

FIRST QUARTERLY REPORT 2011



中國有色金屬有限公司*
China Nonferrous Metals Company Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8306

* for identification only

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

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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, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHTS

- Achieved a turnover of approximately RMB48.0 million for the three months ended 31 March 2011, representing an approximately 12.2% increase as compared with that of the corresponding period in 2010.
- Net profit of the Group attributable to owners of the Company for the three months ended 31 March 2011 amounted to approximately RMB12.5 million, as compared to a net profit of the Group attributable to owners of the Company of approximately RMB12.9 million reported in the corresponding period last year.
- The Directors do not recommend an interim dividend for the three months ended 31 March 2011.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

The board of directors of China Nonferrous Metals Company Limited (the "Board") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2011, together with the comparative figures for the corresponding period in 2010 as follows:

		Three months ended 31 March	
	<i>Notes</i>	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Continuing operations			
Revenue	3	48,025	42,812
Cost of sales		(31,701)	(37,972)
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Gross profit		16,324	4,840
Other income		4,627	226
Change in fair value of derivative financial instruments		16,070	31,380
Gain on disposal of subsidiaries		–	2,659
Selling and distribution costs		(677)	(37)
Administrative expenses		(7,857)	(10,377)
Equity-settled share options expenses		(1,354)	(2,822)
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Profit from operation		27,133	25,869
Finance costs		(7,814)	(13,836)
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Profit before income tax		19,319	12,033
Income tax (expense)/credit	4	(5,150)	1,992
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Profit for the period from continuing operation		14,169	14,025
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Discontinued operation Loss for the period from a discontinued operation		–	(2,072)
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Profit for the period		14,169	11,953

		Three months ended 31 March	
		2011	2010
<i>Notes</i>		RMB'000	RMB'000
		(unaudited)	(unaudited)
Attributable to:			
Owners of the Company		12,492	12,850
Non-controlling interests		1,677	(897)
Profit for the period		14,169	11,953
Continuing operations			
Attributable to:			
Owners of the Company		12,492	14,201
Non-controlling interests		1,677	(176)
Profit for the period		14,169	14,025
Discontinued operation			
Attributable to:			
Owners of the Company		–	(1,351)
Non-controlling interests		–	(721)
Loss for the period		–	(2,072)
Dividends	5	–	–
Earnings per share	6		
Basic			
– For profit from continuing and discontinued operations		0.2509 cent	0.39 cent
– For profit from continuing operations		0.2509 cent	0.44 cent
Diluted			
– For profit from continuing and discontinued operations		0.2508 cent	0.36 cent
– For profit from continuing operations		0.2508 cent	0.38 cent

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2011

	Three months ended 31 March	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Profit for the period	12,492	11,953
Other comprehensive income		
Exchange differences arising on translation of foreign operations	(2,270)	185
Total other comprehensive income for the period	(2,270)	185
Total comprehensive income for the period attributable to owners of the Company	10,222	12,138
Attributable to:		
Owners of the Company	8,545	13,035
Non-controlling interests	1,677	(897)
	10,222	12,138

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

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 of the Stock Exchange with effect from 28 February 2005 (the "Listing Date").

The functional currency of the Company is Hong Kong dollars ("HK\$"). The consolidated financial statements are presented in Renminbi ("RMB") since most of the companies comprising the Group are operating in RMB environment and the functional currency of most of the companies comprising the Group is RMB.

The Company is an investment holding company. Its principal subsidiaries are engaged in the mining, processing and trading 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 three months ended 31 March 2011 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010. The consolidated results for the three months ended 31 March 2011 are unaudited but have been reviewed by the Company's audit committee.

2. ADOPTION OF NEW AND AMENDED IFRSs

In the current period, the Company and its subsidiaries (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 financial statements for the period beginning on 1 January 2011:

IFRSs (Amendments)	Improvements to IFRSs 2010
Amendments to IAS 32	Classification of Right Issues
IAS 24 (Revised)	Related Party Disclosures

IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The adoption of these new and revised IFRSs did not change the Group's accounting policies as followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010. The Directors of the Company anticipate that the application of 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 mining, processing and trading of mineral resources. Revenue recognised during the three months ended 31 March 2011 are as follows:

	Continuing operations Three months ended 31 March		Discontinued operation Three months ended 31 March		Consolidated Three months ended 31 March	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Sale and distribution of organic potash fertilisers	-	-	-	7,079	-	7,079
Mining and processing of mineral resources	48,025	42,812	-	-	48,025	42,812
	48,025	42,812	-	7,079	48,025	49,891

4. INCOME TAX EXPENSE/(CREDIT)

(a) Income tax expense/(credit) in the income statement represents:

	Continuing operations Three months ended 31 March		Discontinued operation Three months ended 31 March		Consolidated Three months ended 31 March	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Current						
- Hong Kong	-	-	-	-	-	-
- Overseas taxation	5,302	(1,928)	-	-	5,302	(1,928)
	5,302	(1,928)	-	-	5,302	(1,928)
Deferred taxation	(152)	(64)	-	-	(152)	(64)
Total tax expense/(credit) charge for the period	5,150	(1,992)	-	-	5,150	(1,992)

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during the periods presented. 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.

5. DIVIDENDS

No dividend has been paid, proposed, or declared by the Group for the three months ended 31 March 2011 (2010: nil).

6. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

(a) From continuing and discontinued operations

	Three months ended 31 March	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Earnings		
Profit attributable to owners of the Company	12,492	12,850
Effect of dilutive potential ordinary shares in respect of convertible bonds	-	9,575
Profit attributable to owners of the Company from the continuing operations	12,492	22,425

	Three months ended 31 March	
	2011 '000	2010 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	4,979,585	3,254,473
Effect of dilutive potential ordinary shares in respect of share options	383	121,947
Effect of dilutive potential ordinary shares in respect of convertible bonds	-	2,806,030
Weighted average number of ordinary shares for the purposes of diluted earnings per share	4,979,968	6,182,450

In the calculation of the diluted earnings per share attributable to the owners of the Company, the potential shares arising from the conversion of the Company's warrants and convertible bonds had not been taken into account as it had an anti-dilutive effect for the period ended 31 March 2011.

(b) From continuing operation

	Three months ended 31 March	
	2011 RMB'000	2010 RMB'000
Earnings		
Profit attributable to owners of the Company	12,492	12,850
Less: Loss from discontinued operation	–	(2,072)
Result from discontinued operation attributable to non-controlling interests	–	721
Loss attributable to owners of the Company from the discontinued operation	–	(1,351)
Profit attributable to owners of the Company from the continuing operations	12,492	14,201

(c) From discontinued operation

For the three months ended 31 March 2011, the Group did not have discontinued operation.

Basic and dilutive loss per share attributable to owner of the Company from the discontinued operation was RMB0.05 cents per share and RMB0.02 cents per share respectively, based on the loss for the period ended 31 March 2010 attributable to owners of the Company from discontinued operation of RMB1,351,000 and the denominators details in (a) above.

7. SHARE CAPITAL AND RESERVES

Unaudited Consolidated Statement of Changes in Equity

For the period ended 31 March 2010 and 31 March 2011

	Attributable to owners of the Company															
	Share capital	Share premium	Warrant Reserve	Capital redemption reserve	Capital reserve	Statutory reserves	Translation reserve	Special reserve	Specific reserve	Other reserve	Share option reserve	Convertible bonds equity reserve	Retained profits	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	RMB'000	RMB'000
Balance at 31 December 2009 and 1 January 2010 (audited)	1,224	345,610	-	6	6,782	9,336	(2,973)	(129)	5,343	6,964	9,279	193,067	89,305	663,814	348,066	1,011,880
Placing and subscription of new shares	102	63,248	-	-	-	-	-	-	-	-	-	-	-	63,350	-	63,350
Share issue expenses	-	(1,161)	-	-	-	-	-	-	-	-	-	-	-	(1,161)	-	(1,161)
Convertible bonds exercised	8	4,390	-	-	-	-	-	-	-	-	-	(1,279)	-	3,119	-	3,119
Share option exercised	1	1,113	-	-	-	-	-	-	-	-	(354)	-	-	760	-	760
Equity-settled share option arrangements	-	-	-	-	-	-	-	-	-	-	2,826	-	-	2,826	-	2,826
Additional interest in subsidiaries acquired by the Group	-	-	-	-	-	-	-	-	-	11	-	-	-	11	(11)	-
Disposal of subsidiaries	-	-	-	-	(6,782)	(9,336)	(1,471)	17,661	-	-	-	-	-	72	(49,836)	(49,764)
Transactions with owners	111	67,590	-	-	(6,782)	(9,336)	(1,471)	17,661	-	11	2,472	(1,279)	-	68,977	(49,847)	19,130
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	12,850	12,850	(897)	11,953
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Currency translation	-	-	-	-	-	-	185	-	-	-	-	-	-	185	-	185
Total comprehensive income for the year	-	-	-	-	-	-	185	-	-	-	-	-	12,850	13,035	(897)	12,138
At 31 March 2010 (unaudited)	1,335	413,200	-	6	-	-	(4,259)	17,532	5,343	6,975	11,751	191,788	102,155	745,826	297,322	1,043,148
Balance at 31 December 2010 and 1 January 2011 (audited)	1,828	693,192	5,314	6	-	-	(9,140)	-	4,737	6,964	45,605	120,271	178,173	1,046,950	303,466	1,350,416
Placing and subscription of new shares	68	37,573	-	-	-	-	-	-	-	-	-	-	-	37,641	-	37,641
Share issue expenses	-	(1,907)	-	-	-	-	-	-	-	-	-	-	-	(1,907)	-	(1,907)
Convertible bonds exercised	5	2,860	-	-	-	-	-	-	-	-	-	(926)	-	1,939	-	1,939
Equity-settled share option arrangements	-	-	-	-	-	-	-	-	-	-	1,354	-	-	1,354	-	1,354
Transactions with owners	73	38,526	-	-	-	-	-	-	-	-	1,354	(926)	-	39,027	-	39,027
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	12,492	12,492	1,677	14,169
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Currency translation	-	-	-	-	-	-	(2,270)	-	-	-	-	-	-	(2,270)	-	(2,270)
Total comprehensive income for the year	-	-	-	-	-	-	(2,270)	-	-	-	-	-	12,492	10,222	1,677	11,899
At 31 March 2011 (unaudited)	1,901	731,718	5,314	6	-	-	(11,410)	-	4,737	6,964	46,959	119,345	190,665	1,096,199	305,143	1,401,342

8. EVENT AFTER THE REPORTING PERIOD

In April 2011, the Company entered into an acquisition agreement for the purchase of an indirect 15% equity interests in 巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司 (“Jiashengpan”). Details were disclosed in the circular of the Company dated 29 March 2011. Upon completion, the Group's beneficial shareholding in Jiashengpan will be increased from 75% to 90%.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Market review

Lead

Total global supply of lead for the first month of this year stood at 0.814million tons whilst total consumption for the same period was only 0.813 million tons, representing a supply surplus of 1,000 tons. Lead production had just enough to meet the usage demand in January 2011 and 2010. During the year 2010, global lead production was 9.401 million tons and consumption was 9.353 million tons, representing a supply surplus of 48,000 tons.

World refined lead supply and usage

January	2011	2010
Metal production (ton)	814,000	718,000
Metal usage (ton)	813,000	718,000
Surplus (ton)	1,000	—

Source: International Lead and Zinc Study Group (“ILZSG”)

A 13.4% increase in global refined lead metal production in January was primarily due to higher output in Australia and China. The increase in global refined lead metal demand was driven mainly by strong recoveries in Europe and the United States as well as growth in Chinese apparent demand. It is expected that the size of the surplus will eventually be turned into a deficit as global economy continues to improve and the persistent improvement on demand created by the automobile industry in China. In 2010, Chinese net imports of refined lead metal were significantly reduced and it is expected that China may turn from a net lead export to a net import country gradually.

Zinc

Total global supply of zinc was 1,123,000 tons for the first month of this year whilst total consumption was 1,087,000, representing a surplus of 36,000 tons. When compared to the supply surplus of 91,000 tons for the same period last year, there was a reduction of 55,000 tons. During the year 2010, global zinc production was 12.764 million tons and consumption was 12.500 million tons, representing a supply surplus of 264,000 tons.

World refined Zinc supply and usage

January	2011	2010
Metal production (ton)	1,123,000	1,012,000
Metal usage (ton)	1,087,000	921,000
Surplus (ton)	36,000	91,000

Source: ILZSG

The zinc market is still being over supplied despite the fact that surpluses have narrowed in the first month of this year when compared to the same period last year. Production is estimated to increase disproportionately to consumption implying that the supply surplus may be here to stay for some time.

Prospect

The Company is optimistic about the nonferrous metals industry. According to a news article from China Daily on 4 December 2010, the output of 10 nonferrous metals, including aluminium and copper, rose approximately 23.9% year on year to approximately 26.14 million tons in the first 10 months of 2010 in the People's Republic of China ("PRC"). The output of lead climbed approximately 8.8% to approximately 3.35 million tonnes and that of zinc rose approximately 21.0% to approximately 4.26 million tonnes in China. The lead and zinc refined production in China contributed approximately 44.7% and 40.5% respectively to global production of nonferrous metals.

Looking ahead, the Group will continue to further expand its existing capacity and explore investment opportunities in the PRC mining industry in order to establish its position as one of the industry leader in zinc and lead mining in the PRC. With the expertise and experience of our management team, the Group believes it has the ability to produce even better results in future.

Financial highlights

The principal subsidiaries of the Company's are engaged in the mining, processing and trading of mineral resources. Following the development of mining areas and the production enhancement of processing plant in Inner Mongolia, during the period ended 31 March 2011, the Group's revenue was more heavily weighted towards the nonferrous metals mining business. This revenue segment was amounted to approximately 37.9 million, representing an increase of approximately 415.5% and the overall gross profit margin also improved from approximately 11.3% to 34.0% compared with last corresponding period. It is expected that contribution from nonferrous metals mining business will be further improved in future.

The following is a comparison of financial results between the three months ended 31 March 2011 and 2010:

Turnover and gross margins

For the three months ended 31 March 2011, the Group recorded a turnover of approximately RMB48.0 million, representing a moderate increase of approximately 12.2% as compared with the turnover of approximately RMB42.8 million for the same period last year. Total costs of production decreased 16.5% to approximately RMB31.7 million compared with the same period in last corresponding period as a result of higher sales generated from the nonferrous mining business which carries a higher gross profit margin.

Revenue and gross profit margin as at period ended 31 March 2011 is as follows:

	2011		2010	
	RMB'000	%	RMB'000	%
Continuing operations				
Nonferrous Metal				
Mining	37,899	78.9	7,352	17.2
Metal Trading	10,126	21.1	35,460	82.8
	48,025		42,812	

Gross profit margin by segment is as follows:

	2011	2010
Continuing operations		
Nonferrous Metal Mining	41.5%	39.8%
Metal Trading	5.8%	5.6%
Overall gross margin	34.0%	11.3%

The Group usually experiences lower sales in the first quarter due to reduced business activities around Chinese New Year holiday as our customers generally place their orders in advance in the quarter immediately prior to the Chinese New Year. In addition, the extreme snowy weather condition affected the utilisation of the production equipment at the Mongolian plant making the sales comparatively lower in the first quarter. Meanwhile, from previous management experiences, sales will gradually increase in the subsequent quarters. Financial performance in 2011 is expected to improve if metal prices and production volumes remain stable.

The following are the sales volume and average selling prices for each of our mining products in respect of the quarters ended 31 March 2011 and 2010:

	Q.E. 31 March 2011			Q.E. 31 March 2010		
	Sales volume approximately (ton)	Selling price approximately (RMB/ton)	Total Revenue approximately (RMB'000)	Sales volume approximately (ton)	Selling price approximately (RMB/ton)	Total Revenue approximately (RMB'000)
Zinc concentrates	2,898	11,011.0	31,910	1,498	11,045	16,546
Lead concentrates and crude lead	662	12,622.4	8,356	1,647	11,403	18,780
Silver (Kg)	0.78	5,173,076.9	4,035	1,825	2,909,041	5,309
Gold (gram)	783	274.6	215	2,315	215	497
Iron concentrates	-	-	-	1,611	607	978
Sulphuric acid	10,747	326.5	3,509	3,276	214	702
Total Revenue			48,025			42,812

Other income

Other income for the quarter ended 31 March 2011 increased by approximately RMB4.4 million from RMB0.2 million compared with the same period in last corresponding period.

Changes in fair value of derivative financial instruments

It represents the gain or loss arising from the changes in fair value of the metal commodity future contracts used to hedge against the Group's purchases and inventory. For the three months ended 31 March 2011, the Group recorded a profit on future contracts of approximately RMB16.0 million (2010: approximately RMB31.4 million). The Group did not enter into any commodities futures contracts unrelated to the business operations during the period.

The Group continued to take a prudent approach to hedge the inventory position through appropriate zinc, lead and copper future contracts during the period. Strict internal policies and procedures are in place to ensure the position is regularly reviewed and that the Group is not exposed to undue market risk and the management is not allowed in entering into any commodities futures contract for speculation purposes.

Operating expenses

Administrative expenses for the quarter ended 31 March 2011 amounted to approximately RMB7.9 million (2010: approximately RMB10.4 million), representing a decrease of approximately RMB2.5 million or 24.3% compared with the quarter ended 31 March 2010. Administrative expenses mainly consisted of staff costs, legal and professional fee, rent and rates, commission and depreciation.

Selling expenses for the quarter ended 31 March 2011 amounted to approximately RMB0.68 million (2010: approximately RMB0.04 million), representing an increase of approximately RMB0.64 million compared with the quarter ended 31 March 2010.

Finance costs

Finance costs for the quarter ended 31 March 2011 amounted to approximately RMB7.8 million, representing a decrease of approximately RMB6.0 million compared with the quarter ended 31 March 2010. The decrease was due to the repayment of loans.

Profit for the period attributable to equity owners

The net profit attributable to equity owners for the period ended 31 March 2011 slightly decreased to approximately RMB12.5 million, a decrease of approximately 0.36 million or 2.8%.

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

As at 31 March 2011, the interests and short positions of the Directors and the chief executive and their associates 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); or (b) required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or; (c) as otherwise notified to the Company and the Stock Exchange in accordance with 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 (%)
Xu Bing	Beneficial owner	1,500,000	0.02

(b) Share options

The following Directors have been granted options under the share option scheme of the Company which are as follows:

Name of Directors	Capacity	No. of options outstanding	Approx. % of interests	Date granted	Period during which options exercisable	Exercise price per Share
Zhuo Ze Fan (note a)	Beneficial owner	10,000,000	0.19%	4 Dec 09	4 Dec 2010 to 3 Dec 2014	HK\$0.26
Ng Tang	Beneficial owner	3,000,000	0.05%	4 Dec 09	4 Dec 2010 to 3 Dec 2014	HK\$0.26
Kang Hongbo	Beneficial owner	1,500,000	0.02%	20 May 09	20 Mar 2010 to 19 May 2014	HK\$0.234
	Beneficial owner	10,000,000	0.19%	4 Dec 09	4 Dec 2010 to 3 Dec 2014	HK\$0.26
	Subtotal:	11,500,000				
Han Qiong	Beneficial owner	4,000,000	0.07%	4 Dec 09	4 Dec 2010 to 3 Dec 2014	HK\$0.26

Note:

- (a) Mr. Zhuo Ze Fan retired by rotation as executive Director in accordance with bye-laws and the resolution in respect of his re-election was not passed by shareholders as ordinary resolution at the conclusion of the annual general meeting held on 5 May 2011.

Save as disclosed herein, as at 31 March 2011, none of Directors and chief executive of the Company had any interests and short positions in any shares, underlying shares or 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); (b) required to be recorded in the register kept by the Company pursuant to section 352 of the SFO or; (c) 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 31 March 2011, options to subscribe for an aggregate of 596,710,000 shares of the Company had been granted to certain Directors, employees and suppliers/advisors of the Group. Details of outstanding options were as follows:

Name or category of participant	Number of share options				At 31 March 2011	Date of grant of share options (note a)	Exercise period of share options	Exercise price of share option
	At 1 January 2011	Granted during the period	Exercise during the period	Lapsed during the period				
Directors								
Mr. Zhuo Ze Fan (note b)	2,000,000	-	-	-	2,000,000	04/12/2009	Period 7	0.260
	2,000,000	-	-	-	2,000,000	04/12/2009	Period 8	0.260
	3,000,000	-	-	-	3,000,000	04/12/2009	Period 9	0.260
	3,000,000	-	-	-	3,000,000	04/12/2009	Period 10	0.260
	10,000,000	-	-	-	10,000,000			
Mr. Ng Tang	600,000	-	-	-	600,000	04/12/2009	Period 7	0.260
	600,000	-	-	-	600,000	04/12/2009	Period 8	0.260
	900,000	-	-	-	900,000	04/12/2009	Period 9	0.260
	900,000	-	-	-	900,000	04/12/2009	Period 10	0.260
	3,000,000	-	-	-	3,000,000			
Mr. Kang Hongbo	1,500,000	-	-	-	1,500,000	20/05/2009	Period 4	0.234
	2,000,000	-	-	-	2,000,000	04/12/2009	Period 7	0.260
	2,000,000	-	-	-	2,000,000	04/12/2009	Period 8	0.260
	3,000,000	-	-	-	3,000,000	04/12/2009	Period 9	0.260
	3,000,000	-	-	-	3,000,000	04/12/2009	Period 10	0.260
	11,500,000	-	-	-	11,500,000			

Name or category of participant	Number of share options				At 31 March 2011	Date of grant of share options (note a)	Exercise period of share options	Exercise price of share option	
	At 1 January 2011	Granted during the period	Exercise during the period	Lapsed during the period					
Ms. Han Qiong	800,000	-	-	-	800,000	04/12/2009	Period 7	0.260	
	800,000	-	-	-	800,000	04/12/2009	Period 8	0.260	
	1,200,000	-	-	-	1,200,000	04/12/2009	Period 9	0.260	
	1,200,000	-	-	-	1,200,000	04/12/2009	Period 10	0.260	
	-	-	-	-	-	-	-	-	
	4,000,000	-	-	-	4,000,000				
Other employees									
In aggregate	1,500,000	-	-	-	1,500,000	15/05/2009	Period 2	0.216	
	5,000,000	-	-	-	5,000,000	20/05/2009	Period 4	0.234	
	22,340,000	-	-	-	22,340,000	04/12/2009	Period 7	0.260	
	22,340,000	-	-	-	22,340,000	04/12/2009	Period 8	0.260	
	33,510,000	-	-	-	33,510,000	04/12/2009	Period 9	0.260	
	33,510,000	-	-	-	33,510,000	04/12/2009	Period 10	0.260	
	358,510,000	-	-	-	358,510,000	28/7/2010	Period 11	0.246	
		476,710,000	-	-	-	476,710,000			
	Suppliers/Advisors								
In aggregate	20,000,000	-	-	-	20,000,000	12/06/2008	Period 1	0.340	
	8,000,000	-	-	-	8,000,000	19/05/2009	Period 3	0.220	
	3,500,000	-	-	-	3,500,000	17/08/2009	Period 5	0.272	
	10,000,000	-	-	-	10,000,000	04/12/2009	Period 6	0.260	
	10,000,000	-	-	-	10,000,000	04/12/2009	Period 7	0.260	
	10,000,000	-	-	-	10,000,000	04/12/2009	Period 8	0.260	
	15,000,000	-	-	-	15,000,000	04/12/2009	Period 9	0.260	
	15,000,000	-	-	-	15,000,000	04/12/2009	Period 10	0.260	
		91,500,000	-	-	-	91,500,000			
	596,710,000	-	-	-	596,710,000				

Period 1	12 June 2008 to 11 June 2013
Period 2	15 November 2009 to 14 May 2014
Period 3	19 May 2009 to 18 May 2014
Period 4	20 March 2010 to 19 May 2014
Period 5	17 June 2010 to 16 August 2014
Period 6	4 December 2009 to 3 December 2014
Period 7	4 December 2010 to 3 December 2014
Period 8	4 December 2011 to 3 December 2014
Period 9	4 December 2012 to 3 December 2014
Period 10	4 December 2013 to 3 December 2014
Period 11	28 July 2010 to 30 May 2015

Notes:

- (a) The vesting date of the share options for Period 1, 3, 6 and 11 are the date of grant. The share options for Period 2 are subject to half year vesting period. The share option for Period 4 and 5 are subject to ten months vesting period. The vesting period of the share options for Period 7, 8, 9, and 10 are subject to one, two, three and four years vesting period respectively.
- (b) Mr. Zhuo Ze Fan retired by rotation as executive Director in accordance with bye-laws and the resolution in respect of his re-election was not passed by shareholders as ordinary resolution at the conclusion of the annual general meeting held on 5 May 2011.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2011, so far as the Directors were aware, the following persons or companies (other than the Directors or chief executive of the Company) had an interest or short position in the shares, underlying shares and debentures of the Company which were discloseable under Divisions 2 and 3 of 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 Shareholders	Type of interests	Position	Number of Shares	Approximate percentage
Ruffy Investments Limited (Note 1)	Beneficial owner	Long	3,031,461,140	60.55%
Mr. Mei Wei (Note 1)	Interest in controlled corporation	Long	3,031,461,140	60.55%
	Beneficial owner	Long	419,560,000	8.38%
			3,451,021,140	68.93%

Note:

1. Ruffy Investments Limited, a wholly owned corporation of Mr. Mei Wei, was interested in 3,031,461,140 shares. Mr. Mei Wei was deemed to be interested in those 3,031,461,140 shares by virtue of section 336 of Securities and Futures Ordinance. Among the shares owned by Ruffy Investments Limited, (i) 1,008,109,090 shares have been pledged by Ruffy Investments Limited to Fleetwood Investments Limited and (ii) 326,624,250 shares and HK\$370,957,666 principal amount of convertible bonds have been pledged by Ruffy Investments Limited to CCB International Group Holdings Limited.

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, underlying shares and debentures of the Company which were discloseable under Divisions 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 31 March 2011.

CORPORATE GOVERNANCE

The Company has complied throughout the three months ended 31 March 2011 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 2010 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. Mei Ping, 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 5.48 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 during the reporting period.

FOREIGN EXCHANGE EXPOSURE

The Group has bank balances, sales and purchases denominated in foreign currencies which expose the Group to foreign currency risk. The currency risk for those subsidiaries with functional currency in Hong Kong Dollars (“HKD”) were mainly attributable to the bank balances, other receivables and trade receivables denominated in United States Dollars (“USD”) as at the end of the reporting period. As the exchange rate of HKD is pegged against USD, the Directors were of the opinion that the currency risk of USD was insignificant to the Group.

The Group currently does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

Each of the Directors and the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interests in companies that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the three months ended 31 March 2011, save as disclosed below, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company:

- (i) On 17 January 2011, the Company entered into a placing of existing shares and top-up subscription agreement (the “Top-up Agreement”) with Ruffy Investments Limited and Peace Town Securities Limited (the “Placing Agent”), pursuant to which the Placing Agent agreed to place 200,000,000 existing Shares at HK\$0.22 per share on behalf of Ruffy Investments Limited. The Top-up Agreement was completed on 26 January 2011.
- (ii) 14,090,909 ordinary shares were issued pursuant to the exercise of the conversion rights attached to the 3% coupon convertible bonds due on 2015 issued by the Company in 2008 during the reporting period.

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 (including review of the first quarterly results for the three months ended 31 March 2011) and internal control procedures of the Group. The members of the audit committee comprises two independent non-executive Directors, namely Mr. Liu Yaosheng and Mr. Chen Mingxian. The vacancy created by the departure of Mr. Chau Kam Wing, Donald, who did not offer himself for re-election at the annual general meeting on 5 May 2011, will be filled shortly.

The Group's unaudited consolidated results for the three months ended 31 March 2011 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

PUBLIC FLOAT

For the three-month period ended 31 March 2011, the Company has maintained the public float requirement as stipulated by GEM Listing Rules.

On behalf of the Board
China Nonferrous Metals Company Limited
Kang Hongbo
executive Director

Suites 1704-05, 17/F, Dah Sing Financial Centre,
108 Gloucester Road, Wanchai, Hong Kong, 13 May 2011

As at the date of this report, the Board consists of seven executive Directors, namely Mr. Mei Ping, Ms. Xie Yi Ping, Dr. Yu Heng Xiang, Mr. Ng Tang, Mr. Xu Bing, Mr. Kang Hongbo and Ms. Han Qiong and two independent non-executive Directors, namely Mr. Liu Yaosheng and Mr. Chen Mingxian.