



THIRD QUARTERLY  
REPORT

09



**中國有色金屬有限公司\***  
China Nonferrous Metals Company Limited  
(Incorporated in Bermuda with limited liability) (Stock Code: 8306)

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “Directors”) of China Nonferrous Metals Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



## HIGHLIGHTS

- Achieved a turnover of approximately RMB322.7 million for the nine months ended 30 September 2009, representing an approximately 26.9% increase as compared with that of the corresponding period in 2008.
- Profit of the Group attributable to owners of the Company for the nine months ended 30 September 2009 amounted to approximately RMB31.9 million, representing a decrease of approximately 29.6% over the corresponding period in last year.
- The Directors do not recommend an interim dividend for the nine months ended 30 September 2009.



## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

The board (the "Board") of directors of China Nonferrous Metals Company Limited is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the nine months ended 30 September 2009, together with the comparative figures for the corresponding period in 2008 as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
Revenue	3	322,696	254,364	158,649	145,060
Cost of sales		(219,246)	(133,607)	(107,613)	(54,148)
Gross profit		103,450	120,757	51,036	90,912
Other operating income		42,892	24,457	34,717	13,375
Selling and distribution costs		(23,892)	(26,685)	(9,446)	(11,631)
Administrative expenses		(36,219)	(14,465)	(14,689)	(7,439)
Equity-settled share options expenses		(4,255)	(2,240)	(526)	(423)
Profit from operation		81,976	101,824	61,092	84,794
Finance costs	4	(44,949)	(15,553)	(15,006)	(12,839)
Profit before tax		37,027	86,271	46,086	71,955
Income tax (credit)/expenses	5	31	(17,954)	5,160	(16,517)
Profit for the period		37,058	68,317	51,246	55,438
Attributable to:					
Owners of the Company		31,864	45,286	50,802	38,613
Non-controlling interest		5,194	23,031	444	16,825
		37,058	68,317	51,246	55,438
Dividends	6	-	-	-	-
Earnings per share	7				
Basic (RMB cents per share)		1.20	2.01	1.87	1.49
Diluted (RMB cents per share)		0.72	1.57	0.92	0.81

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2009

	Nine months ended 30 September		Three months ended 30 September	
	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
Profit for the period	37,058	68,317	51,246	55,438
<b>Other comprehensive (loss)/income</b>				
Exchange differences arising on translation of foreign operations	(282)	(1,965)	272	(187)
Other comprehensive (loss)/income for the period (net of tax)	(282)	(1,965)	272	(187)
Total comprehensive income for the period	36,776	66,352	51,518	55,251
Total comprehensive income attributable to:				
Owners of the Company	31,582	43,321	51,074	38,426
Non-controlling interests	5,194	23,031	444	16,825
	36,776	66,352	51,518	55,251

**NOTES:****1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

The Company was incorporated in Bermuda on 14 April 2004 as an exempted company under the Companies Act 1981 of Bermuda (as amended). Its shares are listed on the GEM with effect from 28 February 2005 (the "Listing Date").

The Directors consider that the Company's parent and ultimate holding company is Callaway Group Limited, a company incorporated in British Virgin Islands.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

The Company is an investment holding company. Its principal subsidiaries are engaged in the research and development, manufacture, sale and distribution of organic potash fertilizers products, and the mining and processing of mineral resources.

The unaudited consolidated results have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretation issued by the International Accounting Standards Board. The unaudited consolidated results also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The accounting policies adopted in preparing the unaudited consolidated results for the nine months ended 30 September 2009 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008. The consolidated results for the nine months ended 30 September 2009 are unaudited but have been reviewed by the Company's audit committee.



## 2. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical costs convention, except for certain financial instruments, which are measured at fair values.

The accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2008. The consolidated results for the nine months ended 30 September 2009 are unaudited but have been reviewed by the Company's audit committee.

In the current period, the Group has applied for the first time the following new standards, amendments and interpretations (the "new IFRSs"), which are relevant to and effective for the Group's unaudited financial information for the period beginning on 1 January 2009:

IFRSs (Amendments)	Improvements to IFRSs 2008
IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

Among these new standards and interpretations, IAS 1 (Revised) Presentation of Financial Statements makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. IAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Comparatives have been restated to conform with the revised standard.

The other new and amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.



At the date of authorisation of these financial information, the following new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IAS 1 (Amendment)	Presentation of Financial Statements <sup>4</sup>
IAS 7 (Amendment)	Statement of Cash Flows <sup>4</sup>
IAS 17 (Amendment)	Leases <sup>4</sup>
IAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
IAS 28 (Revised)	Investments in Associates <sup>1</sup>
IAS 31 (Revised)	Interests in Joint Ventures <sup>1</sup>
IAS 32 (Amendment)	Financial Instruments Presentation <sup>5</sup>
IAS 36 (Amendment)	Impairment of Assets <sup>4</sup>
IAS 38 (Amendment)	Intangible Assets <sup>1</sup>
IAS 39 (Amendment)	Embedded Derivatives <sup>2</sup>
IAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
IAS 39 (Amendment)	Financial Instrument <sup>4</sup>
IFRS 1 (Revised)	First-time Adoption of IFRS <sup>4</sup>
IFRS 2 (Amendment)	Share-based Payment <sup>1</sup>
IFRS 2 (Amendment)	Share-based Payment – Amendments relating to group cash-settled share-based payment transactions <sup>4</sup>
IFRS 3 (Revised)	Business Combinations <sup>1</sup>
IFRS 5 (Revised)	Non-current Assets Held for Sale and Discontinued Operations <sup>1</sup>
IFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations <sup>4</sup>
IFRS 8 (Amendment)	Operating Segments <sup>4</sup>
IFRIC 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
IFRIC 18	Transfers of Assets from Customers <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

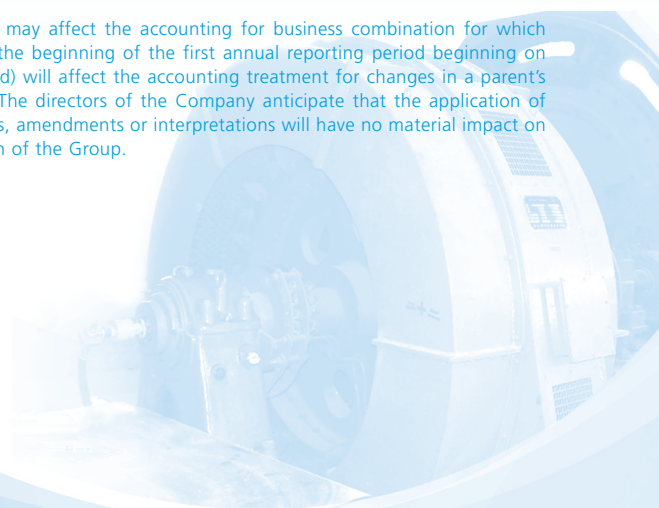
<sup>2</sup> Effective for annual periods ending on or after 30 June 2009

<sup>3</sup> Effective for transfers received on or after 1 July 2009

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 February 2010

The application of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.





### 3. REVENUE

The Group is engaged in the research and development, manufacture, sale and distribution of organic potash fertilisers, and mining and processing of mineral resources. Revenue recognised during the three months and nine months ended 30 September 2009 are as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
Sales and distribution of organic potash fertilisers	106,464	133,194	29,568	23,890
Mining and processing of mineral resources	216,232	121,170	129,081	121,170
	<b>322,696</b>	254,364	<b>158,649</b>	145,060

### 4. FINANCE COSTS

	Nine months ended 30 September		Three months ended 30 September	
	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
Wholly repayable within five years				
– interest on bank loans	3,996	2,795	1,493	1,684
– interest on other loans	7,722	3,573	2,863	1,970
Interest on convertible bonds	33,214	9,185	10,644	9,185
Interest on obligations under finance leases	17	–	6	–
Total financial costs	<b>44,949</b>	15,553	<b>15,006</b>	12,839

## 5. INCOME TAX (CREDIT)/EXPENSES

	Nine months ended 30 September		Three months ended 30 September	
	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
Current tax				
Hong Kong	–	–	–	–
Elsewhere	2,770	20,233	(3,618)	18,796
	2,770	20,233	(3,618)	18,796
Deferred tax				
Current period	(2,801)	(2,279)	(1,542)	(2,279)
Total tax (credit)/expenses for the period	(31)	17,954	(5,160)	16,517

The amounts represented provision for the PRC Enterprise Income Tax ("EIT") on the Group's estimated assessable profit for the three months ended and the nine months ended 30 September 2009 and 2008 respectively.

No provision of Hong Kong Profits Tax had been made for the period as the Group had no assessable profits arising in or deriving from Hong Kong. Income tax expense for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the EIT law passed in the Tenth National People's Congress on 16 March 2007, the new EIT rate for domestic and foreign enterprises were unified at 25% and became effective from 1 January 2008. Subsequent to 16 March 2007, the implementation measure on transitional policy of preferential tax rate was announced and the Group's entitlement to certain tax concessions is still applicable.

## 6. DIVIDENDS

No dividend has been paid or declared by the Group for the nine months ended 30 September 2009 (30 September 2008: Nil).



## 7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Nine months ended 30 September		Three months ended 30 September	
	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
<b>Earnings</b>				
Profit for the year attributable to equity holders of the Company	<b>31,864</b>	45,286	<b>50,802</b>	38,613
Effect of dilutive potential ordinary shares:				
Convertible notes	<b>27,734</b>	9,185	<b>8,889</b>	9,185
Earnings for the purposes of diluted earnings per share	<b>59,598</b>	54,471	<b>59,691</b>	47,798

	Nine months ended 30 September		Three months ended 30 September	
	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>2,657,768</b>	2,253,203	<b>2,716,777</b>	2,585,761
Effect of dilutive potential ordinary shares:				
Share options	<b>118,547</b>	152,954	<b>114,285</b>	141,907
Convertible notes	<b>5,502,165</b>	1,054,738	<b>3,688,043</b>	3,141,285
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>8,278,480</b>	3,460,895	<b>6,519,105</b>	5,868,953

The weighted average number of ordinary shares for the purposes of basic and diluted earnings per share for the nine months ended 30 September 2008 and three months ended 30 September 2008 were adjusted for the effect of the shares sub-division.

## 8. SHARE CAPITAL AND RESERVES

For the nine months ended 30 September 2009

	Share capital	Share premium	Treasury shares	Capital redemption reserve		Statutory reserve	Translation reserve	Special reserve	Share option reserve	Convertible	Retained	Non-		
				bonds	earnings					controlling				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	equity (Accumulated loss)	Total	interests	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2008 (audited)	848	77,201	-	-	6,782	8,818	(929)	(129)	1,145	-	22,620	116,356	48,221	164,577
Profit for the period	-	-	-	-	-	-	-	-	-	-	45,286	45,286	23,030	68,316
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(1,965)	-	-	-	-	(1,965)	-	(1,965)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(1,965)	-	-	-	45,286	43,321	23,030	66,351
Placing and subscription of new shares	54	54,684	-	-	-	-	-	-	-	-	-	54,738	-	54,738
Share issue expenses	-	(3,119)	-	-	-	-	-	-	-	-	-	(3,119)	-	(3,119)
Issue of new shares	168	138,315	-	-	-	-	-	-	-	-	-	138,483	-	138,483
Equity-settled share option arrangements	-	-	-	-	-	-	-	-	2,240	-	-	2,240	-	2,240
Arising on acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	291,467	291,467
Issue of convertible bonds	-	-	-	-	-	-	-	-	-	230,864	-	230,864	-	230,864
<b>Balance at 30 September 2008 (unaudited)</b>	<b>1,070</b>	<b>267,081</b>	<b>-</b>	<b>-</b>	<b>6,782</b>	<b>8,818</b>	<b>(2,894)</b>	<b>(129)</b>	<b>3,385</b>	<b>230,864</b>	<b>67,906</b>	<b>582,883</b>	<b>362,718</b>	<b>945,601</b>
Loss for the period	-	-	-	-	-	-	-	-	-	-	(36,650)	(36,650)	(11,029)	(47,679)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	364	-	-	-	-	364	-	364
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	364	-	-	-	(36,650)	(36,286)	(11,029)	(47,315)
Share repurchase	(1)	(641)	(440)	-	-	-	-	-	-	-	-	(1,082)	-	(1,082)
Share repurchase expenses	-	(4)	-	-	-	-	-	-	-	-	-	(4)	-	(4)
Equity-settled share option arrangements	-	-	-	-	-	-	-	-	25	-	-	25	-	25
Transfer to redemption reserve	-	-	-	1	-	-	-	-	-	-	(1)	-	-	-
Transfer to statutory reserve	-	-	-	-	-	326	-	-	-	-	(326)	-	-	-

	Share capital	Share premium	Treasury shares	Capital redemption reserve	Capital reserve	Statutory reserve	Translation reserve	Special reserve	Share option reserve	Convertible bonds equity reserve	Retained earnings (Accumulated loss)	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 31 December 2008 and 1 January 2009 (audited)</b>	1,069	266,436	(440)	1	6,782	9,144	(2,530)	(129)	3,410	230,864	30,929	545,536	351,689	897,225
Profit for the period	-	-	-	-	-	-	-	-	-	-	31,864	31,864	5,194	37,058
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(282)	-	-	-	-	(282)	-	(282)
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	-	-	-	(282)	-	-	-	31,864	31,582	5,194	36,776
Share options exercised	24	4,370	-	-	-	-	-	-	(405)	-	-	3,989	-	3,989
Placing and subscription of new shares	41	26,831	-	-	-	-	-	-	-	-	-	26,872	-	26,872
Share issue expenses	-	(1,296)	-	-	-	-	-	-	-	-	-	(1,296)	-	(1,296)
Conversion of convertible notes	93	51,318	-	-	-	-	-	-	-	(20,097)	-	31,314	-	31,314
Share sub-division expenses	-	(85)	-	-	-	-	-	-	-	-	-	(85)	-	(85)
Share repurchase	(4)	(1,335)	440	-	-	-	-	-	-	-	-	(899)	-	(899)
Share repurchase expenses	-	(12)	-	-	-	-	-	-	-	-	-	(12)	-	(12)
Equity-settled share option arrangements	-	-	-	-	-	-	-	-	4,255	-	-	4,255	-	4,255
Transfer to redemption reserve	-	-	-	4	-	-	-	-	-	-	(4)	-	-	-
<b>Balance at 30 September 2009 (unaudited)</b>	1,223	346,227	-	5	6,782	9,144	(2,812)	(129)	7,260	210,767	62,789	641,256	356,883	998,139

## 9. SUBSEQUENT EVENT

On 23 October 2009, Shenzhen City Ruirui Technology Company Limited (a wholly-owned subsidiary of the Company) (the "Purchaser"), has conditionally entered into an acquisition agreement with Shenzhen First Create Investment Company Limited ("the Vendor") and Mr. Mei Wei ("the Guarantor"). Pursuant to the Acquisition Agreement, (i) the Purchaser has conditionally agreed to acquire the Sale Interest and the Sale Loan of Naimanqi Mining Company Limited ("the Target Company") from the Vendor at a total consideration of RMB82.5 million (equivalent to approximately HK\$93.75 million), which will be fully settled in cash, and (ii) the Guarantor has agreed to guarantee the due performance by the Vendor of its obligations thereunder.

Pursuant to the Acquisition Agreement, the Vendor warrants and guarantees to the Purchaser that the audited net profits after tax and any extraordinary or exceptional items but before minority interests of the Target Company attributable to its shareholders will not be less than RMB20,000,000 and RMB30,000,000 for the financial years ending 31 December 2010 and 2011 respectively.

The Target Company is principally engaged in exploitation and mining of the Mineral Resources at the Mine, and trading of mineral resources. The Mine is located in Naimanqi, Tongliao City, Inner Mongolia of the PRC with an aggregate exploitation area of about 1.4325 square kilometers. The Mine mainly contains lead and zinc resources. The permissible size of production from the Mine under the exploitation license is 45,000 tonnes per annum.

Completion of the Acquisition is subject to fulfillment or waiver of certain conditions precedent as set out in the announcement dated 23 October 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial highlights

Revenue for the Group for the nine months ended 30 September 2009 amounted to approximately RMB322.7 million, representing an increase of approximately 26.9% as compared with the corresponding period in 2008. During the period ended 30 September 2009, gross profit amounted to approximately RMB103.5 million, representing a decrease of approximately 14.3% over the same period last year. Net profit recorded by the Group for the nine months ended 30 September 2009 amounted to approximately RMB37.1 million, representing a decrease of approximately 45.8% over the corresponding period last year.

### Business review

Whilst the mining business of the Group has continued to improve particularly in the second and third quarter of 2009, the fertilizer business is still under performing. The mining segment of the Group has recorded a turnover of approximately RMB216.2 million for the nine months ended 30 September 2009 representing a 78.5% increase over the same period last year. The fertilizer business, however, recorded a turnover of approximately RMB106.5 million representing a fall of 20.1%.

As production of the mining business normalized since the end of second quarter and repercussions of the financial crisis in 2008 slowly diminishing, the Group has benefited from the improved financial conditions in the second and third quarter of this year. Metal prices continued to hold strong as US dollar weakens. Expenditure on infrastructure is expected to rise in China and the automobile industry in China continued to perform outstandingly, the demand for base metals, particularly zinc and lead, is expected to be strong in the foreseeable future. The Group is expected to benefit from the increased demand and stable prices to produce satisfactory results in the fourth quarter on the mining sector.

### Prospect

Consistent with the Group's expansion programme, the Group will continue to grow organically by improving on the operational efficiencies of its existing mines and by way of acquisition of additional mining assets. The Group will actively seek for quality mines in China with different mineralization reserves for acquisition as well as exploring opportunities in acquiring down-stream business of smelting for vertical integration. To this end, the Group has entered into conditional agreements for the acquisition of a gold mine in Gansu Province and a zinc and lead mine in Inner Mongolia on 14 July 2009 and 23 October 2009 respectively. The Group believes that the acquisitions will further strengthen its mining business.

## Financial performance analysis

### Revenue

For the nine months ended 30 September 2009, the Group recorded revenue of approximately RMB322.7 million, representing an increase of 26.9% over the same period last year. Revenue of approximately RMB106.5 million has been recorded for the fertilizer business for nine months ended 30 September 2009, representing a decrease of 20.1% over the same period last year. The reduction in turnover from the fertilizer business has been more than compensated by the increase in mining revenue for the nine months ended 30 September 2009 which amounted to approximately RMB216.2 million, an increase of 78.5% over the same period last year. Total revenue of approximately RMB322.7 million has been recorded in the period under review representing an increase of 26.9% over the same period last year.

### Gross profit

The Group recorded a gross profit of approximately RMB103.5 million representing a decrease of approximately 14.3% over the corresponding period in 2008.

For the nine months ended 30 September 2009, gross profit for the respective business of fertilizer and mining were approximately 23.2% and 36.4%, representing decreases of approximately 2.9% and 34.5% compared to the same period last year. With the recent rally on metal prices, the Group expects gross profit margin to improve in the next quarter.

### Other operating income

The Group recorded a total other operating income of approximately RMB42.9 million for the nine months ended 30 September 2009, representing an increase of approximately 75.4% over the corresponding period in 2008. Other operating income is made up of i) approximately RMB31.7 million gain on financial derivatives to hedge against price fluctuation effects on metal mining production; ii) approximately RMB8.2 million refund of value added tax on fertilizer's sales; iii) approximately RMB1.6 million account receivables provision written back; iv) approximately RMB0.4 million Government subsidy and v) approximately RMB1.0 million sundry income.





## Other expenses

The Group's operating expenses primarily consisted of selling and distribution costs and administrative expenses.

Selling and distribution expenses for the nine months ended 30 September 2009 amounted to approximately RMB23.9 million, representing a decrease of approximately 10.5% over the corresponding period in 2008. Selling and distribution expenses for the fertilizer business amounted to approximately RMB17.5 million, as compared to approximately RMB22.8 million reported in the corresponding period in 2008. The decrease was substantially due to the reduction in fertilizer sales.

Selling and distribution expenses for the mining business amounted to approximately RMB6.4 million during the nine months ended 30 September 2009. The major cost component of selling and distribution expenses is the cost of transportation. The increase in selling and distribution for the period ended 30 September 2009 represents the increase in transportation costs due to increased sales in the third quarter of 2009.

Administrative expenses for the nine months ended 30 September 2009 amounted to approximately RMB36.2 million, representing an increase of approximately 150.4% compared with the same period last year. Included in the total administrative expenses was an amount of approximately RMB11.2 million related to the amortization of mining rights and an amount of approximately RMB6.6 million related to depreciation on property, plant and equipment. Compared to the same period last year, administrative expenses have risen significantly due to the additional administrative expenses incurred by the mining division in the nine months ended 30 September 2009. Administrative expenses reported for the nine months ended 30 September 2008 only accounted for three months of the mining administrative expenses.

## Profit for the period attributable to owners of the Company

Profit attributable to owners of the Company recorded in the nine months ended 30 September 2009 decreased by approximately 29.6% over the corresponding period in 2008. The reduction in profit was caused by the additional interest expense of approximately RMB33.2 million which wholly related to the interest amortization expense on the convertible bonds issued as part consideration for the acquisition of the mining business in July 2008 and additional equity-settled share options expenses of approximately RMB4.3 million for options granted in the nine months ended 30 September 2009.



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2009, the interests and short positions of the directors and the chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of the Hong Kong Special Administrative Region (the "SFO")), which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); and (b) required to be recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

### Long positions in the shares of the Company (the "Shares")

(a) Ordinary shares of HK\$0.0004 each of the Company

Name of director	Capacity	Number of Shares	Percentage of shareholding (%)
Zhuo Ze Fan	Held by controlled corporation ( <i>Note</i> )	872,626,475	28.48

*Note:* These Shares were held by Callaway Group Limited which is wholly and beneficially owned by Mr. Zhuo Ze Fan, an executive Director and chairman of the Company. Callaway Group Limited held 872,626,475 Shares on the Listing Date and up to 30 September 2009. By virtue of the SFO, Mr. Zhuo was deemed to be interested in the Shares held by Callaway Group Limited.



## (b) Share options

<b>Name</b>	<b>Capacity</b>	<b>Number of options held</b>	<b>Number of underlying shares</b>
Directors			
Xu Bing	Beneficial owner	1,500,000	1,500,000
Kang Hongbo	Beneficial owner	1,500,000	1,500,000
Chen Mingxian	Beneficial owner	3,500,000	3,500,000
		6,500,000	6,500,000

Save as disclosed herein, as at 30 September 2009, none of the directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); and (b) required to be recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.



## SHARE OPTION SCHEME

As at 30 September 2009, options to subscribe for an aggregate of 213,750,000 shares of the Company granted to certain Directors, employees and suppliers/advisors of the Group were outstanding. Details of which were as follows:

Name or category of participant	Number of share options					Date of grant of share options (note a)	Exercise period of share options	Exercise price of share options*
	At 31 December 2008	Granted during the year	Exercised during the year	Lapsed during the year	At 30 September 2009			
<b>Directors</b>								
Xu Bing	-	1,500,000	-	-	1,500,000	20 May 2009	Period 7	0.234
Kang Hongbo	-	1,500,000	-	-	1,500,000	20 May 2009	Period 7	0.234
Chen Mingxian	-	3,500,000	-	-	3,500,000	17 August 2009	Period 10	0.272
	-	6,500,000	-	-	6,500,000			
<b>Other employees</b>								
In aggregate	3,125,000	-	(3,125,000)	-	-	17 December 2007	Period 3	0.066
	3,125,000	-	(3,125,000)	-	-	17 December 2007	Period 4	0.066
	4,000,000	-	-	-	4,000,000	12 June 2008	Period 5	0.340
	-	5,500,000	-	-	5,500,000	15 May 2009	Period 8	0.216
	-	5,000,000	-	-	5,000,000	20 May 2009	Period 7	0.234
	10,250,000	10,500,000	(6,250,000)	-	14,500,000			

## Number of share options

Name or category of participant	At 31 December 2008	Granted during the year	Exercised during the year	Lapsed during the year	At 30 September 2009	Date of grant of share options (note a)	Exercise period of share options	Exercise price of share options*
<b>Suppliers/Advisors</b>								
In aggregate	40,000,000	-	(40,000,000)	-	-	14 December 2007	Period 1	0.066
	153,750,000	-	(22,500,000)	-	131,250,000	17 December 2007	Period 2	0.066
	20,000,000	-	-	-	20,000,000	12 June 2008	Period 6	0.340
	-	40,000,000	-	-	40,000,000	19 May 2009	Period 9	0.220
	-	1,500,000	-	-	1,500,000	20 May 2009	Period 7	0.234
	<u>213,750,000</u>	<u>41,500,000</u>	<u>(62,500,000)</u>	<u>-</u>	<u>192,750,000</u>			
	<u>224,000,000</u>	<u>58,500,000</u>	<u>(68,750,000)</u>	<u>-</u>	<u>213,750,000</u>			

Period 1	14 December 2007 to 31 December 2010
Period 2	17 December 2007 to 31 December 2010
Period 3	17 June 2008 to 11 June 2011
Period 4	17 December 2008 to 17 December 2011
Period 5	12 December 2008 to 11 June 2013
Period 6	12 June 2008 to 11 June 2013
Period 7	20 March 2010 to 19 May 2014
Period 8	16 November 2009 to 14 May 2014
Period 9	19 May 2009 to 18 May 2014
Period 10	17 June 2010 to 16 August 2014

## Notes:

- (a) The vesting date of the share options for Period 1, 2, 6 and 9 are the date of grant. The share options for Period 3, 5 and 8 are subject to half year vesting period. The share option for Period 4 is subject to one year vesting period. The share option for Period 7 and Period 10 are subject to ten months vesting period.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2009, so far as the Directors were aware, the following persons or companies (other than the directors of chief executive of the Company) had an interest or short position in the shares, underlying shares and debenture of the Company which were discloseable under Divisions 2 and 3 Part XV of the SFO and recorded in the register of interests required to be kept by the Company pursuant to Section 336 of SFO:

Name of substantial shareholder	Capacity	Number of Shares	Percentage of shareholding (%)
Merry Intake Limited (Note 1)	Person having security interest	2,193,290,907	71.59
Ruffy Investments Limited (Note 2)	Beneficial owner	1,168,505,268	38.14
Mei Wei (Note 2)	Held by controlled corporation	1,168,505,268	38.14
	Beneficial owner	<u>61,050,000</u>	1.99
		1,229,555,268	40.13
Callaway Group Limited (Note 3)	Beneficial owner	872,626,475	28.48
Ms. Cui Yan Wen (Note 3)	Held by spouse	872,626,475	28.48

### Notes:

1. Merry Intake Limited acquired interest in 2,193,290,907 shares as a result of being a chargee of the securities of the Company and is not directly holding any securities of the Company. Merry Intake Limited is a wholly-owned subsidiary of CCB International Group Holdings Limited ("CCBI"), which in turn is wholly owned by China Construction Bank Corporation ("CCB"). The largest single shareholder of CCB is Central Huijin Investment Limited (which holds 67.97% of CCB). Pursuant to the SFO, all of CCBI, CCB and Central Huijin Investment Limited are deemed to be interested in the securities of the Company to the same extent as Merry Intake Limited.
2. These shares were held by Ruffy Investments Limited, which is wholly-owned by Mr. Mei Wei. Mr. Mei Wei was deemed to be interested in these Shares under the SFO. Moreover, Mr. Mei is beneficially interested in 56,050,000 shares and 5,000,000 share options of the Company in his personal name.
3. Callaway Group Limited is wholly and beneficially owned by Mr. Zhuo Ze Fan ("Mr. Zhuo"). Mr. Zhuo was an executive Director and chairman of the Company and the spouse of Ms. Cui Yan Wen ("Ms. Cui"). By virtue of the SFO, Ms. Cui was deemed to be interested in the Shares held by Mr. Zhuo.

Save as disclosed herein, so far as known to any director or chief executive of the Company, no other person (other than the directors and chief executive of the Company) had any interest and short positions in the shares and underlying shares of the Company which were discloseable under Division 2 and 3 of Part XV of the SFO and required to be recorded in the register required to be kept under Section 336 of the SFO as at 30 September 2009.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the nine months ended 30 September 2009 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules with certain deviations in respect of the distinctive roles of chairman and chief executive officer as described in the 2008 annual report. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board continues to believe that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Zhuo Ze Fan, and believes that his appointment to the posts of Chairman and General Manager is beneficial to the business prospects of the Company. Also, the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Rules 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard of dealings and its code of conduct regarding directors' securities transactions.

## **FOREIGN EXCHANGE EXPOSURE**

Since most of the income and expense as well as assets and liabilities of the Group are denominated in RMB, the Directors consider the Group has no material foreign exchange exposure.

## **DIRECTORS' INTERESTS IN COMPETITORS**

During the nine months ended 30 September 2009, none of the Directors, the controlling shareholder and the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business that competed or might compete with the business of the Group.





## EMPLOYEES AND REMUNERATION POLICIES

At 30 September 2009, the Group had approximately 475 employees. The Group has maintained good relations with its staff and has not experienced any disruption of its operations due to labour disputes. The Group provides fringe benefits in accordance with the relevant laws and regulations of the PRC and Hong Kong including contributions to society security scheme of the PRC and the contributions to the Mandatory Provident Fund Scheme of Hong Kong. The Group remunerated its employees in accordance with their work performance and experience.

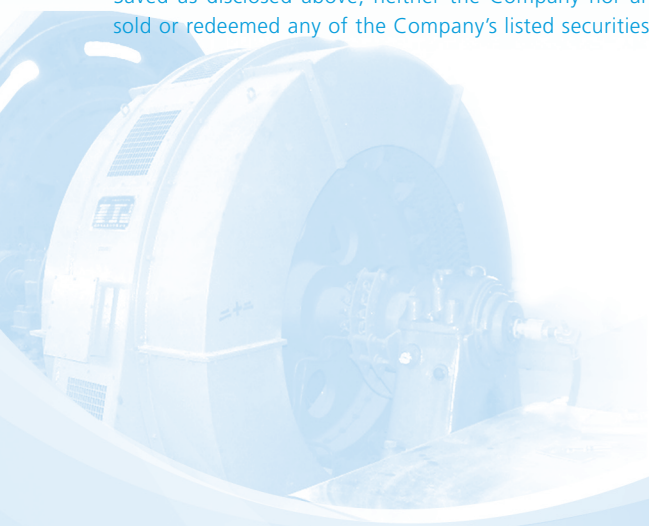
## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the nine months ended 30 September 2009, the Company repurchased 4,400,000 (equivalent to 880,000 shares prior to the share sub-division on 19 August 2009) Shares on the Stock Exchange. The aggregate price paid for such repurchase of Shares amounted to HK\$1,019,200.

Details of such repurchase of Shares are as follows:

Date of repurchase	Number of Shares	Price per Share repurchased (HK\$)	
		Highest	Lowest
15 May 2009	2,450,000	0.218	0.206
3 July 2009	1,950,000	0.258	0.258

All the repurchased Shares were fully cancelled on 24 June 2009 and 21 July 2009 respectively. Saved as disclosed above, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.



## AUDIT COMMITTEE

The Company established an audit committee on 16 February 2005 with written terms of reference in compliance with the GEM Listing Rules. The authority and duties of the audit committee are based on the guidelines set out in "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The audit committee provides a link between the Board of Directors and the Company's auditors in matter coming within the scope of the Group audit. It also reviews and supervises the financial reporting process and internal control procedures of the Group. The members of the audit committee comprises three independent non-executive directors, namely Mr. Zhao Shou Guo, Mr. Chau Kam Wing, Donald and Mr. Chen Mingxian as at 30 September 2009.

The Group's unaudited consolidated results for the nine months ended 30 September 2009 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed above and elsewhere in the financial statements, no Director had a material interests, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its fellow subsidiaries and subsidiaries was a party subsisted at the end of the period or at any time during the period.

## MATERIAL ACQUISITION AND DISPOSAL

Save for entering into the sale and purchase agreement relating to a gold mine in Gansu, PRC on 14 July 2009, no material acquisitions or disposals of subsidiaries and associated companies have been made by the Company during the nine months ended 30 September 2009.



## PUBLIC FLOAT

For the nine-month period ended 30 September 2009, the Company has maintained the public float requirement as stipulated by GEM Listing Rules.

On behalf of the Board  
**China Nonferrous Metals Company**  
**Zhuo Ze Fan**  
Chairman

Hong Kong,  
13 November 2009

*As at the date of this report, the executive directors of the Company are Mr. Zhuo Ze Fan, Ms. Xie Yi Ping, Dr. Yu Heng Xiang, Mr. Ng Tang, Mr. Xu Bing, Mr. Kang Hongbo and Ms. Han Qiong; the independent non-executive directors of the Company are Mr. Zhao Shou Guo, Mr. Chau Kam Wing, Donald and Mr. Chen Mingxian.*

