



中國有色金屬有限公司*

China Nonferrous Metals Company Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8306



**Third Quarterly 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.

HIGHLIGHTS

- Achieved a turnover of approximately RMB78.8 million for the nine months ended 30 September 2014, representing an approximately 75.9% decrease as compared with that of the corresponding period in 2013.
- Net loss of the Group attributable to owners of the Company for the nine months ended 30 September 2014 amounted to approximately RMB56.1 million (2013: RMB38.3 million).
- The Directors do not recommend dividend for the nine months ended 30 September 2014.

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Revenue	3	78,787	326,813	17,242	176,399
Cost of sales		(73,903)	(315,135)	(17,122)	(176,289)
Gross profit		4,884	11,678	120	110
Other income		2,623	9,338	1,625	957
Changes in fair value of derivative financial instruments		24	2,992	–	1,410
Selling and distribution costs		(4,745)	(4,286)	(2,001)	(1,528)
Administrative expenses		(22,188)	(26,167)	(5,526)	(8,927)
Equity-settled share options expenses		–	(930)	–	(525)
Loss from operations		(19,402)	(7,375)	(5,782)	(8,503)
Finance costs	4	(38,110)	(34,889)	(14,274)	(12,097)
Loss before income tax		(57,512)	(42,264)	(20,056)	(20,600)
Income tax credit	5	1,387	2,351	927	825
Loss for the period		(56,125)	(39,913)	(19,129)	(19,775)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Nine months ended 30 September		Three months ended 30 September	
Notes	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	
Attributable to:					
Owners of the Company	(56,125)	(38,269)	(19,129)	(19,267)	
Non-controlling interests	-	(1,644)	-	(508)	
Loss for the period	(56,125)	(39,913)	(19,129)	(19,775)	
Losses per share					
Basic and diluted	RMB3.20 cents	RMB2.19 cents	RMB1.09 cent	RMB1.10 cent	7

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	Nine months ended 30 September		Three months ended 30 September	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Loss for the period	(56,125)	(39,913)	(19,129)	(19,775)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(463)	601	199	464
Total other comprehensive income for the period, net of tax	(463)	601	199	464
Total comprehensive income for the period	(56,588)	(39,312)	(18,930)	(19,311)
Attributable to:				
Owners of the Company	(56,588)	(37,668)	(18,930)	(18,803)
Non-controlling interests	-	(1,644)	-	(508)
	(56,588)	(39,312)	(18,930)	(19,311)

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.

The Company is an investment holding company. Its principal subsidiaries 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 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 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 results for the nine months ended 30 September 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 the mining, processing and trading of mineral resources. Revenue recognised during the nine months and three months ended 30 September 2014 and 2013 are as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Revenue:				
Mining, processing and trading of mineral resources	78,787	326,813	17,242	176,399

4. FINANCE COSTS

	Nine months ended 30 September		Three months ended 30 September	
	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	3,139	14,604	995	5,301
– interest on other loans	13,500	–	6,000	–
Interest on convertible bonds	21,438	20,234	7,268	6,784
Interest on finance lease liabilities	33	51	11	12
	38,110	34,889	14,274	12,097

5. INCOME TAX CREDIT

	Nine months ended 30 September		Three months ended 30 September	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Current taxation	–	–	–	–
Deferred taxation	1,387	2,351	927	825
Total tax credit for the period	1,387	2,351	927	825

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 2014 (2013: Nil).

7. 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 RMB56,125,000 (2013: RMB38,269,000) 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 nine months ended 30 September 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.

8. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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 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	-	-	-	-	-	-	-	-	(56,125)	(56,125)	-	(56,125)
Other comprehensive income												
Currency translation	-	-	-	(463)	-	-	-	-	-	(463)	-	(463)
Total comprehensive income for the period	-	-	-	(463)	-	-	-	-	(56,125)	(56,588)	-	(56,588)
Share options lapsed	-	-	-	-	-	-	(1,814)	-	1,814	-	-	-
At 30 September 2014 (unaudited)	3,107	970,169	6	(14,107)	4,264	15,529	48,969	118,673	(108,544)	1,038,066	-	1,038,066

For the nine months ended 30 September 2013

	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	Retained profits RMB '000	Total RMB '000	Non-controlling interests RMB '000	Total RMB '000
At 31 December 2012 and 1 January 2013 (audited)	3,107	970,169	6	(13,997)	4,264	(20,560)	53,084	118,673	194,508	1,309,254	92,844	1,402,098
Equity-settled share option arrangements	-	-	-	-	-	-	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												
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	1,215,569	-	1,215,569

MANAGEMENT DISCUSSION AND ANALYSIS

Market review

Lead

Total global supply of lead for the first seven months of this year stood at approximately 6.180 million tonnes whilst total consumption for the same period was approximately 6.169 million tonnes, representing a supply surplus of approximately 11,000 tonnes. During the year 2013, global lead production was approximately 10.593 million tonnes and consumption was approximately 10.615 million tonnes, representing a supply deficit of approximately 22,000 tonnes.

World refined lead supply and usage

January-July	2014	2013
Metal production (tonnes)	6,180,000	6,035,000
Metal usage (tonnes)	6,169,000	6,085,000
Surplus/(deficit) (tonnes)	11,000	(50,000)

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

Approximate 2.4% increase in global refined lead metal production in the first seven months was primarily due to higher output in the United States, Australia, India and Mexico. The increase in global refined lead metal demand was primarily due to higher consumption in China and Europe.

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 tonnes 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 approximately 7.684 million tonnes for the first seven months of this year whilst total consumption was approximately 7.932 million tonnes, representing a deficit of approximately 248,000 tonnes. When compared to the supply surplus of approximately 15,000 tonnes for the same period of last year, it has turned to the supply deficit of 248,000 tonnes. During the year 2013, global zinc production was approximately 13.138 million tonnes and consumption was approximately 13.198 million tonnes, representing a supply deficit of approximately 60,000 tonnes.

World refined zinc supply and usage

January-July	2014	2013
Metal production (tonnes)	7,684,000	7,383,000
Metal usage (tonnes)	7,932,000	7,368,000
(Deficit)/surplus (tonnes)	(248,000)	15,000

Source: ILZSG

Approximate 4.1% increase in global refined zinc metal production in the first seven months was primarily due to higher output in China, Italy, the Republic of Korea, Norway and Poland. The increase in global refined zinc metal demand was due primarily to higher consumption in China and the United States.

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.

Market review

During the reporting period, market data shows that the world economy experienced a slow recovery due to the uncertain economic circumstances including weak demand in European Union and the timetable on the scaling down of the US quantitative easing policies. Although lead and zinc prices have slightly recovered during the reporting period, it still remained relatively low. In accordance to the figures from National Development and Reform Commission, the production volume of zinc concentrate production in China during the first eight months of 2014 has been increased by 3.8% but the growth rate has been decelerated by 7% and lead concentrate production has been decreased by 5.1% while last corresponding period increased by 8.4%. It was mainly attributable to the 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. In the first seven months of 2014, profitability of the nonferrous mining and processing segment has been decreased by 10.7% to approximately RMB30.7 billion.

Prospect

Supply of the nonferrous metals in China has been affected by the industrial restructuring and technology level upgrade in accordance to the 12th Five Year Plan. Facing with difficulties of overcapacity, particularly in the nonferrous industry, this plan aims to eliminate backward production capacity and focus on the environmental protection in order to accelerate the development of the nonferrous industry in China. During the year 2014, the Ministry of Industry and Information Technology (“MIIT”) in China substantially increased its target of eliminating overcapacity, including cutting the lead smelter capacity by 115,000 tonnes and Hunan Province also announced its plan to eliminate backward production capacity of copper and lead by at least 300,000 tonnes together with the stringent restriction in entering to the high energy consumption and high pollution industries. These measures will be strengthened and continued as MIIT has announced that preparation work has been started to pave the way for the launch of 13th Five Year Plan in coming future.

In addition, MIIT released a list of the first and second batch of enterprises with obsolete capacities to be shut down in July 2013 and August 2014. According to the list on the second batch, those named enterprises' production line and equipment (including lead provider) are required to dismantle completely by the end of this year. It is expected the elimination of obsolete capacity will benefit the improvement in the demand and supply relationship as well as the competitive environment of the Chinese nonferrous industry.

China strives to sustain stable economic growth by accelerating industrialisation, motivating internal consumption and developing of emerging industries under the 12th Five Year Plan. This led to the result that China has been the largest lead and zinc production and usage in the world in recent years. However, China's economy is facing multiple domestic and international challenges despite its steady performance during the first nine months of 2014. To tackle these problems, it is expected the central government will continue stable and macroeconomic policies and adopt flexible micro-economics policies. Although the elimination of the backward production measures inevitably affected the supply of the zinc and lead in short run, it is expected the target set in the 12th Five Year Plan will further enhance the development of mining and processing technology level in order to align with international standard. In the long run, it will favor the usage of nonferrous metals and create favorable atmosphere for the stable development of nonferrous metals industry.

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 for 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.

Financial performance analysis

Revenue

For the nine months ended 30 September 2014, the Group recorded a turnover of approximately RMB78.8 million, representing a decrease of approximately 75.9% as compared with the turnover of approximately RMB326.8 million for the same period last year. Meanwhile, total costs of production was approximately RMB73.9 million (2013: RMB315.1 million), representing a decrease of approximately 76.6%.

Revenue and gross profit margin for the nine months ended 30 September 2014 and 2013 are as follows:

	Nine months ended 30 September 2014				Nine months ended 30 September 2013			
	Revenue <i>RMB'000</i>	Cost of sales <i>RMB'000</i>	Gross profit <i>RMB'000</i>	Gross profit %	Revenue <i>RMB'000</i>	Cost of sales <i>RMB'000</i>	Gross profit <i>RMB'000</i>	Gross profit %
Nonferrous metal mining	75,018	(71,950)	3,068	4.1%	105,815	(97,890)	7,925	7.5%
Metal trading	1,974	(1,953)	21	1.1%	217,971	(217,245)	726	0.3%
Indent trading/service income	1,795	-	1,795	100%	3,027	-	3,027	100%
Total	78,787	(73,903)	4,884	6.2%	326,813	(315,135)	11,678	3.6%

Metal trading activity has decreased substantially to approximately RMB2.0 million for the first nine months of 2014 as compared to approximately RMB218.0 million recorded for the corresponding period in 2013, representing a decrease of approximately 99.1% as a result of the adverse market condition of the metal trading industry in the PRC. The management expects the trading activity during this year will be significantly lower than the last year.

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 2014 and 2013:

	Nine months ended 30 September 2014			Nine months ended 30 September 2013		
	Sales volume (tonnes)	Selling price (RMB/tonnes)	Total revenue (RMB'000)	Sales volume (tonnes)	Selling price (RMB/tonnes)	Total revenue (RMB'000)
Zinc concentrates	8,156	7,936.6	64,731	12,627	8,059.0	101,761
Lead concentrates, crude lead and lead ingots	847	9,798	8,299	2,028	11,504.4	23,331
Sulphuric acid	14,951	53.6	802	32,594	120.7	3,934
Silver	-	-	-	2.08	5,093,750.0	10,595
Associated gold metal (grams)	-	-	-	3,778	312.8	1,182
Copper cathode	-	-	-	4,122	44,391.8	182,983
Tailing mine	28,860	109.5	3,160	-	-	-
Service income	1,795	-	1,795	-	-	3,027
Total revenue			78,787			326,813

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 2014				Total RMB'000
	Mining RMB'000	Metal trading RMB'000	commodities futures RMB'000	Unallocated corporate income and expenses RMB'000	
Revenue	75,018	3,769	-	-	78,787
Changes in fair value of derivative financial instruments	-	-	24	-	24
Cost of sales	(71,950)	(1,953)	-	-	(73,903)
Gross profit	3,068	1,816	24	-	4,908
Other income	2,417	7	-	199	2,623
Selling and distribution costs	(4,745)	-	-	-	(4,745)
Administrative expenses	(15,052)	(911)	(448)	(5,777)	(22,188)
Finance costs	(16,639)	-	(33)	(21,438)	(38,110)
Profit/(loss) before income tax	(30,951)	912	(457)	(27,016)	(57,512)

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 11 November 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 nine months ended 30 September 2014. Its corresponding gross invoiced amount was approximately RMB294.8 million. Trade and note receivables as at 30 September 2014 was approximately RMB199.5 million. Subsequent to 30 September 2014 and up to 11 November 2014, approximately RM2.2 million has been received from trade and note receivables, certain outstanding balance of approximately RMB79.5 million is within its credit term and the remaining balance amount of RMB117.8 million are related to independent customers for whom there is no recent history of default.

Other income

During the period, other income was approximately RMB2.6 million representing a decrease of approximately RMB6.7 million as compared with approximately RMB9.3 million of the same period of 2013. The decrease was mainly attributed to the reversal of impairment of trade receivables of approximately 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 nine months ended 30 September 2014, the Group recorded a net gain on futures contracts of approximately RMB0.02 million (2013: approximately RMB3.0 million). The Group did not enter into any commodity 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 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

Selling and distribution expenses for the nine months ended 30 September 2014 amounted to approximately RMB4.7 million (2013: RMB4.3 million).

Administrative expenses for the nine months ended 30 September 2014 amounted to approximately RMB22.2 million (2013: RMB26.2 million). The decrease was attributable to the disposal of a trading company in last year which lowered the administration expenses as a whole.

Finance costs

Finance costs for the nine months ended 30 September 2014 amounted to approximately RMB38.1 million (2013: RMB34.9 million).

Loss 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 2014 was approximately RMB56.1 million (2013: RMB38.3 million).

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

As at 30 September 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); (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 2014, 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 30 September 2014, options to subscribe for an aggregate of 106,042,000 shares of the Company had been granted to certain employees and suppliers/ advisors of the Group. Details of outstanding options as at 30 September 2014 were as follows:

Name or category of participant	Number of share options				At 30 September 2014	Date of grant of share options <i>(note)</i>	Exercise period of share options	Exercise price of share options <i>HK\$</i>
	At 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period				
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>(2,300,000)</u>	<u>12,000,000</u>			
	<u>109,642,000</u>	<u>-</u>	<u>-</u>	<u>(3,600,000)</u>	<u>106,042,000</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 are 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 September 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 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%

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 September 2014.

CORPORATE GOVERNANCE

The Company has complied throughout the nine months ended 30 September 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 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(s) 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 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 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 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 quarterly results for the nine months ended 30 September 2014) 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), Ms. He Qing and Mr. Kwan Man Kit, Edmond.

The Group's unaudited consolidated results for the nine months ended 30 September 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 nine months ended 30 September 2014.

CONTINGENCIES

As at 30 September 2014, 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 months ended 30 September 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, 11 November 2014

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