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2013

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

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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
Dr. YU Heng Xiang
Mr. KANG Hongbo
Ms. HAN Qiong

Independent Non-Executive Directors

Mr. CHAN Siu Lun
Mr. CHEN Mingxian
Ms. HE Qing

Compliance Officer

Mr. MEI Ping

Company Secretary

Mr. LI Chi Chung, Michael

Audit Committee

Mr. CHAN Siu Lun
Mr. CHEN Mingxian
Ms. HE Qing

Remuneration Committee

Mr. CHEN Mingxian
Mr. CHAN Siu Lun
Ms. HE Qing

Nomination Committee

Mr. CHEN Mingxian
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.

Auditor

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 Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong

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

HIGHLIGHTS

- Turnover of approximately RMB150.4 million for the six months ended 30 June 2013, representing an approximately 62.3% increase as compared with that of the corresponding period in 2012.
- Net loss of the Group attributable to owners of the Company for the six months ended 30 June 2013 amounted to approximately RMB19.0 million (2012: profit of RMB1.0 million).
- Gearing ratio was 35.6% as at 30 June 2013 (31 December 2012: 25.5%).
- The Directors do not recommend an interim dividend for the six months ended 30 June 2013.

Note:

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

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 six months ended 30 June 2013, together with the comparative figures for the corresponding period in 2012 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June		Three months ended 30 June	
		2013	2012	2013	2012
		RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	3	150,414	92,683	111,220	25,504
Cost of sales		(138,846)	(75,544)	(108,281)	(24,477)
Gross profit		11,568	17,139	2,939	1,027
Other income		8,381	6,364	8,340	4,129
Changes in fair value of derivative financial instruments		1,582	14,575	(874)	2,436
Selling and distribution costs		(2,758)	(1,495)	(2,049)	(630)
Administrative expenses		(17,240)	(15,336)	(9,577)	(8,178)
Equity-settled share options expenses		(405)	(1,608)	(59)	(805)
Profit/(loss) from operations	5	1,128	19,639	(1,280)	(2,021)
Finance costs	6	(22,792)	(15,991)	(12,390)	(8,426)
(Loss)/profit before income tax		(21,664)	3,648	(13,670)	(10,447)
Income tax credit/(expense)	7	1,526	(2,299)	1,157	(870)
(Loss)/profit for the period		(20,138)	1,349	(12,513)	(11,317)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended		Three months ended	
	30 June		30 June	
	2013	2012	2013	2012
Note	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Attributable to:				
Owners of the Company	(19,002)	1,018	(11,751)	(10,640)
Non-controlling interests	(1,136)	331	(762)	(677)
	<hr/>		<hr/>	
(Loss)/profit for the period	(20,138)	1,349	(12,513)	(11,317)
	<hr/> <hr/>		<hr/> <hr/>	
(Losses)/earnings per share				
Basic	RMB(1.09) cent	RMB0.10 cent	RMB(0.67) cent	RMB(1.06) cent
Diluted	N/A	N/A	N/A	N/A
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended		Three months ended	
	30 June		30 June	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(Loss)/profit for the period	(20,138)	1,349	(12,513)	(11,317)
Other comprehensive income				
Exchange differences arising on translation of foreign operations	137	(928)	127	(917)
Total other comprehensive income for the period	137	(928)	127	(917)
Total comprehensive income for the period	(20,001)	421	(12,386)	(12,234)
Attributable to:				
Owners of the Company	(18,865)	90	(11,624)	(11,557)
Non-controlling interests	(1,136)	331	(762)	(677)
	(20,001)	421	(12,386)	(12,234)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	351,465	342,192
Intangible assets		1,056,107	1,062,213
Prepaid land lease payments		1,902	1,923
Deposits		104,124	56,376
Deferred tax assets		251	251
		1,513,849	1,462,955
Current assets			
Inventories		63,175	82,904
Prepaid land lease payments		42	42
Trade and note receivables	11	300,416	214,963
Other receivables, deposits and prepayments		378,358	252,509
Financial assets at fair value through profit or loss		2,803	997
Amounts due from related companies		154,665	104,939
Cash and bank balances		17,017	76,427
		916,476	732,781
Assets classified as held for sale	12	86,167	-
		1,002,643	732,781
Current liabilities			
Trade payables	13	58,430	43,413
Other payables and accrued charges		63,771	75,770
Amounts due to related companies		875	1,425
Financial liabilities at fair value through profit or loss		1,035	646
Borrowings	14	45,359	75,437
Provision for tax		81,909	82,575
		251,379	279,266
Liabilities directly associated with assets classified as held for sale	12	213,764	-
		465,143	279,266
Net current assets		537,500	453,515
Total assets less current liabilities		2,051,349	1,916,470

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

		As at 30 June 2013 <i>RMB'000</i> (unaudited)	As at 31 December 2012 <i>RMB'000</i> (audited)
	<i>Notes</i>		
Non-current liabilities			
Borrowings	14	150,448	634
Convertible bonds	15	264,223	258,036
Deferred tax liabilities		254,176	255,702
		<hr/> 668,847 <hr/>	<hr/> 514,372 <hr/>
Net assets		1,382,502 <hr/> <hr/>	1,402,098 <hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	3,107	3,107
Reserves		1,287,687	1,306,147
		<hr/> 1,290,794 <hr/>	<hr/> 1,309,254 <hr/>
Non-controlling interests		91,708 <hr/>	92,844 <hr/>
Total equity		1,382,502 <hr/> <hr/>	1,402,098 <hr/> <hr/>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	(153,547)	101,991
Net cash used in investing activities	(67,160)	(12,251)
Net cash generated from/(used in) financing activities	160,658	(71,911)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	(60,049)	17,829
Cash and cash equivalents at beginning of the period	76,427	10,016
Effect of foreign exchange rate changes, net	2,984	1,857
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	19,362	29,702
	<hr/> <hr/>	<hr/> <hr/>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 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
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	-	-	-	-	-	-	-	405	-	-	405	-	405
Transactions with owners	-	-	-	-	-	-	-	405	-	-	405	-	405
Loss for the period	-	-	-	-	-	-	-	-	-	(19,002)	(19,002)	(1,136)	(20,138)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-
Currency translation	-	-	-	-	137	-	-	-	-	-	137	-	137
Total comprehensive income for the period	-	-	-	-	137	-	-	-	-	(19,002)	(18,865)	(1,136)	(20,001)
Share options lapsed	-	-	-	-	-	-	-	(1,768)	-	1,768	-	-	-
At 30 June 2013 (unaudited)	<u>3,107</u>	<u>970,169</u>	<u>-</u>	<u>6</u>	<u>(13,860)</u>	<u>4,264</u>	<u>(20,560)</u>	<u>51,721</u>	<u>118,673</u>	<u>177,274</u>	<u>1,290,794</u>	<u>91,708</u>	<u>1,382,502</u>

For the six months ended 30 June 2012

	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
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>

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 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 six months ended 30 June 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 six months ended 30 June 2013 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 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 trading, mining and processing of mineral resources. Revenue recognised during the six months and three months ended 30 June 2013 are as follows:

	Six months ended 30 June		Three months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Revenue:				
Mining, processing and trading of mineral resources	150,414	92,683	111,220	25,504

4. SEGMENT INFORMATION

The Directors manage the Group's daily operations as a single operating segment. The Group's operations are monitored and strategic decisions 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. (LOSS)/PROFIT FROM OPERATIONS

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

	Six months ended 30 June		Three months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Amortisation of intangible assets	6,106	7,045	4,630	5,184
Amortisation of prepaid land lease payments	21	21	11	10
Depreciation of property, plant and equipment	9,658	10,509	5,437	5,113

6. FINANCE COSTS

	Six months ended 30 June		Three months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Wholly repayable within five years				
– interest on bank loans	9,303	2,416	5,600	1,595
– interest on other loans	–	615	–	352
Interest on convertible bonds	13,450	12,926	6,768	6,462
Interest on finance lease liabilities	39	34	22	17
	<u>22,792</u>	<u>15,991</u>	<u>12,390</u>	<u>8,426</u>

7. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June		Three months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Current taxation				
– PRC	–	4,061	–	2,167
Deferred taxation	(1,526)	(1,762)	(1,157)	(1,297)
Total tax (credit)/charge for the period	<u>(1,526)</u>	<u>2,299</u>	<u>(1,157)</u>	<u>870</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.

8. DIVIDEND

No dividend has been paid, proposed or declared by the Group for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

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

The calculation of basic losses/earnings per share attributable to the owners of the Company is based on the following data:

Basic losses per share is calculated based on the Group's loss for the period attributable to owners of the Company of RMB19,002,000 (2012: profit of RMB1,018,000) divided by the weighted average number of approximately 1,751,308,000 (2012: approximately (represented): 1,001,308,000) ordinary shares in issue during the period.

Diluted losses/earnings per share for the six months ended 30 June 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.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired approximately RMB19,433,000 property, plant and equipment (six months ended 30 June 2012: RMB12,455,000).

During the period, the Group had not disposed any of its property, plant and equipment (six months ended 30 June 2012: 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 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
0–60 days	97,914	148,760
61–120 days	143,429	66,191
121–180 days	59,063	–
181–365 days	10	12
	<u>300,416</u>	<u>214,963</u>

12. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

During the six months period ended 30 June 2013, the Directors planned to sell the entire equity interest in Shenzhen City Yinch Technology Company Limited (“Yinchi”) and its subsidiary (together referred as to the “Yinchi Group”) and has entered into a sale and purchase agreement with Mr. Chen Huiming (“Mr. Chen”), an independent third party, whereby the Group agreed to sell and Mr. Chen agreed to buy the entire equity interest in Yinchi at the consideration of RMB1,550,000 (subject to adjustment, if any and a maximum cap of such adjustment of RMB5,000,000). Accordingly, the assets and liabilities attributable to the Yinchi Group have been presented as held for sale as at 30 June 2013. The disposal of the Yinchi Group is still in progress at the approval date of the interim financial report. Details of the disposal have been set out in the circular of the Company dated 23 July 2013.

13. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
0-90 days	40,774	26,995
91-180 days	798	2,472
181-365 days	5,637	13,946
Over 365 days	11,221	-
	58,430	43,413

14. BORROWINGS

During the period, the Group raised borrowings of RMB170,000,000 (six months ended 30 June 2012: Nil). During the six months ended 30 June 2012, the Group had repaid borrowings of approximately RMB54,213,000.

15. CONVERTIBLE BONDS

On 9 July 2008, the Company issued convertible bonds with a principal amount of HK\$756,900,000 (the "2008 Convertible Bonds"), which bear coupon interest rate at 3% per annum payable semi-annually in arrears. 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. The 2008 Convertible Bonds due on 2015 are convertible into fully paid ordinary shares with a par value of HK\$0.002 each of the Company at a conversion price of HK\$1.1, 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 agreed to set off 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 2013, 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 and the interest accrued thereon has been fully settled 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	2010 Convertible Bonds RMB'000	Total RMB'000
Liability component			
Net carrying amounts at 1 January 2012 (audited)	243,634	12,132	255,766
Interest expenses	25,903	178	26,081
Interest paid and accrued	(9,322)	(152)	(9,474)
Redemption of 2010 Convertible Bonds	–	(12,162)	(12,162)
Exchange realignment	(2,179)	4	(2,175)
	<hr/>	<hr/>	<hr/>
Net carrying amounts at 31 December 2012 and 1 January 2013 (audited)	258,036	–	258,036
Interest expenses	13,450	–	13,450
Interest paid and accrued	(4,571)	–	(4,571)
Exchange realignment	(2,692)	–	(2,692)
	<hr/>	<hr/>	<hr/>
Net carrying amounts at 30 June 2013 (unaudited)	264,223	–	264,223
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Equity component			
Net carrying amounts at 1 January 2012 (audited)	118,673	672	119,345
Redemption of 2010 Convertible Bonds	–	(672)	(672)
	<hr/>	<hr/>	<hr/>
Net carrying amounts at 31 December 2012, 1 January 2013 (audited) and 30 June 2013 (unaudited)	118,673	–	118,673
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

16. SHARE CAPITAL

	As at 30 June 2013		As at 31 December 2012	
	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 each at 1 January 2012, 31 December 2012 and 1 January 2013	125,000,000	50,000	125,000,000	50,000
Share consolidation (note a)	(100,000,000)	-	-	-
Ordinary shares of HK\$0.002 each at end of the period/year	25,000,000	50,000	125,000,000	50,000
		RMB'000		RMB'000
Issued:				
Ordinary shares of HK\$0.0004 each at beginning of the period/year	8,756,540	3,107	5,006,540	1,901
Placing and subscription of new shares (note b)	-	-	3,750,000	1,206
Share consolidation (note a)	(7,005,232)	-	-	-
Ordinary shares of HK\$0.002 each at end of the period/year	1,751,308	3,107	8,756,540	3,107

Notes:

- (a) Pursuant to the ordinary resolution passed on 19 June 2013, with effect from 20 June 2013, one share of HK\$0.0004 each in the issued and unissued share capital of the Company were consolidated into five shares of HK\$0.002 each. The authorised share capital of the Company remained at HK\$50,000,000 but was consolidated into 25,000,000 shares of HK\$0.002 each.
- (b) On 29 August 2012, the Company entered into a subscription agreement (the "Subscription Agreement") with Ruffy pursuant to which Ruffy has agreed to subscribe for 3,750,000,000 ordinance shares of the Company of HK\$0.0004 each at HK\$0.08 per share. The Subscription Agreement was completed on 20 November 2012.

17. COMMITMENTS

As at 30 June 2013, 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 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Within one year	1,514	1,434
In the second to fifth year inclusive	144	726
After five years	72	90
	<u>1,730</u>	<u>2,250</u>

Operating lease payments represent rental payable by the Group for its office premises. Leases are negotiated for terms of two to five (31 December 2012: 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 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Property, plant and equipment		
– Contracted but not provided for	70	43,989
	<u>70</u>	<u>43,989</u>

(c) Other commitments

At 30 June 2013, the Group had commitment in relation to the acquisition of a company in the PRC of approximately RMB30,740,000 (31 December 2012: approximately RMB30,740,000). These commitments were effective on or before 31 December 2013 in relation to the aforesaid completion of the proposed acquisition of the company.

18. PLEDGE OF ASSETS

As at 30 June 2013, the Group has pledged its mining rights of approximately RMB1,056,107,000 for the banking facilities granted by the banks to the Group (31 December 2012: RMB1,062,213,000).

19. 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	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of goods to a related company	—	33,602
	<u> </u>	<u> </u>

The amount represented sales of mineral resources to Shenzhen First Create Investment Limited ("First Create"). Mr. Mei Wei, director and beneficial owner of Ruffy, and the Director, Mr. Mei Ping, have beneficial interest or directorship in First Create. The sales were based and mutually agreed terms.

- (b) As at 30 June 2013, the Group's bank borrowings of RMB45,000,000 (2012: RMB30,000,000) were guaranteed by First Create, Mr. Mei Ping and 烏蘭察布市白乃廟銅業有限責任公司, a related company in which Mr. Mei Wei and Mr. Mei Ping have beneficial interests and/or directorship.
- (c) As at 30 June 2013 and 31 December 2012, the Group's borrowing facility of RMB150,000,000 was secured by the Group's mining rights and guaranteed by First Create and Mr. Mei Wei.

20. EVENTS AFTER THE REPORTING PERIOD

- (a) In May 2013, the Company entered into an acquisition agreement for the purchase of an indirect 10% equity interest in Bameng Wuzhong Qi Jiashengpan Zinc, Lead and Pyrite Resources Exploitation Co. Ltd. ("Jiashengpan"). Details were disclosed in the circular of the Company dated 8 July 2013. As at 31 July 2013, the Group's beneficial shareholding in Jiashengpan has increased from 90% to 100%.
- (b) In June 2013, the Company entered into a disposal agreement for the sales of entire interests in the Yichi Group. Details were disclosed in the circular of the Company dated 23 July 2013. Upon completion, the aforesaid subsidiaries will cease to be subsidiaries of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Market review

Lead

Total global supply of lead for the first five months of this year stood at 4.366 million tonnes whilst total consumption for the same period was 4.403 million tonnes, representing a supply deficit of approximately 37,000 tonnes. During the year 2012, global lead production was 10.617 million tonnes and consumption was 10.553 million tonnes, representing a supply surplus of approximately 64,000 tonnes.

World refined lead supply and usage

January-May	2013	2012
Metal production (tonnes)	4,366,000	4,101,000
Metal usage (tonnes)	4,403,000	4,069,000
(Deficit)/Surplus (tonnes)	(37,000)	32,000

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

Approximate 6.5% increase in global refined lead metal production in the first five months was primarily due to higher output in China and Italy. The increase in global refined lead metal demand was due primarily to higher consumption in China and the United States. 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 5.383 million tonnes for the first five months of this year whilst total consumption was 5.345 million tonnes, representing a surplus of approximately 38,000 tonnes. When compared to the supply surplus of 149,000 tonnes for the same period last year, the size of surplus reduced significantly by 111,000 tonnes. During the year 2012, global zinc production was 12.660 million tonnes and consumption was 12.395 million tonnes, representing a supply surplus of approximately 265,000 tonnes.

World refined Zinc supply and usage

January-May	2013	2012
Metal production (tonnes)	5,383,000	5,278,000
Metal usage (tonnes)	5,345,000	5,129,000
Surplus (tonnes)	38,000	149,000

Source: ILZSG

The zinc market is still being over supplied in both 2013 and 2012. 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 2013 was a difficult moment 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 and challenges in its operating environment and faced a downward trend pricing pressure during the reporting period. The Group's average prices of zinc in the first half of 2013 dropped by approximately 5.4% to RMB8,079.8 per tonne and while lead dropped by approximately 7.1% to RMB11,737.3 per tonne when compared with the last corresponding reporting period.

Meanwhile, our production volume on zinc concentrates increased by approximately 16.9% whereas lead concentrates dropped by 16.6%. Affected by the decreasing in zinc and lead price, the Group's gross profit ratio decreased from 18.5% to 7.7%. Overall gross profit decreased from RMB17.1 million to RMB11.6 million.

Prospect

According to the statistics issued by ILZSG, the world total consumption of refined lead metal grew from approximately 9.2 million tonnes to 10.6 million tonnes from 2009 to 2012, representing an annual growth rate of approximately 4.7%. On the other hand, the world total consumption of refined zinc metal grew from approximately 10.9 million tonnes in 2009 to 12.3 million tonnes in 2012, representing an annual growth rate of approximately 4.2%. Total consumption of refined lead metal in the PRC grew from approximately 3.9 million tonnes in 2009 to 4.6 million tonnes in 2012 and refined zinc metal grew from approximately 4.7 million tonnes in 2009 to 5.3 million tonnes in 2012, representing an annual growth rate of approximately 5.6% and 4.3% respectively.

The PRC has ranked the second largest lead and zinc reserves in the world. However, its output on nonferrous resources cannot meet its demand and thus the PRC has to import from other countries. The PRC has become the world's largest importers of lead and zinc concentrates in recent years. To reduce these imbalance situations, in accordance to the development plan for the nonferrous metal industry during "The 12th Five-Year Plan" period (2011- 2015), the PRC government would regulate the production level and the combined output of 10 nonferrous metals, which included copper, aluminium, lead and zinc, to a limit of approximately 46 million tonnes by 2015. To cope with this target, the annual growth rate of industrial enterprises has to be exceeded 10% and target annual growth rates of production volumes of lead and zinc are set at 5.2% and 6.9% respectively.

In addition, in order to promote industrial restructuring and upgrade the nonferrous metals industry technology level, this development plan also aims to eliminate backward production capacity and focus on the environmental protection. These are expected to accelerate the development of the industry in the PRC as the corporation will pave the way for a better regulated and healthier nonferrous metals industry in the PRC.

Another policy "Lead Battery Industry Entry Requirement" was issued by the Ministry of Industry and Information Technology which was effective from 1 July 2012. It mainly requires the consolidation of the lead battery industry and tighten the standard on environmental and worker's safety area. The Board believes these requirements will accelerate the development in the lead battery industry and indirectly lead to the increase in the demand for lead.

Taking into consideration of statistics issued by ILZSG, both consumption and production of lead and zinc in the world were in the increasing trend although the lead and zinc markets were still being oversupplied in the past few years. It is expected the supply surplus will stay for some time in short term. Extracted from Shanghai Metals Exchange Markets website, the average prices of lead and zinc in 2012 dropped by approximately 6.35% to RMB15,291 per tonne and 11.2% to RMB14,946 per tonne respectively when compared with their average prices in 2011 which was caused by the European debt crisis and the weak economic growth in the PRC in 2012. With the United States government plans to tighten the moderately-loose monetary policy in June 2013, the Directors consider that lead and zinc prices are still volatile and will under downward pressure in short term.

Nevertheless, China has the largest lead and zinc production and usage in the world in recent years. With the PRC government imposing various policies to stimulate and enhance the development of the nonferrous metal industry, the Directors expect that the production volume in the PRC will increase continuously. On the other hand, demand for lead and zinc is still strong, this can be illustrated from the increase in the sales quantities of lead and zinc of Jiashengpan in 2012 as compared with 2011 and the consumption in the PRC according to the statistic of ILZSG. Given the accelerated industrialisation and economic growth being taken place in the PRC, natural resources are expected to be in short supply. The Directors are confident of the outlook for metal prices and supply remains positive and the supply surplus will eventually be turned into a deficit and China will raise its self-sufficiency plan by lowering the import quantities in nonferrous metals in the long run.

Financial performance analysis

Revenue

For the six months ended 30 June 2013, the Group recorded a turnover of approximately RMB150.4 million, representing an increase of approximately 62.3% as compared with the turnover of approximately RMB92.7 million for the same period last year. Total costs of production increased approximately 83.8% to approximately RMB138.8 million compared with the same period in last corresponding period as a result of increase in the sales generated from the nonferrous metals trading activity which carries a higher cost while compared with the mining activity.

Revenue and gross profit margin for the six months period ended 30 June 2013 and 2012 are 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	85,969	(77,683)	8,286	9.6%	81,007	(64,044)	16,963	20.9%
Metal trading	61,406	(61,163)	243	0.4%	11,676	(11,500)	176	1.5%
Indent trading/service income	3,039	-	3,039	100%	-	-	-	-
Total	150,414	(138,846)	11,568	7.7%	92,683	(75,544)	17,139	18.5%

Metal trading activity has increased substantially to approximately RMB61.4 million for the first half of 2013 as compared to approximately RMB11.7 million recorded for the corresponding period in 2012, representing an increase of approximately 425.9%. However, profit margin reduced significantly as a result of unfavourable market conditions for metal trading.

The followings are the sales volume and average selling prices for each of our mining products in respect of the six months period ended 30 June 2013 and 2012:

	Six months ended 30 June 2013			Six months ended 30 June 2012		
	Sales volume (tonnes)	Selling price per unit RMB	Total revenue RMB'000	Sales volume (tonnes)	Selling price per unit RMB	Total revenue RMB'000
Zinc concentrates	10,020	8,079.8	80,960	6,658	8,540.1	56,860
Lead concentrates, crude lead and ingots	868	11,737.3	10,188	1,504	12,628.3	18,993
Sulphuric acid	18,580	154.1	2,864	19,812	216.3	4,285
Silver	0.36	5,402,777.8	1,945	0.15	5,186,666	778
Gold (gram)	780	321.8	251	284	313.4	89
Iron concentrates	-	-	-	469	543.7	255
Copper concentrates	1,014	50,460.5	51,167	59	42,796.6	2,525
Tailing mine	-	-	-	54,347	163.72	8,898
Indent trading/service income	-	-	3,039	-	-	-
Total revenue			150,414			92,683

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 2013				Total RMB'000
	Mining RMB'000	Metal trading RMB'000	Metal commodities futures RMB'000	Unallocated corporate income and expenses RMB'000	
Revenue	85,969	64,445	-	-	150,414
Changes in fair value of derivative financial instruments	-	-	1,582	-	1,582
Cost of sales	(77,683)	(61,163)	-	-	(138,846)
Gross profit	8,286	3,282	1,582	-	13,150
Other income	1,694	6,680	-	7	8,381
Selling and distribution costs	(1,576)	(1,182)	-	-	(2,758)
Administrative expenses	(10,660)	(1,030)	(1,129)	(4,421)	(17,240)
Equity-settled share options expenses	-	-	-	(405)	(405)
Finance costs	(7,507)	(1,796)	(39)	(13,450)	(22,792)
(Loss)/profit before income tax	<u>(9,763)</u>	<u>5,954</u>	<u>414</u>	<u>(18,269)</u>	<u>(21,664)</u>

Addendum to business and financial review

For the year ended 31 December 2012, the revenue of the Group dropped approximately 35% while compared with last year but the trade and note receivables increased significantly from approximately RMB65,824,000 as at 31 December 2011 to approximately RMB214,963,000 as at 31 December 2012. This is mainly due to the resumption of indent trading activity in the second half of 2012. Since the credit term granted to the indent trading customer is 180 days, the balance was still within the credit term as at 31 December 2012. In addition, according to paragraph 21 in the appendix of International Accounting Standard 18 "Revenue", as the Group acted as an agent, the net receivable in return for services performed was recognised as revenue instead of the gross invoiced amount. In this regard, only the gross profit of approximately RMB5,131,000 instead of the gross invoiced amount of approximately RMB321,144,000 from the indent trading activity was recognised as revenue in the consolidated income statement. However, the gross amount was recorded in the trade receivable balance. As such, the Directors are of the view that the significant increase in the trade receivables but decreases in revenue is a matter of accounting treatment. Subsequent to the 2012 year end date and up to 30 June 2013, trade and note receivables as at 31 December 2012 has been fully settled.

The gross profit generated from the services performed by the Group as an agent of approximately RMB3,039,000 have been recognised as revenue of the Group for the six months ended 30 June 2013. Its corresponding gross invoiced amount was approximately RMB199,861,000. Trade and note receivables as at 30 June 2013 was approximately RMB300,416,000. Subsequent to 30 June 2013 and up to 9 August 2013, approximately RMB1,550,000 have been received from trade and note receivables, the remaining outstanding balance of approximately RMB298,866,000 is within its credit term.

For the year ended 31 December 2012, the impairment loss of trade receivables amounted to approximately RMB6,640,000 was in connection with a new customer. The Company's subsidiary started its trading business with this new customer in the second half of 2012. During the six months ended 30 June 2013, the said amount has been fully recovered and recognised as other income in the consolidated income statement.

Other income

During the period, other income was approximately RMB8.4 million representing an increase of approximately RMB2.0 million as compared with approximately RMB6.4 million of the same period of 2012. The increase was mainly attributable to recovery of an impaired balance from a customer during the period.

Changes in fair value of derivative financial instruments

It represents the gain or loss arising from the changes in fair value of the metal commodity futures contracts used to hedge against the Group's production and inventories. For the six months ended 30 June 2013, the Group recorded a net gain on futures contracts of approximately RMB1.6 million (2012: approximately RMB14.6 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 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 costs for the six months ended 30 June 2013 was approximately RMB2.8 million (2012: RMB1.5 million).

Administrative expenses for the six months ended 30 June 2013 amounted to approximately RMB17.2 million, representing an increase of approximately RMB1.9 million compared with the same period last year. The increase was attributable to the increase in staff costs and additional professional fees in respect of corporate exercises carried out during the reporting period.

Finance costs

Finance costs for the six months ended 30 June 2013 were approximately RMB22.8 million, representing an increase of approximately RMB6.8 million compared with the same period in 2012 as a result of a total of RMB170.0 million loans being raised during the period.

(Loss)/profit for the period attributable to owners

The net loss of the Group attributable to the owners of the Company for the six months ended 30 June 2013 was approximately RMB19.0 million (2012: profit of RMB1.0 million).

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 2013, the total equity attributable to owners of the Company was approximately RMB1,290.8 million (31 December 2012: RMB1,309.2 million). The Group's cash and bank balances stood at RMB17.0 million (31 December 2012: RMB76.4 million). The interest-bearing bank borrowings of the Group amounted to RMB195.8 million (31 December 2012: RMB76.1 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 35.6%, as compared to approximately 25.5% as at 31 December 2012. Net gearing increase because the Group has raised loans during the period. The Group is committed to deliver a very stringent working capital management going forward.

Working capital

Total inventory stood at approximately RMB63.2 million (31 December 2012: approximately RMB82.9 million). The inventory turnover days decreased from 100 days for the year ended 31 December 2012 to 82 days for the six months ended 30 June 2013. Trade receivable turnover days increased from 231 days for the year ended 31 December 2012 to 362 days in current period. Increase in the trade receivable turnover days as a result of the increase in the agent income in which the net receivable has been recorded instead of the gross invoiced amount (30 June 2012: Nil). Considered the historical repayment record, 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 52 days reported as at 31 December 2012 to 76 days. The Groups' working capital increased to approximately RMB537.5 million (31 December 2012: approximately RMB453.5 million).

Capital expenditure

Total capital expenditure for the period amounted to approximately RMB19.4 million (six months ended 30 June 2012: approximately RMB12.4 million), of which the amount related to the fixed assets acquired at the mine located in Wulatezhong Qi, the PRC.

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

As at 30 June 2013, 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\$0.002 each of the Company*

Name of Directors	Capacity	Number of shares	Percentage of shareholding (%)
Kang Hongbo	Beneficial owner	2,280,000	0.13
He Qing	Interest of spouse	2,000,000	0.11

Note: Ms. He Qing was deemed to be interested in 2,000,000 shares which were held by Mr. Liu Ying, her spouse, under the SFO.

(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
Kang Hongbo	Beneficial owner	300,000	0.02%	20 May 09	20 Mar 2010 to 19 May 2014	HK\$1.17
	Beneficial owner	2,000,000	0.11%	4 Dec 09	4 Dec 2010 to 3 Dec 2014	HK\$1.30
		<u>2,300,000</u>				
Han Qiong	Beneficial owner	<u>800,000</u>	0.05%	4 Dec 09	4 Dec 2010 to 3 Dec 2014	HK\$1.30

Save as disclosed herein, as at 30 June 2013, 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) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

As at 30 June 2013, options to subscribe for an aggregate of 112,742,000 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 2013	Date of grant of share options (note a)	Exercise period of share options	Exercise price of share options HK\$
	At 1 January 2013 (represented)	Granted during the period	Exercise during the period	Lapsed during the period				
Directors								
Mr. Ng Tang (note b)	120,000	-	-	(120,000)	-	04/12/2009	Period 7	1.30
	120,000	-	-	(120,000)	-	04/12/2009	Period 8	1.30
	180,000	-	-	(180,000)	-	04/12/2009	Period 9	1.30
	180,000	-	-	(180,000)	-	04/12/2009	Period 10	1.30
	600,000	-	-	(600,000)	-			
Mr. Kang Hongbo	300,000	-	-	-	300,000	20/05/2009	Period 4	1.17
	400,000	-	-	-	400,000	04/12/2009	Period 7	1.30
	400,000	-	-	-	400,000	04/12/2009	Period 8	1.30
	600,000	-	-	-	600,000	04/12/2009	Period 9	1.30
	600,000	-	-	-	600,000	04/12/2009	Period 10	1.30
	2,300,000	-	-	-	2,300,000			
Ms. Han Qiong	160,000	-	-	-	160,000	04/12/2009	Period 7	1.30
	160,000	-	-	-	160,000	04/12/2009	Period 8	1.30
	240,000	-	-	-	240,000	04/12/2009	Period 9	1.30
	240,000	-	-	-	240,000	04/12/2009	Period 10	1.30
	800,000	-	-	-	800,000			

Name or category of participant	Number of share options				At 30 June 2013	Date of grant of share options (note a)	Exercise period of share options	Exercise price of share options HK\$
	At 1 January 2013 (represented)	Granted during the period	Exercise during the period	Lapsed during the period				
Other employees								
In aggregate								
	300,000	-	-	-	300,000	15/05/2009	Period 2	1.08
	1,000,000	-	-	-	1,000,000	20/05/2009	Period 4	1.17
	4,468,000	-	-	-	4,468,000	04/12/2009	Period 7	1.30
	4,468,000	-	-	-	4,468,000	04/12/2009	Period 8	1.30
	6,702,000	-	-	-	6,702,000	04/12/2009	Period 9	1.30
	6,702,000	-	-	-	6,702,000	04/12/2009	Period 10	1.30
	71,702,000	-	-	-	71,702,000	28/7/2010	Period 11	1.23
	<u>95,342,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,342,000</u>			
Suppliers/Advisors								
In aggregate								
	4,000,000	-	-	(4,000,000)	-	12/06/2008	Period 1	1.70
	1,600,000	-	-	-	1,600,000	19/05/2009	Period 3	1.10
	700,000	-	-	-	700,000	17/08/2009	Period 5	1.36
	2,000,000	-	-	-	2,000,000	04/12/2009	Period 6	1.30
	2,000,000	-	-	-	2,000,000	04/12/2009	Period 7	1.30
	2,000,000	-	-	-	2,000,000	04/12/2009	Period 8	1.30
	3,000,000	-	-	-	3,000,000	04/12/2009	Period 9	1.30
	3,000,000	-	-	-	3,000,000	04/12/2009	Period 10	1.30
	<u>18,300,000</u>	<u>-</u>	<u>-</u>	<u>(4,000,000)</u>	<u>14,300,000</u>			
	<u>117,342,000</u>	<u>-</u>	<u>-</u>	<u>(4,600,000)</u>	<u>112,742,000</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

Notes:

- (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 is 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 30 June 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 or otherwise notified to the Company as follows:

Name of shareholders	Type of interests	Position	Number of shares	Approximate percentage of interests
Ruffy Investments Limited (Note 1)	Beneficial owner	Long	1,371,544,609	78.32%
	Beneficial owner	Short	70,000,000	4.00%
Mr. Mei Wei (Notes 1 & 2)	Interest in controlled corporation	Long	1,371,544,609	78.32%
	Beneficial owner	Long	83,912,000	4.79%
			<u>1,455,456,609</u>	<u>83.11%</u>
	Interest in controlled corporation	Short	70,000,000	4.00%
Ms. Chen Yuru	Beneficial owner	Long	110,699,105	6.32%

Notes:

1. These shares and underlying shares of the Company comprise of 1,033,091,706 shares and HK\$372,298,194 principal amount of convertible bonds which can be convertible into 338,452,903 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, 125,324,850 Shares and HK\$370,957,666 principal amount of convertible bonds have been pledged by Ruffy to CCB International Group Holdings Limited, 893,167,054 shares have been pledged by Ruffy to Xinxing Pipes (Hong Kong) Co. 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 of the Company of HK\$0.0004 each 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. The total number of warrants and the exercise price have been adjusted to 70,000,000 and HK\$0.40 per Share respectively as a result of every five shares of the Company of HK\$0.0004 each have been consolidated into one share of HK\$0.002 each, which is efficient on 20 June 2013.

2. These shares and underlying Shares of the Company, comprise of 11,210,000 shares and 72,702,000 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 2013.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30 June 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 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 HK\$ 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 HK\$ is pegged against US\$, 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 period 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 and/or directorship in 深圳冠欣礦業集團有限公司 and First Create (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; and
- (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 holds 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.

EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2013, the Group had approximately 370 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 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 interim results for the six months ended 30 June 2013) and internal control procedures of the Group. The members of the audit committee comprises three independent non-executive Directors, namely Mr. Chen Mingxian, Mr. Chan Siu Lun and Ms. He Qing.

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

Save as disclosed in note 20 to these financial information, no material or disposals of subsidiaries and associated companies have been made by the Company during the six months ended 30 June 2013.

CONTINGENCIES

As at 30 June 2013, 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 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, 9 August 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. Chen Mingxian, Mr. Chan Siu Lun and Ms. He Qing.