Hunan Nonferrous Metals Corporation Limited, I would like to submit to the Annual General Meeting a report on the results of this session of the Supervisory Committee during the reporting period.

This session of the Supervisory Committee was approved at the General Meeting held on 1 September 2005. This session of the Supervisory Committee was attended by 9 supervisors.

I. MEETING CONVENED DURING THE REPORTING PERIOD

The first plenary conference of the first session of the Supervisory Committee was held on 1 September 2005, at which Mr. Zeng Shaoxiong was elected as the chairman of the first session of the Supervisory Committee.

II. PRINCIPAL DUTIES OF THE SUPERVISORY COMMITTEE

During the reporting period, this session of the Supervisory Committee strictly complied with PRC Company Law and the Articles of Association while adhering to the principles of fiduciary duty. The Supervisory Committee proceeded with its work and performed its duties with a focus on a number of issues, such as methods of enhancing its operating standardisation and methods of further improving the Group's corporate governance, etc.

The Supervisory Committee is responsible for exercising supervision over the Board of Directors and its members and the senior management; and to prevent them from abusing their power and authority and jeopardizing the legal interests of the shareholders, the Company and its employees.

In 2005, the Supervisory Committee mainly carried out the following work:

1. Inspection over Implementation of Resolutions of the General Meetings

The Supervisory Committee exercised supervision and inspection of the implementation of the General Meetings' resolutions by the Board, the Directors and the management through observation and attendance at the Board Meetings and General Meetings. The Supervisory Committee is of the opinion that the Directors and management of the Company have diligently performed their duties in compliance with resolutions of the General Meetings. No violation of any laws or regulations or Articles of Association or any act which jeopardizes the interests of the Company and shareholders has been found in the performance of the Company's Directors and the management.

Report of the Supervisory Committee

2. Inspection over Legal Compliance of the Company's Operations

The Supervisory Committee exercised supervision on a regular basis over the legal compliance and rationality of the Company's operation and management. It has also exercised supervision over work performance of the Company's Directors and senior management. The Supervisory Committee is of the opinion that the Company's operation is sound and rational, and is in compliance with all applicable laws, regulations and rules. The members of the Board and senior management of the Company have faithfully and diligently performed their duties, and accomplished the mission entrusted to them by the shareholders.

3. Inspection over the Company's Daily Operating Activities

The Supervisory Committee exercised supervision over the Company's operating activities. The Supervisory Committee is of the opinion that the Company has established a sound internal control system, and has made great progress in the formulation and implementation of its internal work procedures, thus effectively controlled its exposure to various operating risks. The Company's operation is in compliance with the PRC laws and regulations, the Articles of Association and its internal work procedures.

4. Inspection over the Company's Financial Condition

The Supervisory Committee has carefully verified the Company's 2005 financial statements, supervised and inspected the Group's implementation of relevant financial policies legislation as well as details on the Group's assets, financial income and expenditure and connected transactions. It is of the opinion that the operating results achieved by the Group were true, the expenses were reasonable and all the connected transactions were entered into on a fair basis. The Supervisory Committee approved the Company's financial audit report presented by Ernst & Young, the international auditors.

The Supervisory Committee is optimistic about the prospect of the Company. In 2006, the Supervisory Committee will continue to carry out its duties in strict compliance with the Articles of Association and the relevant laws and regulations and protect the interests of the shareholders.

Zeng Shaoxiong

Chairman of the Supervisory Committee

Shenzhen, PRC

25 April 2006