

2012 INTERIM REPORT



JINCHUAN 金川

Jinchuan Group International Resources Co. Ltd

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

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2012*

		For the six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
	<i>Notes</i>		
REVENUE	5	220,167	60,004
Cost of sales		(182,294)	(18,762)
Gross profit		37,873	41,242
Other income and gains	5	6,245	3,195
Selling and distribution costs		(15,760)	(28,408)
Administrative expenses		(32,776)	(29,056)
Finance costs		(1,163)	(707)
LOSS BEFORE TAXATION	6	(5,581)	(13,734)
Income tax credit/(expense) for the period	7	17	(154)
LOSS FOR THE PERIOD		(5,564)	(13,888)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		310	536
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(5,254)	(13,352)
Loss attributable to:			
Owners of the parent		(5,564)	(13,886)
Non-controlling interests		-	(2)
		(5,564)	(13,888)
Total comprehensive loss attributable to:			
Owners of the parent		(5,254)	(13,350)
Non-controlling interests		-	(2)
		(5,254)	(13,352)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic:			
Loss per share for the period	9	(0.20) cents	(0.51) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	29,994	35,719
Prepaid land lease payments		3,750	4,035
Intangible assets		15,706	15,706
Long term deposits		2,000	2,000
		<hr/> 51,450	<hr/> 57,460
CURRENT ASSETS			
Derivative financial instruments	13	11,884	-
Held-to-maturity investments		24,428	-
Available-for-sale investments		-	16,969
Inventories		19,500	24,848
Trade and bills receivables	11	200,490	15,727
Prepayments, deposits and other receivables		15,076	17,188
Due from related parties		2,540	2,480
Cash and bank deposits	12	588,198	713,697
		<hr/> 862,116	<hr/> 790,909
CURRENT LIABILITIES			
Derivative financial instruments	13	11,884	-
Trade and bills payables	14	74,302	13,146
Other payables and accruals		34,109	42,369
Interest-bearing bank borrowings		17,077	23,373
Tax payable		1,626	1,650
Finance lease payables		397	388
Due to related parties		21,071	9,077
Due to non-controlling shareholders of subsidiaries		600	600
		<hr/> 161,066	<hr/> 90,603
NET CURRENT ASSETS			
		<hr/> 701,050	<hr/> 700,306
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/> 752,500	<hr/> 757,766

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 June 2012

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
<i>Notes</i>		
NON-CURRENT LIABILITIES		
Provision for long service payments	448	452
Finance lease payables	153	126
Deferred tax liabilities	1,741	1,776
	<hr/>	<hr/>
Total non-current liabilities	2,342	2,354
	<hr/>	<hr/>
NET ASSETS	750,158	755,412
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	27,549	27,549
Reserves	723,435	728,689
	<hr/>	<hr/>
	750,984	756,238
	<hr/>	<hr/>
Non-controlling interests	(826)	(826)
	<hr/>	<hr/>
TOTAL EQUITY	750,158	755,412
	<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the parent							Non-controlling interests	Total equity	
	Issued capital	Share premium account	Share option reserve	Reserve funds	Contributed surplus	Exchange fluctuation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 January 2012	27,549	1,201,949	-	7,321	73	17,879	(498,533)	756,238	(826)	755,412
Loss for the period	-	-	-	-	-	-	(5,564)	(5,564)	-	(5,564)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	310	-	310	-	310
Total comprehensive loss for the period	-	-	-	-	-	310	(5,564)	(5,254)	-	(5,254)
Transfer of share premium to accumulated losses (note 16)	-	(503,101)	-	-	-	-	503,101	-	-	-
At 30 June 2012 (Unaudited)	27,549	698,848*	-*	7,321*	73*	18,189*	(996)*	750,984	(826)	750,158

For the six months ended 30 June 2011

	Attributable to owners of the parent							Non-controlling interests	Total equity	
	Issued capital	Share premium account	Share option reserve	Reserve funds	Contributed surplus	Exchange fluctuation reserve	Accumulated losses			
	HK\$'000	HK\$'000 (note 16)	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)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	536	-	536	-	536
Total comprehensive 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 options	-	8,107	(8,107)	-	-	-	-	-	-	-
Exercise of share options	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

* These reserve accounts comprise the consolidated reserves of HK\$723,435,000 (the six months ended 30 June 2011: HK\$732,425,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(129,380)	(12,011)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES	(2,205)	76,897
NET CASH INFLOW FROM FINANCING ACTIVITIES	5,464	16,360
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(126,121)	81,246
NET FOREIGN EXCHANGE DIFFERENCE	594	326
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	711,306	629,072
CASH AND CASH EQUIVALENTS AT END OF PERIOD	585,779	710,644
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	588,198	713,559
Bank overdrafts	(2,419)	(2,915)
	585,779	710,644

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. CORPORATE INFORMATION

Jinchuan Group International Resources Co. Ltd (the "Company") 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 Company together with its subsidiaries (collectively referred to as the "Group") was involved in the following principal activities:

- trading of mineral and metal products
- manufacture and trading of cosmetic and related products, as well as the provision of beauty technical and training services
- property investment and development

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

2. 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 the International Accounting Standards Board.

The unaudited condensed consolidated interim financial statements does not include all the information and disclosures required in the annual financial statements; and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

3. 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. These financial statements are presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

The following new and revised International Financial Reporting Standards ("IFRSs"), which also include IASs and Interpretations were adopted, as of 1 January 2012:

IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
IAS 12 Amendments	Amendments to IAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

The adoption of these new and revised IFRSs has had no significant financial effect on the Group's interim condensed consolidated financial statements.

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

* For identification purposes

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Accounting policies adopted for new transactions

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement as other expenses.

Derivative financial instruments

The Group's derivative financial instruments represent provisional price arrangement relating to its trading of mineral and metal products business.

Provisional price arrangement is embedded in both sales contracts and purchase contracts. According to industry practice, the purchase and sales terms of these contracts contain provisional pricing arrangements whereby the transaction price for mineral and metal products in concentrate is based on prevailing spot prices at a specified future period after shipment (the "quotation period"). Adjustments to the transaction price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement is determined according to contracts.

The Group's derivative instruments are not designated as hedging instruments or qualified for hedge accounting. Any gains or losses arising from changes in fair value of derivatives are taken directly to the profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

4. OPERATING SEGMENT INFORMATION

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

- (a) the trading of mineral and metal products segment;
- (b) the manufacture and trading of cosmetic and related products, and provision of beauty technical and training services segment ("Cosmetic and Beauty"); and
- (c) 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/(loss) 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.

With the commencement of trading of mineral and metal products business in 2012, a portion of the previously unallocated head office and corporate expenses and assets are grouped together with the new operating segment for the purpose of resources allocation and performance assessment.

4. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2012

	Trading of mineral and metal products <i>HK\$'000</i>	Cosmetic and beauty <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	165,934	54,233	–	220,167
Other income and gains	–	405	281	686
	<u>165,934</u>	<u>54,638</u>	<u>281</u>	<u>220,853</u>
<i>Reconciliation:</i>				
Corporate and other unallocated income				5,559
Elimination of intersegment sales				–
				<u>226,412</u>
Segment results	580	(2,530)	281	(1,669)
<i>Reconciliation:</i>				
Corporate and other unallocated income				5,559
Corporate and other unallocated expenses				(9,471)
Loss before taxation				<u>(5,581)</u>
<i>As at 30 June 2012</i>				
Segment assets	465,498	113,496	–	578,994
<i>Reconciliation:</i>				
Corporate and other unallocated assets				334,572
Total assets				<u>913,566</u>

4. OPERATING SEGMENT INFORMATION (continued)

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
	<u>60,434</u>	<u>762</u>	<u>61,196</u>
<i>Reconciliation:</i>			
Corporate and other unallocated income			2,003
Elimination of intersegment sales			–
			<u>63,199</u>
Segment results	(8,377)	762	(7,615)
<i>Reconciliation:</i>			
Corporate and other unallocated income			2,003
Corporate and other unallocated expenses			(8,122)
			<u>(13,734)</u>
Loss before taxation			<u>(13,734)</u>
<i>As at 30 June 2011</i>			
Segment assets	130,868	16,969	147,837
<i>Reconciliation:</i>			
Corporate and other unallocated assets			710,262
			<u>858,099</u>
Total assets			<u>858,099</u>

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Hong Kong	29,011	22,082
Mainland China	191,156	37,922
	<u>220,167</u>	<u>60,004</u>

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

4. OPERATING SEGMENT INFORMATION (continued)

(b) Non-current assets

	As at 30 June 2012 (Unaudited) HK\$'000	As at 30 June 2011 (Unaudited) HK\$'000
Hong Kong	4,238	12,586
Mainland China	47,212	47,202
	51,450	59,788

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

Information about major customers

Revenue of approximately HK\$165,934,000 (the six months ended 30 June 2011: nil) was derived from trading of mineral and metal products with one major customer Jinchuan Group Co., Ltd* 金川集團股份有限公司, the Company's ultimate holding company, and this accounts for over 75% of total revenue for the six months ended 30 June 2012 (the six months ended 30 June 2011: nil).

5. REVENUE AND OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue		
Sale of goods	196,061	41,806
Rendering of services	24,106	18,198
	220,167	60,004
Other income and gains		
Bank interest income	5,483	2,004
Investment income	82	-
Gain from disposal of available for sales investment	281	-
Gain from disposal of a subsidiary	8	762
Others	391	429
	6,245	3,195

* For identification purposes

6. LOSS BEFORE TAXATION

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

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Cost of goods sold	175,541	12,606
Cost of services provided	6,753	6,156
Depreciation	3,882	5,054
Recognition of prepaid land lease payments	285	321
Loss on disposals of property, plant and equipment	2,150	-
Gain on sales of available-for-sale investment	(281)	-
Gain on disposal of a subsidiary (Write-back)/write-down of inventories to net realisable value	(8)	(762)
	(566)	3,080
Impairment of trade receivables	59	381
Fair value changes in embedded derivative arising from sales price adjustment	11,884	-
Fair value changes in embedded derivative arising from purchase price adjustment	(11,884)	-
Loss on foreign exchange	2,760	44

7. INCOME TAX CREDIT/(EXPENSE) FOR THE PERIOD

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Group:		
Current income tax – Mainland China	(18)	(317)
Deferred income tax	35	163
Tax credit/(expense) for the period	17	(154)

8. DIVIDENDS

No dividend has been paid or declared by the Company in respect of the six months ended 30 June 2012 (the six months ended 30 June 2011: nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share is based on the loss 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	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Loss attributable to owners of the parent, used in the basic loss per share calculation	(5,564)	(13,886)
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	2,754,873,051	2,744,771,384

For the six months ended 30 June 2012 and 2011, diluted loss per share has not been disclosed as the Company had no potential dilutive ordinary shares outstanding during the periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group spent HK\$592,000 (the six months ended 30 June 2011: HK\$2,498,000) on purchase of property, plant and equipment.

11. TRADE AND BILLS RECEIVABLES

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

For sale of mineral and metal products, up to 180 days credit is granted to customers, accrued by letter of credit.

For sale of cosmetic and beauty products, payment in advance is normally required, except for major customers. The Group's trading terms with these major 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 and bills receivables, net of impairment provision, as at the balance sheet dates, based on invoice date, is as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Current to 3 months	188,100	10,698
4 to 6 months	907	3,164
7 to 12 months	11,483	1,865
Over 1 year	-	-
	200,490	15,727

Included in the Group's trade and bills receivables are amounts due from Jinchuan Group Co., Ltd* 金川集團股份有限公司, the Company's ultimate holding company of HK\$177,701,000 (31 December 2011: nil).

* For identification purposes

12. CASH AND BANK DEPOSITS

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Cash at bank and in hand	5,159	12,150
Short term deposits	583,039	701,547
	588,198	713,697

13. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Derivative financial instrument asset from purchase price adjustment	11,884	-
Derivative financial instrument liability from sales price adjustment	11,884	-

The Group is exposed to movements in the copper, silver and gold price. The Group's commodity price risk is related to change in fair value of embedded derivatives in sales and purchase contracts and reflecting copper, silver and gold sales and purchases provisionally priced based on the average London Metal Exchange cash settlement price in the quotation period.

14. TRADE AND BILLS PAYABLES

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Current to 3 months	67,939	9,589
4 to 6 months	853	1,904
7 to 12 months	5,174	1,050
Over 1 year	336	603
	74,302	13,146

15. SHARE CAPITAL

	30 June 2012	31 December 2011
	Number of shares	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 (31 December 2011:		
2,754,873,051) ordinary shares of HK\$0.01 each	27,549	27,549

16. SHARE PREMIUM

On 20 June 2012, a resolution was passed by the directors of the Company to off set accumulated losses of HK\$503,101,000 of the Company against its share premium account.

17. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the six months ended 30 June 2012:

		For the six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Notes			
Rental expenses paid to related companies*	(i)	573	573
Management fee paid to related companies*	(ii)	300	300
Consultancy fee paid to a director of subsidiary	(ii)	300	300
Sales of products to the ultimate holding company	(iii)	165,934	–

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.
 - (iii) The sales to the ultimate holding company were made according to the published prices of the commodities as adjusted for refining and interest charges.
- * The related companies are parties in which a director of subsidiaries has controlling interests.

18. 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 2012.

19. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 23 August 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2012 marks the success of our Group. Under the great support of our controlling shareholder Jinchuan Group Co., Ltd* 金川集團股份有限公司 (“Jinchuan Group”), the Group has successfully commenced its international trading business in mineral and metal. Our cosmetic and beauty business has also reduced its loss compared with the comparative period in 2011.

Mineral and Metal

As the flagship of Jinchuan Group for undertaking overseas operations, the Group had started to carry out international mineral and metal trading business. Early at the beginning of 2012, the Group concluded its first overseas supply contract from a Zambian producer of copper blister, an intermediate raw material used in the manufacture of refined copper. Monthly shipments of copper blister had taken place, which would amount to a total of 12,000 tonnes under this contract. In June 2012, the Group also concluded another major contract with an overseas supplier for the purchase of up to 60,000 tonnes of copper concentrate from Outer Mongolia. Monthly shipments have been effected from July 2012 through to February 2013. However, the revenue for such copper concentrate will be recorded in the second half of 2012.

Cosmetic and Beauty

Our Cosmetic and Beauty segment is represented by CMM International Group Limited and its subsidiaries (the “CMM Group”), which are engaged in cosmetic and beauty products distribution as well as the related beauty center services and beauty school tuition services in both Hong Kong and the PRC. It is a leader in beauty trends through providing innovative beauty services, skin care and cosmetic products to retail customers and educating beauty professionals in beauty schools.

The reconstruction of distribution channel had mainly resulted in the overall drop in sales by HK\$5.8 million of the Cosmetic and Beauty segment as compared to the comparative period in 2011. As a measure to counter the intensified competition from many international brands, CMM Group reached a major distribution agreement last year with its agent who itself distributed several CMM owned brands in second and third tier cities in the PRC. Under such agreement, CMM Group granted a license to the distributor to operate its trading business under the CMM brand and derives royalty income from such arrangement. On the other hand, the results of training services provided by CMM Monita Academy had been encouraging with successful attraction to an increasing number of students to join the cosmetic and hair styling courses, as well as wedding & event management and bridal services.

* For identification purposes

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Cosmetic and Beauty *(continued)*

CMM Group has over 40 years of brand tradition and experiences in the beauty industry. CMM Group will continue to produce the best quality beauty products, provide the best professional beauty services and best industry training to ensure that CMM Group continues to be a market leader in China and Hong Kong.

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 remaining property assets in Macau for a total cash consideration of HK\$17.25 million.

FINANCIAL REVIEW

Revenue and gross profit

The revenue for the six months ended 30 June 2012 was HK\$220.2 million, representing an increase of 266.9% from HK\$60.0 million for the comparative period in 2011, which was due to the commencement of the Group's mineral and metal trading business.

The Group started its trading in April 2012 by purchasing copper blister from a supplier in Zambia in Africa and selling them to Jinchuan Group. The value of such kind of precious metals traded has constituted the large revenue.

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 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 the overall revenue for the Cosmetic and Beauty segment.

The overall gross profit margin decreased from 68.7% for the comparative period in 2011 to 17.2% in this period. This was mainly attributable to the low gross profit margin nature of the mineral and metal trading business. On the other hand, the gross profit margin of Cosmetic and Beauty remained steady as that of the comparative period in 2011. Although the margin of cosmetic products was slimmer under continuing fierce competition, it had been compensated by the increasing tuition income with high gross profit margin.

Other income and gains

Other income and gains for the six months ended 30 June 2012 amounted to HK\$6.2 million, representing a significant increase from HK\$3.2 million for the comparative period in 2011. The increase was mainly due to the increase of bank interest income by HK\$3.5 million derived from time deposits and held to maturity investments.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Selling and distribution costs

The decrease of HK\$12.6 million in selling and distribution costs by 44.5% mainly resulted from stringent cost measures implemented by CMM Group upon its distributing channel restructuring to reduce the number of its beauty product counters in those regions in the PRC with unsatisfactory performance. Thus the related sales staff payroll and advertising expenses has dropped significantly.

Administrative expenses

The increase of HK\$3.7 million in administrative expenses by 12.8% was driven by the increase in mineral and metal trading related expenses like payroll and rental during the Group's initial set up of its international trading operations during the period. Further expenses contributing to the increase included the write off of fixed assets upon cutting of retail outlet premises and exchange losses arising from depreciated Remenbi funds on hand during the period.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2012, the Group had cash and bank deposits of HK\$588.2 million. The interest-bearing bank borrowings of the Group of HK\$17.1 million is due within one year.

The decrease of the cash and bank deposits from 31 December 2011 to 30 June 2012 was mainly due to the purchase payment to overseas supplier for the mineral and metal trading businesses despite of having reserved the proceeds of HK\$17.3 million from disposal of property investments during the period. Moreover, the Group had placed HK\$24.4 million of funds into short term held-for-maturity investment.

The Group generally finances its operations with internally generated cash flows and equity. The Group is in a net cash position as at 30 June 2012.

Material acquisitions and disposals of investments

In January 2012, the Group disposed of its available-for-sale investments, being its minority interest in a partnership which held interest in a Macau property project, for a total cash consideration of HK\$17.3 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\$0.6 million there were no significant capital expenditures during the six months ended 30 June 2012.

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\$14.6 million and HK\$4.4 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 2012.

Foreign exchange risk management

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

Other information

The unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2012 have been reviewed by the audit committee of the Company (the "Audit Committee").

Prospects

In 2012, the Group has successfully launched its mineral and metal trading business and has retreated from the property investment and development sector. Under the tremendous support from our parent Jinchuan Group, we have and will continue to seek new trading partners and opportunities to expand our mineral and metal trading business, and will also actively identify new mining investment opportunities. Our goal is to develop the Group as a pure international mining play to strengthen our presence in the global metals and mining market and provide our investors and shareholders with greater value in return.

Employees

As at 30 June 2012, the Group had 367 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 2012 (2011: 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 2012, 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 2012, 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 2012, the following persons 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:

Long positions in shares 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%

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.

Save as disclosed above, as at 30 June 2012, so far as is known to the Directors, 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 20 June 2012, under the approval of its shareholders in general meeting, the Company adopted a new share option scheme (the "Scheme") and terminated the previous share option scheme adopted on 15 October 2003. The purpose of the Scheme is to provide incentives or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group and for such other purposes as the Board may approve from time to time. Eligible participants of the Scheme include any director (whether executive or non-executive, including any independent non-executive director) or employee (whether full time or part time), of the Group. The Scheme, unless otherwise terminated or amended, will remain in force for a period of 10 years from 20 June 2012.

The Company had no share option outstanding during the six months ended 30 June 2012.

CORPORATE GOVERNANCE INFORMATION

AUDIT COMMITTEE

The Company has established an Audit Committee with written specific terms of reference in compliance with the provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three independent non-executive directors, namely Mr. Wu Chi Keung (chairman of Audit Committee), Mr. Gao Dezhu and Mr. Yen Yuen Ho, Tony, who together have the relevant accounting and financial management expertise, industrial knowledge, 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 has established a Remuneration Committee with written specific terms of reference in compliance with the CG Code provisions. The Remuneration Committee comprises three independent non-executive directors, namely Mr. Gao Dezhu (chairman of Remuneration Committee), Mr. Wu Chi Keung and Mr. Yen Yuen Ho, Tony and one executive director, namely Zhang Sanlin. The primary responsibility of the 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.

CORPORATE GOVERNANCE INFORMATION *(continued)*

NOMINATION COMMITTEE

The Company has established a Nomination Committee with written specific terms of reference in compliance with the CG Code provisions. The Nomination Committee comprises the Chairman of the Board, Mr. Yang Zhiqiang (chairman of Nomination 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 the Nomination Committee is to lead the process for Board appointments and to identify and nominate candidates for such appointments.

OTHER BOARD COMMITTEES

The Company has established a Risk Management Committee, a Strategy and Investment Committee and an Executive Committee to assist the Board to review significant daily operational matters and thus make recommendation to the Board.

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 2012.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied during the six months ended 30 June 2012 with the applicable code provisions of the CG Code (including the new code provisions since 1 April 2012 when the amendments to the CG Code became effective), except for the following deviation:

Non-compliance with paragraph A.2.1

CG Code provision A.2.1 stipulates that the role of Chairman of the Board and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. During the six months ended 30 June 2012, Mr. Yang Zhiqiang held the offices of Chairman of the Board and CEO of the Company. The Board believes that vesting the roles of both Chairman of the Board 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.

Since the new CG Code has only become effective on 1 April 2012, the Company is continuing its implementation of some of the new requirements under the new CG Code. 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 of the Board and CEO, are necessary.

CORPORATE GOVERNANCE INFORMATION *(continued)*

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2012, 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

Jinchang City, Gansu Province, the PRC, 23 August 2012

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.