



中國有色金屬有限公司*

China Nonferrous Metals Company Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8306



Interim Report
2014

* for identification only

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

CORPORATE INFORMATION

Executive Directors

Mr. MEI Ping
Mr. TSANG Chung Sing, Edward

Independent Non-Executive Directors

Mr. CHAN Siu Lun
Ms. HE Qing
Mr. KWAN Man Kit, Edmond

Compliance Officer

Mr. MEI Ping

Company Secretary

Mr. LI Chi Chung, Michael

Audit Committee

Mr. CHAN Siu Lun
Ms. HE Qing
Mr. KWAN Man Kit, Edmond

Remuneration Committee

Mr. KWAN Man Kit, Edmond
Mr. CHAN Siu Lun
Ms. HE Qing

Nomination Committee

Mr. KWAN Man Kit, Edmond
Mr. MEI Ping
Mr. CHAN Siu Lun

Authorised Representatives

Mr. TSANG Chung Sing, Edward
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
Level 22
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Share Registrar and Transfer Office in Bermuda

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Registered Office

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Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong

Room 1104
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18 Fenwick Street
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HIGHLIGHTS

- Turnover for the six months ended 30 June 2014 was approximately RMB61.5 million, representing an approximately 59.1% decrease as compared with that of the corresponding period in 2013.
- Net loss of the Group attributable to owners of the Company for the six months ended 30 June 2014 amounted to approximately RMB37.0 million (2013: RMB19.0 million).
- Gearing ratio was 45.2% as at 30 June 2014 (31 December 2013: 42.6%).
- The Directors do not recommend an interim dividend for the six months ended 30 June 2014.

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 2014, together with the comparative figures for the corresponding period in 2013 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended		Three months ended	
		30 June		30 June	
		2014	2013	2014	2013
		RMB'000	RMB'000	RMB'000	RMB'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
	Notes				
Revenue	3	61,545	150,414	40,333	111,220
Cost of sales		(56,781)	(138,846)	(37,340)	(108,281)
Gross profit		4,764	11,568	2,993	2,939
Other income		998	8,381	889	8,340
Changes in fair value of derivative financial instruments		24	1,582	-	(874)
Selling and distribution costs		(2,744)	(2,758)	(2,319)	(2,049)
Administrative expenses		(16,662)	(17,240)	(9,791)	(9,577)
Equity-settled share options expenses		-	(405)	-	(59)
(Loss)/profit from operations	5	(13,620)	1,128	(8,228)	(1,280)
Finance costs	6	(23,836)	(22,792)	(12,031)	(12,390)
Loss before income tax		(37,456)	(21,664)	(20,259)	(13,670)
Income tax credit	7	460	1,526	563	1,157
Loss for the period		(36,996)	(20,138)	(19,696)	(12,513)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended		Three months ended	
		30 June		30 June	
		2014	2013	2014	2013
Note		RMB'000	RMB'000	RMB'000	RMB'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Attributable to:					
	Owners of the Company	(36,996)	(19,002)	(19,696)	(11,751)
	Non-controlling interests	-	(1,136)	-	(762)
	Loss for the period	(36,996)	(20,138)	(19,696)	(12,513)
	Losses per share				
9	Basic and diluted	RMB2.11 cents	RMB1.09 cent	RMB1.12 cent	RM0.67 cent

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June		Three months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Loss for the period	(36,996)	(20,138)	(19,696)	(12,513)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(662)	137	26	127
Total other comprehensive income for the period, net of tax	(662)	137	26	127
Total comprehensive income for the period	(37,658)	(20,001)	(19,670)	(12,386)
Attributable to:				
Owners of the Company	(37,658)	(18,865)	(19,670)	(11,624)
Non-controlling interests	-	(1,136)	-	(762)
	(37,658)	(20,001)	(19,670)	(12,386)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	272,781	279,465
Intangible assets		853,809	856,807
Prepaid land lease payments		1,859	1,881
Deposits		4,616	4,616
Deferred tax assets		16,273	16,564
		1,149,338	1,159,333
Current assets			
Inventories		38,873	59,801
Prepaid land lease payments		42	42
Trade and note receivables	11	201,522	182,007
Other receivables, deposits and prepayments		548,436	384,382
Financial assets at fair value through profit or loss		–	1,261
Amounts due from related companies		1,372	482
Pledged bank deposits		–	1,138
Cash and bank balances		14,026	219,849
		804,271	848,962
Current liabilities			
Trade and note payables	12	71,508	100,196
Other payables and accrued charges		59,767	59,451
Amounts due to related companies		2,090	1,581
Financial liabilities at fair value through profit or loss		–	298
Borrowings	13	45,358	45,355
Provision for tax		81,811	81,586
		260,534	288,467
Net current assets		543,737	560,495
Total assets less current liabilities		1,693,075	1,719,828

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	<i>Notes</i>	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Non-current liabilities			
Borrowings	13	150,090	150,266
Convertible bonds	14	282,510	270,678
Deferred tax liabilities		203,479	204,230
		636,079	625,174
Net assets			
		1,056,996	1,094,654
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	3,107	3,107
Reserves		1,053,889	1,091,547
Total equity			
		1,056,996	1,094,654

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(193,858)	(153,547)
Net cash used in investing activities	(5,002)	(67,160)
Net cash (used in)/generated from financing activities	(8,701)	160,658
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(207,561)	(60,049)
Cash and cash equivalents at beginning of the period	219,849	76,427
Effect of foreign exchange, net	1,738	2,984
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	14,026	19,362
	<hr/> <hr/>	<hr/> <hr/>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company											
	Share capital RMB '000	Share premium 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	(Accumulated losses)/ retained profits RMB '000	Total RMB '000	Non-controlling interests RMB '000	Total RMB '000
At 31 December 2013 and 1 January 2014 (audited)	3,107	970,169	6	(13,644)	4,264	15,529	50,783	118,673	(54,233)	1,094,654	-	1,094,654
Loss for the period	-	-	-	-	-	-	-	-	(36,996)	(36,996)	-	(36,996)
Other comprehensive income												
Currency translation	-	-	-	(662)	-	-	-	-	-	(662)	-	(662)
Total comprehensive income for the period	-	-	-	(662)	-	-	-	-	(36,996)	(37,658)	-	(37,658)
Share options lapsed	-	-	-	-	-	-	(1,323)	-	1,323	-	-	-
At 30 June 2014 (unaudited)	<u>3,107</u>	<u>970,169</u>	<u>6</u>	<u>(14,306)</u>	<u>4,264</u>	<u>15,529</u>	<u>49,460</u>	<u>118,673</u>	<u>(89,906)</u>	<u>1,056,996</u>	<u>-</u>	<u>1,056,996</u>

For the six months ended 30 June 2013

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>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>

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 ultimate holding company is Ruffy Investments Limited (“Ruffy”), a company incorporated in the British Virgin Islands (“BVI”).

The principal activity of the Company is investment holding. The principal subsidiaries of the Company are engaged in the mining, processing and trading of mineral resources. There were no significant changes in the Group’s operations during the period.

The unaudited consolidated financial information 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 financial information also include the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies adopted in preparing the unaudited consolidated financial information for the six months ended 30 June 2014 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013. The consolidated financial information for the six months ended 30 June 2014 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 2014.

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 2013. 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 2014 are as follows:

	Six months ended 30 June		Three months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Revenue:				
Mining, processing and trading of mineral resources	<u>61,545</u>	<u>150,414</u>	<u>40,333</u>	<u>111,220</u>

4. SEGMENT INFORMATION

The Directors manage the Group's daily operations as a single operating segment. The Group's operations are monitored and strategic 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	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Amortisation of intangible assets	2,998	6,106	2,479	4,630
Amortisation of prepaid land lease payments	22	21	11	11
Depreciation of property, plant and equipment	<u>11,708</u>	<u>9,658</u>	<u>6,247</u>	<u>5,437</u>

6. FINANCE COSTS

	Six months ended 30 June		Three months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Wholly repayable within five years				
– interest on bank loans	2,144	9,303	1,098	5,600
– interest on other loans	7,500	–	3,717	–
Interest on convertible bonds	14,170	13,450	7,205	6,768
Interest on finance lease liabilities	22	39	11	22
	<u>23,836</u>	<u>22,792</u>	<u>12,031</u>	<u>12,390</u>

7. INCOME TAX CREDIT

	Six months ended 30 June		Three months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Current taxation	–	–	–	–
Deferred taxation	460	1,526	563	1,157
Total tax credit for the period	<u>460</u>	<u>1,526</u>	<u>563</u>	<u>1,157</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 credit 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 2014 (six months ended 30 June 2013: Nil).

9. LOSSES 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 RMB36,996,000 (2013: RMB19,002,000) divided by the weighted average number of approximately 1,751,308,000 (2013: approximately 1,751,308,000) ordinary shares in issue during the period.

Diluted losses per share for the six months ended 30 June 2014 and 2013 are same as the basic losses per share 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 RMB5,024,000 property, plant and equipment (six months ended 30 June 2013: RMB19,433,000).

During the period, the Group had not disposed any of its property, plant and equipment (six months ended 30 June 2013: 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 and note receivables (net of allowance for impairment) is as follows:

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
0-60 days	32,480	47,412
61-120 days	154,758	134,595
121-180 days	14,284	-
	201,522	182,007

12. TRADE AND NOTE PAYABLES

The ageing analysis of trade and note payables is as follows:

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
0-90 days	38,252	58,912
91-180 days	2,884	5,727
181-365 days	12,816	5,880
Over 365 days	17,556	29,677
	71,508	100,196

13. BORROWINGS

During the period, the Group has not raised any borrowings (six months ended 30 June 2013: RMB170,000,000). During the period, the Group had repaid borrowings of approximately RMB173,000 (six months ended 30 June 2013: RMB54,213,000).

14. CONVERTIBLE BONDS

On 9 July 2008, the Company issued convertible bonds with a principal amount of HK\$756,900,000 (the "Convertible Bonds"), which bear coupon interest rate at 3% per annum payable semi-annually in arrears. The Convertible Bonds were issued as part of the consideration for the acquisition of entire issued share capital of Straight Upward Investments Limited and its subsidiaries (collectively referred as to the "Straight Upward Group"). The Convertible Bonds due on 9 July 2015 are convertible into fully paid ordinary shares with a par value of HK\$0.0004 each of the Company at an initial conversion price of HK\$0.22, subject to adjustments on the occurrence of dilutive or concentrative event. Upon the share consolidation becoming effective on 20 June 2013 as set out in note 15, the conversion price of the Convertible Bonds has been adjusted to HK\$1.10.

The Company has not redeemed any of the Convertible Bonds since the issuance. Pursuant to the deed of set-off entered by the Company and Ruffy during the year ended 31 December 2009, Ruffy agreed to set off profit guarantee shortfalls by deducting a principal amount of approximately HK\$80,488,000 from the 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 2014, the principal amount outstanding was approximately HK\$382,038,000.

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

	Liability component RMB'000	Equity component RMB'000
Liability component		
Net carrying amounts at 1 January 2013 (audited)	258,036	118,673
Interest expenses	27,155	–
Interest paid and accrued	(9,147)	–
Exchange realignment	(5,366)	–
	270,678	118,673
Net carrying amounts at 31 December 2013 and 1 January 2014 (audited)	270,678	118,673
Interest expenses	14,170	–
Interest paid and accrued	(4,513)	–
Exchange realignment	2,175	–
	282,510	118,673
Net carrying amounts at 30 June 2014 (unaudited)	282,510	118,673

15. SHARE CAPITAL

	As at 30 June 2014		As at 31 December 2013	
	Number of shares '000 (unaudited)	Amount HK\$'000 (unaudited)	Number of shares '000 (audited)	Amount HK\$'000 (audited)
Authorised:				
Ordinary shares of HK\$0.002 each at 1 January 2014 (HK\$0.0004 each at 1 January 2013)	25,000,000	50,000	125,000,000	50,000
Share consolidation (note)	-	-	(100,000,000)	-
	<u>25,000,000</u>	<u>50,000</u>	<u>25,000,000</u>	<u>50,000</u>
		RMB'000		RMB'000
Ordinary shares of HK\$0.002 each at end of the period/year	<u>25,000,000</u>	<u>50,000</u>	<u>25,000,000</u>	<u>50,000</u>
Issued:				
Ordinary shares of HK\$0.002 each at 1 January 2014 (HK\$0.0004 each at 1 January 2013)	1,751,308	3,107	8,756,540	3,107
Share consolidation (note)	-	-	(7,005,232)	-
	<u>1,751,308</u>	<u>3,107</u>	<u>1,751,308</u>	<u>3,107</u>
Ordinary shares of HK\$0.002 each at end of the period/year	<u>1,751,308</u>	<u>3,107</u>	<u>1,751,308</u>	<u>3,107</u>

Note:

Pursuant to the ordinary resolution passed on 19 June 2013, with effect from 20 June 2013, five shares of HK\$0.0004 each in the issued and unissued share capital of the Company were consolidated into one share of HK\$0.002 each. The authorised share capital of the Company remained at HK\$50,000,000 but was consolidated into 25,000,000,000 shares of HK\$0.002 each.

16. COMMITMENTS

As at 30 June 2014, 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 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Within one year	932	1,074
In the second to fifth year inclusive	909	633
	1,841	1,707

Operating lease payments represent rental payable by the Group for its office premises. Leases are negotiated for terms of one to two (31 December 2013: one to two) 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 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Property, plant and equipment – Contracted but not provided for	41,840	42,970

17. PLEDGE OF ASSETS

As at 30 June 2014, the Group has pledged its mining rights of approximately RMB853,809,000 for the banking facilities granted by the banks to the Group (31 December 2013: RMB856,807,000).

18. RELATED PARTY TRANSACTIONS

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

- (a) As at 30 June 2014 and 31 December 2013, the Group's bank borrowings of RMB45,000,000 were guaranteed by Mr. Mei Ping, a Director, 深圳市冠欣投資有限公司 ("First Create") and 烏蘭察布市白乃廟銅業有限責任公司, these are related companies in which Mr. Mei Wei, the Company's substantial shareholder, and Mr. Mei Ping have beneficial interests and/or directorship.
- (b) As at 30 June 2014 and 31 December 2013, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Market review

Lead

Total global supply of lead for the first four months of this year stood at 3.447 million tonnes whilst total consumption for the same period was 3.459 million tonnes, representing a supply deficit of approximately 12,000 tonnes. During the year 2013, global lead production was 10.593 million tonnes and consumption was 10.615 million tonnes, representing a supply deficit of approximately 22,000 tonnes.

World refined lead supply and usage

January-April	2014	2013
Metal production (tonnes)	3,447,000	3,589,000
Metal usage (tonnes)	3,459,000	3,624,000
Deficit (tonnes)	(12,000)	(35,000)

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

Approximate 4.0% decrease in global refined lead metal production in the first four months was primarily due to lower output in China and the United States. The decrease in global refined lead metal demand was due primarily to lower consumption in China.

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 4.6% to 11.51 million in 2014. The supply for refined lead mine is expected to rise 4.2% to 11.48 million tonnes in 2014. As a consequence, it is anticipated that there should not have any material deficit/surplus between the usage and consumption in 2014.

Zinc

Total global supply of zinc was 4.334 million tonnes for the first four months of this year whilst total consumption was 4.441 million tonnes, representing a deficit of approximately 107,000 tonnes. When compared to the supply surplus of 32,000 tonnes for the same period last year, it has turned to the supply deficit of 107,000 tonnes. During the year 2013, global zinc production was 13.138 million tonnes and consumption was 13.198 million tonnes, representing a supply deficit of approximately 60,000 tonnes.

World refined zinc supply and usage

January-April	2014	2013
Metal production (tonnes)	4,334,000	4,162,000
Metal usage (tonnes)	4,441,000	4,130,000
(Deficit)/surplus (tonnes)	<u>(107,000)</u>	<u>32,000</u>

Source: ILZSG

Approximate 4.1% increase in global refined zinc metal production in the first four months was primarily due to higher output in Belgium, China and India. The increase in global refined zinc metal demand was due primarily to higher consumption in China and the Republic of Korea.

In accordance with ILZSG forecasts, world usage of refined zinc metal will increase to approximately 13.58 million tonnes in 2014. Global demand of zinc metal is expected to increase by approximately 5.8%, 3.0% and 1.7% in China, Europe and the United States respectively.

Business review

In accordance to a research report found on China Nonferrous Metals Industry Association website, the production volume of zinc concentrate production in China during the first five months of 2014 has been decreased by 4.1% to approximately 519,000 tonnes as a result of decrease in the demand from smelter and certain mining sites have suspended its production operations for self-examination and enhancement due to specific environmental improvement campaign. It is expected the profitability of the industry was adversely affected by the decrease in the production volume.

Prospect

According to the statistics issued by ILZSG, the world total usage of refined lead metal grew from approximately 9.2 million tonnes to 10.6 million tonnes from 2009 to 2013. On the other hand, the world total usage of refined zinc metal grew from approximately 10.9 million tonnes in 2009 to 13.2 million tonnes in 2013. Total consumption of refined lead metal in the PRC grew from approximately 3.9 million tonnes in 2009 to 4.5 million tonnes in 2013 and refined zinc metal grew from approximately 4.7 million tonnes in 2009 to 5.6 million tonnes in 2013.

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.

Suffering from the keen competition in the nonferrous metals market and recent market price trend, the Group's average selling price of various products were sustainable at the low level, it is expected the business environment of the nonferrous metals market to remain unfavourable in the second half of this year. The record of high production cost and low grading ore, now showing no signs of abatement, will continue to plague the Group's financial performance.

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 in the future. Given the accelerated industrialisation and economic growth being taken place in the PRC, natural resources are expected to be in short supply. In the long run, 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 eventually lower the import quantities in nonferrous metals.

Financial performance analysis

Revenue

For the six months ended 30 June 2014, the Group recorded a turnover of approximately RMB61.5 million, representing a decrease of approximately 59.1% as compared with the turnover of approximately RMB150.4 million for the same period last year. Total costs of production decreased approximately 59.1% to approximately RMB56.8 million compared with the same period in last corresponding period.

Revenue and gross profit margin for the six months period ended 30 June 2014 and 2013 are as follows:

	Six months ended 30 June 2014				Six months ended 30 June 2013			
	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	57,778	(54,828)	2,950	5.1%	85,969	(77,683)	8,286	9.6%
Metal trading	1,974	(1,953)	21	1.1%	61,406	(61,163)	243	0.4%
Indent trading/service income	1,793	-	1,793	100%	3,039	-	3,039	100%
Total	61,545	(56,781)	4,764	7.7%	150,414	(138,846)	11,568	7.7%

Metal trading activity has decreased substantially to approximately RMB1.9 million for the first half of 2014 as compared to approximately RMB61.4 million recorded for the corresponding period in 2013, representing a decrease of approximately 96.8% as a result of the adverse market condition of the metal trading industry in the PRC. The management expect the trading activity during this year will be significantly lower than the last year.

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 2014 and 2013:

	Six months ended 30 June 2014			Six months ended 30 June 2013		
	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	6,405	7,893.2	50,556	10,020	8,079.8	80,960
Lead concentrates, crude lead and ingots	634	9,706.6	6,154	868	11,737.3	10,188
Sulphuric acid	14,267	52.9	755	18,580	154.1	2,864
Silver	-	-	-	0.36	5,402,777.8	1,945
Gold (gram)	-	-	-	780	321.8	251
Copper concentrates	-	-	-	1,014	50,460.5	51,167
Tailing mine	18,328	124.8	2,287	-	-	-
Indent trading/service income	-	-	1,793	-	-	3,039
Total revenue			61,545			150,414

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 2014				Total RMB'000
	Mining RMB'000	Metal trading RMB'000	commodities futures RMB'000	Unallocated corporate income and expenses RMB'000	
Revenue	57,778	3,767	-	-	61,545
Changes in fair value of derivative financial instruments	-	-	24	-	24
Cost of sales	(54,828)	(1,953)	-	-	(56,781)
Gross profit	2,950	1,814	24	-	4,788
Other income	793	6	-	199	998
Selling and distribution costs	(2,744)	-	-	-	(2,744)
Administrative expenses	(11,697)	(905)	(284)	(3,776)	(16,662)
Finance costs	(9,644)	-	(22)	(14,170)	(23,836)
(Loss)/profit before income tax	<u>(20,342)</u>	<u>915</u>	<u>(282)</u>	<u>(17,747)</u>	<u>(37,456)</u>

Addendum to business and financial review

For the year ended 31 December 2013, overall revenue of the Group was approximately RMB383.3 million and the trade and note receivables as at 31 December 2013 was approximately RMB182.0 million, as such accounts receivable turnover was approximately 173 days. Long turnover days was mainly caused by the indent trading activity during the year. 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 RMB3.1 million instead of the gross invoiced amount of approximately RMB355.8 million 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 amount in the trade receivables but comparatively lower in revenue is a matter of accounting treatment. Subsequent to the 2013 year end date and up to 8 August 2014, trade and note receivables as at 31 December 2013 has been fully settled.

The gross profit generated from the services performed by the Group as an agent of approximately RMB1.8 million have been recognised as revenue of the Group for the six months ended 30 June 2014. Its corresponding gross invoiced amount was approximately RMB294.4 million. Trade and note receivables as at 30 June 2014 was approximately RMB201.5 million. Subsequent to 30 June 2014 and up to 8 August 2014, approximately RMB6.2 million has been received from trade and note receivables, the remaining outstanding balance of approximately RMB195.3 million is within its credit term.

Other income

During the period, other income was approximately RMB1.0 million representing a decrease of approximately RMB7.4 million as compared with approximately RMB8.4 million of the same period of 2013. The decrease was mainly attributed to the reversal of impairment of trade receivables of RMB6.6 million recognised as other income in last corresponding period, which is one-off in nature.

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 2014, the Group recorded a gain on futures contracts of approximately RMB0.02 million (2013: approximately RMB1.6 million). The Group did not enter into any commodities futures contracts unrelated to the business operations during the period (2013: 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

Selling and distribution costs for the six months ended 30 June 2014 was approximately RMB2.7 million (2013: RMB2.8 million).

Administrative expenses for the six months ended 30 June 2014 amounted to approximately RMB16.7 million, representing a decrease of approximately RMB0.6 million compared with the same period last year. The decrease was due to the disposal of a trading company in last year which lowered the administration expenses as a whole.

Finance costs

Finance costs for the six months ended 30 June 2014 were approximately RMB23.8 million, representing an increase of approximately RMB1.0 million compared with the same period in 2013.

Loss 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 2014 was approximately RMB37.0 million (2013: RMB19.0 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 2014, the total equity attributable to owners of the Company was approximately RMB1,057.0 million (31 December 2013: RMB1,094.6 million). The Group's cash and bank balances stood at RMB14.0 million (31 December 2013: RMB219.8 million). The significant decrease in the balance was attributable to the fund advance to trade suppliers and deposits paid for acquisition of certain property, plant and equipment/raw materials. The interest-bearing bank borrowings of the Group amounted to RMB195.4 million (31 December 2013: RMB195.6 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 45.2%, as compared to approximately 42.6% as at 31 December 2013. The Group is committed to deliver a very stringent working capital management going forward.

Working capital (mainly nonferrous metal mining business)

Total inventory stood at approximately RMB38.9 million (31 December 2013: approximately RMB59.8 million). The inventory turnover days in nonferrous metal mining decreased from 281 days for the year ended 31 December 2013 to 128 days for the six months ended 30 June 2014 as a result of certain inventories brought forward have been sold. Trade receivable turnover days in nonferrous metal mining decreased from 206 days for the year ended 31 December 2013 to 124 days in current period. 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 in nonferrous metal mining decreased from 204 days reported as at 31 December 2013 to 148 days as a result of certain deposits paid to suppliers in advance in order to take the discounts advantages. The Groups' working capital decreased to approximately RMB543.7 million (31 December 2013: approximately RMB560.5 million).

Capital expenditure

Total capital expenditure for the period amounted to approximately RMB5,024,000 million (six months ended 30 June 2013: approximately RMB19.4 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 2014, 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

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 June 2014, none of the Directors and chief executive of the Company had any interests and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); and (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEME

As at 30 June 2014, options to subscribe for an aggregate of 106,742,000 shares of the Company had been granted to certain employees and suppliers/advisors of the Group. Details of outstanding options as at 30 June 2014 were as follows:

Name or category of participant	Number of share options				At 30 June 2014	Date of grant of share options (note)	Exercise period of share options	Exercise price of share options HK\$
	At 1 January 2014	Granted during the period	Exercise during the period	Lapsed during the period				
Other employees								
In aggregate								
	300,000	-	-	(300,000)	-	15/05/2009	Period 1	1.08
	1,000,000	-	-	(1,000,000)	-	20/05/2009	Period 3	1.17
	4,468,000	-	-	-	4,468,000	04/12/2009	Period 6	1.30
	4,468,000	-	-	-	4,468,000	04/12/2009	Period 7	1.30
	6,702,000	-	-	-	6,702,000	04/12/2009	Period 8	1.30
	6,702,000	-	-	-	6,702,000	04/12/2009	Period 9	1.30
	71,702,000	-	-	-	71,702,000	28/7/2010	Period 10	1.23
	<u>95,342,000</u>	<u>-</u>	<u>-</u>	<u>(1,300,000)</u>	<u>94,042,000</u>			
Suppliers/Advisors								
In aggregate								
	1,600,000	-	-	(1,600,000)	-	19/05/2009	Period 2	1.10
	700,000	-	-	-	700,000	17/08/2009	Period 4	1.36
	2,000,000	-	-	-	2,000,000	04/12/2009	Period 5	1.30
	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
	3,000,000	-	-	-	3,000,000	04/12/2009	Period 8	1.30
	3,000,000	-	-	-	3,000,000	04/12/2009	Period 9	1.30
	<u>14,300,000</u>	<u>-</u>	<u>-</u>	<u>(1,600,000)</u>	<u>12,700,000</u>			
	<u>109,642,000</u>	<u>-</u>	<u>-</u>	<u>(2,900,000)</u>	<u>106,742,000</u>			

Period 1	15 November 2009 to 14 May 2014
Period 2	19 May 2009 to 18 May 2014
Period 3	20 March 2010 to 19 May 2014
Period 4	17 June 2010 to 16 August 2014
Period 5	4 December 2009 to 3 December 2014
Period 6	4 December 2010 to 3 December 2014
Period 7	4 December 2011 to 3 December 2014
Period 8	4 December 2012 to 3 December 2014
Period 9	4 December 2013 to 3 December 2014
Period 10	28 July 2010 to 30 May 2015

Note:

The vesting date of the share options for Periods 2, 5 and 10 are the date of grant. The share options for Period 1 is subject to half year vesting period. The share options for Periods 3 and 4 are subject to ten months vesting period. The vesting period of the share options for Periods 6, 7, 8 and 9 are subject to one, two, three and four years vesting period respectively.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, so far as the Directors were aware, the following persons or companies (other than the Directors or chief executive of the Company) had an interest or short position in the shares, underlying shares and debentures of the Company which were discloseable under Divisions 2 and 3 of Part XV of the SFO and recorded in the register of interests required to be kept by the Company pursuant to Section 336 of SFO or otherwise notified to the Company as follows:

Name of shareholders	Type of interests	Position	Number of shares	Approximate percentage
Ruffy Investments Limited (Note 1)	Beneficial owner	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%

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 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 every five shares of the Company of HK\$0.0004 each have been consolidated 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 June 2014.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30 June 2014 with the code provisions set out in the Corporate Governance Code 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 2013 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 ("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 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. 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 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 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 2014, the Group had approximately 330 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 2014, 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 2014) and internal control procedures of the Group. The members of the audit committee comprises three independent non-executive Directors, namely Mr. Chan Siu Lun (Chairman of the audit committee), Ms. He Qing and Mr. Kwan Man Kit, Edmond.

The Group's unaudited consolidated results for the six months ended 30 June 2014 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

MATERIAL ACQUISITION AND DISPOSAL

No material acquisitions or disposals of subsidiaries and associated companies have been made by the Company during the six months ended 30 June 2014.

CONTINGENCIES

As at 30 June 2014, 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 months period ended 30 June 2014, 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 August 2014

As at the date of this report, the Board consists of two executive Directors, namely Mr. Mei Ping and Mr. Tsang Chung Sing, Edward and three independent non-executive Directors, namely Mr. Chan Siu Lun, Ms. He Qing and Mr. Kwan Man Kit, Edmond.