

* for identification only

2013

Third Quarterly Report



中國有色金屬有限公司*
China Nonferrous Metals Company Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8306

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 RMB326.8 million for the nine months ended 30 September 2013, representing an approximately 6.9% decrease as compared with that of the corresponding period in 2012.
- Net loss of the Group attributable to owners of the Company for the nine months ended 30 September 2013 amounted to approximately RMB38.3 million (2012: profit of RMB1.0 million).
- The Directors do not recommend dividend for the nine months ended 30 September 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 nine months ended 30 September 2013, together with the comparative figures for the corresponding period in 2012 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Revenue	3	326,813	351,180	176,399	258,497
Cost of sales		(315,135)	(319,071)	(176,289)	(243,527)
Gross profit		11,678	32,109	110	14,970
Other income		9,338	8,683	957	2,319
Changes in fair value of derivative financial instruments		2,992	19,626	1,410	5,051
Selling and distribution costs		(4,286)	(4,468)	(1,528)	(2,973)
Administrative expenses		(26,167)	(25,286)	(8,927)	(9,950)
Equity-settled share options expenses		(930)	(2,414)	(525)	(806)
(Loss)/profit from operations		(7,375)	28,250	(8,503)	8,611
Finance costs	4	(34,889)	(23,942)	(12,097)	(7,951)
(Loss)/profit before income tax		(42,264)	4,308	(20,600)	660
Income tax credit/(expense)	5	2,351	(3,057)	825	(758)
(Loss)/profit for the period		(39,913)	1,251	(19,775)	(98)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Nine months ended 30 September		Three months ended 30 September	
Notes	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited) (represented)	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited) (represented)	
Attributable to:					
	Owners of the Company	(38,269)	1,037	(19,267)	19
	Non-controlling interests	(1,644)	214	(508)	(117)
	(Loss)/profit for the period	(39,913)	1,251	(19,775)	(98)
	(Losses)/earnings per share				
	Basic	RMB(2.19) cents	RMB0.1 cent	RMB(1.10) cent	RMB0.00 cent
	Diluted	N/A	N/A	N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Nine months ended 30 September		Three months ended 30 September	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
(Loss)/profit for the period	(39,913)	1,251	(19,775)	(98)
Other comprehensive income				
Exchange differences arising on translation of foreign operations	601	2,275	464	3,203
Total other comprehensive income for the period	601	2,275	464	3,203
Total comprehensive income for the period	(39,312)	3,526	(19,311)	3,105
Attributable to:				
Owners of the Company	(37,668)	3,312	(18,803)	3,222
Non-controlling interests	(1,644)	214	(508)	(117)
	(39,312)	3,526	(19,311)	3,105

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

	Nine months ended 30 September		Three months ended 30 September	
	2013 RMB '000 (unaudited)	2012 RMB '000 (unaudited)	2013 RMB '000 (unaudited)	2012 RMB '000 (unaudited)
Revenue:				
Mining, processing and trading of mineral resources	326,813	351,180	176,399	258,497

4. FINANCE COSTS

	Nine months ended 30 September		Three months ended 30 September	
	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	14,604	3,397	5,301	981
– interest on other loans	–	1,022	–	407
Interest on convertible bonds	20,234	19,473	6,784	6,547
Interest on finance lease liabilities	51	50	12	16
	34,889	23,942	12,097	7,951

5. INCOME TAX (CREDIT)/EXPENSE

	Nine months ended 30 September		Three months ended 30 September	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Current taxation				
– PRC	–	6,154	–	2,093
Deferred taxation	(2,351)	(3,097)	(825)	(1,335)
Total tax (credit)/charge for the period	(2,351)	3,057	(825)	758

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.

6. DIVIDEND

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

7. (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 RMB38,269,000 (2012: profit of RMB1,037,000) 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 nine months ended 30 September 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.

8. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2013

	Attributable to owners of the Company												
	Share capital	Share premium	Warrant reserve	Capital redemption reserve	Translation reserve	Specific reserve	Other reserve	Share option reserve	Convertible bonds equity reserve	Retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 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	-	-	-	-	-	-	-	930	-	-	930	-	930
Purchase of non-controlling interests of subsidiaries	-	-	-	-	-	-	43,053	-	-	-	43,053	(91,200)	(48,147)
Transactions with owners	-	-	-	-	-	-	43,053	930	-	-	43,983	(91,200)	(47,217)
Loss for the period	-	-	-	-	-	-	-	-	-	(38,269)	(38,269)	(1,644)	(39,913)
Other comprehensive income	-	-	-	-	601	-	-	-	-	-	601	-	601
Currency translation	-	-	-	-	601	-	-	-	-	-	601	-	601
Total comprehensive income for the period	-	-	-	-	601	-	-	-	-	(38,269)	(37,668)	(1,644)	(39,312)
Share options lapsed	-	-	-	-	-	-	-	(3,435)	-	3,435	-	-	-
At 30 September 2013 (unaudited)	3,107	970,169	-	6	(13,396)	4,264	22,493	50,579	118,673	159,674	1,315,569	-	1,315,569

For the nine months ended 30 September 2012

	Attributable to owners of the Company												
	Share capital	Share premium	Warrant reserve	Capital redemption reserve	Translation reserve	Specific reserve	Other reserve	Share option reserve	Convertible bonds equity reserve	Retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2011 and 1 January 2012 (audited)	1,901	731,718	5,314	6	(12,806)	4,264	(20,560)	50,027	119,345	205,844	1,085,053	92,653	1,177,706
Redemption of convertible bonds	-	-	-	-	-	-	-	-	(672)	672	-	-	-
Equity-settled share option arrangements	-	-	-	-	-	-	-	2,414	-	-	2,414	-	2,414
Transactions with owners	-	-	-	-	-	-	-	2,414	(672)	672	2,414	-	2,414
Profit for the period	-	-	-	-	-	-	-	-	-	1,037	1,037	214	1,251
Other comprehensive income	-	-	-	-	2,275	-	-	-	-	-	2,275	-	2,275
Currency translation	-	-	-	-	2,275	-	-	-	-	-	2,275	-	2,275
Total comprehensive income for the period	-	-	-	-	2,275	-	-	-	-	1,037	3,312	214	3,526
Lapse of warrants	-	-	(5,314)	-	-	-	-	-	-	5,314	-	-	-
Utilisation of specific reserve	-	-	-	-	-	(229)	-	-	-	-	(229)	-	(229)
At 30 September 2012 (unaudited)	1,901	731,718	-	6	(10,531)	4,035	(20,560)	52,441	118,673	212,867	1,090,550	92,867	1,183,417

MANAGEMENT DISCUSSION AND ANALYSIS

Market review

Lead

Total global supply of lead for the first eight months of this year stood at approximately 6.992 million tonnes whilst total consumption for the same period was approximately 7.050 million tonnes, representing a supply deficit of approximately 58,000 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-August	2013	2012
Metal production (tonnes)	6,992,000	7,081,000
Metal usage (tonnes)	7,050,000	7,001,000
(Deficit)/Surplus (tonnes)	(58,000)	80,000

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

There was no material fluctuation in global refined lead metal production and consumption as compared with last corresponding period. In accordance with ILZSG forecasts, global demand for refined lead metal is expected to rise by 5% in 2013 to 11.00 million and by a further 4.6% to 11.51 million in 2014. The supply for refined lead mine is expected to rise 4.7% to 11.02 million and 4.2% to 11.48 million tonnes in 2013 and 2014 respectively. As a consequence, it is anticipated that there should not have any material deficit/surplus between the usage and consumption in 2013 and 2014.

Zinc

Total global supply of zinc was approximately 8.663 million tonnes for the first eight months of this year whilst total consumption was approximately 8.593 million, representing a surplus of approximately 70,000 tonnes. When compared to the supply surplus of approximately 128,000 tonnes for the same period of last year, the size of surplus reduced by 58,000 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-August

	2013	2012
Metal production (tonnes)	8,663,000	8,354,000
Metal usage (tonnes)	8,593,000	8,226,000
Surplus (tonnes)	70,000	128,000

Source: ILZSG

Taking into account that the historical trend of zinc market was over-supplied in both 2013 and 2012 whereas the demand of zinc remained relatively stable since 2012, it is expected that the supply surplus may stay for some time.

Business review

According to an article issued by China Nonferrous Metals Industry Association of the PRC, total profitability in nonferrous metals industry in the PRC had decreased by approximately 10.2% to approximately RMB89.1 billion for the first seven months of this year when compared with the last corresponding period. The national output of 10 nonferrous metals for the first seven months of this year, including zinc and lead, rose to approximately 26.23 million, representing an increase of approximately 9.7%.

Year 2013 was a difficult moment for most of the business, almost every sector of the economy was struggling with 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 nine months of 2013 dropped by approximately 7.5% to approximately RMB8,059.0 per tonne and while lead dropped by approximately 8.0% to approximately RMB11,504.4 per tonne when compared with the last corresponding reporting period.

Meanwhile, our production volume on zinc concentrates increased by approximately 9.7% whereas lead concentrates dropped by approximately 13.2%. Affected by the decreasing in zinc and lead prices, the Group's gross profit ratio decreased from approximately 9.1% to 3.6%. Overall gross profit decreased from approximately RMB32.1 million to approximately RMB11.7 million.

Prospect

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 consumption 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 nine months ended 30 September 2013, the Group recorded a turnover of approximately RMB326.8 million, representing a decrease of approximately 6.9% as compared with the turnover of approximately RMB351.2 million for the same period last year. Total costs of production was approximately RMB315.1 million (2012: 319.1 million).

Revenue and gross profit margin for the nine months ended 30 September 2013 are as follows:

	2013				2012			
	Revenue	Cost of sales	Gross profit	Gross profit %	Revenue	Cost of sales	Gross profit	Gross profit %
	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	
Nonferrous metal mining	105,815	(97,890)	7,925	7.5%	88,148	(68,497)	19,651	22.3%
Metal trading	217,971	(217,245)	726	0.3%	257,077	(250,574)	6,503	2.5%
Indent trading/service income	3,027	-	3,027	100%	5,955	-	5,955	100%
Total	326,813	(315,135)	11,678	3.6%	351,180	(319,071)	32,109	9.1%

Nonferrous metal mining

Although Jiashengpan, a principal subsidiary of the Group, has increased its sales volume, it has been adversely affected by the increasing production cost and a downward trend pricing pressure as a result of the uncertainties surrounding the global economy. For the nine months ended 30 September 2013, revenue generated from sales of mined nonferrous metal products amounted to approximately RMB105.8 million, representing an increase of approximately 20.0% as compared with last corresponding period. Approximately 7.5% gross profit margin was recorded for the nine months ended 30 September 2013, representing a decrease of approximately 14.8% as compared with last corresponding period.

Metal trading and service income

Total revenue generated from metal trading and service income amounted to approximately RMB221.0 million for the nine months ended 30 September 2013, representing a decrease of approximately 16.0% over the last corresponding period. Gross profit margin has been deteriorated as a result of the decreased in the service income generated from indent trading activity during the reporting period.

The followings are the sales volume and average selling price for each of our mining products and trading business in respect of the nine months ended 30 September 2013 and 2012:

	Nine months ended 30 September 2013			Nine months ended 30 September 2012		
	Sales volume tonnes	Selling price RMB	Total revenue RMB'000	Sales volume tonnes	Selling price RMB	Total revenue RMB'000
Zinc concentrates	12,627	8,059.0	101,761	7,575	8,710.9	65,985
Lead concentrates, crude lead and lead ingots	2,028	11,504.4	23,331	1,584	12,507.5	19,812
Sulphuric acid	32,594	120.7	3,934	32,249	212.4	6,851
Silver	2.08	5,093,750.0	10,595	1.039	4,849,855.6	5,039
Associated gold metal (grams)	3,778	312.8	1,182	1,320	302.3	399
Iron concentrates	-	-	-	469	543.7	255
Copper cathode	4,122	44,391.8	182,983	3,672	49,466.8	181,642
Tailing mine	-	-	-	62,236	173.4	10,794
Nickel Cathodes	-	-	-	329	99,075.9	32,596
Service income	-	-	3,027	-	-	5,955
Others	-	-	-	-	-	21,852
Total revenue			326,813			351,180

Financial information by ordinary course of business

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

	Nine months ended 30 September 2013				Total RMB'000
	Mining RMB'000	Metal trading RMB'000	commodities futures RMB'000	Unallocated corporate income and expenses RMB'000	
Revenue	105,815	220,998	-	-	326,813
Changes in fair value of derivative financial instruments	-	-	2,992	-	2,992
Cost of sales	(97,890)	(217,245)	-	-	(315,135)
Gross profit	7,925	3,753	2,992	-	14,670
Other income	2,679	6,650	-	9	9,338
Selling and distribution costs	(2,725)	(1,561)	-	-	(4,286)
Administrative expenses	(16,692)	(1,298)	(1,211)	(6,966)	(26,167)
Equity-settled share options expenses	-	-	-	(930)	(930)
Finance costs	(12,237)	(2,367)	(51)	(20,234)	(34,889)
Profit/(loss) before income tax	(21,050)	5,177	1,730	(28,121)	(42,264)

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 September 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 RMB3,027,000 have been recognised as revenue of the Group for the nine months ended 30 September 2013. Its corresponding gross invoiced amount was approximately RMB196,655,000. Trade and note receivables as at 30 September 2013 was approximately RMB142,035,000. Subsequent to 30 September 2013 and up to 8 November 2013, approximately RMB71,788,000 has been received from trade and note receivables, the remaining outstanding balance of approximately RMB70,247,000 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 nine months ended 30 September 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 RMB9.3 million representing an increase of approximately RMB0.6 million as compared with approximately RMB8.7 million for the same period of 2012. Other income mainly represented to the 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 nine months ended 30 September 2013, the Group recorded a net gain on futures contracts of approximately RMB3.0 million (2012: approximately RMB19.6 million). The Group did not enter into any commodity 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 contract for speculation purposes.

Operating expenses

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

Selling and distribution expenses for the nine months ended 30 September 2013 amounted to approximately RMB4.3 million (2012: RMB4.5 million).

Administrative expenses for the nine months ended 30 September 2013 amounted to approximately RMB26.2 million (2012: RMB25.3 million). The increase was attributable to the increases in staff costs and additional professional fees in respect of corporate exercises carried out during the period.

Finance costs

Finance costs for the nine months ended 30 September 2013 amounted to approximately RMB34.9 million, representing an increase of approximately RMB10.9 million compared with the same period in 2012 as a result of a total of RMB170 million loans being raised during the period.

(Loss)/profit for the period attributable to owners of the Company

The net loss of the Group attributable to owners of the Company for the nine months ended 30 September 2013 was approximately RMB38.3 million (2012: profit of RMB1.0 million).

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

As at 30 September 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); (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 pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in the shares of the Company

Ordinary shares of HK\$0.002 each of the Company

Name of Director	Capacity	Number of shares	Percentage of shareholding (%)
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.

Share options

As at 30 September 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) 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 1 January 2013 and 30 September 2013, options to subscribe for an aggregate of 109,642,000 shares of the Company had been granted to certain Directors, employees and suppliers/advisors of the Group. Details of outstanding options as at 30 September 2013 were as follows:

Name or category of participant	Number of share options				At 30 September 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	Exercised 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 (note c)	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 (note c)	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 September 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	Exercised 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>(7,700,000)</u>	<u>109,642,000</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 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.
- (c) Mr. Kang Hongbo and Ms. Han Qiong have been resigned on 22 August 2013. Their share options lapsed due to resignation.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 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 the SFO or otherwise notified to the Company as follows:

Name of shareholders	Type of interests	Position	Number of shares	Approximate percentage of interest
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 of outstanding 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 of outstanding 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 Share Consolidation of every five shares of the Company of HK\$0.0004 each into one share of HK\$0.002 each, which is effective 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 September 2013.

CORPORATE GOVERNANCE

The Company has complied throughout the nine months ended 30 September 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 HK\$ were mainly attributable to the bank balances, trade and other receivables denominated in United States Dollars ("US\$") 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 US\$ 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 are/is 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 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. 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 and Mr. Mei Wei 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 cannot personally control the Board. Further, Mr. Mei Ping 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

The Group's unaudited consolidated results for the nine months ended 30 September 2013 have been reviewed by the audit committee, prior to recommending them for Board's approval.

MATERIAL ACQUISITION AND DISPOSAL

In July 2013, the Group's beneficial shareholding in Jiashengpan has been increased from 90% to 100%. In August 2013, the disposal of 深圳市銀池科技有限公司 and 青海鈺洋商貿有限公司 have been completed and ceased to be subsidiaries of the Company. Save as disclosed, no material acquisitions or disposals of subsidiaries and associated companies have been made by the Company during the nine months ended 30 September 2013.

CONTINGENCIES

As at 30 September 2013, there was no guarantees given to any banks or financial institutions by the Group to the parties outside the Group.

PUBLIC FLOAT

For the nine month period ended 30 September 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,
8 November 2013

As at the date of this report, the executive Directors are Mr. Mei Ping, Mr. Tsang Chung Sing, Edward and Dr. Yu Heng Xiang and the independent non-executive Directors are Mr. Chan Siu Lun, Mr. Chen Mingxian and Ms. He Qing.