

**HUNAN NONFERROUS METALS CORPORATION LTD:
THIS SHOULD BE A GROWTH COMPANY FOR MANY YEARS TO COME**

Considering that the company went public on the Main Board of The Stock Exchange of Hongkong Ltd on March 21, 2006, to some people, it might well have been a shock to learn, just one month after the company's very successful flotation, that the Profit Estimate, stated in the Global Offering Prospectus, was off by a whopping 29.46 percent.

The company is Hunan Nonferrous Metals Corporation Ltd () (Code: 2626, Main Board, The Stock Exchange of Hongkong Ltd).

At Page 205 of this Company's Prospectus, it is stated that the Profit Estimate for the 2005 Financial Year, ended December 31, would be '*not less than RMB415 million*' (about \$HK398 million).

On April 25, 2006, the Annual Results of Hunan Nonferrous Metals were released, showing that, on a Turnover of about 9.29 billion renminbi (about \$HK8.93 billion), the Net Profit Attributable to Shareholders was 537,255,000 renminbi (about \$HK516.59 million).

Therefore, the Profit Estimate, as stated in the Global Offering Prospectus, was off by a wide margin: About 122,255,000 renminbi, equivalent to about 29.46 percent.

One would have thought that, since the Financial Year for this Company had ended nearly 3 months prior to the Initial Public Offering (IPO) of Hunan Nonferrous Metals, that the Directors would have been a little more accurate than missing the Profit Estimate by such a wide margin as 29.46 percent.

However, since nobody in authority in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) complained, at least, not officially, that the '*hand-on-the-heart*' declaration of the Directors of this publicly listed Company in respect of the Profit Estimate for the 2005-Year was badly flawed, one must suppose that it is kosher.

Anyway, it could be argued that the Prospectus was not, completely, in error because, after all, 537,255,000 renminbi is more than the 2005 Profit Estimate of '*not less than RMB415 million*'.

The IPO

The flotation of Hunan Nonferrous Metals was a roaring success in the HKSAR when it went public on March 21, 2005.

The Company offered 1,075,582,000 one renminbi Shares at \$HK1.65 per Share, plus giving an Over-Allotment Option to Morgan Stanley Dean Witter Asia Ltd () and BOCI Asia Ltd (), the Joint Global Coordinators of the IPO, of another tranche of 161,336,000 Shares at \$HK1.65 per Share.

Originally, the Public Offer tranche was only 107,558,000 Shares with the International Offer tranche, being 968,024,000 Shares.

However, when all the applications for Shares had been counted, it was discovered that the Public Offer tranche had been over-subscribed about 701 times, while the International Offer tranche was described as having been '*very significantly over-subscribed*'.

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