

Interim 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”)**

**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 Stock 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, 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.*

## CORPORATE INFORMATION

### Executive Directors

Mr. MEI Ping  
Ms. XIE Yi Ping  
Dr. YU Heng Xiang  
Mr. NG Tang  
Mr. XU Bing  
Mr. KANG Hongbo  
Ms. HAN Qiong

### Independent Non-Executive Directors

Mr. LIU Yaosheng  
Mr. CHAN Siu Lun  
Mr. CHEN Mingxian

### Compliance Officer

Mr. MEI Ping

### Company Secretary

Mr. LI Chi Chung, Michael

### Audit Committee

Mr. CHAN Siu Lun  
Mr. LIU Yaosheng  
Mr. CHEN Mingxian

### Remuneration Committee

Ms. XIE Yi Ping  
Mr. LIU Yaosheng  
Mr. CHAN Siu Lun

### Nomination Committee

Mr. MEI Ping  
Mr. LIU Yaosheng  
Mr. CHAN Siu Lun

### Authorised Representatives

Mr. MEI Ping  
Mr. LI Chi Chung, Michael

### Stock Code

8306

### Listed Warrant

8343

### Company Website

[www.cnm.com.hk](http://www.cnm.com.hk)

### Legal Advisers

Michael Li & Co.

### Auditors

BDO Limited  
Certified Public Accountants  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

### Principal Bankers

Hang Seng Bank  
Standard Chartered Bank

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited  
26th Floor  
Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

### Principal Share Registrar and Transfer Office in Bermuda

Butterfield Fund Services (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

### Registered Office

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### Head Office and Principal Place of Business in Hong Kong

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

## HIGHLIGHTS

- Achieved a turnover of approximately RMB218.9 million for the six months ended 30 June 2011, representing an approximately 65.5% increase as compared with that of the corresponding period in 2010.
- Net profit of the Group attributable to owners of the Company for the six months ended 30 June 2011 amounted to approximately RMB17.4 million, representing an approximately 44.0% decrease as compared with that of the corresponding period in 2010.
- Gearing ratio was 30.9% as at 30 June 2011 (31 December 2010: 33.7%).
- The Directors do not recommend an interim dividend for the six months ended 30 June 2011.

*Note:*

1. Gearing ratio is computed from total borrowings and convertible bonds divided by equity attributable to owners of the Company.

## UNAUDITED 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 six months ended 30 June 2011, together with the comparative figures, which have been represented, for the corresponding period in 2010 as follows:

	Notes	Six months ended 30 June		Three months ended 30 June	
		2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited) (represented)	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited) (represented)
<b>Continuing operations</b>					
Revenue	3	218,924	132,247	170,899	89,435
Cost of sales		(192,547)	(91,090)	(160,846)	(53,118)
Gross profit		26,377	41,157	10,053	36,317
Other income		11,206	425	6,579	199
Changes in fair value of derivative financial instruments		34,152	44,628	18,082	13,248
Gain on disposal of subsidiaries		–	2,659	–	–
Selling and distribution costs		(4,522)	(2,205)	(3,845)	(2,168)
Administrative expenses		(18,029)	(20,788)	(10,172)	(10,411)
Equity-settled share options expenses		(2,565)	(5,772)	(1,211)	(2,950)
<b>Profit from operation</b>	7	46,619	60,104	19,486	34,235
Finance costs	5	(15,874)	(25,450)	(8,060)	(11,614)
<b>Profit before income tax</b>		30,745	34,654	11,426	22,621
Income tax expense	6	(10,980)	(1,076)	(5,830)	(3,068)
<b>Profit for the period from continuing operations</b>		19,765	33,578	5,596	19,553
<b>Discontinued operation Loss for the period from a discontinued operation</b>	8	–	(2,072)	–	–
<b>Profit for the period</b>		19,765	31,506	5,596	19,553

## UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June		Three months ended 30 June	
		2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
<b>Attributable to:</b>					
Owners of the Company		17,410	31,121	4,918	18,271
Non-controlling interests		2,355	385	678	1,282
<b>Profit for the period</b>		<b>19,765</b>	<b>31,506</b>	<b>5,596</b>	<b>19,553</b>
<b>Continuing operations</b>					
<b>Attributable to:</b>					
Owners of the Company		17,410	32,472	4,918	18,271
Non-controlling interests		2,355	1,106	678	1,282
<b>Profit for the period</b>		<b>19,765</b>	<b>33,578</b>	<b>5,596</b>	<b>19,553</b>
<b>Discontinuing operation</b>					
<b>Attributable to:</b>					
Owners of the Company		–	(1,351)	–	–
Non-controlling interests		–	(721)	–	–
<b>Loss for the period</b>		<b>–</b>	<b>(2,072)</b>	<b>–</b>	<b>–</b>
Dividend	9	–	–	–	–
<b>Earnings per share</b>					
Basic					
– For Profit from continuing and discontinued operations		0.35 cents	0.91 cents	0.10 cents	0.51 cents
– For Profit from continuing operations		0.35 cents	0.94 cents	0.10 cents	0.51 cents
Diluted					
– For Profit from continuing and discontinued operations		0.35 cents	0.78 cents	0.10 cents	0.44 cents
– For Profit from continuing operations		0.35 cents	0.80 cents	0.10 cents	0.44 cents

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended 30 June		Three months ended 30 June	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
<b>Profit for the period</b>	<b>19,765</b>	31,506	<b>5,596</b>	19,553
<b>Other comprehensive income</b>				
Exchange differences arising on translation of foreign operations	<b>(4,039)</b>	(1,478)	<b>(1,769)</b>	(1,663)
Total other comprehensive income for the period	<b>(4,039)</b>	(1,478)	<b>(1,769)</b>	(1,663)
Total comprehensive income attributable to owners of the Company	<b>15,726</b>	30,028	<b>3,827</b>	17,890
<b>Attributable to:</b>				
Owners of the Company	<b>13,371</b>	29,643	<b>3,149</b>	16,608
Non-controlling interests	<b>2,355</b>	385	<b>678</b>	1,282
	<b>15,726</b>	30,028	<b>3,827</b>	17,890

Pursuant to 2009 amendments to IAS 18 Revenue, the Group's sale amount received from its indent trading of nonferrous metals are deemed as cash collected on behalf of the principal as an agent. Accordingly, prior year adjustment is required and net amount receivable in return for services performed is recognised as revenue.

	RMB'000
Decrease in revenue	<b>150,874</b>
Decrease in cost of sales	<b>(150,874)</b>
Impact on consolidated income statement – Profit for the period	–

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	As at 30 June 2011 RMB'000 (unaudited)	As at 31 December 2010 RMB'000 (audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	337,448	345,318
Intangible assets		1,057,138	1,061,640
Prepaid land lease payments		1,986	2,007
Deposits		66,296	66,043
Deferred tax assets		251	251
		<b>1,463,119</b>	<b>1,475,259</b>
<b>Current assets</b>			
Inventories		102,740	63,202
Prepaid land lease payments		42	42
Trade and note receivables	12	84,834	306,938
Other receivables, deposits and prepayments		475,516	323,688
Financial assets at fair value through profit or loss		1,099	12,182
Amounts due from related companies		58,125	57,610
Pledged bank deposits		3,501	3,501
Cash and bank balances		26,089	11,174
		<b>751,946</b>	<b>778,337</b>
<b>Current liabilities</b>			
Trade payables	13	33,710	108,713
Other payables and accrued charges		163,311	68,618
Amounts due to related companies		177,180	14,140
Financial liabilities at fair value through profit or loss		601	14,090
Amounts due to former and non-controlling equity holders of subsidiaries		5,022	5,022
Borrowings	14	75,981	97,667
Provision for tax		76,244	76,102
		<b>532,049</b>	<b>384,352</b>
<b>Net current assets</b>		<b>219,897</b>	<b>393,985</b>
<b>Total assets less current liabilities</b>		<b>1,683,016</b>	<b>1,869,244</b>



## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	<i>Notes</i>	<b>As at 30 June 2011 RMB'000 (unaudited)</b>	As at 31 December 2010 RMB'000 (audited)
<b>Non-current liabilities</b>			
Borrowings	14	1,341	1,610
Convertible bonds	15	254,108	253,967
Deferred tax liabilities		262,126	263,251
		<b>517,575</b>	518,828
<b>Net assets</b>		<b>1,165,441</b>	1,350,416
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	16	1,901	1,828
Reserves		1,071,388	1,045,122
		<b>1,073,289</b>	1,046,950
Non-controlling interests		92,152	303,466
<b>Total equity</b>		<b>1,165,441</b>	1,350,416

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company															Total
	Share capital	Share premium	Warrant reserve	Capital redemption reserve			Statutory reserves	Translation reserve	Special reserve	Specific reserve	Other reserve	Convertible bonds		Retained profits	Non-controlling interests	
				equity	equity	equity						equity				
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	RMB'000
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	-	-	-	-	-	-	-	-	-	-	2,565	-	-	2,565	-	2,565
Additional interest in subsidiaries acquired by the Group	-	-	-	-	-	-	-	-	(27,270)	-	-	-	-	(27,270)	(213,669)	(240,939)
Transactions with owners	73	38,526	-	-	-	-	-	-	(27,270)	2,565	(926)	-	12,968	(213,669)	(200,701)	
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	17,410	17,410	2,355	19,765
<b>Other comprehensive income</b>																
Currency translation	-	-	-	-	-	-	(4,039)	-	-	-	-	-	-	(4,039)	-	(4,039)
Total comprehensive income for the year	-	-	-	-	-	-	(4,039)	-	-	-	-	-	17,410	13,371	2,355	15,726
Share options lapsed	-	-	-	-	-	-	-	-	-	-	(491)	-	491	-	-	-
At 30 June 2011 (unaudited)	1,901	731,718	5,314	6	-	-	(13,179)	-	4,737	(20,306)	47,679	119,345	196,074	1,073,289	92,152	1,165,441

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to owners of the Company														
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Translation reserve RMB'000	Special reserve RMB'000	Specific reserve RMB'000	Other reserve RMB'000	Share option reserve RMB'000	Convertible bonds equity reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
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	63,249	-	-	-	-	-	-	-	-	-	-	63,351	-	63,351
Share issue expenses	-	(1,436)	-	-	-	-	-	-	-	-	-	-	(1,436)	-	(1,436)
Issue of convertible bonds	-	-	-	-	-	-	-	-	-	-	1,344	-	1,344	-	1,344
Convertible bonds exercised	117	64,186	-	-	-	-	-	-	-	-	(18,203)	-	46,100	-	46,100
Convertible bonds exercised expense	-	(24)	-	-	-	-	-	-	-	-	-	-	(24)	-	(24)
Share options exercised	2	2,021	-	-	-	-	-	-	(650)	-	-	-	1,373	-	1,373
Equity-settled share option arrangements	-	-	-	-	-	-	-	-	5,772	-	-	-	5,772	-	5,772
Disposal of subsidiaries	-	-	-	(6,782)	(9,336)	1,515	129	-	-	-	-	-	(14,474)	(49,836)	(64,310)
Transactions with owners	221	127,996	-	(6,782)	(9,336)	1,515	129	-	-	5,122	(16,859)	-	102,006	(49,836)	52,170
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	31,121	31,121	385	31,506
<b>Other comprehensive income</b>															
Currency translation	-	-	-	-	-	(1,478)	-	-	-	-	-	-	(1,478)	-	(1,478)
Total comprehensive income for the period	-	-	-	-	-	(1,478)	-	-	-	-	-	31,121	29,643	385	30,028
Share options lapsed	-	-	-	-	-	-	-	-	-	(241)	-	241	-	-	-
At 30 June 2010 (unaudited)	1,445	473,606	6	-	-	(2,936)	-	5,343	6,964	14,160	176,208	120,667	795,463	298,615	1,094,078

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Net cash inflow from operating activities	187,804	13,056
Net cash (outflow)/inflow from investing activities	(168,887)	41,555
Net cash inflow/(outflow) from financing activities	5,681	(62,240)
Net cash increase/(decrease) in cash and cash equivalents	24,598	(7,629)
Cash and cash equivalents at the beginning of the period	11,174	21,140
Effect of foreign exchange rate changes	(9,683)	(10)
Cash and cash equivalents at the end of the period	26,089	13,501

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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 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 GEM Listing Rules.

The accounting policies adopted in preparing the unaudited consolidated results for the six months ended 30 June 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 six months ended 30 June 2011 are unaudited but have been reviewed by the Company's audit committee.

### 2. ADOPTION OF NEW OR AMENDED IFRSs

In the current period, the Group has applied for the first time the following new and revised IFRSs, which are effective for the Group's financial statements for the annual financial period beginning on 1 January 2011.

IFRSs (Amendments)	Improvements to IFRSs 2010 except for the amendments to IFRS 3 (Revised in 2008), IAS 1, IAS 27 and IAS 28 <sup>1</sup>
IFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>3</sup>
IAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
IAS 32 (Amendments)	Classification of Rights Issues <sup>2</sup>
IFRIC – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement <sup>4</sup>
IFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>3</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
- <sup>2</sup> Effective for annual periods beginning on or after 1 February 2010.
- <sup>3</sup> Effective for annual periods beginning on or after 1 July 2010.
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2011.

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 adoption of the new IFRSs has no material impact on the results and the financial position of the Group.

### 3. REVENUE

The Group is engaged in trading, mining and processing of mineral resources. Revenue recognised during the six months ended 30 June 2011 are as follows:

	Continuing operations		Discontinued operation		Continuing operations		Discontinued operation	
	Six months ended		Six months ended		Three months ended		Three months ended	
	30 June		30 June		30 June		30 June	
	2011	2010	2011	2010	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(represented)				(represented)		
<b>Revenue:</b>								
Sale and distribution of organic potash fertilisers	-	-	-	7,079	-	-	-	-
Trading, mining and processing of mineral resources	218,924	118,515	-	-	170,899	75,703	-	-
Income from indent trading	-	13,732	-	-	-	13,732	-	-
	<b>218,924</b>	<b>132,247</b>	<b>-</b>	<b>7,079</b>	<b>170,899</b>	<b>89,435</b>	<b>-</b>	<b>-</b>

### 4. SEGMENT INFORMATION

Since the disposal of its fertilizers operations on 31 March 2010, the directors had been managing the Group's continuing operations as a single business segment. The Group's operation is monitored and strategic decision are made on the basis of operating results, consolidated assets and liabilities as reflected in the Group's financial statements were prepared under IFRS.

The Group's principle place of operations is in Mainland China. The Group's assets are located in Mainland China. The result of its revenue from external customers in different countries is as follows:

	<b>Continuing operations Six Months ended 30 June 2011 RMB'000 (unaudited)</b>	Continuing operations Six Months ended 30 June 2010 RMB'000 (unaudited)
– Mainland China	<b>218,924</b>	118,515
– Hong Kong	–	13,732
<b>Total sales</b>	<b>218,924</b>	132,247

## 5. FINANCE COSTS

	Continuing operations Six months ended 30 June		Discontinued operation Six months ended 30 June		Continuing operations Three months ended 30 June		Discontinued operation Three months ended 30 June	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Wholly repayable within five years								
– interest on bank loans	1,689	4,028	–	–	869	1,460	–	–
– interest on other loans	1,225	1,932	–	146	682	401	–	–
Interest on convertible bonds	12,926	19,479	–	–	6,492	9,747	–	–
Interest on finance lease liabilities	34	11	–	–	17	6	–	–
	<b>15,874</b>	25,450	–	146	<b>8,060</b>	11,614	–	–

## 6. INCOME TAX EXPENSE

	Continuing operations		Discontinued operation		Continuing operations		Discontinued operation	
	Six months ended		Six months ended		Three months ended		Three months ended	
	30 June		30 June		30 June		30 June	
	2011	2010	2011	2010	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current								
- Hong Kong	-	1,498	-	-	-	1,498	-	-
- Overseas taxation	12,105	711	-	-	6,803	2,639	-	-
	12,105	2,209	-	-	6,803	4,137	-	-
Deferred taxation	(1,125)	(1,133)	-	-	(973)	(1,069)	-	-
Total tax charge for the period	10,980	1,076	-	-	5,830	3,068	-	-

The amounts represented provision for the PRC Enterprise Income Tax ("EIT") on the Group's estimated assessable profit for the six months ended 30 June 2011 and 2010 respectively.

Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong for the six months ended 30 June 2010. No provision of Hong Kong Profits Tax had been made during 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.



## 7. PROFIT FROM OPERATION

The Group's profit from operation is arrived at after charging:

	Continuing operations		Discontinued operation		Continuing operations		Discontinued operation	
	Six months ended		Six months ended		Three months ended		Three months ended	
	30 June		30 June		30 June		30 June	
	2011	2010	2011	2010	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Amortisation of intangible assets	4,502	4,534	-	21	3,896	4,280	-	-
Amortisation of prepaid land lease payments	21	20	-	190	10	10	-	-
Depreciation of property, plant and equipment	11,018	13,346	-	1,120	5,070	6,473	-	-

## 8. DISCONTINUED OPERATION

On 31 March 2010, the Group completed the disposal of subsidiaries to Billion Prestige Limited in relation to the dispose of the entire equity interest in Sungreen Investment Limited and its subsidiaries (together referred as to the "Sungreen Group"). Sungreen Group is engaged in the manufacturing and sales of organic potash fertilizer products. Details of the disposal were set out in the announcement and circular of the Company dated 21 December 2009 and 8 January 2010 respectively. Since then, the Group ceased its fertilizers operation. The results of fertilizers operation included in this unaudited condensed consolidated interim financial statements are as follows:

	Six months ended		Three months ended	
	30 June		30 June	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss for the period from discontinued operations				
Turnover	-	7,079	-	-
Cost of sales	-	(5,822)	-	-
Gross profit	-	1,257	-	-
Other income	-	1,418	-	-
Expenses	-	(4,747)	-	-
Income tax expense	-	-	-	-
Loss for the period from discontinued operations	-	(2,072)	-	-

## 9. DIVIDENDS

No dividend has been paid, proposed, or declared by the Group for the six months ended 30 June 2011 (2010: nil).

## 10. 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

	Six months ended 30 June		Three months ended 30 June	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
<b>Earnings</b>				
Profit attributable to owners of the Company	17,410	31,121	4,918	18,271
Effect of dilutive potential ordinary shares in respect of convertible bonds	-	19,479	-	9,747
Profit attributable to owners of the Company from the continuing operations	17,410	50,600	4,918	28,018

	Six months ended 30 June		Three months ended 30 June	
	2011 '000	2010 '000	2011 '000	2010 '000
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purposes of basic earnings per share	4,986,053	3,437,148	5,006,540	3,585,843
Effect of dilutive potential ordinary shares in respect of share options	121	330,494	–	327,137
Effect of dilutive potential ordinary shares in respect of convertible bonds	–	2,761,266	–	2,697,252
Weighted average number of ordinary shares for the purposes of diluted earnings per share	4,986,174	6,528,908	5,006,540	6,610,232

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 30 June 2011.

**(b) From continuing operation**

	Six months ended 30 June		Three months ended 30 June	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
<b>Earnings</b>				
Profit attributable to owners of the Company	17,410	31,121	4,918	18,271
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	17,410	32,472	4,918	18,271

## 11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired approximately RMB3,200,000 property, plant and equipment for group expansion (six months ended 30 June 2010: RMB11,149,000).

During the period, the Group had not disposed any of its property, plant and equipment (six months ended 30 June 2010: Nil).

## 12. TRADE AND NOTE RECEIVABLES

The Group has a policy of allowing trade customers with credit normally within 90 days. However, for certain customers with long established relationship and good past payment histories, a longer credit period may be granted. The following is an aged analysis of trade receivables (net of impairment losses) at the reporting date:

	<b>As at 30 June 2011 RMB'000 (unaudited)</b>	As at 31 December 2010 RMB'000 (audited)
Aged:		
0–60 days	<b>5,178</b>	123,596
61–120 days	<b>4,333</b>	17,246
121–180 days	<b>2,721</b>	3,850
181–365 days	<b>72,602</b>	162,246
	<b>84,834</b>	306,938

### 13. TRADE PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	<b>As at 30 June 2011 RMB'000 (unaudited)</b>	As at 31 December 2010 RMB'000 (audited)
Aged:		
0–90 days	<b>7,224</b>	64,399
91–180 days	<b>25,890</b>	32,289
181–365 days	<b>596</b>	11,303
Over 365 days	–	722
	<b>33,710</b>	108,713

### 14. BORROWINGS

During the period, the Group had repaid in full the borrowings of approximately RMB21,955,000 (six months ended 30 June 2010: approximately RMB143,426,000).

### 15. CONVERTIBLE BONDS

On 9 July 2008, the Company issued convertible bonds with a principal amount of HK\$756,900,000 (the “2008 Convertible Bonds”), which bear coupon interest rate at 3% per annum payable semi-annually in arrears. 2008 Convertible Bonds were issued as part of the consideration for the acquisition of entire issued share capital of Straight Upward Investments Limited and its subsidiaries (collectively referred as to the “Straight Upward Group”).

On 9 March 2010, the Company and two subscribers entered into the subscription agreements in respect of the issue of the convertible bonds (the “CB Subscription Agreements”). Pursuant to the CB Subscription Agreements, the Company issued the two years 1% per annum plus the prime lending rate per annum quoted by The Hongkong and Shanghai Banking Corporation Limited coupon convertible bonds up to aggregate amount of HK\$30,000,000 (the “2010 Convertible Bonds”).

The convertible bonds recognised in the unaudited consolidated statement of financial position were calculated as follows:

	<b>2008 Convertible Bonds RMB'000</b>	<b>2010 Convertible Bonds RMB'000</b>	<b>Total RMB'000</b>
<b><u>Liability component</u></b>			
Net carrying amounts at 1 January 2010	378,834	–	378,834
Issue of 2010 Convertible Bonds	–	25,040	25,040
Arising from exercise of conversion rights ( <i>note</i> )	(146,324)	(12,560)	(158,884)
Interest expenses	31,853	1,558	33,411
Interest paid and accrued	(13,084)	(1,065)	(14,149)
Exchange realignment	(9,687)	(598)	(10,285)
Net carrying amounts at 31 December 2010 and 1 January 2011	241,592	12,375	253,967
Arising from exercise of conversion rights ( <i>note</i> )	(1,938)	–	(1,938)
Interest expenses	12,384	542	12,926
Interest paid and accrued	(4,776)	(375)	(5,151)
Exchange realignment	(5,419)	(277)	(5,696)
<b>Liability component at 30 June 2011</b>	<b>241,843</b>	<b>12,265</b>	<b>254,108</b>
<b><u>Equity component</u></b>			
Net carrying amounts at 1 January 2010	193,067	–	193,067
Issue of 2010 Convertible Bonds	–	1,343	1,343
Arising from exercise of conversion rights ( <i>note</i> )	(73,468)	(671)	(74,139)
Net carrying amounts at 31 December 2010 and 1 January 2011	119,599	672	120,271
Arising from exercise of conversion rights ( <i>note</i> )	(926)	–	(926)
<b>Equity component at 30 June 2011</b>	<b>118,673</b>	<b>672</b>	<b>119,345</b>

*Note:* During the period ended 30 June 2011, 2008 Convertible Bonds at the principal amount of HK\$3,100,000 (2010: RMB232,911,000) were converted into ordinary shares of the Company and total number of ordinary shares converted was approximately 14,091,000 (2010: 1,058,684,000). During the year ended 31 December 2010, 2010 Convertible Bonds at the principal amount HK\$15,000,000 were converted into ordinary shares of the Company and total number of ordinary shares converted was approximately 52,632,000.

## 16. SHARE CAPITAL

	As at 30 June 2011		As at 31 December 2010	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.0004 at beginning and end of the period/year	125,000,000	50,000	125,000,000	50,000
		RMB'000		RMB'000
<b>Issued:</b>				
Ordinary shares of HK\$0.0004 at beginning of the period/year	4,792,449	1,828	3,061,447	1,224
Placing and subscription of new shares (note a)	200,000	68	489,436	170
Conversion rights of convertible bonds exercised (note b)	14,091	5	1,111,316	388
Share options exercised	–	–	130,250	46
<b>Ordinary shares of HK\$0.0004 at end of the period/year</b>	<b>5,006,540</b>	<b>1,901</b>	4,792,449	1,828

During the period ended 30 June 2011, the movements in share capital were as follows:

- 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.
- 14,090,909 ordinary shares were issued pursuant to the exercise of 2008 Convertible Bonds during the reporting period.

## 17. CONTINGENCIES AND COMMITMENTS

As at 30 June 2011, the Group had the following contingencies and commitments

### (I) Contingencies

The Group is the defendant in a pending litigation and dispute arising from a sale and purchase agreement of mineral resources with a customer. The customer claims against the Group for (i) voiding the sale and purchase agreement of mineral resources; (ii) returning the deposit of RMB20,000,000 paid to the Group; and (iii) bearing the legal cost in connection with pending litigation and dispute.

Upon the civil mediation endorsed by the relevant PRC courts on 17 August 2010, pursuant to which a subsidiary of the Group agreed to keep available an aggregate of 320,000 tonnes of mineral tailings for claimant's collection for a period of five years commencing 1 August 2010 to settle the litigation. As at the period ended 30 June 2011, 320,000 tonnes of mineral tailings had not been collected by the claimant.

### (II) Commitments

#### (a) Operating lease commitment

##### *As lessee*

At the respective reporting date, the Group had outstanding commitments payable under non-cancellable operating leases in respect of rented premises which fall due as follows:

	<b>As at 30 June 2011 RMB'000 (unaudited)</b>	As at 31 December 2010 RMB'000 (audited)
Within one year	<b>1,565</b>	717
In the second to fifth year inclusive	<b>2,964</b>	229
	<b>4,529</b>	946

Operating lease payments represent rental payable by the Group for its office premises. Leases are negotiated for terms of two to three (31 December 2010: two to three) years. Certain leases contain an option to renew and renegotiate the terms of the leases at expiry dates or at date mutually agreed between the Group and the landlords. None of the leases include contingent rentals.



**(b) Capital commitments**

	As at 30 June 2011 RMB'000 (unaudited)	As at 31 December 2010 RMB'000 (audited)
Property, plant and equipment		
– Authorised but not contracted for	–	–
– Contracted but not provided for	7,591	10,543
	<b>7,591</b>	<b>10,543</b>

**(c) Other commitments**

At 30 June 2011, the Group had commitment in relation to the acquisition of subsidiaries in the PRC of approximately RMB84,564,000 (31 December 2010: approximately RMB84,564,000).

**18. PLEDGE OF ASSETS**

As at 30 June 2011, the Group has pledged its prepaid land lease payments, certain property, plant and equipment, mining rights and pledged bank deposit of approximately RMB1,192,718,000 (31 December 2010: RMB1,203,726,000) for the banking facilities granted by the banks to the Group.

**19. RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material related party transactions:

**(a) Nature of transactions**

	Notes	Six months ended 30 June 2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Sales of goods to a related company	(i)	196,808	66,928

Notes:

- (i) Balance represented sales of mineral resources to Shenzhen First Create Investment Limited (“First Create”). Mr. Mei Wei, a substantial shareholder of the Company, has beneficial interest or directorship in First Create. The sales were based on mutually agreed terms.
- (b) Certain borrowings of the Group in the amount of approximately RMB45,000,000 (six months ended 30 June 2010) were guaranteed by a related party 青海納銀投資擔保有限公司.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial highlights

Completion of the acquisition of a 15% indirect equity interest in Bameng Wuzhong Qi Jiashengpan Zinc, Lead and Pyrite Resources Exploitation Company Limited (“Jiashengpan”), took place on 29 April 2011. Jiashengpan is principally engaged in the exploration and exploitation of the mineral resources extracted from the mine consisting of zinc, lead and sulphur. Since then, the Group’s beneficial shareholding in Jiashengpan has increased from 75% to 90%.

Revenue for the Group for the six months ended 30 June 2011 amounted to approximately RMB218.9 million, representing an increase of approximately 65.5% as compared with the corresponding period in 2010. During the interim period, gross profit amounted to approximately RMB26.4 million, representing a decrease of approximately 35.9% over the same period last year. Net profit recorded by the Group for the interim period amounted to approximately RMB19.8 million, representing a decrease of approximately 37.3% as compared with the corresponding period in 2010.

### Market review

#### Lead

Total global supply of lead for the first five months of this year stood at 4.11 million tons whilst total consumption for the same period was only 4.04 million tons, representing a supply surplus of 73,000 tons. 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-May	2011	2010
Metal production (ton)	4,113,000	3,677,000
Metal usage (ton)	4,040,000	3,616,000
Surplus (ton)	73,000	61,000

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

Approximate 18.5% increase in global refined lead metal production in the first five months was primarily due to higher output in India, Mexico 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.

## Zinc

Total global supply of zinc was 5.33 million tons for the first five months of this year whilst total consumption was 5.11 million, representing a surplus of 214,000 tons. When compared to the supply surplus of 204,000 tons for the same period last year, there was an increment of 10,000 tons. During the year in 2010, global zinc production was 12.764 million tons and consumption was 12.5 million tons, representing a supply surplus of 264,000 tons.

World refined Zinc supply and usage

January-May	2011	2010
Metal production (ton)	<b>5,326,000</b>	5,212,000
Metal usage (ton)	<b>5,112,000</b>	5,008,000
Surplus (ton)	<b>214,000</b>	204,000

Source: ILZSG

The zinc market is still being over supplied in both 2011 and 2010. Production is estimated to increase disproportionately to consumption implying that the supply surplus may stay for some time.

## Business review

Looking back to the first half of 2011, the Group's business and operation had performed as expected. Jiashengpan continues to make smooth progress in its mining activities as planned. Gross profit generated from metal mining business of the current period amounted to approximately RMB24.9 million (six months ended 30 June 2010 approximately RMB24.6 million).

The reduction in profit attributable to owners of the Company for the period was mainly due to lower margin generated from metal commodity future contracts as well as the cessation of indent trading business.

To cope with the increasing sales orders and demand for nonferrous metals, the Group had decided to expand the production facilities further at the Company's mine site located in Inner Mongolia ("Jiashengpan"). The capacity of Jiashengpan was expanded to approximately 1.02 million tpa with the addition of a 600,000 tpa production facility, the construction of which was completed in 2009. This additional capacity has positively affected the production at Jiashengpan. In order to capitalize on the increasing demand for zinc and lead, the Group has commenced feasibility studies on the possible investment of another production facility which, if completed, will increase the total capacity to 1.62 million tpa representing approximately a 60% increase in production capacity. The new production facility will adopt the latest processing technologies which will have positive impact on turnover and gross margin as cost of production can be reduced significantly. With the world's economies stabilizing, zinc and lead prices are expected to remain stable in the short term and likely to sustain an upward trend in long term due primarily to limited resources in the world.

## **Prospect**

The Company is optimistic about the nonferrous metals industry. According to a news article from China Nonferrous Metals industry on 1 June 2011, the output of 10 nonferrous metals, including aluminium and copper, rose approximately 6.11% year on year to approximately 10.68 million tons in the first 4 months of 2011 in the People's Republic of China ("PRC"). The output of lead climbed approximately 28.49% to approximately 1.46 million tonnes and that of zinc rose approximately 4.13% to approximately 1.67 million tonnes in the PRC. Lead and zinc refined production in the PRC contributed approximately 44.7% and 40.5% respectively to global production of nonferrous metals in 2010.

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 leaders 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 performance analysis**

### ***Revenue***

For the six months ended 30 June 2011, the Group recorded a turnover of approximately RMB218.9 million, representing an increase of approximately 65.5% as compared with the turnover of approximately RMB132.2 million for the same period last year. Total costs of production increased approximately 111.4% to approximately RMB192.5 million compared with the same period in last corresponding period as a result of higher sales generated from the nonferrous trading business which carries a lower gross profit margin.

Revenue and gross profit margin as at period ended 30 June 2011 is as follows:

	2011		2010	
	RMB'000	%	RMB'000	%
<b>Continuing operations</b>				
Nonferrous Metal Mining	<b>74,060</b>	<b>33.8</b>	73,264	55.4
Metal Trading	<b>144,864</b>	<b>66.2</b>	45,251	34.2
Service income	–		13,732	10.4
	<b>218,924</b>		132,247	

Gross profit margin by segment is as follows:

	2011	2010
<b>Continuing operations</b>		
Nonferrous Metal Mining	<b>33.7%</b>	33.6%
Metal Trading	<b>1.0%</b>	6.2%
Service income	–	N/A
Overall gross margin	<b>12.0%</b>	31.1%

Metal trading activities has increased substantially to approximately RMB144.9 million for the first half of 2011 as compared to approximately RMB45.3 million recorded for the corresponding period in 2010, representing an increase of approximately 220%. Market conditions for metal trading during the six months ended 30 June 2011 has not been favourable. Margin has been reduced significantly in the first half of 2011 and the Company had to increase the volume of transactions to compensate for the loss of profit margin during the six months ended 30 June 2011.

Overall gross margin for the six months ended 30 June 2011 has been affected adversely by the reduction in gross margin on metal trading together with the fact that the company has not carried out any indent trading activity as from 1 January 2011. Indent trading has a relatively higher profit margin, however, it consumes substantial amount of the company's working capital in the form of account receivables. The management is of the opinion that the additional credit risks inherent in indent trading could outweigh the income it produces. Accordingly, the Company decided to discontinue its indent trading activities as from 1 January 2011.

The following are the sales volume and average selling prices for each of our mining products in respect of the period ended 30 June 2011 and 2010:

	Six months ended 30 June 2011			Six months ended 30 June 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	6,084	10,070.8	61,271	7,182	9,657.5	69,360
Lead concentrates and crude lead	6,722	13,907.9	93,489	2,807	11,598.5	32,557
Sulphuric acid	20,843	321.8	6,707	16,688	196.24	3,275
Silver	9,364	5,665,100	53,048	3,397	2,965,773	10,075
Gold (gram)	14,610	275.4	4,024	3,495	213.2	745
Iron concentrates	725	531	385	3,736	670	2,503
Service income	-	-	-	-	-	13,732
<b>Total Revenue</b>			<b>218,924</b>			<b>132,247</b>

### ***Other income***

During the period, other income was approximately RMB11.2 million representing an increase of approximately RMB10.8 million as compared with approximately RMB0.4 million of the same period of 2010.

### ***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 period ended 30 June 2011, the Group recorded a profit on future contracts of approximately RMB34.2 million (2010: approximately RMB44.6 million). The Group did not enter into any commodities futures contracts non-related to the business operations during the period.

The Group continued to take a prudent approach to hedge the inventory position through appropriate zinc and lead 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 was not allowed in entering into any commodities futures contract for speculation purposes.

### ***Operating expenses***

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

During the period, selling and distribution expenses was approximately RMB4.5 million, the increase was in tandem with the increased turnover of the Group's mining operation in Inner Mongolia.

Administrative expenses for the six months ended 30 June 2011 amounted to approximately RMB18.0 million, representing a decrease of approximately 13.2% compared with the same period last year. Administrative expenses mainly comprised staff remuneration and social insurance, including directors' emoluments of approximately RMB6.9 million, real estate tax, land use tax and various governmental expenses of approximately RMB3.3 million, and rental and management fees of approximately RMB0.9 million.

### ***Finance costs***

During the period, finance costs were approximately RMB15.9 million, representing a decrease of approximately RMB9.6 million compared with the same period in 2010. The decrease was due to the repayment of loans.

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

Profit attributable to the owners of the Company for the six months ended 30 June 2011 amounted to approximately RMB17.4 million, representing a decrease of approximately 44.0% as compared with the corresponding period in 2010.

Net profit recorded in the period was attributable to the income generated from the mining operation in Inner Mongolia acquired in July 2008, trading of nonferrous metals products and gain on metal commodity future contracts.

### ***Liquidity and financial resources***

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in PRC. The Group maintains a strong financial position. As at 30 June 2011, the total equity attributable to owners of the Company was approximately RMB1,073.3 million represented an increase of approximately 2.5% of that at 31 December 2010. The Group's cash and bank balances (including pledged bank deposits) stood at RMB29.6 million (31 December 2010: RMB14.7 million). The interest-bearing bank borrowings of the Group amounted to RMB77.3 million (31 December 2010: RMB99.3 million).

The Group's net gearing, expressed as a percentage of total net borrowing and convertible bonds to equity attributable to owners of the Company was approximately 30.9%, as compared to approximately 33.7% as at 31 December 2010. Net gearing reduced because convertible bonds were converted into ordinary shares of the Company and the Group has repaid some loans during the period. The Group is committed to deliver a very stringent working capital management going forward.

### ***Working capital***

Total inventory stood at approximately RMB102.7 million (approximately RMB63.2 million as at 31 December 2010). The inventory turnover days increased from 61 days as at 31 December 2010 to 97 days for period under review. Trade receivable turnover days decreased from 228 days as at 31 December 2010 to 70 days in current period. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure. Trade payable turnover days decreased from 104 days reported as at 31 December 2010 to 32 days. The Groups' working capital decreased to approximately RMB219.9 million (approximately RMB394.0 million as at 31 December 2010), mainly due to additional investment of the acquisition of 15% equity interest in Jiashengpan which costs approximately RMB164.6 million.

### ***Capital expenditure***

Total capital expenditure for the period amounted to approximately RMB3.2 million (six months ended 2010: approximately RMB33.8 million), of which the amount related to the fixed assets acquired at the mine located in Wulatezhong Qi, the PRC and the deposit paid for the acquisition of a subsidiary.

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

As at 30 June 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 (%)
Kang Hongbo	Beneficial owner	6,400,000	0.12
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
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	<u>10,000,000</u>	0.19%	4 Dec 09	4 Dec 2010 to 3 Dec 2014	HK\$0.26
	Subtotal:	<u>11,500,000</u>				
Han Qiong	Beneficial owner	4,000,000	0.07%	4 Dec 09	4 Dec 2010 to 3 Dec 2014	HK\$0.26

Save as disclosed herein, as at 30 June 2011, 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 June 2011, options to subscribe for an aggregate of 586,710,000 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 30 June 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				
<b>Directors</b>								
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			
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			

Name or category of participant	Number of share options				At 30 June 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				
<b>Other employees</b>								
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			
<b>Suppliers/Advisors</b>								
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	-	-	(10,000,000)	586,710,000			

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. The share options lapsed due to his resignation.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 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 ( <i>Note 1</i> )	Beneficial owner	Long	3,033,771,140	60.60%
Mr. Mei Wei ( <i>Note 1 &amp; 2</i> )	Interest in controlled corporation	Long	3,033,771,140	60.60%
	Beneficial owner	Long	419,560,000	8.38%
			3,453,331,140	68.98%

*Note:*

- These shares and underlying shares of the Company comprise of 1,341,506,622 shares and HK\$372,298,194 principal amount of convertible bonds which can be convertible into 1,692,264,518 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 and the underlying shares under the SFO. 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\$372,298,194 principal amount of convertible bonds have been pledged by Ruffy Investments Limited to CCB International Group Holdings Limited.
- These shares and underlying shares of the Company, comprise of 56,050,000 shares and 363,510,000 share options, were beneficially held by Mr. Mei Wei.

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 30 June 2011.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the six months ended 30 June 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.

## EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2011, the Group had approximately 386 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, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 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 interim results for the six months ended 30 June 2011) and internal control procedures of the Group. The members of the audit committee comprises three independent non-executive Directors, namely Mr. Liu Yaosheng, Mr. Chen Mingxian and Mr. Chan Siu Lun.

The Group's unaudited consolidated results for the six months ended 30 June 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.

## **MATERIAL ACQUISITION AND DISPOSAL**

Save as completion of the acquisition of 15% equity interest in Jiashengpan, no material or disposals of subsidiaries and associated companies have been made by the Company during the six months ended 30 June 2011.

## **CONTINGENCIES**

As at 30 June 2011, the Group had the following contingencies and commitments

The Group is the defendant in a pending litigation and dispute arising from a sale and purchase agreement of mineral resources with a customer. The customer claims against the Group for (i) voiding the sale and purchase agreement of mineral resources; (ii) returning the deposit of RMB20,000,000 paid to the Group; and (iii) bearing the legal cost in connection with pending litigation and dispute.

Upon the civil mediation endorsed by the relevant PRC courts on 17 August 2010, pursuant to which a subsidiary of the Group agreed to keep available an aggregate of 320,000 tonnes of mineral tailings for claimant's collection for a period of five years commencing 1 August 2010 to settle the litigation. As at the period ended 30 June 2011, 320,000 tonnes of mineral tailings had not been collected by the claimant.

## **PUBLIC FLOAT**

For the six-month period ended 30 June 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*

Hong Kong, 12 August 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 three independent non-executive Directors, namely Mr. Liu Yaosheng, Mr. Chen Mingxian and Mr. Chan Siu Lun.*