



2012
Third Quarterly 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.

HIGHLIGHTS

- Achieved a turnover of approximately RMB351.2 million for the nine months ended 30 September 2012, representing an approximately 8.1% decrease as compared with that of the corresponding period in 2011.
- Net profit of the Group attributable to owners of the Company for the nine months ended 30 September 2012 amounted to approximately RMB1.0 million, representing an approximately 95.6% decrease as compared with that of the corresponding period in 2011.
- The Directors do not recommend dividend for the nine months ended 30 September 2012.

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Revenue	3	351,180	382,241	258,497	163,317
Cost of sales		(319,071)	(341,361)	(243,527)	(148,814)
Gross profit		32,109	40,880	14,970	14,503
Other income		8,683	15,500	2,319	4,294
Changes in fair value of derivative financial instruments		19,626	49,452	5,051	15,300
Selling and distribution costs		(4,468)	(7,080)	(2,973)	(2,558)
Administrative expenses		(25,286)	(29,309)	(9,950)	(11,280)
Equity-settled share options expenses		(2,414)	(3,843)	(806)	(1,278)
Profit from operations		28,250	65,600	8,611	18,981
Finance costs	4	(23,942)	(24,234)	(7,951)	(8,360)
Profit before income tax		4,308	41,366	660	10,621
Income tax expense	5	(3,057)	(15,206)	(758)	(4,226)
Profit/(loss) for the period		1,251	26,160	(98)	6,395

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Nine months ended 30 September		Three months ended 30 September	
Notes		2012 RMB'000 (unaudited)	2011 <i>RMB'000</i> (unaudited)	2012 RMB'000 (unaudited)	2011 <i>RMB'000</i> (unaudited)
Attributable to:					
	Owners of the Company	1,037	23,603	19	6,193
	Non-controlling interests	214	2,557	(117)	202
		<hr/>	<hr/>	<hr/>	<hr/>
Profit/(loss) for the period		1,251	26,160	(98)	6,395
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Earnings per share					
	Basic	RMB0.02 cent	RMB0.47 cent	RMB0.00 cent	RMB0.12 cent
	Diluted	N/A	RMB0.47 cent	N/A	RMB0.12 cent
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2012

	Nine months ended 30 September		Three months ended 30 September	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Profit/(loss) for the period	1,251	26,160	(98)	6,395
Other comprehensive income				
Exchange differences arising on translation of foreign operations	2,275	(4,151)	3,203	(112)
Total other comprehensive income for the period	2,275	(4,151)	3,203	(112)
Total comprehensive income for the period	3,526	22,009	3,105	6,283
Attributable to:				
Owners of the Company	3,312	19,452	3,222	6,081
Non-controlling interests	214	2,557	(117)	202
	3,526	22,009	3,105	6,283

NOTES:

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 functional currency of the Company is Hong Kong dollars (“HK\$”). The consolidated financial information 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 nine months ended 30 September 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 nine months ended 30 September 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 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 nine and three months ended 30 September 2012 are as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2012	2011	2012	2011
	RMB '000	RMB '000	RMB '000	RMB '000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:				
Mining, processing and trading of mineral resources	351,180	382,241	258,497	163,317

4. FINANCE COSTS

	Nine months ended 30 September		Three months ended 30 September	
	2012	2011	2012	2011
	RMB '000	RMB '000	RMB '000	RMB '000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Wholly repayable within five years				
– interest on bank loans	3,397	2,557	981	868
– interest on other loans	1,022	2,263	407	1,038
Interest on convertible bonds	19,473	19,363	6,547	6,437
Interest on finance lease liabilities	50	51	16	17
	23,942	24,234	7,951	8,360

5. INCOME TAX EXPENSE

	Nine months ended 30 September		Three months ended 30 September	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Current				
– PRC	6,154	17,523	2,093	5,418
Deferred taxation	(3,097)	(2,317)	(1,335)	(1,192)
Total tax charge for the period	3,057	15,206	758	4,226

No provision of 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 Enterprise Income Tax (“EIT”) law of the People’s Republic of China (the “PRC”) passed in the Tenth National People’s Congress on 16 March 2007, the new EIT rate for domestic and foreign enterprises were unified at 25% and became effective from 1 January 2008. Subsequent to 16 March 2007, the implementation measure on transitional policy of preferential tax rate was announced and the Group’s entitlement to certain tax concessions is still applicable.

6. DIVIDEND

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

7. 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:

	Nine months ended 30 September		Three months ended 30 September	
	2012	2011	2012	2011
	RMB '000	RMB '000	RMB '000	RMB '000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings				
Profit attributable to owners of the Company	1,037	23,603	19	6,193
	5,006,540	4,988,208	5,006,540	5,006,540
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings per share	5,006,540	4,988,208	5,006,540	5,006,540

In the calculation of the diluted earnings per share attributable to the owners of the Company for the nine and three months ended 30 September 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.

8. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2012

	Attributable to owners of the Company											Total	
	Share capital	Share premium	Warrant reserve	Capital redemption reserve	Translation reserve	Specific reserve	Other reserve	Share option reserve	Convertible bonds equity reserve	Retained profits	Non-controlling interests		
	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	-	-	-	-	-	-	-	2,414	-	-	2,414	-	2,414
Transactions with owners	-	-	-	-	-	-	-	2,414	(672)	672	2,414	-	2,414
Profit for the period	-	-	-	-	-	-	-	-	-	1,037	1,037	214	1,251
Other comprehensive income	-	-	-	-	2,275	-	-	-	-	-	2,275	-	2,275
Currency translation	-	-	-	-	2,275	-	-	-	-	-	2,275	-	2,275
Total comprehensive income for the period	-	-	-	-	2,275	-	-	-	-	1,037	3,312	214	3,526
Lapse of warrants	-	-	(5,314)	-	-	-	-	-	-	5,314	-	-	-
Utilisation of specific reserve	-	-	-	-	-	(229)	-	-	-	-	(229)	-	(229)
At 30 September 2012 (unaudited)	1,901	731,718	-	6	(10,531)	4,035	(20,560)	52,441	118,673	212,867	1,090,550	92,867	1,183,417

For the nine months ended 30 September 2011

	Attributable to owners of the Company												
	Capital						Convertible bonds				Non controlling interests		
	Share capital	Share premium	Warrant reserve	redemption reserve	Translation reserve	Specific reserve	Other reserve	Share option reserve	equity reserve	Retained profits	Total	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 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	-	-	-	-	-	-	-	3,843	-	-	3,843	-	3,843
Additional interest in subsidiaries acquired by the Group	-	-	-	-	-	-	(27,522)	-	-	-	(27,522)	(213,669)	(241,191)
Transactions with owners	73	38,526	-	-	-	-	(27,522)	3,843	(926)	-	13,994	(213,669)	(199,675)
Profit for the period	-	-	-	-	-	-	-	-	-	23,603	23,603	2,557	26,160
Other comprehensive income													
Currency translation	-	-	-	-	(4,151)	-	-	-	-	-	(4,151)	-	(4,151)
Total comprehensive income for the period	-	-	-	-	(4,151)	-	-	-	-	23,603	19,452	2,557	22,009
Utilisation of specific reserve	-	-	-	-	-	(355)	-	-	-	-	(355)	-	(355)
Share options lapsed	-	-	-	-	-	-	-	(491)	-	491	-	-	-
At 30 September 2011 (unaudited)	1,901	731,718	5,314	6	(13,291)	4,382	(20,558)	48,957	119,345	202,267	1,080,041	92,354	1,172,395

9. EVENT AFTER THE REPORTING PERIOD

Pursuant to a subscription agreement dated 29 August 2012, the Company has conditionally agreed to allot and issue 3,750,000,000 shares at the subscription price of HK\$0.08 per subscription share to Ruffy Investments Limited, a substantial shareholder of the Company. As at the date of this report, the subscription is yet to be completed. Details of the subscription are set out in the circular of the Company dated 11 October 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Market review

Lead

Total global supply of lead for the first eight months of this year stood at approximately 7.08 million tonnes whilst total consumption for the same period was only approximately 7.00 million tonnes, representing a supply surplus of approximately 80,000 tonnes. During the year 2011, global lead production was approximately 10.372 million tonnes and consumption was approximately 10.216 million tonnes, representing a supply surplus of approximately 156,000 tonnes.

World refined lead supply and usage

	2012	2011
January-August		
Metal production (tonnes)	7,081,000	6,949,000
Metal usage (tonnes)	7,001,000	6,797,000
Surplus (tonnes)	80,000	152,000

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

Approximate 1.9% increase in global refined lead metal production in the first eight months was primarily due to higher output in India, Mexico and United Kingdom. Overall global demand for metal usage rose by 3% mainly driven by rises in China, Japan and Turkey. 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 approximately 8.354 million tonnes for the first eight months of this year whilst total consumption was approximately 8.226 million, representing a surplus of approximately 128,000 tonnes. When compared to the supply surplus of approximately 323,000 tonnes for the same period last year, the size of surplus reduced by 195,000 tonnes. During the year 2011, global zinc production was approximately 13.068 million tonnes and consumption was approximately 12.717 million tonnes, representing a supply surplus of approximately 351,000 tonnes.

World refined Zinc supply and usage

	2012	2011
January-August		
Metal production (tonnes)	8,354,000	8,612,000
Metal usage (tonnes)	8,226,000	8,289,000
Surplus (tonnes)	128,000	323,000

Source: ILZSG

Taking into account that the historical trend of zinc market was over supplied in both 2012 and 2011 whereas the demand of zinc remained relatively stable since 2011, it is expected the supply surplus may stay for some time.

PRC Nonferrous Metal Market Industry Review

According to an article issued by China Nonferrous Metals Industry Association of the PRC, total profitability in nonferrous metals industry in the PRC had decreased by approximately 18.3% to approximately RMB97.8 billion for the first seven months of this year when compared with the last corresponding period. The national output of 10 nonferrous metals for the first eight months of this year, including zinc and lead, rose to approximately 24.16 million, representing an increase of approximately 8.9%, but its output growth has been decelerated by approximately 4% while compared with last corresponding period.

Affected by the spread of European sovereign debt crisis, the global economic conditions and outlook were unstable during 2012. As a result, the spot price of lead and zinc faced a downward trend pricing pressure during the reporting period. Average prices of zinc and lead in the first nine months of 2012 dropped by 14.3% and 7.9% to approximately RMB14,977 and RMB15,401 per tonne respectively when compared with last corresponding reporting period.

Despite of on-going complex global economic issues, with the introduction of stimulus measures by the announcement of the new round of quantitative easing, more commonly known as "QE3" from the US Federal Reserve in September 2012, the global economy is expected to recover gradually.

In addition, according to the China 12th Five-Year Plan for non-ferrous metals issued by the Ministry of Industry and Information Technology of the People's Republic of China ("MIIT") on 4 December 2011, MIIT predicted the compound annual growth rates ("CAGRs") of lead and zinc consumption volume to be approximately 7.9% and 5.2% respectively during the five-year period from 2011 to 2015, which compares with the actual CAGRs of lead and zinc consumption of approximately 16.5% and 11.5% respectively during the five-year period from 2006 to 2010. MIIT predicted that the consumption volume of lead and zinc in 2015 will increase to 6.2 million tonnes and 7.2 million tonnes respectively.

Having benefited from macro-economic stimulus policies adopted by the PRC and US government and the demand for metal commodities in the future, the outlook of lead and zinc will remain stable in the long run. The Group will continue to explore investment opportunities in the PRC mining industry to establish its position as one of the industry leaders in lead and zinc mining in the PRC.

Financial performance analysis

Revenue

For the nine months ended 30 September 2012, the Group recorded a turnover of approximately RMB351.1 million, representing a decrease of approximately 8.1% as compared with the turnover of approximately RMB382.2 million for the same period last year. Total costs of production decreased approximately 6.5% to approximately RMB319.0 million compared with the same period in last corresponding period as a result of decrease in the sales volume of the mining business.

Revenue and gross profit margin as at period ended 30 September 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	88,148	(68,497)	19,651	22.3%	123,811	(85,553)	38,258	30.9%
Metal trading and service income	263,032	(250,574)	12,458	4.7%	258,430	(255,808)	2,622	1.0%
Total	<u>351,180</u>	<u>(319,071)</u>	<u>32,109</u>	<u>9.1%</u>	<u>382,241</u>	<u>(341,361)</u>	<u>40,880</u>	<u>10.7%</u>

Nonferrous metal mining

Mining activities of Jiashengpan, a principal subsidiary of the Group, have been adversely affected by a downward trend pricing pressure as a result of the uncertainties surrounding the global economy. For the nine months ended 30 September 2012, revenue generated from sales of nonferrous metal products amounted to approximately RMB88.1 million, representing a decrease of approximately 28.8% as compared with last corresponding period. Approximately 22.3% gross profit margin was recorded for the nine months ended 30 September 2012 representing a decrease of approximately 8.6% as compared with last corresponding period.

Metal trading and service income

Total revenue generated from metal trading and service income amounted to approximately RMB263.0 million for the nine months ended 30 September 2012, representing a slight increase of approximately 1.8% over the last corresponding period. Gross profit margin has been improved as a result of the service income generated from indent trading activity during the reporting period.

The followings are the sales volume and average selling price for each of our mining products and trading business in respect of the period ended 30 September 2012 and 2011:

	Nine months ended 30 September 2012			Nine months ended 30 September 2011		
	Sales volume	Selling price RMB	Total revenue RMB'000	Sales volume	Selling price RMB	Total revenue RMB'000
Zinc concentrates (tonnes)	7,575	8,710.9	65,985	9,933	9,970.3	99,035
Lead concentrates, crude lead and lead ingots (tonnes)	1,584	12,507.5	19,812	11,569	13,630.5	157,691
Sulphuric acid (tonnes)	32,249	212.44	6,851	31,738	389.85	12,373
Silver (tonnes)	1,039	4,849,855.6	5,039	16.44	6,150,790.7	101,119
Associated gold metal (grams)	1,320	302.3	399	25,313	282.35	7,147
Iron concentrates (tonnes)	469	543.7	255	725	531	385
Copper cathode (tonnes)	3,672	49,466.8	181,642	-	-	-
Tailing mine (tonnes)	62,236	173.44	10,794	16,240	276.55	4,491
Nickel Cathodes (tonnes)	329	99,075.9	32,596	-	-	-
Service income	N/A	N/A	5,955	-	-	-
Others	-	-	21,852	-	-	-
Total revenue			<u>351,180</u>			<u>382,241</u>

Financial information by ordinary course of business

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

	Nine months ended 30 September 2012				Total RMB'000
	Mining RMB'000	Metal trading RMB'000	Metal commodity futures RMB'000	Unallocated corporate income and expenses RMB'000	
Revenue	88,148	263,032	-	-	351,180
Changes in fair value of derivative financial instruments	-	-	19,626	-	19,626
Cost of sales	(68,497)	(250,574)	-	-	(319,071)
Gross profit	19,651	12,458	19,626	-	51,735
Other income	4,187	21	4,475	-	8,683
Selling and distribution costs	(4,180)	(288)	-	-	(4,468)
Administrative expenses	(15,209)	(1,105)	(1,896)	(7,076)	(25,286)
Equity-settled share options expenses	-	-	-	(2,414)	(2,414)
Finance costs	(974)	(3,397)	(98)	(19,473)	(23,942)
Profit/(loss) before income tax	<u>3,475</u>	<u>7,689</u>	<u>22,107</u>	<u>(28,963)</u>	<u>4,308</u>

Other income

During the period, other income was approximately RMB8.7 million representing a decrease of approximately RMB6.8 million or approximately 44.0% as compared with approximately RMB15.5 million for the same period in 2011.

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 nine months ended 30 September 2012, the Group recorded a profit on futures contracts of approximately RMB19.7 million (2011: approximately RMB49.5 million). The Group did not enter into any commodity 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 metal 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 nine months ended 30 September 2012 amounted to approximately RMB4.5 million (2011: RMB7.1 million), the decrease was in tandem with the decrease in turnover of the mining business.

Administrative expenses for the nine months ended 30 September 2012 amounted to approximately RMB25.3 million (2011: RMB29.3 million). Administrative expenses mainly comprised of staff remuneration and social insurance, including directors' emoluments, of approximately RMB9.4 million, real estate tax, land use tax and various governmental expenses of approximately RMB5.4 million, and rental and management fees of approximately RMB1.4 million.

Finance costs

Finance costs for the nine months ended 30 September 2012 amounted to approximately RMB23.9 million, representing a decrease of approximately RMB0.3 million compared with the same period in 2011.

Profit for the period attributable to owners of the Company

Profit attributable to the owners of the Company for the nine months ended 30 September 2012 amounted to approximately RMB1.0 million, representing a decrease of approximately RMB22.6 million as compared with the corresponding period in 2011.

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

As at 30 September 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); (b) required to be recorded in the register kept by the Company pursuant to section 352 of the SFO or; (c) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules 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 (%)
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	0.08%	4 Dec 09	4 Dec 2010 to 3 Dec 2014	HK\$0.26

Save as disclosed herein, as at 30 September 2012, 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); (b) required to be recorded in the register kept by the Company pursuant to section 352 of the SFO or; (c) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEME

As at 30 September 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 September 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					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	At 30 September 2012			
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 September 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 the 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.

Pursuant to a subscription agreement dated 29 August 2012, the Company has conditionally agreed to allot and issue 3,750,000,000 shares at the subscription price of HK\$0.08 per subscription share to Ruffy Investments Limited, a substantial shareholder of the Company. As at the date of this report, the subscription is yet to be completed. Details of the subscription are set out in the circular of the Company dated 11 October 2012.

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 September 2012.

CORPORATE GOVERNANCE

The Company has complied throughout the nine months ended 30 September 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 posts 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, 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 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 conflict of interests with the interests of the Group.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF SECURITIES OF THE COMPANY

During the nine months ended 30 September 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 and internal control procedures of the Group. The members of the audit committee comprises of three independent non-executive Directors, namely Mr. Liu Yaosheng, Mr. Chan Siu Lun (who is the Chairman) and Mr. Chen Mingxian.

The Group's unaudited consolidated results for the nine months ended 30 September 2012 have been reviewed by the audit committee, prior to recommending them for Board's approval.

MATERIAL ACQUISITION AND DISPOSAL

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

CONTINGENCIES

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

PUBLIC FLOAT

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

On behalf of the Board

China Nonferrous Metals Company Limited

Mei Ping

Chairman

Hong Kong,
9 November 2012

As at the date of this report, the executive Directors of the Company are Mr. Mei Ping, Ms. Xie Yi Ping, Dr. Yu Heng Xiang, Mr. Ng Tang, Mr. Kang Hongbo and Ms. Han Qiong; the independent non-executive Directors of the Company are Mr. Liu Yaosheng, Mr. Chan Siu Lun and Mr. Chen Mingxian.