



2012

Interim Report



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

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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. 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

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

Nomination Committee

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

Authorised Representatives

Mr. Kang Hongbo
Mr. LI Chi Chung, Michael

Stock Code

8306

Company Website

<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
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HIGHLIGHTS

- Turnover of approximately RMB92.7 million for the six months ended 30 June 2012, representing an approximately 57.7% decrease as compared with that of the corresponding period in 2011.
- Net profit of the Group attributable to owners of the Company for the six months ended 30 June 2012 amounted to approximately RMB1.0 million, representing an approximately 94.2% decrease as compared with that of the corresponding period in 2011.
- Gearing ratio was 28.6% as at 30 June 2012 (31 December 2011: 33.8%).
- The Directors do not recommend an interim dividend for the six months ended 30 June 2012.

Note:

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

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2012, together with the comparative figures for the corresponding period in 2011 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June		Three months ended 30 June	
		2012	2011	2012	2011
		RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	3	92,683	218,924	25,504	170,899
Cost of sales		(75,544)	(192,547)	(24,477)	(160,846)
Gross profit		17,139	26,377	1,027	10,053
Other income		6,364	11,206	4,129	6,579
Changes in fair value of derivative financial instruments		14,575	34,152	2,436	18,082
Selling and distribution costs		(1,495)	(4,522)	(630)	(3,845)
Administrative expenses		(15,336)	(18,029)	(8,178)	(10,172)
Equity-settled share options expenses		(1,608)	(2,565)	(805)	(1,211)
Profit/(loss) from operations	5	19,639	46,619	(2,021)	19,486
Finance costs	6	(15,991)	(15,874)	(8,426)	(8,060)
Profit/(loss) before income tax		3,648	30,745	(10,447)	11,426
Income tax expense	7	(2,299)	(10,980)	(870)	(5,830)
Profit/(loss) for the period		1,349	19,765	(11,317)	5,596

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended		Three months ended	
	30 June		30 June	
	2012	2011	2012	2011
Notes	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Attributable to:				
Owners of the Company	1,018	17,410	(10,640)	4,918
Non-controlling interests	331	2,355	(677)	678
Profit/(loss) for the period	1,349	19,765	(11,317)	5,596
Earnings/(loss) per share ⁹				
Basic	RMB0.02 cent	RMB0.35 cent	RMB(0.21 cent)	RMB0.10 cent
Diluted	N/A	RMB0.35 cent	N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended		Three months ended	
	30 June		30 June	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit/(loss) for the period	1,349	19,765	(11,317)	5,596
Other comprehensive income				
Exchange differences arising on translation of foreign operations	(928)	(4,039)	(917)	(1,769)
Total other comprehensive income for the period	(928)	(4,039)	(917)	(1,769)
Total comprehensive income for the period attributable to owners of the Company	421	15,726	(12,234)	3,827
Attributable to:				
Owners of the Company	90	13,371	(11,557)	3,149
Non-controlling interests	331	2,355	(677)	678
	421	15,726	(12,234)	3,827

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	As at 30 June 2012 RMB'000 (unaudited)	As at 31 December 2011 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	351,216	349,322
Intangible assets		1,070,725	1,077,770
Prepaid land lease payments		1,944	1,965
Deposits		60,173	65,703
Deferred tax assets		251	251
		1,484,309	1,495,011
Current assets			
Inventories		59,329	66,818
Prepaid land lease payments		42	42
Trade and note receivables	11	35,734	65,824
Other receivables, deposits and prepayments		239,886	291,865
Financial assets at fair value through profit or loss		584	267
Amounts due from related companies		85,312	147,928
Pledged bank deposits		–	2,350
Cash and bank balances		29,702	10,016
		450,589	585,110
Current liabilities			
Trade payables	12	25,051	39,730
Other payables and accrued charges		73,543	150,138
Amounts due to related companies		1,176	876
Financial liabilities at fair value through profit or loss		1,592	3,032
Borrowings	13	55,461	109,456
Convertible bonds	14	–	12,132
Provision for tax		85,328	82,641
		242,151	398,005
Net current assets		208,438	187,105
Total assets less current liabilities		1,692,747	1,682,116

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

		As at 30 June 2012 RMB'000 (unaudited)	As at 31 December 2011 RMB'000 (audited)
	<i>Notes</i>		
Non-current liabilities			
Borrowings	13	862	1,080
Convertible bonds	14	254,442	243,634
Deferred tax liabilities		257,934	259,696
		513,238	504,410
Net assets		1,179,509	1,177,706
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	1,901	1,901
Reserves		1,084,624	1,083,152
		1,086,525	1,085,053
Non-controlling interests		92,984	92,653
Total equity		1,179,509	1,177,706

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	101,991	187,804
Net cash used in investing activities	(12,251)	(168,887)
Net cash (used in)/generated from financing activities	(71,911)	5,681
	<hr/>	<hr/>
Net increase in cash and cash equivalents	17,829	24,598
Cash and cash equivalents at beginning of the period	10,016	11,174
Effect of foreign exchange rate changes, net	1,857	(9,683)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	29,702	26,089
	<hr/> <hr/>	<hr/> <hr/>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company												
	Share capital	Share premium	Warrant reserve	Capital redemption reserve	Translation 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
At 31 December 2011 and 1 January 2012 (audited)	1,901	731,718	5,314	6	(12,806)	4,264	(20,560)	50,027	119,345	205,844	1,085,053	92,653	1,177,706
Redemption of convertible bonds	-	-	-	-	-	-	-	-	(672)	672	-	-	-
Equity-settled share option arrangements	-	-	-	-	-	-	-	1,608	-	-	1,608	-	1,608
Transactions with owners	-	-	-	-	-	-	-	1,608	(672)	672	1,608	-	1,608
Profit for the period	-	-	-	-	-	-	-	-	-	1,018	1,018	331	1,349
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-
Currency translation	-	-	-	-	(928)	-	-	-	-	-	(928)	-	(928)
Total comprehensive income for the period	-	-	-	-	(928)	-	-	-	-	1,018	90	331	421
Utilisation of specific reserve	-	-	-	-	-	(226)	-	-	-	-	(226)	-	(226)
At 30 June 2012 (unaudited)	<u>1,901</u>	<u>731,718</u>	<u>5,314</u>	<u>6</u>	<u>(13,734)</u>	<u>4,038</u>	<u>(20,560)</u>	<u>51,635</u>	<u>118,673</u>	<u>207,534</u>	<u>1,086,525</u>	<u>92,984</u>	<u>1,179,509</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company														Total	
	Share capital RMB'000	Share premium RMB'000	Warrant reserve 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
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 period	-	-	-	-	-	-	-	-	-	-	-	-	17,410	17,410	2,355	19,765
Other comprehensive income																
Currency translation	-	-	-	-	-	-	(4,039)	-	-	-	-	-	-	(4,039)	-	(4,039)
Total comprehensive income for the period	-	-	-	-	-	-	(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

NOTES TO THE INTERIM FINANCIAL REPORT

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 of with effect from 28 February 2005.

The functional currency of the Company is Hong Kong dollars (“HK\$”). The consolidated financial information 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 through its self-operated mines and transactions in the spot and futures markets.

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 GEM Listing Rules.

The accounting policies adopted in preparing the unaudited consolidated results for the six months ended 30 June 2012 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011. The consolidated results for the six months ended 30 June 2012 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 new standards, amendments and interpretations (the “new IFRSs”), which are relevant to and effective for the Group’s financial information statements for the annual financial period beginning on 1 January 2012.

The adoption of the new 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 2011. 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 the mining, processing and trading of mineral resources. Revenue recognised during the six and three months ended 30 June 2012 are as follows:

	Six months ended 30 June		Three months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Revenue:				
Mining, processing and trading of mineral resources	<u>92,683</u>	<u>218,924</u>	<u>25,504</u>	<u>170,899</u>

4. SEGMENT INFORMATION

The Directors manage the Group's daily operations as a single operating segment. The Group's operations are monitored and strategic decision are made on the basis of operating results, consolidated assets and liabilities as reflected in the Group's financial statements prepared under IFRSs.

The Group's revenue from external customers by geographical areas are not presented as the geographical segments other than the People's Republic of China (the "PRC") are less than 10% of the aggregate amount of all segments.

5. PROFIT/(LOSS) FROM OPERATIONS

Profit/(Loss) from operations is arrived at after charging:

	Six months ended 30 June		Three months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Amortisation of intangible assets	7,045	4,502	5,184	3,896
Amortisation of prepaid land lease payments	21	21	10	10
Depreciation of property, plant and equipment	<u>10,509</u>	<u>11,018</u>	<u>5,113</u>	<u>5,070</u>

6. FINANCE COSTS

	Six months ended 30 June		Three months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Wholly repayable within five years				
– interest on bank loans	2,416	1,689	1,595	869
– interest on other loans	615	1,225	352	682
Interest on convertible bonds	12,926	12,926	6,462	6,492
Interest on finance lease liabilities	34	34	17	17
	<u>15,991</u>	<u>15,874</u>	<u>8,426</u>	<u>8,060</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June		Three months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Current				
– PRC	4,061	12,105	2,167	6,803
Deferred taxation	(1,762)	(1,125)	(1,297)	(973)
Total tax charge for the period	<u>2,299</u>	<u>10,980</u>	<u>870</u>	<u>5,830</u>

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 PRC Enterprise Income Tax ("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.

8. DIVIDEND

No dividend has been paid, proposed, or declared by the Group for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June		Three months ended 30 June	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings/(loss)				
Profit/(loss) attributable to owners of the Company	1,018	17,410	(10,640)	4,918
	5,006,540	4,986,053	5,006,540	5,006,540
	-	121	-	-
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share				
Effect of dilutive potential ordinary shares in respect of share options	-	121	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	5,006,540	4,986,174	5,006,540	5,006,540

In the calculation of the diluted earnings/(loss) per share attributable to the owners of the Company for the six and three months ended 30 June 2012, the potential shares arising from the conversion of the Company's warrants, share options and convertible bonds had not been taken into account as it had an anti-dilutive effect.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired approximately RMB12,455,000 property, plant and equipment (six months ended 30 June 2011: RMB3,200,000).

During the period, the Group had not disposed any of its property, plant and equipment (six months ended 30 June 2011: Nil).

11. 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 ageing analysis of the trade receivables (net of allowance for impairment) is as follows:

	As at 30 June 2012 RMB'000 (unaudited)	As at 31 December 2011 RMB'000 (audited)
0–60 days	32,085	62,883
61–120 days	541	2,519
121–180 days	2,686	–
181–365 days	422	422
	<hr/> 35,734 <hr/>	<hr/> 65,824 <hr/>

12. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	As at 30 June 2012 RMB'000 (unaudited)	As at 31 December 2011 RMB'000 (audited)
0–90 days	6,207	17,550
91–180 days	1,891	7,077
181–365 days	4,623	15,103
Over 365 days	12,330	–
	<hr/> 25,051 <hr/>	<hr/> 39,730 <hr/>

13. BORROWINGS

During the period, the Group had repaid the borrowings of approximately RMB54,213,000 (six months ended 30 June 2011: approximately RMB21,955,000).

14. 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. The 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”). The 2008 Convertible Bonds due on 2015 are convertible into fully paid ordinary shares with a par value of HK\$0.0004 each of the Company at an initial conversion price of HK\$0.22, subject to adjustments on the occurrence of dilutive or concentrative event.

The Company has not redeemed any of the 2008 Convertible Bonds since the issuance. Pursuant to the Deed of Set-off and on 21 August 2009, Ruffy Investments Limited (“Ruffy”), a related company of the Group in which Mr. Mei Wei, a substantial shareholder of the Company, has a directorship, agreed to set off each of 2007 and 2008 Profit Guarantee shortfalls by deducting a principal amount of approximately HK\$80,488,000 from the 2008 Convertible Bonds held by Ruffy. Since the date of issuance, principal amount of approximately HK\$294,374,000 has been converted into approximately 1,338,065,000 shares. As at 30 June 2012, the principal amount outstanding was approximately HK\$382,038,000.

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 due to 2012 up to aggregate amount of HK\$30,000,000 (the “2010 Convertible Bonds”). Based on the conversion price of HK\$0.285 per conversion share, a maximum number of 105,263,156 conversion shares will fall to be allotted and issued upon exercise of the conversion rights attached to the convertible bonds. The CB Subscription Agreements had been completed on 17 March 2010.

HK\$15,000,000 principal amount of the 2010 Convertible Bonds has been converted into 52,631,578 shares on 5 November 2010. The outstanding principal amount of the 2010 Convertible Bonds of HK\$15,000,000 have been fully redeemed by the Company on 29 March 2012.

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

	2008 Convertible Bonds RMB'000 (Non-current liabilities)	2010 Convertible Bonds RMB'000 (Current liabilities)	Total RMB'000
Liability component			
Net carrying amounts at 1 January 2011 (audited)	241,592	12,375	253,967
Arising from exercise of conversion rights (note)	(1,938)	–	(1,938)
Interest expenses	24,833	1,078	25,911
Interest paid and accrued	(9,516)	(747)	(10,263)
Exchange realignment	(11,337)	(574)	(11,911)
	<hr/>	<hr/>	<hr/>
Net carrying amounts at 31 December 2011 and 1 January 2012 (audited)	243,634	12,132	255,766
Interest expenses	12,748	178	12,926
Interest paid and accrued	(4,669)	(152)	(4,821)
Redemption of 2010 Convertible Bonds	–	(12,162)	(12,162)
Exchange realignment	2,729	4	2,733
	<hr/>	<hr/>	<hr/>
Liability component at 30 June 2012 (unaudited)	<u>254,442</u>	<u>–</u>	<u>254,442</u>
Equity component			
Net carrying amounts at 1 January 2011 (audited)	119,599	672	120,271
Arising from exercise of conversion rights (note)	(926)	–	(926)
	<hr/>	<hr/>	<hr/>
Net carrying amounts at 31 December 2011 and 1 January 2012 (audited)	118,673	672	119,345
Redemption of 2010 Convertible Bonds (note)	–	(672)	(672)
	<hr/>	<hr/>	<hr/>
Equity component at 30 June 2012 (unaudited)	<u>118,673</u>	<u>–</u>	<u>118,673</u>

Note: During the year ended 31 December 2011, the 2008 Convertible Bonds at the principal amount of HK\$3,100,000 were converted into ordinary shares of the Company and total number of ordinary shares converted was approximately 14,091,000.

As at 29 March 2012, the Company redeemed the entire outstanding principal amount of the 2010 Convertible Bonds in the sum of HK\$15,000,000 and the interest accrued thereon.

15. SHARE CAPITAL

	As at 30 June 2012		As at 31 December 2011	
	Number of shares '000 (unaudited)	Amount HK\$'000 (unaudited)	Number of shares '000 (audited)	Amount HK\$'000 (audited)
Authorised:				
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
Issued:				
Ordinary shares of HK\$0.0004 at beginning of the period/year	5,006,540	1,901	4,792,449	1,828
Placing and subscription of new shares (note a)	-	-	200,000	68
Conversion rights of convertible bonds exercised (note b)	-	-	14,091	5
Ordinary shares of HK\$0.0004 at end of the period/year	5,006,540	1,901	5,006,540	1,901

There is no change of the share capital during the period ended 30 June 2012, the movements in share capital during the year ended 31 December 2011 were as follows:

- (a) On 17 January 2011, the Company entered into a placing of existing shares and top-up subscription agreement (the "Top-up Agreement") with Ruffy 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. The Top-up Agreement was completed on 26 January 2011.
- (b) During the year ended 31 December 2011, 14,090,909 ordinary shares were issued pursuant to the exercise of the 2008 Convertible Bonds.

16. COMMITMENTS

As at 30 June 2012, the Group had the following 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:

	As at 30 June 2012 RMB'000 (unaudited)	As at 31 December 2011 RMB'000 (audited)
Within one year	1,537	1,695
In the second to fifth year inclusive	1,282	2,026
	<u>2,819</u>	<u>3,721</u>

Operating lease payments represent rental payable by the Group for its office premises. Leases are negotiated for terms of two to three (31 December 2011: 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 2012 RMB'000 (unaudited)	As at 31 December 2011 RMB'000 (audited)
Property, plant and equipment		
– Contracted but not provided for	7,090	7,591
	<u>7,090</u>	<u>7,591</u>

(c) *Other commitments*

At 30 June 2012, the Group had commitment in relation to the acquisition of subsidiaries in the PRC of approximately RMB84,564,000 (31 December 2011: approximately RMB84,564,000). These commitments were effective on or before 31 December 2012 in relation to the completion of the acquisition of the subsidiaries.

17. PLEDGE OF ASSETS

The Group did not have any pledge of assets as at 30 June 2012. As at 31 December 2011, the Group had pledged its bank deposit of approximately RMB2.4 million for the banking facilities granted by the banks to the Group.

18. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group had the following material related party transactions:

(a) *Nature of transactions*

	Six months ended	
	30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of goods to a related company (<i>note</i>)	<u>33,602</u>	<u>196,808</u>

Note:

The amount represented sales of mineral resources to Shenzhen First Create Investment Limited ("First Create"). Mr. Mei Wei has beneficial interest or directorship in First Create. The sales were based on mutually agreed terms. The Company's Director, Mr. Mei Ping has directorship in First Create.

(b) Certain borrowings of the Group in the amount of approximately RMB10 million were guaranteed by First Create as at 30 June 2012 and 31 December 2011.

19. EVENT AFTER THE REPORTING PERIOD

The subscription rights attached to the warrants (stock code 8343) issued on 2 August 2010 has been lapsed on 1 August 2012. No warrants had been exercised by registered holders during the subscription period.

MANAGEMENT DISCUSSION AND ANALYSIS

Market review

Lead

Total global supply of lead for the first five months of this year stood at 4.10 million tons whilst total consumption for the same period was only 4.07 million tons, representing a supply surplus of approximately 32,000 tons. During the year 2011, global lead production was 10,372 million tons and consumption was 10,216 million tons, representing a supply surplus of approximately 156,000 tons.

World refined lead supply and usage

January-May	2012	2011
Metal production (ton)	4,101,000	4,325,000
Metal usage (ton)	4,069,000	4,229,000
Surplus (ton)	32,000	96,000

Source: International Lead and Zinc Study Group ("ILZSG")

Approximate 5.2% decrease in global refined lead metal production in the first five months was primarily due to lower output in Australia, Germany and the United States. The decrease in global refined lead metal demand was due primarily to adverse market conditions although we are witnessing the supply surplus have been narrowed in the first five months 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.

Zinc

Total global supply of zinc was 5.28 million tons for the first five months of this year whilst total consumption was 5.13 million tons, representing a surplus of approximately 149,000 tons. When compared to the supply surplus of 232,000 tons for the same period last year, the size of surplus reduced by 83,000 tons. During the year 2011, global zinc production was 13.068 million tons and consumption was 12.717 million tons, representing a supply surplus of approximately 351,000 tons.

World refined Zinc supply and usage

January-May	2012	2011
Metal production (ton)	5,278,000	5,331,000
Metal usage (ton)	5,129,000	5,099,000
Surplus (ton)	149,000	232,000

Source: ILZSG

The zinc market is still being over supplied in both 2012 and 2011. However, the production and usage of zinc remained stable. It is expected the supply surplus may stay for some time.

Business review

First half of 2012 was a difficult year for most of the business, almost every sector of the economy was struggling with the uncertainties surrounding the global economy. The nonferrous metals industry has also confronted with difficulties challenges in its operating environment and faced a downward trend pricing pressure during the reporting period. Extracted from Shanghai Metals Exchange Markets website, average prices of zinc in the first half of 2012 dropped by approximately 14.3% to RMB15,182 per tonne and while lead dropped by approximately 8.3% to RMB15,516 per tonne when compared with the last corresponding reporting period.

Meanwhile, our production volume on zinc and lead concentrates dropped by approximately 9.3% and 1.6% respectively due primarily to the decrease in the ore processing, thus higher unit production cost was incurred. As a result, the Group's gross profit ratio decreased from 33.7% to 20.9%. Overall gross profit decreased from RMB26.4 million to RMB17.1 million.

Prospect

Despite the above situation, the management is optimistic about the nonferrous metals industry. According to a news article from China Nonferrous Metals industry Association published on 21 June 2012, the output of 10 nonferrous metals, including aluminium and copper, rose approximately 6.6% year on year to approximately 14.26 million tons in the first 5 months of 2012 in the PRC. The output of lead climbed approximately 26.1% to approximately 1.9 million tonnes and that of zinc rose approximately 5.1% to approximately 2.1 million tonnes in the PRC. Lead and zinc refined production in the PRC contributed approximately 44.8% and 40.0% respectively to global production of nonferrous metals in 2011.

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 2012, the Group recorded a turnover of approximately RMB92.7 million, representing a decrease of approximately 57.7% as compared with the turnover of approximately RMB218.9 million for the same period last year. Total costs of production decreased approximately 60.8% to approximately RMB75.5 million compared with the same period in last corresponding period as a result of decrease in the sales generated from the nonferrous metals trading business which carries a higher cost while compared with the mining business.

Revenue and gross profit margin as at period ended 30 June 2012 is as follows:

	2012				2011			
	Revenue RMB'000	Cost of sales RMB'000	Gross profit RMB'000	Gross profit %	Revenue RMB'000	Cost of sales RMB'000	Gross profit RMB'000	Gross profit %
Nonferrous metal mining	81,007	(64,044)	16,963	20.9%	74,060	(49,142)	24,918	33.7%
Metal trading	11,676	(11,500)	176	1.5%	144,864	(143,405)	1,459	1.0%
Total	<u>92,683</u>	<u>(75,544)</u>	<u>17,139</u>	<u>18.5%</u>	<u>218,924</u>	<u>(192,547)</u>	<u>26,377</u>	<u>12.0%</u>

Metal trading activity has decreased substantially to approximately RMB11.7 million for the first half of 2012 as compared to approximately RMB144.9 million recorded for the corresponding period in 2011, representing a decrease of approximately 91.9%. Profit margin reduced significantly as a result of unfavourable market conditions for metal trading since 2011. In order to minimise the credit risk, the management is of the opinion that the additional credit risks interest of the trading business could outweigh the income it produces. According, the Company decided to lower the metal trading volumes during the period.

The following are the sales volume and average selling prices for each of our mining products in respect of the six months period ended 30 June 2012 and 2011:

	Six months ended 30 June 2012			Six months ended 30 June 2011		
	Sales volume	Selling price per unit RMB	Total revenue RMB '000	Sales volume	Selling price per unit RMB	Total revenue RMB '000
Zinc concentrates (ton)	6,658	8,540.1	56,860	6,084	10,070.8	61,271
Lead concentrates, crude lead and ingots (ton)	1,504	12,628.3	18,993	6,722	13,907.9	93,489
Sulphuric acid (ton)	19,812	216.3	4,285	20,843	321.8	6,707
Silver (ton)	0.15	5,186,666	778	9.364	5,665,100	53,048
Gold (gram)	284	313.4	89	14,610	275.4	4,024
Iron concentrates (ton)	469	543.7	255	725	531	385
Copper concentrates (ton)	59	42,796.6	2,525	-	-	-
Tailing mine (ton)	54,347	163.72	8,898	-	-	-
Total revenue			<u>92,683</u>			<u>218,924</u>

Financial information by ordinary course of business

The Company is engaged in three ordinary course of business – nonferrous metal mining, nonferrous metal trading and metal commodities futures contracts, reflecting the structure used by the Company’s management to assess the performance of the Group.

	Six months ended 30 June 2012				Total <i>RMB'000</i>
	Mining <i>RMB'000</i>	Metal trading <i>RMB'000</i>	commodities futures <i>RMB'000</i>	Unallocated corporate income and expenses <i>RMB'000</i>	
Revenue	81,007	11,676		-	92,683
Changes in fair value of derivative financial instruments	-	-	14,575	-	14,575
Cost of sales	(64,044)	(11,500)	-	-	(75,544)
Gross profit	16,963	176	14,575	-	31,714
Other income	3,468	16	2,750	130	6,364
Selling and distribution costs	(1,307)	(188)	-	-	(1,495)
Administrative expenses	(8,328)	(731)	(348)	(5,929)	(15,336)
Equity-settled share options expenses	-	-	-	(1,608)	(1,608)
Finance costs	(267)	(2,416)	(33)	(13,275)	(15,991)
Profit/(loss) before income tax	<u>10,529</u>	<u>(3,143)</u>	<u>16,944</u>	<u>(20,682)</u>	<u>3,648</u>

Other income

During the period, other income was approximately RMB6.4 million representing a decrease of approximately RMB4.8 million as compared with approximately RMB11.2 million of the same period of 2011. The decrease was mainly attributable to a fall in the Company’s compensation income.

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 futures contracts used to hedge against the Group's production and inventories. For the six months ended 30 June 2012, the Group recorded a profit on futures contracts of approximately RMB14.6 million (2011: approximately RMB34.2 million). The Group did not enter into any commodities futures contracts unrelated to the business operations during the period (2011: Nil).

The Group continued to take a prudent approach to hedge the inventory position through appropriate nonferrous futures 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

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

Selling and distribution expenses for the six months ended 30 June 2012 was approximately RMB1.5 million, the decrease was in tandem with the decreased turnover of the Group's business.

Administrative expenses for the six months ended 30 June 2012 amounted to approximately RMB15.3 million, representing a decrease of approximately 14.9% compared with the same period last year. Administrative expenses mainly comprised staff remuneration and social insurance, including directors' emoluments of approximately RMB6.3 million, real estate tax, land use tax and various governmental expenses of approximately RMB3.4 million, and rental and management fees of approximately RMB1.0 million.

Finance costs

Finance costs for the six months ended 30 June 2012 were approximately RMB16.0 million, representing an increase of approximately RMB0.1 million compared with the same period in 2011.

Profit for the period attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2012 amounted to approximately RMB1.0 million, representing a decrease of approximately 94% as compared with the corresponding period in 2011.

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

Liquidity and financial resources

The Group generally finances its operations with internally generated cash flows and banking facilities provided by its principal bankers in the PRC. The Group maintains a strong financial position. As at 30 June 2012, the total equity attributable to owners of the Company was approximately RMB1,086.5 million (31 December 2011: RMB1,085.1 million). The Group's cash and bank balances (including pledged bank deposits) stood at RMB29.7 million (31 December 2011: RMB12.4 million). The interest-bearing bank borrowings of the Group amounted to RMB56.3 million (31 December 2011: RMB110.5 million).

The Group's net gearing, expressed as a percentage of total borrowings and convertible bonds to equity attributable to owners of the Company was approximately 28.6%, as compared to approximately 33.8% as at 31 December 2011. Net gearing reduced because the Group has repaid some loans and redeemed some convertible bonds during the period. The Group is committed to deliver a very stringent working capital management going forward.

Working capital

Total inventory stood at approximately RMB59.3 million (approximately RMB66.8 million as at 31 December 2011). The inventory turnover days increased from 52 days for the year ended 31 December 2011 to 142 days for the six months ended 30 June 2012, mainly attributable to the decrease in the revenue generated from metal trading business whose inventories level is minimised. Trade receivable turnover days increased from 46 days for the year ended 31 December 2011 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 increased from 31 days reported as at 31 December 2011 to 60 days. The Groups' working capital increased to approximately RMB208.4 million (approximately RMB187.1 million as at 31 December 2011).

Capital expenditure

Total capital expenditure for the period amounted to approximately RMB12.4 million (six months ended 30 June 2011: approximately RMB3.2 million), of which the amount related to the fixed assets acquired at the mine located in Wulatezhong Qi, the PRC and the deposits 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 2012, 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

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

Name of Director	Capacity	Number of shares	Percentage of shareholding (%)
Xu Bing (Resigned on 13 July 2012)	Beneficial owner	1,500,000 (L)	0.03
Kang Hongbo	Beneficial owner	11,400,000 (L)	0.23

(L): Long position

(b) Share options

The following Directors have been granted options under the share option scheme of the Company:

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	0.06%	4 Dec 09	4 Dec 2010 to 3 Dec 2014	HK\$0.26
Kang Hongbo	Beneficial owner	1,500,000	0.03%	20 May 09	20 Mar 2010 to 19 May 2014	HK\$0.234
	Beneficial owner	10,000,000	0.20%	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

Save as disclosed herein, as at 30 June 2012, none of the Directors nor 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 2012, 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 2012	Date of grant of share options (note)	Exercise period of share options	Exercise price of share options
	At 1 January 2012	Granted during the period	Exercise during the period	Lapsed during the period				
Directors								
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 2012	Date of grant of share options (note)	Exercise period of share options	Exercise price of share options
	At 1 January 2012	Granted during the period	Exercise during the period	Lapsed during the period				
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
	<u>476,710,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>476,710,000</u>			
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
	<u>91,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,500,000</u>			
	<u>586,710,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>586,710,000</u>			

- 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

Note:

The vesting date of the share options for Periods 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 Periods 4 and 5 are subject to ten months vesting period. The vesting period of the share options for Periods 7, 8, 9 and 10 are subject to one, two, three and four years vesting period respectively.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, 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 or otherwise notified to the Company as follows:

Name of shareholders	Type of interests	Position	Number of shares	Approximate percentage
Ruffy Investments Limited (Note 1)	Beneficial owner	Short	350,000,000	6.99%
	Beneficial owner	Long	3,107,723,048	62.07%
Mr. Mei Wei (Notes 1 & 2)	Interest in controlled corporation	Short	350,000,000	6.99%
	Interest in controlled corporation	Long	3,107,723,048	62.07%
	Beneficial owner	Long	419,560,000	8.38%
			3,527,283,048	70.45%

Notes:

1. These shares and underlying shares of the Company comprise of 1,415,458,530 shares and HK\$372,298,194 principal amount of convertible bonds issued by the Company which can be convertible into 1,692,264,518 shares of the Company, 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 underlying shares under the SFO. Among the shares owned by Ruffy Investments Limited, 326,624,250 shares and HK\$370,957,666 principal amount of the convertible bonds have been pledged by Ruffy Investments Limited to CCB International Group Holdings Limited.

On 13 March 2012, Ruffy Investments Limited issued 350,000,000 warrants to Merry Intake Limited, a wholly-owned subsidiary of CCB International Group Holdings Limited, conferring rights to subscribe for 350,000,000 shares at the initial exercise price of HK\$0.12 per share.

2. 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 2012.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30 June 2012 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 2011 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 post of Chairman 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 and other 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 2012, the Group had approximately 350 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 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

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 2012) 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 2012 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

No material or disposals of subsidiaries and associated companies have been made by the Company during the six months ended 30 June 2012.

CONTINGENCIES

As at 30 June 2012, there were no guarantees given to any banks or financial institutions by the Group to the parties outside the Group.

PUBLIC FLOAT

For the six month period ended 30 June 2012, the Company has maintained the public float requirement as stipulated by the GEM Listing Rules.

On behalf of the Board
China Nonferrous Metals Company Limited
Mei Ping
Chairman

Hong Kong, 10 August 2012

As at the date of this report, the Board consists of six executive Directors, namely Mr. Mei Ping, Ms. Xie Yi Ping, Dr. Yu Heng Xiang, Mr. Ng Tang, 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.