

\* for identification only

# 2013

## First 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

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

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

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

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*This report, for which the directors (the “Directors”) of China Nonferrous Metals Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

**HIGHLIGHTS**

- Achieved a turnover of approximately RMB39.2 million for the three months ended 31 March 2013, representing an approximately 41.7% decrease as compared with that of the corresponding period in 2012.
- The net loss of the Group attributable to owners of the Company for the three months ended 31 March 2013 was approximately RMB7.3 million (2012: profit of RMB11.7 million).
- The Directors do not recommend dividend for the three months ended 31 March 2013.

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 three months ended 31 March 2013, together with the comparative figures for the corresponding period in 2012 as follows:

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Three months ended 31 March</b>	
	<i>Notes</i>	<b>2013 RMB'000 (unaudited)</b>	2012 RMB'000 (unaudited)
Revenue	3	<b>39,194</b>	67,179
Cost of sales		<b>(30,565)</b>	(51,067)
<b>Gross profit</b>		<b>8,629</b>	16,112
Other income		<b>41</b>	2,235
Changes in fair value of derivative financial instruments		<b>2,456</b>	12,139
Selling and distribution costs		<b>(709)</b>	(865)
Administrative expenses		<b>(7,663)</b>	(7,158)
Equity-settled share options expenses		<b>(346)</b>	(803)
<b>Profit from operations</b>		<b>2,408</b>	21,660
Finance costs		<b>(10,402)</b>	(7,565)
<b>(Loss)/profit before income tax</b>		<b>(7,994)</b>	14,095
Income tax credit/(expense)	4	<b>369</b>	(1,429)
<b>(Loss)/profit for the period</b>		<b>(7,625)</b>	12,666
<b>Attributable to:</b>			
Owners of the Company		<b>(7,251)</b>	11,658
Non-controlling interests		<b>(374)</b>	1,008
<b>(Loss)/profit for the period</b>		<b>(7,625)</b>	12,666
<b>(Losses)/earnings per share</b>	6		
Basic		<b>RMB(0.08) cent</b>	RMB0.23 cent
Diluted		<b>N/A</b>	N/A

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Three months ended 31 March</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
(Loss)/profit for the period	<b>(7,625)</b>	12,666
<b>Other comprehensive income</b>		
Exchange differences arising on translation of foreign operations	<b>10</b>	(11)
Total other comprehensive income for the period	<b>10</b>	(11)
Total comprehensive income for the period	<b>(7,615)</b>	12,655
<b>Attributable to:</b>		
Owners of the Company	<b>(7,241)</b>	11,647
Non-controlling interests	<b>(374)</b>	1,008
	<b>(7,615)</b>	12,655

**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 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 Directors consider that the Company’s immediate and ultimately holding company is Ruffy Investments Limited (“Ruffy”), a company incorporated in the British Virgin Islands (“BVI”).

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 Interpretations 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 three months ended 31 March 2013 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012. The consolidated results for the three months ended 31 March 2013 are unaudited but have been reviewed by the Company’s audit committee.

**2. ADOPTION OF NEW AND 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 2013.

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 2012. The Directors anticipate that the adoption of the new IFRSs had no material impact on how the results for the current and prior periods have been prepared and presented.

**3. REVENUE**

The Group is engaged in the mining, processing and trading of mineral resources. Revenue recognised during the three months ended 31 March 2013 are as follows:

	<b>Three months ended 31 March</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Mining, processing and trading of mineral resources	<b>39,194</b>	67,179

**4. INCOME TAX CREDIT/(EXPENSE)**

	<b>Three months ended 31 March</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Current		
– PRC	–	1,894
Deferred taxation	<b>(369)</b>	(465)
Total tax (credit)/charge for the period	<b>(369)</b>	1,429

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.

**5. DIVIDEND**

No dividend has been paid, proposed, or declared by the Group for the three months ended 31 March 2013 (2012: Nil).

**6. (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY**

Basic losses per share is calculated based on the Group's loss for the period attributable to owners of the Company of RMB7,251,000 (2012: profit of RMB11,658,000) divided by the weighted average number of approximately 8,756,540,000 (2012: approximately 5,006,540,000) ordinary shares in issue during the period.

Diluted (losses)/earnings per share for the three months ended 31 March 2013 and 2012 are not presented because the impacts of both of the exercise of share options and conversion of the convertible bonds are anti-dilutive.

## 7. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2013

	Attributable to owners of the Company												
	Share capital RMB '000	Share premium RMB '000	Warrant reserve RMB '000	Capital redemption reserve RMB '000	Translation reserve RMB '000	Specific reserve RMB '000	Other reserve RMB '000	Share option reserve RMB '000	Convertible bonds equity reserve RMB '000	Retained profits RMB '000	Total RMB '000	Non-controlling interests RMB '000	Total RMB '000
Balance at 31 December 2012 and 1 January 2013 (audited)	3,107	970,169	-	6	(13,997)	4,264	(20,560)	53,084	118,673	194,508	1,309,254	92,844	1,402,098
Equity-settled share option arrangements	-	-	-	-	-	-	-	346	-	-	346	-	346
Transactions with owners	-	-	-	-	-	-	-	346	-	-	346	-	346
Loss for the period	-	-	-	-	-	-	-	-	-	(7,251)	(7,251)	(374)	(7,625)
<b>Other comprehensive income</b>	-	-	-	-	10	-	-	-	-	-	10	-	10
Currency translation	-	-	-	-	10	-	-	-	-	-	10	-	10
Total comprehensive income for the period	-	-	-	-	10	-	-	-	-	(7,251)	(7,241)	(374)	(7,615)
At 31 March 2013 (unaudited)	<u>3,107</u>	<u>970,169</u>	<u>-</u>	<u>6</u>	<u>(13,987)</u>	<u>4,264</u>	<u>(20,560)</u>	<u>53,430</u>	<u>118,673</u>	<u>187,257</u>	<u>1,302,359</u>	<u>92,470</u>	<u>1,394,829</u>

For the three months ended 31 March 2012

Balance 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
Equity-settled share option arrangements	-	-	-	-	-	-	-	803	-	-	803	-	803
Transactions with owners	-	-	-	-	-	-	-	803	-	-	803	-	803
Profit for the period	-	-	-	-	-	-	-	-	-	11,658	11,658	1,008	12,666
<b>Other comprehensive income</b>	-	-	-	-	(11)	-	-	-	-	-	(11)	-	(11)
Currency translation	-	-	-	-	(11)	-	-	-	-	-	(11)	-	(11)
Total comprehensive income for the period	-	-	-	-	(11)	-	-	-	-	11,658	11,647	1,008	12,655
Redemption of convertible bonds	-	-	-	-	-	-	-	-	(672)	672	-	-	-
Utilisation of specific reserve	-	-	-	-	-	(142)	-	-	-	-	(142)	-	(142)
At 31 March 2012 (unaudited)	<u>1,901</u>	<u>731,718</u>	<u>5,314</u>	<u>6</u>	<u>(12,817)</u>	<u>4,122</u>	<u>(20,560)</u>	<u>50,830</u>	<u>118,673</u>	<u>218,174</u>	<u>1,097,361</u>	<u>93,661</u>	<u>1,191,022</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND FINANCIAL REVIEW

#### Market review

##### Lead

Total global supply of lead for the first two months of 2013 stood at approximately 1.683 million tonnes whilst total consumption for the same period was only approximately 1.675 million tonnes, representing a supply surplus of approximately 8,000 tonnes. During the year 2012, global lead production was approximately 10.617 million tonnes and consumption was approximately 10.553 million tonnes, representing a supply surplus of approximately 64,000 tonnes.

World refined lead supply and usage

January – February	2013	2012
Metal production (tonnes)	<b>1,683,000</b>	1,609,000
Metal usage (tonnes)	<b>1,675,000</b>	1,583,000
Surplus (tonnes)	<b>8,000</b>	26,000

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

Although we are still witnessing a supply surplus for the first two months of this year, the size of the surplus has been reduced substantially from approximately 26,000 tonnes to 8,000 tonnes for the same period last year. It is expected that the surplus will be reduced further as global economy continues to improve and the persistent improvement on demand created by the automobile industry in China. The outlook for lead is that surplus supply will eventually be turned into a deficit and China may turn from a net lead export to a net import country gradually.

##### Zinc

Total global supply of zinc was approximately 2.127 million tonnes for the first two months of 2013 whilst total consumption was approximately 2.077 million tonnes, representing a supply surplus of approximately 50,000 tonnes. When compared to the supply surplus of approximately 123,000 tonnes for the same period last year, there was a reduction of approximately 73,000 tonnes. During the year 2012, global zinc production was approximately 12.660 million tonnes and consumption was approximately 12.395 million tonnes, representing a supply surplus of approximately 265,000 tonnes.

## World refined Zinc supply and usage

January – February	2013	2012
Metal production (tonnes)	2,127,000	2,073,000
Metal usage (tonnes)	2,077,000	1,950,000
Surplus (tonnes)	50,000	123,000

Source: ILZSG

The zinc market is still being over supplied despite the fact that surpluses have narrowed in February 2013 when compared to the same period last year. Production is estimated to increase disproportionately to consumption implying that the supply surplus may stay for some time.

### PRC nonferrous metals development in 2012 and prospect

According to an article issued by China Nonferrous Metals Industry Association (the “CNIA”), the national output of ten nonferrous metals for 2012, including zinc and lead, rose to approximately 36.91 million tonnes, but its output growth has been decelerated by approximately 1.3% while compared with 2011. The output of lead climbed to approximately 9.3% to 4.65 million tonnes but the output of zinc lowered by approximately 5.6% to 4.85 million tonnes. Total profitability in nonferrous metals industry in the PRC (excluding gold mining and rare earth corporation) had decreased by approximately 8.9% to approximately RMB155.8 billion compared with last year.

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

### Financial highlights

The Group are principally engaged in the mining, processing and trading of mineral resources. The mining site in Bameng Wuzhong Qi Jiashengpan Zinc, Lead and Pyrite Resources Exploitation Co. Ltd. ("Jiashengpan"). Jiashengpan is a significant profit generating business in the Group, its performance is heavily weighted to the Group's profitability. Jiashengpan has generated revenue of approximately 33.3 million, representing approximately 85.0% of the Group's revenue. However, zinc and lead concentrates' gross profit were diminished as a result of decrease in the selling price, gross profit margin in nonferrous metal mining dropped from approximately 27.3% to 16.4% compared with last corresponding period.

The following is a comparison of financial results between the three months ended 31 March 2013 and 2012:

For the three months ended 31 March 2013, the Group recorded a turnover of approximately RMB39.2 million, representing a decrease of approximately 41.7% as compared with the turnover of approximately RMB67.2 million for the same period last year. Total costs of production decreased 40.1% to approximately RMB30.6 million compared with the same period in last corresponding period as a result of lower sales of goods.

Revenue and gross profit margin for the three months ended 31 March 2013 is as follows:

	2013				2012			
	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	33,346	(27,893)	5,453	16.4%	58,521	(42,537)	15,984	27.3%
Metal trading	2,790	(2,672)	118	4.2%	8,658	(8,530)	128	1.5%
Indent trading/service income	3,058	-	3,058	100%	-	-	-	-
<b>Total</b>	<b>39,194</b>	<b>(30,565)</b>	<b>8,629</b>	<b>22.0%</b>	<b>67,179</b>	<b>(51,067)</b>	<b>16,112</b>	<b>24.0%</b>

The Group usually experiences lower sales in the first quarter due to reduced business activities around Chinese New Year holiday as our customers generally place their orders in advance in the quarter immediately prior to the Chinese New Year. In addition, the extreme snowy weather condition affected the utilisation of the production equipment at the Mongolian plant making the sales comparatively lower in the first quarter. Meanwhile, from previous management experiences, sales will gradually increase in the subsequent quarters. Financial performance in 2013 is expected to improve if metal prices and production volumes remain stable.

The followings are the sales volume and average selling prices for each of our mining products in respect of the three months ended 31 March 2013 and 2012:

	Three months ended 31 March 2013			Three months ended 31 March 2012		
	Sales volume (tonne)	Selling price (RMB/tonne)	Total revenue (RMB'000)	Sales volume (tonne)	Selling price (RMB/tonne)	Total revenue (RMB'000)
Zinc concentrates	4,168	7,880.8	32,847	4,659	9,358.4	43,601
Lead concentrates						
crude lead and ingots	180	12,711.1	2,288	1,321	12,983.3	17,151
Silver	-	-	-	0.101	5,564,356.0	562
Gold (gram)	-	-	-	284	313.4	89
Sulphuric acid	6,297	159.0	1,001	15,000	170.9	2,564
Tailing mine	-	-	-	15,124	212.4	3,212
Indent trading/ service income	-	-	3,058	-	-	-
			<b>39,194</b>			<b>67,179</b>

### Financial information by ordinary course of business

The Company is engaged in three ordinary course of businesses – 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.

	Three months ended 31 March 2013				Total RMB'000
	Mining RMB'000	Metal trading RMB'000	Metal commodities futures RMB'000	Unallocated corporate income and expenses RMB'000	
<b>Revenue</b>	33,346	5,848	-	-	39,194
<b>Changes in fair value of derivative financial instruments</b>	-	-	2,456	-	2,456
<b>Cost of sales</b>	(27,893)	(2,672)	-	-	(30,565)
<b>Gross profit</b>	5,453	3,176	2,456	-	11,085
Other income	4	35	2	-	41
Selling and distribution costs	(709)	-	-	-	(709)
Administrative expenses	(4,605)	(333)	(499)	(2,226)	(7,663)
Equity-settled share options expenses	-	-	-	(346)	(346)
Finance costs	(2,814)	(889)	(17)	(6,682)	(10,402)
<b>Profit/(loss) before income tax</b>	<u>(2,671)</u>	<u>1,989</u>	<u>1,942</u>	<u>(9,254)</u>	<u>(7,994)</u>

**Other income**

Other income for the quarter ended 31 March 2013 decreased by approximately RMB2.2 million to RMB0.04 million compared with the same period in last corresponding period. 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 commodities futures contracts used to hedge against the Group's production and inventories. For the three months ended 31 March 2013, the Group recorded a profit on futures contracts of approximately RMB2.5 million (2012: approximately RMB12.1 million). The Group did not enter into any commodities futures contracts unrelated to the business operations during the period (2012: 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 contracts for speculation purposes.

**Operating expenses**

Selling and distribution expenses for the three months ended 31 March 2013 amounted to approximately RMB0.71 million (2012: approximately RMB0.87 million), representing a decrease of approximately RMB0.16 million compared with the corresponding period in 2012.

Administrative expenses for the three months ended 31 March 2013 amounted to approximately RMB7.7 million (2012: approximately RMB7.2 million), representing an increase of approximately RMB0.5 million or 7.1% compared with the quarter ended 31 March 2012. Administrative expenses mainly consisted of staff costs, legal and professional fees, rent and rates, commission, depreciation and various governmental expenses.

**Finance costs**

Finance costs for the quarter ended 31 March 2013 amounted to approximately RMB10.4 million, representing an increase of approximately RMB2.8 million compared with the three months ended 31 March 2012 as a result of a total of RMB155.0 million loans being raised during the period.

**(Loss)/profit for the period attributable to equity owners**

The net loss of the Group attributable to the owners of the Company for the three months ended 31 March 2013 was approximately RMB7.3 million (2012: profit of RMB11.7 million).

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

As at 31 March 2013, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of the Hong Kong Special Administrative Region (the "SFO")), which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); 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*

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Percentage of shareholding (%)</b>
Kang Hongbo	Beneficial owner	11,400,000	0.13

(b) *Share options*

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

Name of Directors	Capacity	No. of options outstanding	Approx. % of interests	Date granted	Period during which options exercisable	Exercise price per share
Ng Tang	Beneficial owner	3,000,000	0.03%	4 Dec 09	4 Dec 2010 to 3 Dec 2014	HK\$0.26
Kang Hongbo	Beneficial owner	1,500,000	0.02%	20 May 09	20 Mar 2010 to 19 May 2014	HK\$0.234
	Beneficial owner	10,000,000	0.11%	4 Dec 09	4 Dec 2010 to 3 Dec 2014	HK\$0.26
	Subtotal:	11,500,000	0.13%			
Han Qiong	Beneficial owner	4,000,000	0.05%	4 Dec 09	4 Dec 2010 to 3 Dec 2014	HK\$0.26

Save as disclosed herein, as at 31 March 2013, none of Directors and chief executive of the Company had any interests and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); 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 31 March 2013, options to subscribe for an aggregate of 586,710,000 shares had been granted to certain Directors, employees and suppliers/advisors of the Group. Details of outstanding options were as follows:

Name or category of participant	Number of share options				At 31 March 2013	Date of grant of share options (note a)	Exercise period of share options	Exercise price of share option
	At 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period				
<b>Directors</b>								
Mr. Ng Tang (Note b)	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
	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000,000</u>			
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
	<u>11,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,500,000</u>			
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
	<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>			

Name or category of participant	Number of share options				At 31 March 2013	Date of grant of share options (note a)	Exercise period of share options	Exercise price of share option
	At 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period				
<b>Other employees</b>								
In aggregate	1,500,000	-	-	-	1,500,000	15/05/2009	Period 2	0.216
	5,000,000	-	-	-	5,000,000	20/05/2009	Period 4	0.234
	22,340,000	-	-	-	22,340,000	04/12/2009	Period 7	0.260
	22,340,000	-	-	-	22,340,000	04/12/2009	Period 8	0.260
	33,510,000	-	-	-	33,510,000	04/12/2009	Period 9	0.260
	33,510,000	-	-	-	33,510,000	04/12/2009	Period 10	0.260
	358,510,000	-	-	-	358,510,000	28/7/2010	Period 11	0.246
	<u>476,710,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>476,710,000</u>			
<b>Suppliers/Advisors</b>								
In aggregate	20,000,000	-	-	-	20,000,000	12/06/2008	Period 1	0.340
	8,000,000	-	-	-	8,000,000	19/05/2009	Period 3	0.220
	3,500,000	-	-	-	3,500,000	17/08/2009	Period 5	0.272
	10,000,000	-	-	-	10,000,000	04/12/2009	Period 6	0.260
	10,000,000	-	-	-	10,000,000	04/12/2009	Period 7	0.260
	10,000,000	-	-	-	10,000,000	04/12/2009	Period 8	0.260
	15,000,000	-	-	-	15,000,000	04/12/2009	Period 9	0.260
	15,000,000	-	-	-	15,000,000	04/12/2009	Period 10	0.260
	<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:

- (a) 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 options 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.
- (b) Mr. Ng Tang retired by rotation as executive Director in accordance with bye-laws and the resolution in respect of his re-election was not passed by shareholders as ordinary resolution at the conclusion of the annual general meeting held on 3 May 2013. The share options lapsed due to his retirement.

### SUBSTANTIAL SHAREHOLDERS

As at 31 March 2013, so far as the Directors were aware, the following persons or companies (other than the Directors or chief executive of the Company) had an interest or short position in the shares, underlying shares and debentures of the Company which were discloseable under Divisions 2 and 3 of Part XV of the SFO and recorded in the register of interests required to be kept by the Company pursuant to Section 336 of SFO:

Name of Shareholders	Type of interests	Position	Number of Shares	Approximate percentage
Ruffy Investments Limited ("Ruffy") (Note 1)	Beneficial owner	Long	6,857,723,048	78.32%
	Beneficial owner	Short	350,000,000	4.00%
Mr. Mei Wei (Notes 1 & 2)	Interest in controlled corporation	Long	6,857,723,048	78.32%
	Beneficial owner	Long	419,560,000	4.79%
			<u>7,277,283,048</u>	<u>83.11%</u>
	Interest in controlled corporation	Short	350,000,000	4.00%

Notes:

1. These shares and underlying shares of the Company comprise of 5,165,458,530 Shares and HK\$372,298,194 principal amount of convertible bonds which can be convertible into 1,692,264,518 Shares, were held by Ruffy, which is wholly-owned by Mr. Mei Wei. Mr. Mei Wei was deemed to be interested in these Shares and the underlying Shares under the SFO. Among the Shares owned by Ruffy, 626,624,250 Shares and HK\$370,957,666 principal amount of convertible bonds have been pledged by Ruffy to CCB International Group Holdings Limited.

On 13 March 2012, Ruffy 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 supplemental deed dated 31 December 2012, the aforesaid exercise price has been adjusted to HK\$0.08 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 31 March 2013.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the three months ended 31 March 2013 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 2012 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 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/CONTROLLING SHAREHOLDERS INTERESTS IN COMPETING BUSINESS

During the year and at the date of this report, the following Director(s) and controlling shareholder is/are considered to have interests in the businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the GEM Listing Rules.

Mr. Mei Ping held shareholding or directorship in 深圳冠欣礦業集團有限公司 and 深圳市冠欣投資有限公司 (collectively referred as “First Create Group”), including its subsidiaries and associated companies, engaged in the mining and trading business. Mr. Kang Hongbo is an executive director of 深圳冠欣礦業集團有限公司. The Company’s substantial shareholder, Mr. Mei Wei, also has beneficial interest and directorship in First Create Group. However, the Directors do not consider the interests/directorship held by Mr. Mei Ping, Mr. Mei Wei and Mr. Kang Hongbo to be competing in practice with the relevant businesses of the Group in view of:

- (1) Different target customers: trading business of First Create Group is overseas focus while majority turnover in the Group is local business.
- (2) Trading volume in First Create Group is significantly higher than the Group.

In addition, the Board is independent from the board of directors of the aforesaid companies as Mr. Mei Ping and Mr. Kang Hongbo cannot personally control the Board. Further, Mr. Mei is fully aware of, and has been discharging, his fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and its shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm’s length from the business of such companies.

Mr. Mei Wei also held shareholding interests and/or directorship in companies engaged in the mining and processing of mineral resources. However, the Directors do not consider the interest held will create any competing in practice with the relevant businesses of the Group as the mineral resources explored are not mainly zinc and lead concentrates oriented or the mining sites activities are inactive.

### **PRE-EMPTIVE RIGHTS**

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

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the three months ended 31 March 2013, 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 first quarterly results for the three months ended 31 March 2013) and internal control procedures of the Group. The members of the audit committee comprises three independent non-executive Directors, namely Mr. Liu Yaosheng and Mr. Chen Mingxian and Mr. Chan Siu Lun.

The Group's unaudited consolidated results for the three months ended 31 March 2013 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 acquisitions or disposals of subsidiaries and associated companies have been made by the Company during the three months ended 31 March 2013.

## **CONTINGENCIES**

As at 31 March 2013, there was no guarantees given to any banks or financial institutions by the Groups to the parties outside the Group.

## **PUBLIC FLOAT**

For the three-month period ended 31 March 2013, 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 May 2013

*As at the date of this report, the Board consists of four executive Directors, namely Mr. Mei Ping, Dr. Yu Heng Xiang, Mr. Kang Hongbo and Ms. Han Qiong and three independent non-executive Directors, namely Mr. Liu Yaosheng, Mr. Chan Siu Lun and Mr. Chen Mingxian.*