



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
2015

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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 (suspended)
Mr. TSANG Chung Sing, Edward
Ms. LIU Yaling

Non-Executive Director

Mr. CHAN Wai Cheung, Admiral

Independent Non-Executive Directors

Mr. NG Man Kwan, Lawrence
Mr. CHENG Feng
Mr. SIU Kai Chun

Compliance Officer

Ms. LIU Yaling

Company Secretary

Mr. IP Yiu Tak

Audit Committee

Mr. CHENG Feng (*Chairman*)
Mr. NG Man Kwan, Lawrence
Mr. SIU Kai Chun

Remuneration Committee

Mr. NG Man Kwan, Lawrence
(*Chairman*)
Mr. TSANG Chung Sing, Edward
Mr. CHENG Feng

Nomination Committee

Mr. NG Man Kwan, Lawrence
(*Chairman*)
Mr. CHAN Wai Cheung, Admiral
Mr. CHENG Feng

Authorised Representatives

Mr. TSANG Chung Sing, Edward
Ms. LIU Yaling

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 Banker

Hang Seng 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

Clarendon House
2 Church Street
Hamilton HM 11
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Head Office and Principal Place of Business in Hong Kong

Room 1104
Jubilee Centre
18 Fenwick Street
Wanchai
Hong Kong

HIGHLIGHTS

- Turnover for the six months ended 30 June 2015 was approximately RMB20.3 million, representing an approximately 67.0% decrease as compared with that of the corresponding period in 2014.
- Net loss of the Group attributable to owners of the Company for the six months ended 30 June 2015 amounted to approximately RMB42.3 million (2014: RMB37.0 million).
- Gearing ratio was 56.5% as at 30 June 2015 (31 December 2014: 52.9%).
(note)
- The Directors do not recommend an interim dividend for the six months ended 30 June 2015.

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

The English translation of Chinese names or words in this report is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

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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 2015, together with the comparative figures for the corresponding period in 2014 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended		Three months ended	
		30 June		30 June	
		2015	2014	2015	2014
Notes		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	20,282	61,545	15,350	40,333
Cost of sales		(21,198)	(56,781)	(17,469)	(37,340)
Gross (loss)/profit		(916)	4,764	(2,119)	2,993
Other income		4	998	4	889
Changes in fair value of derivative financial instruments		-	24	-	-
Selling and distribution costs		(863)	(2,744)	(494)	(2,319)
Administrative expenses		(17,024)	(16,662)	(10,925)	(9,791)
Loss from operations	5	(18,799)	(13,620)	(13,534)	(8,228)
Finance costs	6	(24,677)	(23,836)	(12,447)	(12,031)
Loss before income tax		(43,476)	(37,456)	(25,981)	(20,259)
Income tax credit	7	1,145	460	841	563
		(42,331)	(36,996)	(25,140)	(19,696)
Loss for the period attributable to owners of the Company		(42,331)	(36,996)	(25,140)	(19,696)
Losses per share					
Basic and diluted	9	RMB2.42 cents	RMB2.11 cents	RMB1.44 cents	RMB1.12 cents

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	Six months ended 30 June		Three months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Loss for the period	(42,331)	(36,996)	(25,140)	(19,696)
Other comprehensive expenses, after tax				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(321)	(662)	(124)	26
Total other comprehensive expenses for the period, net of tax	(321)	(662)	(124)	26
Total comprehensive expenses attributable to owners of the Company	(42,652)	(37,658)	(25,264)	(19,670)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

As at 30 June 2015

	Notes	As at 30 June 2015 RMB'000 (unaudited)	As at 31 December 2014 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	235,866	242,791
Intangible assets		746,041	749,686
Prepaid land lease payments		1,817	1,839
Deferred tax assets		24,450	24,450
		1,008,174	1,018,766
Current assets			
Inventories		162,058	28,845
Prepaid land lease payments		42	42
Trade and note receivables	11	118,200	162,922
Other receivables, deposits and prepayments		460,463	541,359
Amounts due from related companies		4,399	1,880
Cash and bank balances		19,792	37,045
		764,954	772,093
Current liabilities			
Trade and note payables	12	74,392	50,735
Other payables and accrued charges		63,963	70,122
Amounts due to related companies		6,070	5,426
Borrowings	13	194,688	194,867
Convertible bonds	14	300,053	291,610
Provision for tax		81,310	81,650
		720,476	694,410
Net current assets		44,478	77,683
Total assets less current liabilities		1,052,652	1,096,449

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

As at 30 June 2015

	<i>Note</i>	As at 30 June 2015 RMB'000 (unaudited)	As at 31 December 2014 RMB'000 (audited)
Non-current liabilities			
Deferred tax liabilities		176,364	177,509
		176,364	177,509
Net assets			
		876,288	918,940
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	3,107	3,107
Reserves		873,181	915,833
Total equity		876,288	918,940

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 <i>RMB'000</i> (unaudited)
Net cash generated from/(used in) operating activities	5,157	(193,858)
Net cash used in investing activities	(4,102)	(5,002)
Net cash used in financing activities	(15,341)	(8,701)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(14,286)	(207,561)
Cash and cash equivalents at beginning of the period	37,045	219,849
Effect of foreign exchange, net	(2,967)	1,738
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Cash and cash equivalents at end of the period	19,792	14,026
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY**

For the six months ended 30 June 2015

	Attributable to owners of the Company								Accumulated losses RMB '000	Total RMB '000
	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		
At 31 December 2014 and 1 January 2015 (audited)	3,107	970,169	6	(13,278)	4,264	15,529	30,503	118,673	(210,033)	918,940
Loss for the period	-	-	-	-	-	-	-	-	(42,331)	(42,331)
Other comprehensive expense										
Currency translation	-	-	-	(321)	-	-	-	-	-	(321)
Total comprehensive expense for the period	-	-	-	(321)	-	-	-	-	(42,331)	(42,652)
Share options lapsed	-	-	-	-	-	-	(30,503)	-	30,503	-
At 30 June 2015 (unaudited)	<u>3,107</u>	<u>970,169</u>	<u>6</u>	<u>(13,599)</u>	<u>4,264</u>	<u>15,529</u>	<u>-</u>	<u>118,673</u>	<u>(221,861)</u>	<u>876,288</u>

For the six months ended 30 June 2014

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
Loss for the period	-	-	-	-	-	-	-	-	(36,996)	(36,996)
Other comprehensive expense										
Currency translation	-	-	-	(662)	-	-	-	-	-	(662)
Total comprehensive expense for the period	-	-	-	(662)	-	-	-	-	(36,996)	(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>

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. As requested by the Company, trading in shares of the Company on the GEM has been suspended since 1 April 2015.

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 2015 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014. The consolidated financial information for the six months ended 30 June 2015 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 2015.

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 2014. 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.

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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 2015 are as follows:

	Six months ended 30 June		Three months ended 30 June	
	2015 RMB '000 (unaudited)	2014 RMB '000 (unaudited)	2015 RMB '000 (unaudited)	2014 RMB '000 (unaudited)
Revenue:				
Mining, processing and trading of mineral resources	20,282	61,545	15,350	40,333

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 FROM OPERATIONS

Loss from operations is arrived at after charging:

	Six months ended 30 June		Three months ended 30 June	
	2015 RMB '000 (unaudited)	2014 RMB '000 (unaudited)	2015 RMB '000 (unaudited)	2014 RMB '000 (unaudited)
Amortisation of intangible assets	3,645	2,998	3,270	2,479
Amortisation of prepaid land lease payments	22	22	11	11
Depreciation of property, plant and equipment	8,508	11,708	4,587	6,247

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6. FINANCE COSTS

	Six months ended 30 June		Three months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Wholly repayable within five years				
– interest on bank loans	2,018	2,144	1,048	1,098
– interest on other loans	7,500	7,500	3,750	3,717
Interest on convertible bonds	15,137	14,170	7,638	7,205
Interest on finance lease liabilities	22	22	11	11
	24,677	23,836	12,447	12,031

7. INCOME TAX CREDIT

	Six months ended 30 June		Three months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Current taxation	–	–	–	–
Deferred taxation	1,145	460	841	563
	1,145	460	841	563
Total tax credit for the period	1,145	460	841	563

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 2015 (six months ended 30 June 2014: 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 RMB42,331,000 (2014: RMB36,996,000) divided by the weighted average number of approximately 1,751,308,000 (2014: approximately 1,751,308,000) ordinary shares in issue during the period.

Diluted losses per share for the six months ended 30 June 2015 and 2014 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.

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10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired approximately RMB1,584,000 property, plant and equipment (six months ended 30 June 2014: RMB5,024,000).

During the period, the Group had not disposed any of its property, plant and equipment (six months ended 30 June 2014: 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 2015 RMB'000 (unaudited)	As at 31 December 2014 RMB'000 (audited)
0-60 days	1,058	16,503
61-120 days	-	6
121-180 days	-	5,569
181-365 days	8,085	140,844
Over 365 days	109,057	-
	<hr/> 118,200 <hr/>	<hr/> 162,922 <hr/>

12. TRADE AND NOTE PAYABLES

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

	As at 30 June 2015 RMB'000 (unaudited)	As at 31 December 2014 RMB'000 (audited)
0-90 days	7,256	16,589
91-180 days	22,615	4,224
181-365 days	14,522	10,092
Over 365 days	29,999	19,830
	<hr/> 74,392 <hr/>	<hr/> 50,735 <hr/>

13. BORROWINGS

During the period, the Group had not raised any borrowings (six months ended 30 June 2014: Nil). During the period, the Group had repaid borrowings of approximately RMB179,000 (six months ended 30 June 2014: RMB173,000).

Other loan – entrusted loan

The other loan in the sum of RMB150,000,000 to Bameng Wuzhong Qi Jiashengpan Zinc, Lead and Pyrite Resources Exploitation Co. Ltd# (巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司) (“Jiashengpan”), for a term of two years commencing from 31 January 2013 and ending to 30 January 2015. As at the date of this report, Jiashengpan is still in the course of the negotiation with the lender to amend the terms of the said loan but the details have not yet been determined. Since the expiry of the said loan on 30 January 2015 and up to the date of this report, no repayment of any principal amount on the said loan has been made by Jiashengpan or any member of the Group.

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 of 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, the conversion price of the Convertible Bonds has been adjusted to HK\$1.10.

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 2015, the principal amount outstanding was approximately HK\$382,038,000 and it was expired on 9 July 2015.

The Convertible Bonds in the principal amount of approximately HK\$372,298,000 were held by Ruffy Investments Limited, a corporation which is controlled by Mr. Mei Wei. Pursuant to the instrument of Convertible Bonds, the Company shall be obliged to make redemption of the outstanding principal amount of the Convertible Bonds on the maturity date. Since the expiry of the Convertible Bonds dated 9 July 2015, Mr. Mei Wei is in the course of the negotiation to amend the terms but the details have not yet been determined as at the date of this report.

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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
Net carrying amounts at 1 January 2014 (audited)	270,678	118,673
Interest expenses	28,866	–
Interest paid and accrued	(9,080)	–
Exchange realignment	1,146	–
	291,610	118,673
Net carrying amounts at 31 December 2014 and 1 January 2015 (audited)	291,610	118,673
Interest expenses	15,137	–
Interest paid and accrued	(4,480)	–
Exchange realignment	(2,214)	–
	300,053	118,673
Net carrying amounts at 30 June 2015 (unaudited)	300,053	118,673

15. SHARE CAPITAL

	As at 30 June 2015		As at 31 December 2014	
	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 end of the period/year	25,000,000	50,000	25,000,000	50,000
		RMB'000		RMB'000
Issued:				
Ordinary shares of HK\$0.002 each at end of the period/year	1,751,308	3,107	1,751,308	3,107

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16. COMMITMENTS

As at 30 June 2015, 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 2015 RMB'000 (unaudited)	As at 31 December 2014 RMB'000 (audited)
Within one year	619	759
In the second to fifth year inclusive	316	559
	935	1,318

Operating lease payments represent rental payable by the Group for its office premises. Leases are negotiated for terms of one to two (31 December 2014: 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 2015 RMB'000 (unaudited)	As at 31 December 2014 RMB'000 (audited)
Property, plant and equipment – Contracted but not provided for	41,569	41,569

17. PLEDGE OF ASSETS

As at 30 June 2015, the Group's mining rights at the net carrying amount of approximately RMB746,041,000 (31 December 2014: RMB749,686,000) were pledged to secure borrowing facilities granted to the Group.

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 2015 and 31 December 2014, the Group's bank borrowings of RMB44,600,000 were guaranteed by Mr. Mei Ping, a Director, Shenzhen First Create Investment Co., Ltd.* (深圳市冠欣投資有限公司) ("First Create") and Wulan Chabu Bainaimiao Co., Ltd.* (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 2015 and 31 December 2014, 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 five months of this year stood at 4.243 million tonnes whilst total consumption for the same period was 4.236 million tonnes, representing a supply surplus of approximately 7,000 tonnes. During the year 2014, global lead production was 11.274 million tonnes and consumption was 11.279 million tonnes, representing a supply deficit of approximately 5,000 tonnes.

World refined lead supply and usage

January-May	2015	2014
Metal production (tonnes)	4,243,000	4,336,000
Metal usage (tonnes)	4,236,000	4,323,000
Surplus (tonnes)	7,000	13,000

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

There was no material fluctuation in global refined lead metal production and consumption as compared with last corresponding period. In accordance with ILZSG forecasts, global demand for refined lead metal is expected to remain stable reaching 11.05 million tonnes in 2015. The supply for refined lead mine is expected reaching 11.03 million tonnes in 2015. As a consequence, it is anticipated that there should not have any material deficit/surplus between the usage and consumption in 2015.

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Zinc

Total global supply of zinc was 5.784 million tonnes for the first five months of this year whilst total consumption was 5.641 million tonnes, representing a surplus of approximately 143,000 tonnes. During the year 2014, global zinc production was approximately 13.513 million tonnes and consumption was approximately 13.809 million tonnes, representing a supply deficit of approximately 296,000 tonnes.

World refined zinc supply and usage

January-May	2015	2014
Metal production (tonnes)	5,784,000	5,299,000
Metal usage (tonnes)	5,641,000	5,498,000
Surplus/(deficit) (tonnes)	143,000	(199,000)

Source: ILZSG

Approximately 9.2% increase in global refined zinc metal production in the first five months was primarily due to higher output in China, Canada, India and the Republic of Korea. The increase in global refined zinc metal usage was due primarily to higher consumption in Europe, China, Japan and Thailand. In accordance with ILZSG forecasts, global usage and supply of refined zinc metal is expected to reach approximately 14.14 million tonnes and 13.99 million tonnes in 2015 respectively. The global demand of zinc metal is expected to increase by approximately 6.0%, 4.8% and 2.4% in the United States, the PRC and Europe respectively.

Business review

First half of 2015 was a difficult moment for the industry. Reference to the nonferrous metals industry prosperity index issued by China Nonferrous Metals Industry Association (“CNMIA”) for the first half of 2015, the index kept declining for seven consecutive months since July 2014 reaching “down trend” level and gradually recovered to “normal” level from April 2015 onwards. The index has considered a variety of factors including but not limited to the prices trend for zinc and lead, the entities profitability and investment atmosphere. In accordance to an article issued by the CNMIA, the Ministry of Industry and Information Technology (“MIIT”), a forum was held in discussing the operation performance of certain nonferrous metals companies for the first half of 2015, it was reported that the industry was continuously under significant challenge. The high finance cost and production cost were primarily undermined the profitability to the industry. Considered the current condition, MIIT announced that the preparation work has been started to pave the way for the launch of 13th Five-Year Plan in coming future.

Prospect

Through the implementation of the 12th Five-Year period (2011-2015), the combined output of 10 nonferrous metals has been boosted. In accordance to the statistic issued by ILZSG, total production of refined lead metal in the PRC grew from approximately 10.606 million tonnes to 11.274 million tonnes whereas production of refined zinc metal grew from 13.064 million tonnes to 13.513 million tonnes during the year from 2011 to 2014.

2015 is the last year of comprehensively completing the 12th Five-Year period. During the period 2011-2014, the intention of the PRC government was improving the quality and efficiency of economic development and maintaining the economy operating within a reasonable range as well as striving for advancing traditional industries to middle- and high-end ones. It was believed that national policies should have a beneficial effect on boosting the growth of the consumption of nonferrous metals, therefore offering a favourable environment for the steady development of the nonferrous metals industry.

The economy of the PRC had risen by 7% in the first half of the year, which is the lowest for the country since the financial crisis in 2009. Steps were taken to boost domestic demand and continue its industrial revitalisation stimulus policies to promote rapid economic growth. In view of the current economic condition, the central bank cut its bank reserve requirement ratio in February, April and June 2015, respectively, in order to stimulate more lending business in the PRC. Loose monetary policies are conducive to free up more funds in the secondary market to boost economy. Besides, the demand in other developing countries is gradually emerging, “One Belt One Road” strategy was proposed to develop potential opportunities among the zone.

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. Moreover, the increase in the United States dollars (“US\$”) index which has depressed the nonferrous metal prices. It is expected the business environment of the nonferrous metals market continue remain unfavourable in the second half of this year.

Given the industrial output (including the metals market industry) and overall economy performance both slowed in early 2015, further stimulus is expected to help revive the slowing economy which might be beneficial to the development of the nonferrous metal industry as a whole. Looking ahead, the Directors are cautiously positive on the continuous economic development in the PRC and believe the PRC government will continue to implement favourable economic policies to sustain the economic development, which could facilitate the continuous growth of the nonferrous metals sector in the PRC.

Financial performance analysis

Revenue

For the six months ended 30 June 2015, the Group recorded a turnover of approximately RMB20.3 million, representing a decrease of approximately 67.0% as compared with the turnover of approximately RMB61.5 million for the same period last year. Total costs of production decreased approximately 62.7% to approximately RMB21.2 million compared with the same period in last corresponding period.

Revenue and gross (loss)/profit margin for the six months period ended 30 June 2015 and 2014 are as follows:

	Six months ended 30 June 2015				Six months ended 30 June 2014			Gross profit/ (loss) %
	Revenue RMB'000	Cost of sales RMB'000	Gross profit RMB'000	Gross profit/ (loss) %	Revenue RMB'000	Cost of sales RMB'000	Gross profit RMB'000	
Nonferrous metal mining	20,282	(21,198)	(916)	(4.5)%	57,778	(54,828)	2,950	5.1%
Metal trading	-	-	-	-	1,974	(1,953)	21	1.1%
Indent trading/service income	-	-	-	-	1,793	-	1,793	100%
Total	20,282	(21,198)	(916)	(4.5)%	61,545	(56,781)	4,764	7.7%

Nonferrous metal mining

For the six month ended 30 June 2015, the selling price for the Group's product in the PRC markets remained at a low level, this unfavourable conditions had a considerable adverse impact on the performance of the Group. As a result, revenue from metal mining decreased to approximately RMB20.3 million for the first half of 2015 as compares to approximately RMB57.8 million recorded for the corresponding period in 2014, representing a decrease of approximately 64.9%.

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The average selling price of zinc concentrates and lead concentrates sold in the PRC markets decreased from RMB7,893 per tonne to RMB7,431 per tonne and RMB9,707 per tonne to RMB8,745 per tonne respectively. Therefore, the Company had lowered its sales volume in response to the continuous drop in the selling prices. In addition, revenue from the by-products including sulphuric acid and tailing mine, where were produced with limited costs, also decreased by approximately RMB2.9 million. Given that the overall production costs in the nonferrous metal mining had also kept increasing in the PRC, the said factors led to a gross loss of RMB0.9 million.

Indent trading

Due to the quality of the trading stock could not be accepted by the buyer, these have been returned to the Company and thus no sales have been recorded under the indent trading business during the period.

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 2015 and 2014:

	Six months ended 30 June 2015			Six months ended 30 June 2014		
	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	2,357	7,430.6	17,514	6,405	7,893.2	50,556
Lead concentrates, crude lead and ingots	302	8,745.0	2,641	634	9,706.6	6,154
Sulphuric acid	-	-	-	14,267	52.9	755
Tailing mine	1,022	124.3	127	18,328	124.8	2,287
Indent trading/service income	-	-	-	-	-	1,793
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue		20,282				61,545

Financial information by ordinary course of business

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

Six months ended 30 June 2015

	Mining	Metal trading	Unallocated corporate income and expenses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	20,282	-	-	20,282
Cost of sales	(21,198)	-	-	(21,198)
	<hr/>	<hr/>	<hr/>	<hr/>
Gross loss	(916)	-	-	(916)
Other income	1	3	-	4
Selling and distribution costs	(863)	-	-	(863)
Administrative expenses	(12,547)	(2,027)	(2,450)	(17,024)
Finance costs	(9,518)	-	(15,159)	(24,677)
	<hr/>	<hr/>	<hr/>	<hr/>
Loss before income tax	<u>(23,843)</u>	<u>(2,024)</u>	<u>(17,609)</u>	<u>(43,476)</u>

Addendum to business and financial review

For the year ended 31 December 2014, overall revenue of the Group was approximately RMB126.1 million and the trade and note receivables as at 31 December 2014 was approximately RMB162.9 million, as such accounts receivable turnover was approximately 471 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 RMB6.8 million instead of the gross invoiced amount of approximately RMB378.7 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 2014 year end date and up to 11 August 2015, trade and note receivables as at 31 December 2014 of RMB44.9 million has been settled. The remaining outstanding amount of approximately RMB118.0 million was overdue. Subsequent to 31 December 2014, the Group entered into various metal purchase transactions with the said debtor approximately RMB108.3 million. It is the intention of the Company to resell these metal purchase to the other sale counter parties before the physical delivery date (i.e. indent sale and purchase transactions (the "Indent Trading")) and realise the cash from the Indent Trading. However, the trading stock was not accepted by the buyer and the transaction was finally cancelled.

As a result of the return of trading stock, no sales have been recorded under the indent trading business during the period. On the other hand, the Company has returned the trading stock to the suppliers and is in progress to demand for the repayment of the outstanding balances. The Company is monitoring the progress of the balance collection and will consider impairment if appropriate.

Trade and note receivables as at 30 June 2015 was approximately RMB118.2 million, of which RMB117.1 million was carried forward from 31 December 2014 (balance as at 31 December 2014 was approximately RMB118.0 million and the difference represented an exchange loss of RMB0.9 million during the period). Subsequent to 30 June 2015 and up to 11 August 2015, approximately RMB800,000 has been settled.

Other income

During the period, other income was approximately RMB4,000 representing a decrease of approximately RMB994,000 as compared with approximately RMB998,000 of the same period of 2014. The decrease was mainly attributed to the lowered scrap sales during the period.

Changes in fair value of derivative financial instruments

It represents the gain or loss arising from the changes in fair value of the metal commodity futures contracts used to hedge against the Group's production and inventories. The Group has not entered into any commodity futures contracts during the six months ended 30 June 2015.

Operating expenses

Selling and distribution costs for the six months ended 30 June 2015 was approximately RMB0.8 million (2014: RMB2.7 million). The decrease was in tandem with the decreased turnover of the Group's business.

Administrative expenses for the six months ended 30 June 2015 amounted to approximately RMB17.0 million, representing an increase of approximately RMB0.3 million compared with the same period last year. Administrative expenses mainly consisted of staff costs, legal and professional fees, rent and rates, depreciation and various government expenses.

Finance costs

Finance costs for the six months ended 30 June 2015 amounted to approximately RMB24.7 million (2014: approximately RMB23.8 million).

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 2015 was approximately RMB42.3 million (2014: RMB37.0 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. As at 30 June 2015, the total equity attributable to owners of the Company was approximately RMB876.3 million (31 December 2014: RMB918.9 million). The Group's cash and bank balances stood at RMB19.8 million (31 December 2014: RMB37.0 million). The interest-bearing bank borrowings of the Group amounted to RMB194.7 million (31 December 2014: RMB194.9 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 56.5%, as compared to approximately 52.9% as at 31 December 2014.

As at 30 June 2015, as set out in the section head "Litigation and Contingent Liabilities", the Group has outstanding lawsuits and arbitration cases in the aggregate claim amount of approximately RMB754.6 million (excluded the Second Writ as the claim was withdrawn). In addition, the Group has not repaid the entrusted loan as disclosed in note 13 of this financial statements. These matters may give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

In view of above situation, the Group will use its best endeavour to address the liquidity issues, including but not limited to (i) secure financial support from Mr. Mei Wei; and (ii) further negotiations with plaintiffs (as set out in the section headed "Litigations and Contingent Liabilities" below), so as to withdraw Jiashengpan and Shenzhen Ruirui as guarantors as soon as practicable. Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

Working capital (mainly nonferrous metal mining business)

Total inventory stood at approximately RMB162.1 million (31 December 2014: approximately RMB28.9 million). The sharp increase in inventory was attributable to the stock purchased in Jiashengpan to approximately RMB112.1 million for trading purpose with an intention to resell when the market prices go up. The inventory turnover days in nonferrous metal mining increased from 92 days for the year ended 31 December 2014 to 426 days in current period should the trading stock exclude. The increase was mainly attributed to the lowered sales volume in response to the continuous drop in the selling prices. Total trade receivables stood at approximately RMB118.2 million (31 December 2014: approximately RMB162.9 million). As set out in the section headed “Addendum to business and financial review” above, trade receivables included balances from metal trading activity. Trade receivable turnover days in nonferrous metal mining decreased from 154 days for the year ended 31 December 2014 to 82 days in current period should the metal trade receivable balances exclude. The Group will continue to exercise due care in managing credit exposure. Trade payable turnover days in nonferrous metal mining increased from 163 days reported as at 31 December 2014 to 454 days in current period should the metal trade payable balances exclude. In view of the adverse market condition, certain suppliers intended offering a lenient credit term to Jiashengpan and coupled with the lower sales level, these factors attributable to the increase in the trade payables turnover days. The Group’s working capital decreased to approximately RMB44.5 million (31 December 2014: approximately RMB77.7 million).

Capital expenditure

Total capital expenditure for the period amounted to approximately RMB1.6 million (six months ended 30 June 2014: approximately RMB5.0 million), of which the amount related to the fixed assets acquired at the mine located in Wulatezhong Qi, the PRC.

LITIGATIONS AND CONTINGENT LIABILITIES

Reference to the announcement dated 22 January 2015, the Company had been aware of three writs of civil summon dated (i) 24 September 2014 and has been issued at the Intermediate People's Court of Shenzhen City ("First Writ"), (ii) 3 November 2014 and has been issued at the Intermediate People's Court of Bayannur ("Second Writ"); and (iii) 29 December 2014 and has been issued at the People's Court of Futian, Shenzhen ("Third Writ", together with First Writ and Second Writ, the "Writs"). In addition, the Company had also been aware of four arbitration cases in Shenzhen Arbitration Centre against First Create (the "Arbitration Cases" together with the Writs, the "Writs and Arbitration Cases"). The Writs and Arbitration Cases against First Create for repayment of loans and interest accrued thereon. The subsidiaries of the Company namely, Jiashengpan and/or Shenzhen Ruirui Technology Co., Ltd.* (深圳市睿纳科技有限公司) ("Shenzhen Ruirui") is a named defendant under the Writs and Arbitration Cases. Details under the Writs and Arbitration Cases were as follows:

- i. by a guarantee executed by Jiashengpan and Shenzhen Ruirui, they agreed to guarantee of RMB156,617,000 together with any accrued interest and other liabilities arisen in favour of the plaintiff. The plaintiff thereto claimed against First Create, Jiashengpan and Shenzhen Ruirui of approximately RMB162,577,000 under the First Writ;
- ii. by a loan agreement and a supplemental agreement executed by Jiashengpan, Jiashengpan agreed to guarantee of RMB70,000,000 together with any accrued interest and other liabilities arisen in favour of the plaintiff. The plaintiff thereto claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB46,486,000 under the Second Writ.

Reference to the announcement dated 8 June 2015, the plaintiff had filed a notice of discontinuation to the court to withdraw its claim against Jiashengpan on 3 June 2015. It is expected Jiashengpan is no longer liable for the claimed amount;

- iii. by a guarantee executed by Jiashengpan, Jiashengpan agreed to guarantee of RMB35,000,000 together with any accrued interest and other liabilities arisen in favour of the plaintiff. The plaintiff thereto claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB31,737,000 under the Third Writ.

On 20 April 2015, Jiashengpan had filed a counterclaim (“Counter-Proceedings”) with, and had paid the filing fee to, Shenzhen Futian District People’s Court, against the claim made by Shenzhen Qinghua Industrial Company Limited# (深圳市青樺實業有限公司) regarding the Third Writ. However, On 8 July 2015, the Futian Court confirmed that it did not accept the application of Jiashengpan for the Counter-Proceedings. Having taken advice from the PRC legal advisers, the Company considered that Jiashengpan will not lodge any appeal against the Futian Court’s judgment regarding the Counter-Proceedings. Jiashengpan will focus on its defence to the legal action under the Third Writ. Details of which can be referred to in the announcement dated 10 July 2015;

- iv. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors agreed to provide guarantee for a loan amount of RMB200,000,000 together with any accrued interest and other liabilities arisen and it is allegedly being advanced by a claimant to First Create. The plaintiff thereto filed an arbitration application claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB216,485,000;
- v. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors agreed to provide guarantee for a loan amount of RMB100,000,000 together with any accrued interest and other liabilities arisen and it is allegedly being advanced by a claimant to First Create. The plaintiff thereto filed an arbitration application claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB107,517,000;

- vi. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors agreed to provide guarantee for a loan amount of RMB145,000,000 together with any accrued interest and other liabilities arisen and it is allegedly being advanced by a claimant to First Create. The plaintiff thereto filed an arbitration application claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB152,131,000; and
- vii. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors in connection of the loan amount of RMB80,000,000 together with any accrued interest and other liabilities arisen and it is allegedly being advanced by a claimant to First Create. The plaintiff thereto filed an arbitration application claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB84,191,000.

As at the date of this report, other than the withdrawal of the claim against Jiashengpan in the Second Writ, the outcome of the First Writ and Third Writ are yet to be determined. On the other hand, the Judgments (裁決書) dated 12 June 2014 had been issued by the Shenzhen Arbitration Centre in relation to the Arbitration Cases but this had not been received either by First Create or the Company until mid-May 2015. Nevertheless, Mr. Mei Wei has issued an undertaking to assume payment liability arisen from the Writs and Arbitration Cases so as to avoid any losses incurred by the Company. As at the date of this report, no further action has been carried out by the claimant in the Arbitration Cases against Jiashengpan. The Company is monitoring the progress and development of the claims and will consider to make provision if appropriate.

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

As at 30 June 2015, 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 (%)
Liu Yaling (note)	Beneficial owner	5,256,908	0.30%
	Interest of spouse	22,628,802	1.29%

Note: Ms. Liu Yaling was appointed as an executive Director on 1 June 2015. Ms. Liu Yaling was deemed interested in the 22,628,802 shares which were held by her spouse, under the SFO.

Share options

As at 30 June 2015, save as disclosed herein, 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 2015, the share options granted by the Company had been lapsed. Details of options movement during the period were as follows:

Name or category of participant	Number of share options				At 30 June 2015	Date of grant of share options (note)	Exercise period of share options	Exercise share options HK\$
	At 1 January 2015	Granted during the period	Exercise during the period	Lapsed during the period				
Other employees	<u>71,702,000</u>	<u>-</u>	<u>-</u>	<u>(71,702,000)</u>	<u>-</u>	28/7/2010	Period 1	1.23

Period 1: 28 July 2010 to 30 May 2015

Note: The vesting date of the share options is the date of grant.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, 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:

Name of shareholders	Type of interests	Position	Number of shares	Approximate percentage of interests
Ruffy Investments Limited (Note 1)	Beneficial owner	Long	1,371,544,609	78.32%
Mr. Mei Wei (Notes 1 & 2)	Interest in controlled corporation	Long	1,371,544,609	78.32%
	Beneficial owner	Long	11,210,000	0.64%
			<u>1,382,754,609</u>	<u>78.96%</u>

Notes:

1. These shares and underlying shares of the Company comprise of 1,033,091,706 shares and HK\$372,298,194 of outstanding principal amount of convertible bonds which can be convertible into 338,452,903 shares, were held by Ruffy, which is wholly-owned by Mr. Mei Wei. Mr. Mei Wei was deemed to be interested in these shares and the underlying Shares under the SFO. Among the shares owned by Ruffy, 125,324,850 shares and HK\$370,957,666 of 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.
2. These shares and underlying shares of the Company, comprise of 11,210,000 shares were 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 2015.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30 June 2015 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 2014 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. Given that Mr. Mei Ping has entered into several guarantee documents without obtaining the Board approval, the Board is monitoring the progress and will convene another meeting to transact the suitability of Mr. Mei Ping for acting as a Director and hold him accountable for any loss if the result indicates any negligence, willful default or improper act on the part of Mr. Mei Ping arising from the Writs and Arbitration Cases. Nonetheless, the Board has suspended Mr. Mei Ping's duty as executive Director on 22 January 2015 as well as his role as the legal representative, executive director and general manager in Jiashengpan on 27 March 2015.

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 receivables denominated in 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 Shenzhen First Create Mining Group Co., Ltd.* (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. Since Mr. Mei Ping has voluntarily suspended his duty as executive Director and chairman of the Board, it is expected 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 2015, the Group had approximately 225 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 2015, 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 the interim results for the six months ended 30 June 2015. The members of the audit committee comprises three independent non-executive Directors, namely Mr. Cheng Feng (Chairman of the audit committee), Mr. Ng Man Kwan, Lawrence and Mr. Siu Kai Chun.

The Group's unaudited consolidated results for the six months ended 30 June 2015 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 2015.

PUBLIC FLOAT

For the six months period ended 30 June 2015, 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

Tsang Chung Sing, Edward

Director

Hong Kong, 11 August 2015

As at the date of this report, the Board consists of the three executive Directors, namely Mr. Mei Ping (suspended), Mr. Tsang Chung Sing, Edward and Ms. Liu Yaling, the non-executive Director is Mr. Chan Wai Cheung, Admiral and the independent non-executive Directors are Mr. Ng Man Kwan, Lawrence, Mr. Cheng Feng and Mr. Siu Kai Chun.