



JINCHUAN 金川

Jinchuan Group International Resources Co. Ltd

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2362)



INTERIM REPORT 2011
INTERIM REPORT 2011



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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		For the six months ended 30 June	
	Notes	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
REVENUE	6	60,004	67,784
Cost of sales		(18,762)	(24,410)
Gross profit		41,242	43,374
Other income and gains	6	3,195	595
Selling and distribution costs		(28,408)	(25,861)
Administrative expenses		(29,056)	(16,899)
Finance costs		(707)	(616)
(LOSS)/PROFIT BEFORE TAXATION	7	(13,734)	593
Income tax expense	8	(154)	(75)
(LOSS)/PROFIT FOR THE PERIOD		(13,888)	518
OTHER COMPREHENSIVE INCOME/(LOSS)			
Changes in fair value of available-for-sale investments		-	(284)
Exchange differences on translation of foreign operations		536	(5,709)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(13,352)	(5,475)
(Loss)/profit attributable to:			
Owners of the parent		(13,886)	518
Non-controlling interests		(2)	-
		(13,888)	518
Total comprehensive loss attributable to:			
Owners of the parent		(13,350)	(5,475)
Non-controlling interests		(2)	-
		(13,352)	(5,475)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic:			
(Loss)/earnings per share for the period	10	(0.51) cents	0.09 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	37,755	39,268
Prepaid land lease payments		4,327	4,648
Intangible assets		15,706	15,706
Long term deposits		2,000	2,000
Total non-current assets		59,788	61,622
CURRENT ASSETS			
Inventories		35,052	31,994
Trade receivables	12	12,906	10,484
Prepayments, deposits and other receivables		15,395	52,153
Available-for-sale investments		16,969	57,887
Due from related parties		4,430	2,591
Cash and bank deposits	13	713,559	631,188
Total current assets		798,311	786,297
CURRENT LIABILITIES			
Trade payables	14	16,490	17,269
Other payables and accruals		53,529	46,305
Interest-bearing bank borrowings		19,273	18,281
Due to related parties		3,704	4,112
Tax payable		1,746	1,502
Finance lease payables		367	334
Due to non-controlling shareholders of subsidiaries		600	600
Total current liabilities		95,709	88,403
NET CURRENT ASSETS		702,602	697,894
TOTAL ASSETS LESS CURRENT LIABILITIES		762,390	759,516

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 June 2011

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
<i>Notes</i>		
NON-CURRENT LIABILITIES		
Provision for long service payments	507	507
Finance lease payables	335	491
Deferred tax liabilities	2,400	2,563
Total non-current liabilities	3,242	3,561
NET ASSETS	759,148	755,955
EQUITY		
Equity attributable to owners of the parent		
Issued capital	15 27,549	27,285
Reserves	732,425	729,494
	759,974	756,779
Non-controlling interests	(826)	(824)
TOTAL EQUITY	759,148	755,955

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the parent										
	Issued capital	Share premium account	Share option reserve	Available-for-sale	Reserve funds	Contributed surplus	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
				investments revaluation reserve							
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
As at 1 January 2011	27,285	1,178,530	7,138	-	7,321	73	16,881	(480,449)	756,779	(824)	755,955
Loss for the period	-	-	-	-	-	-	-	(13,886)	(13,886)	(2)	(13,888)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	536	-	536	-	536
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	536	(13,886)	(13,350)	(2)	(13,352)
Equity-settled share option arrangements	-	-	969	-	-	-	-	-	969	-	969
Transfer of share option reserve upon the exercise of share option	-	8,107	(8,107)	-	-	-	-	-	-	-	-
Exercise of share option	264	15,312	-	-	-	-	-	-	15,576	-	15,576
At 30 June 2011 (Unaudited)	27,549	1,201,949*	-*	-*	7,321*	73*	17,417*	(494,335)*	759,974	(826)	759,148
As at 1 January 2010	4,858	586,516	-	796	7,321	73	15,002	(41,704)	572,862	(818)	572,044
Profit for the period	-	-	-	-	-	-	-	518	518	-	518
Changes in fair value of available-for-sale investments, net of tax	-	-	-	(284)	-	-	-	-	(284)	-	(284)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(5,709)	-	(5,709)	-	(5,709)
Total comprehensive income/(loss) for the period	-	-	-	(284)	-	-	(5,709)	518	(5,475)	-	(5,475)
Issuance of shares	970	23,029	-	-	-	-	-	-	23,999	-	23,999
At 30 June 2010 (Unaudited)	5,828	609,545*	-*	512*	7,321*	73*	9,293*	(41,186)*	591,386	(818)	590,568

* These reserve accounts comprise the consolidated reserves of HK\$732,425,000 (30 June 2010: HK\$585,558,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(12,011)	(3,544)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	76,897	(18,935)
NET CASH INFLOW FROM FINANCING ACTIVITIES	16,360	24,259
NET INCREASE IN CASH AND CASH EQUIVALENTS	81,246	1,780
NET FOREIGN EXCHANGE DIFFERENCE	326	(5,709)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	629,072	55,200
CASH AND CASH EQUIVALENTS AT END OF PERIOD	710,644	51,271
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank deposits	713,559	55,711
Bank overdrafts	(2,915)	(4,440)
	710,644	51,271

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. CORPORATE INFORMATION

Jinchuan Group International Resources Co. Ltd. is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is at P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

During the period, the Group was involved in the following principal activities:

- manufacture and trading of cosmetic and related products, and provision of beauty technical and training services
- property investment and development

The ultimate holding company of the Company is Jinchuan Group Limited*金川集團有限公司, which is incorporated in the People's Republic of China (the "PRC").

2. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group prepared these condensed consolidated interim financial statements in accordance with International Financial Reporting Standards ("IFRSs"), its amendments and interpretations issued by the International Accounting Standards Board ("IASB").

Prior to 2011, the Group prepared its condensed consolidated financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and its amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants.

Although HKFRSs have been fully converged with IFRSs except for certain differences in transitional provisions since 1 January 2005, management has given due consideration to the requirements under IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS1") in preparing these condensed consolidated financial statements. For this purpose, the date of the Group's transition to IFRSs was determined to be 1 January 2010, being the beginning of the earliest period for which the Group presents comparative information in these condensed consolidated financial statements. With due regard to the Group's accounting policies in previous periods and the requirements of IFRS 1, management has concluded that no adjustments to the amounts reported under HKFRSs were required as at the date of IFRSs transition, or in respect of the period ended 30 June 2010.

3. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by IASB.

* For identification purposes

4. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention except for certain financial instruments which have been measured at fair values. The financial statement is presented in Hong Kong Dollar ("HKD") and all values are rounded to the nearest thousand except when otherwise indicated.

The following of new and revised IFRSs, which also include IASs and Interpretations were adopted, as of 1 January 2011:

IFRS 1 Amendments	<i>Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards—Limited Exemption from Comparative IFRS 7 Disclosure for First-time Adopters</i>
IFRS 7 Amendments	<i>Amendments to IFRS 7 Financial Instruments: Disclosures—Transfers of Financial Assets</i>
IAS 24(Revised)	<i>Related Party Disclosures</i>
IAS 32 Amendment	<i>Amendment to IAS 32 Financial Instruments: Presentation—Classification of Rights Issues</i>
IFRIC 14 Amendment	<i>Amendment to IFRIC 14 Prepayments of a minimum Funding Requirement</i>
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

Apart from the above, Improvement to IFRS 2010 has been issued which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

The principal effects of adopting these new and revised IFRSs are as follows:

The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

Except as stated above, the adoption of these new and revised IFRSs has had no significant financial effect on the Group's condensed consolidated interim financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- the manufacture and trading of cosmetic and related products, and provision of beauty technical and tutoring services segment ("Cosmetic and Beauty"); and
- the property investment and development segment.

Management monitors the results of the Group's operating segments separately for the purpose of resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, unallocated other income and gains as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude certain cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

For the six months ended 30 June 2011

	Cosmetic and beauty HK\$'000	Property investment and development HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	60,004	–	60,004
Other income and gains	430	762	1,192
	60,434	762	61,196
<i>Reconciliation:</i>			
Elimination of intersegment sales			–
			61,196
Segment results	(8,377)	762	(7,615)
<i>Reconciliation:</i>			
Interest income and unallocated gains			2,003
Corporate and other unallocated expenses			(8,122)
			(13,734)
Loss before tax			
As at 30 June 2011			
Segment assets	130,868	16,969	147,837
<i>Reconciliation:</i>			
Corporate and other unallocated assets			710,262
Total assets			858,099

5. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2010

	Cosmetic and beauty HK\$'000	Property investment and development HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	67,784	–	67,784
Other income and gains	271	–	271
	68,055	–	68,055
<u>Reconciliation:</u>			
Elimination of intersegment sales			–
			68,055
Segment results	2,916	–	2,916
<u>Reconciliation:</u>			
Interest income and unallocated gains			323
Corporate and other unallocated expenses			(2,646)
Profit before tax			593
<i>As at 30 June 2010</i>			
Segment assets	255,142	367,377	622,519
<u>Reconciliation:</u>			
Corporate and other unallocated assets			42,656
Total assets			665,175

Geographical information

(a) Revenue from external customers

For the six months ended 30 June

	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Hong Kong	22,082	21,167
Mainland China	37,922	46,617
	60,004	67,784

The above information regarding revenue is based on the location of the customers.

(b) Non-current assets

	As at 30 June 2011 (Unaudited) HK\$'000	As at 30 June 2010 (Unaudited) HK\$'000
Hong Kong	12,586	119,330
Mainland China	47,202	132,952
	59,788	252,282

The above information regarding non-current asset is based on the location of assets.

Information about major customers

There was no single customer accounting for over 10% of total revenue for the six months ended 30 June 2011 and 2010.

6. REVENUE AND OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue		
Sale of goods	41,806	51,216
Rendering of services	18,198	16,568
	60,004	67,784
Other income and gains		
Bank interest income	2,004	177
Gain from disposal of available for sales investment	762	–
Others	429	418
	3,195	595

Note

(i)

Note (i):

In May 2011, the Group disposed of all of its equity interest in Performing Investments Limited ("PIL"), which in turn holds 16.49% equity interest in Sociedade De Investimento Imobiliario Pun Keng Van, S.A. ("PKV"), and its receivables due from PKV of HK\$36,320,000 for a total consideration of HK\$78,000,000.

7. (LOSS)/PROFIT BEFORE TAXATION

The Group's (loss)/profit before taxation is stated after charging/(crediting):

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Cost of inventories sold	12,606	19,092
Cost of services provided	6,156	5,318
Depreciation	5,054	3,918
Recognition of prepaid land lease payments	321	150
Loss on disposals of property, plant and equipment	–	3
Gain on sales of available-for-sale investments	(762)	–
Write-down of inventories to net realisable value	3,080	89
Impairment of trade receivables	381	70

8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Group:		
Current income tax – Mainland China	317	75
Deferred income tax	(163)	–
Tax charge for the period	154	75

9. DIVIDENDS

No dividend has been paid or declared by the Board in respect of the six months ended 30 June 2011 (2010: Nil).

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic (loss)/earning per share is based on the (loss)/profit for the period attributable to owners of the parent, and the weighted average number of ordinary shares in issue during the period:

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
(Loss)/profit attributable to owners of the parent, used in the basic (loss)/earnings per share calculation	(13,886)	518
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	2,744,771,384	560,735,749

For periods ended 30 June 2011 and 2010, diluted loss/earnings per share has not been disclosed as the Company has no potential dilutive ordinary shares outstanding.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group spent HK\$2,498,000 (2010: HK\$3,859,000) on purchase of property, plant and equipment.

12. TRADE RECEIVABLES

The Group has different trading terms with its customers for different businesses.

For sale of goods, payment in advance is normally required, except for major customers. The Group's trading terms with its customers are mainly on credit. The credit period granted to customers generally ranges from one month to three months.

For services rendered, no credit term is granted to customers.

An aged analysis of the trade receivables, net of impairment loss, as at the balance sheet dates, based on invoice date, is as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Current to 3 months	10,589	8,764
4 to 6 months	1,565	1,118
7 to 12 months	281	480
Over 1 year	471	122
	12,906	10,484

13. CASH AND BANK DEPOSITS

For the purpose of the condensed consolidated statement of cash flow, cash and bank deposits comprise the following:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Cash at bank and in hand	121,921	41,129
Short term deposits	591,638	590,059
	713,559	631,188

14. TRADE PAYABLES

An aged analysis of the trade payables as of the balance sheet dates, based on invoice date, is as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Current to 3 months	12,582	11,580
4 to 6 months	2,419	1,163
7 to 12 months	660	2,824
Over 1 year	829	1,702
	16,490	17,269

15. ISSUED CAPITAL

	30 June 2011 (Unaudited) Number of shares	31 December 2010 (Audited) Number of shares
Authorised:		
5,000,000,000 ordinary shares of HK\$0.01 each	50,000,000	50,000,000
	HK\$'000	HK\$'000
Issued and fully paid:		
2,754,873,051 (2010: 2,728,473,051) ordinary shares of HK\$0.01 each	27,549	27,285

During the six months ended 30 June 2011, the movements in share capital were due to exercise of share options granted to certain Directors, employees and consultants of the Group at the subscription price of HK\$0.59 per share. 26,400,000 ordinary shares of HK\$0.01 each were issued on the exercise of share options.

15. ISSUED CAPITAL (continued)

A summary of the transactions during the period with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2011	2,728,473,051	27,285	1,178,530	1,205,815
Share options exercised	26,400,000	264	15,312	15,576
	<u>2,754,873,051</u>	<u>27,549</u>	<u>1,193,842</u>	<u>1,221,391</u>
Transfer from share option reserve upon the exercise of share option	–	–	8,107	8,107
At 30 June 2011	<u>2,754,873,051</u>	<u>27,549</u>	<u>1,201,949</u>	<u>1,229,498</u>

16. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the six months ended 30 June 2011:

		For the six months ended 30 June	
	Notes	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Rental expenses paid to related companies (a)	(i)	573	543
Management fee paid to related companies (a)	(ii)	300	50
Consultancy fee paid to a director of subsidiary	(ii)	300	–

(a) The related companies are parties in which a director of a subsidiary has controlling interests.

Notes:

- (i) Rental expenses paid to related companies were made according to prices and conditions stated in the tenancy agreements that were agreed between the Group and related companies.
- (ii) Management fee and consultancy fee were paid in accordance with contractual terms agreed between the Group and the related parties.

17. EVENTS SUBSEQUENT TO REPORTING PERIOD

There are no material events after the reporting period that may have a material impact on the Group's reported financial position at 30 June 2011.

18. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 27 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The change of the controlling shareholder of the Company to Jinchuan Group Limited* 金川集團有限公司 (“Jinchuan Group”) in November 2010 had marked the Company’s change of future business direction to operating as Jinchuan Group’s flagship for undertaking its overseas operations in mining assets investment and mineral and metal trading in the region and across the world. Jinchuan Group is a leading nickel and cobalt producer in the world as well as one of the largest producers of nickel, copper, cobalts and platinum group of metals in the People’s Republic of China (the “PRC”), and it has been conducting its international mining and mineral resources operations in over 20 countries. The Group would benefit from the extensive global network established by Jinchuan Group over the past decades in forming its trade relationship with the world-renowned miners and traders. The extensive experience and expertise of the new Directors and other staff who joined the Company after the change of the Controlling Shareholder would enable the Group to seek and grab the attractive opportunities in the mining sector.

Along with the Group’s move to the mining sector, two of the Group’s existing business segments, namely the Cosmetic and Beauty and the Property Investment and Development, continued to operate during the period. The details of their results are separately set out in the following sections.

Cosmetic and Beauty

Our Cosmetic and Beauty segment is composed of CMM International Group Limited and its subsidiaries (“CMM Group”) which are engaged in cosmetic and beauty products distribution as well as the related service provision in both Hong Kong and the PRC. It brings prevailing beauty trends through providing innovative services in beauty centers to retail customers and educating beauty professionals in beauty schools.

After two decades’ development in the major cities in the PRC, CMM Group successfully extended its coverage to second and third tier cities in the PRC. It had revised its strategy to target customers in the second and third tier cities. It had sourced a number of new distributors in different provinces through participating in national events like the Shanghai Beauty Expo in May 2011. These distributors would be able to help CMM Group to expand its distribution to local retail outlets in addition to the existing department store counter channels, thus leading to potential sales growth in these cities. The launch of the new official website at “CMM.tmall.com” on Tao Bao electronic business shopping site together with product sales on TV shopping channel in the PRC enables CMM Group to build up a younger consumer portfolio.

* For identification purposes

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Cosmetic and Beauty *(continued)*

The innovative curriculum, including wedding planning and events planning, introduced in CMM Monita Academy in Hong Kong was very well received by the public, which led to a growth in its income derived from tuition fee under its school operations. At the same time, these courses also strengthen its student base which forms a good platform for CMM Group's future business growth.

Property Investment and Development

Consistent with the Company's strategic intention to focus on its business in the mining and mineral resources sector, the Company disposed of its indirect equity interest in one of its two Macau property projects in May 2011, from which a gain of HK\$0.8 million was realized. Going forward, the Company will be seeking opportunities to dispose of its remaining property assets in this segment for fair consideration.

FINANCIAL REVIEW

Revenue and gross profit

The revenue for the six months ended 30 June 2011 was HK\$60.0 million, representing a decrease of 11.5% from HK\$67.8 million for the comparative period in 2010, which was due to the fierce competition from international players in the PRC.

The Group's own-branded products of the Cosmetic and Beauty segment continued to face fierce competition from international players in major cities in the PRC where the customers with strong consumption capability prefer renowned imported cosmetic brands. Notwithstanding the growth in service income from tuition for beauty courses during the period, the drop in product sales resulted in a decline in overall revenue.

The gross profit margin increased from 64.0% for the comparative period in 2010 to 68.7%. This is mainly attributable to the upward price adjustment in certain beauty brands.

Other income and gains

Other income and gains for the six months ended 30 June 2011 amounted to HK\$3.2 million, representing a significant increase from HK\$0.6 million for the comparative period in 2010. The increase was mainly due to the increase of bank interest income by HK\$1.8 million derived from the share subscription funds from Jinchuan Group and the share placement funds in November 2010, the proceeds from disposal of the property interest in Macau as discussed above and the assignment of a related shareholder loan in May 2011.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Selling and distribution costs

The increase of HK\$2.5 million in selling and distribution costs by 9.8% mainly resulted from the increase in promotion expenses for holding of a product exhibition and a new product conference at Hangzhou to attract new distributors. More beauty counter decoration and renovation activities also caused an increase in expenses under this category.

Administrative expenses

The increase of HK\$12.2 million in administrative expenses by 71.9% was principally driven by the repositioning of the Group's business focus to the mining sector. The Company organized a celebration ceremony in Hong Kong inviting governmental officials, business partners and finance community to witness the milestone of its development upon change of the company name in February 2011. In addition, the rise in professional fees and the costs associated with share options prior to their exercisable period also attributed to the rise in administrative expenses.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2011, the Group had cash and bank deposits of HK\$713.6 million. The interest-bearing bank borrowings of the Group of HK\$19.3 million is due within one year.

The Group generally finances its operations with internally generated cash flows. Following the share subscription and placement raising a total of HK\$582.0 million in November 2010, the disposal of its interest in one of its two Macau property projects and the related shareholder loan assignment generated HK\$78.0 million (in aggregate). In addition, exercise of share options during the period generated proceeds of HK\$15.6 million. The Group is in a net cash position as at 30 June 2011.

Material acquisitions and disposals of investments

In May 2011, the Group disposed of its available-for-sale investments, being its entire equity interest in a wholly-owned subsidiary which held interest in one of its two Macau property projects, together with the related shareholder loan assignment, for a total cash consideration of HK\$78.0 million.

Save as the above, the Group had no other material acquisitions or disposals of investments during the period.

Significant capital expenditures

Save for the purchase of property, plant and equipment for HK\$2.5 million in the Cosmetic and Beauty segment, there were no significant capital expenditures during the six months ended 30 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Details of charges on the Group's assets

The Group's buildings and prepaid land lease payments with net book values of HK\$15.9 million and HK\$5.0 million, respectively, were pledged to secure general banking facilities granted to the Group.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2011.

Foreign exchange risk management

Since the Group generated most of its revenue from sale of goods, the proceeds of which were denominated either in Hong Kong dollars or Renminbi, and the Group's payments for purchases of materials and salaries were either made in Hong Kong dollars, Renminbi, or Hong Kong dollars pegged currencies, the Group has not entered into any transactions for hedging purposes and the Group's foreign currency exposure is minimal. The Group monitors its exposure to foreign currency risk and will consider hedging such risk if necessary.

Other information

The unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2011 have been reviewed by the audit committee of the Company (the "Audit Committee").

Prospects

Following the change of the controlling shareholder of the Company in November 2010, the Group has been repositioning its business focus on overseas operations in the exploration and exploitation of mining assets and related trading by leveraging Jinchuan Group's background and established market position in the metals and mining industry. The independent shareholders' approval in the extraordinary general meeting held on 24 August 2011 demonstrates the tremendous support from our shareholder and investors to the Group's commissioning of its mineral and metal trading operations in the second half of this year. It represents the first step to implement the Company's strategy to develop into a flagship of Jinchuan Group for undertaking the overseas operations in the mining and mineral resources sector.

Leveraging on Jinchuan Group's leading market position and management expertise in the mining sector, since the beginning of this year, the Group has been seeking overseas investment opportunities mainly in nickel, copper and cobalt mines. The Group will be making active efforts to identify appropriate mining investment projects. By engaging in these new businesses, the Group expects to reach a higher return for its shareholders.

Employees

As at 30 June 2011, the Group had 544 employees. Employees receive competitive remuneration packages including salary and medical benefits. Key staff may also be entitled to performance bonus and share options.

Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2011 (2010: Nil).

DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the 30 June 2011, the interest of the Directors and the chief executive of the Company in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which: (a) were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in shares of the Company

Name of directors	Number of Shares directly beneficially owned
Ms. DENG Wen	5,800,000
Ms. LO Maria Majoire	400,000

Save as disclosed above, as at 30 June 2011, none of the Directors and the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which: (a) were recorded in the register required to be kept by the Company under section 352 of the SFO; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

DISCLOSURE OF INTERESTS *(continued)*

(b) Substantial shareholders' interest or short positions in the securities of the Company

As at 30 June 2011, so far as is known to any Director or chief executive, the following persons (i) had interest or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO; or (ii) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any options in respect of such capital:

Long positions in the share of the Company:

Name of Shareholders	Capacity/ nature of interest	Percentage of Number of Shares held/involved	the total issued share capital
Jinchuan Group Limited (Note 1)	Interest of a controlled corporation	1,667,142,857	60.5%
Jinchuan Group (Hongkong) Resources Holdings Limited (Note 1)	Interest of a controlled corporation	1,667,142,857	60.5%
Jinchuan BVI Limited (Note 1)	Interest of a controlled corporation	1,667,142,857	60.5%
Jinchuan (BVI) 1 Limited	Beneficial owner	956,557,377	34.7%
Jinchuan (BVI) 2 Limited	Beneficial owner	437,283,372	15.9%
Jinchuan (BVI) 3 Limited	Beneficial owner	273,302,108	9.9%
Mr. Wei Jijun (Note 2)	Interest of a controlled corporation	152,548,480	5.5%
Sincere Daily Limited	Beneficial owner	152,548,480	5.5%

Note 1: Jinchuan Group Limited directly owns 100% of the issued share capital of Jinchuan Group (Hongkong) Resources Holdings Limited which in turn owns 100% of the issued share capital of Jinchuan BVI Limited which owns 100% of the issued share capital of Jinchuan (BVI) 1 Limited, Jinchuan (BVI) 2 Limited and Jinchuan (BVI) 3 Limited. Therefore, Jinchuan Group Limited, Jinchuan Group (Hongkong) Resources Holdings Limited and Jinchuan BVI Ltd are deemed to have an interest in 1,667,142,857 shares under the SFO.

Note 2: Mr. Wei Jijun directly owns 100% of the issued shares of Sincere Daily Limited. Therefore, Mr. Wei is deemed to have an interest in 152,548,480 shares under the SFO.

Save as disclosed above, as at 30 June 2011, so far as is known to any Director or chief executive, no other person (i) had interest or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or (ii) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

SHARE OPTION SCHEME

On 15 October 2003, the Company adopted a share option scheme (the "Scheme"). The purpose of the Scheme is to provide incentives and rewards to the eligible participants who contribute to the Group, and to enable the Group to recruit and retain high calibre professionals, executives and employees who are instrumental to the growth of the Group. Eligible participants of the Scheme include the Directors (including executive Directors and non-executive Directors), employees, consultants or advisers, suppliers of goods or services, customers or business alliance and shareholders of the Group. The Scheme, unless otherwise terminated or amended, will remain in force for a period of 10 years from 15 October 2003.

The following table discloses movements in the Company's share options outstanding during the six months ended 30 June 2011:

Name category of participant	Number of share options					At 30 June 2011	Exercise price HK\$	Closing price** immediately before exercise date HK\$	Grant date	Exercise period
	At 1 January 2011	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	At 30 June 2011					
Directors										
Ms. DENG Wen	5,800,000	-	(5,800,000)	-	-	0.59	2.61	22/7/2010	22/1/2011 to 21/7/2020	
Ms. CHEUNG Hing Man, Charissa*	5,800,000	-	(5,800,000)	-	-	0.59	2.61	22/7/2010	22/1/2011 to 21/7/2020	
Ms. Maria Majoire LO	500,000	-	(500,000)	-	-	0.59	3.26	22/7/2010	22/1/2011 to 21/7/2020	
	12,100,000	-	(12,100,000)	-	-					
Business consultants										
In aggregate	8,000,000	-	(8,000,000)	-	-	0.59	2.61	22/7/2010	22/1/2011 to 21/7/2020	
Other employees										
In aggregate	6,300,000	-	(6,300,000)	-	-	0.59	2.61	22/7/2010	22/1/2011 to 21/7/2020	
	26,400,000	-	(26,400,000)	-	-					

* Ms. CHEUNG Hing Man, Charissa is appointed as executive director on 20 July 2010 and resigned on 30 November 2010.

** The closing price disclosed is the weighted average of closing prices quoted by the Stock Exchange over all the exercises of share options within the disclosure category.

CORPORATE GOVERNANCE INFORMATION

AUDIT COMMITTEE

The Company had established an Audit Committee with specific terms of reference which set out its role and authorities delegated by the Board. The Audit Committee consists of three independent non-executive Directors, namely Mr. Gao Dezhu (chairman of Audit Committee), Mr. Wu Chi Keung and Mr. Yen Yuen Ho, Tony, who together have the relevant accounting and financial management expertise and legal and business experience to discharge their duties.

The Audit Committee's primary duties include review of the effectiveness of the Group's financial reporting process, internal control and risk management systems, overseeing the audit process and performing other duties as may be assigned by the Board from time to time.

REMUNERATION COMMITTEE

The Company had established a remuneration committee (the "Remuneration Committee") with specific terms of reference which set out its role and authorities delegated by the Board. The Remuneration Committee comprised one executive Director, namely Mr. Zhang Sanlin (chairman of Remuneration Committee), and three independent non-executive Directors, namely Mr. Gao Dezhu, Mr. Wu Chi Keung and Mr. Yen Yuen Ho, Tony. The primary responsibility of Remuneration Committee is to review and formulate policies in respect of remuneration structure for all Directors and senior management of the Company and make recommendations to the Board for its consideration.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model code for Securities Transactions By Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all Directors and all of the Directors have confirmed that they have complied with required standards as set out in the Model Code for the six months ended 30 June 2011.

CORPORATE GOVERNANCE INFORMATION *(continued)*

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the six months ended 30 June 2011 with the applicable provisions of the Code on Corporate Governance Practices ("CG Code") set out in Appendix 14 to the Listing Rules, except for the following deviation:

Non-compliance with paragraph A2.1

CG Code provision A2.1 stipulates that the role of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. During the six months ended 30 June 2011, Mr. Yang Zhiqiang held the offices of Chairman and CEO of the Company. The Board believes that vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Company will continue to review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and CEO, are necessary.



CORPORATE GOVERNANCE INFORMATION *(continued)*

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
JINCHUAN GROUP INTERNATIONAL RESOURCES CO. LTD
Mr. Yang Zhiqiang
Chairman

Beijing, the PRC, 27 August 2011

As at the date of the report, the Board consists of five executive Directors, namely Mr. Yang Zhiqiang, Mr. Zhang Sanlin, Mr. Zhang Zhong, Ms. Deng Wen and Ms. Maria Majoire Lo, three non-executive Directors, namely, Mr. Gao Tianpeng, Mr. Qiao Fugui and Ms. Zhou Xiaoyin, and three independent non-executive Directors, namely Mr. Gao Dezhu, Mr. Wu Chi Keung, and Mr. Yen Yuen Ho, Tony.