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JINCHUAN 金川

JINCHUAN GROUP INTERNATIONAL RESOURCES CO. LTD
金川集團國際資源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2362)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

RESULTS

The board of Directors (the "Board") of Jinchuan Group International Resources Co. Ltd. (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012 together with the comparative figures in 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Note	**2012** ***HK$'000***	2011 *HK$'000*
REVENUE	3	**1,842,679**	129,394
Cost of sales		**(1,759,796)**	(42,022)
Gross profit		**82,883**	87,372
Other income and gains	3	**9,838**	10,568
Selling and distribution costs		**(34,458)**	(54,225)
Administrative expenses		**(59,783)**	(59,736)
Costs associated with equity-settled share options		**–**	(969)
Finance costs		**(1,746)**	(1,471)

	Note	**2012**	2011
		HK$'000	*HK$'000*
LOSS BEFORE TAXATION	4	**(3,266)**	(18,461)
Income tax (expense)/credit	5	**(4,102)**	375
LOSS FOR THE YEAR		**(7,368)**	(18,086)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**247**	998
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(7,121)**	(17,088)
Loss attributable to:			
Owners of the parent		**(7,367)**	(18,084)
Non-controlling interests		**(1)**	(2)
		(7,368)	(18,086)
Total comprehensive loss attributable to:			
Owners of the parent		**(7,120)**	(17,086)
Non-controlling interests		**(1)**	(2)
		(7,121)	(17,088)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted:			
For loss for the year	6	**HK0.27 cents**	HK0.66 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Note	**2012** **HK$'000**	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**26,555**	35,719
Prepaid land lease payments		**3,482**	4,035
Intangible assets		**15,706**	15,706
Long term deposits		**2,000**	2,000
Total non-current assets		**47,743**	57,460
CURRENT ASSETS			
Available-for-sale investments	7	**–**	16,969
Derivative financial instruments		**34,917**	–
Inventories		**17,588**	24,848
Trade and bill receivables	8	**1,338,265**	15,727
Prepayments, deposits and other receivables		**14,650**	17,188
Due from related parties		**2,852**	2,480
Restricted cash deposits		**39,833**	–
Cash and cash equivalents		**302,099**	713,697
Total current assets		**1,750,204**	790,909
CURRENT LIABILITIES			
Derivative financial instruments		**35,314**	–
Trade and bill payables	9	**933,216**	13,146
Other payables and accruals		**36,868**	42,369
Interest-bearing bank borrowings		**16,933**	23,373
Due to related parties		**18,966**	9,077
Tax payable		**5,824**	1,650
Finance lease payables		**115**	388
Due to non-controlling shareholder of subsidiaries		**593**	600
Total current liabilities		**1,047,829**	90,603
NET CURRENT ASSETS		**702,375**	700,306
TOTAL ASSETS LESS CURRENT LIABILITIES		**750,118**	757,766

	2012	2011
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Provision for long service payments	**232**	452
Finance lease payables	**54**	126
Deferred tax liabilities	**1,541**	1,776
Total non-current liabilities	**1,827**	2,354
NET ASSETS	**748,291**	755,412
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**27,549**	27,549
Reserves	**721,569**	728,689
	749,118	756,238
Non-controlling interests	**(827)**	(826)
TOTAL EQUITY	**748,291**	755,412

1.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordnance. They have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive loss within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate.

1.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First – time Adopters*
IFRS 7 Amendment	Amendment to IFRS 7 *Financial Instrument: Disclosure – Transfer of Financial Assets*
IAS 12 Amendment	Amendment to IAS 12 *Income Taxes – Deferred Tax – Recovery of Underlying Assets*

The adoption of the revised IFRSs has had no significant financial effect on these financial statements.

1.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
IFRS 9	*Financial Instrument*[4]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*[2]
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – *Investment Entities*[3]
IFRS 13	*Fair Value Measurement*[2]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
IAS 19 (2011)	*Employee Benefits*[2]
IAS 27 (2011)	*Separate Financial Statements*[2]
IAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

The IFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The Group expects to adopt the amendments from 1 January 2013.

In November 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the IASB issued amendments to IFRS 10, IFRS 11 and IFRS 12 which clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC-12 at the beginning of the annual period in which IFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

The amendments to IFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

The IAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified. The amendments will affect presentation only and have no impact on the financial position or performance.. The Group expects to adopt the amendments from 1 January 2013.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The *Annual Improvements to IFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) IAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) IAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three (2011: two) reportable operating segments as follows:

(a) the trading of mineral and metal products segment (new operating segment in 2012);

(b) the manufacture and trading of cosmetic and related products, and the provision of beauty technical and tutoring 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 making decisions about 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 unallocated interest income, 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.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2012	Trading of mineral and metal products *HK$'000*	Property investment and development *HK$'000*	Cosmetic and Beauty *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	1,740,990	–	101,689	1,842,679
Reconciliation:				
Elimination of intersegment sales				–
Revenue				1,842,679
Segment results:	14,638	281	(7,922)	6,997
Reconciliation:				
Interest income and unallocated gains				7,952
Corporate and other unallocated expenses				(18,215)
Loss before tax				(3,266)
Segment assets:	1,358,154	–	103,488	1,461,642
Reconciliation:				
Corporate and other unallocated assets				336,305
Total assets				1,797,947
Segment liabilities:	961,528	–	83,315	1,044,843
Reconciliation:				
Corporate and other unallocated liabilities				4,813
Total liabilities				1,049,656
Other segment information:				
Depreciation and amortisation	–	–	7,805	
Loss on disposal and write-off of items of property, plant and equipment	–	–	5,162	
Capital expenditure*	–	–	3,111	

* Capital expenditure consists of additions to property, plant and equipment.

Year ended 31 December 2011	Property investment and development *HK$'000*	Cosmetic and Beauty *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	–	129,394	129,394
Reconciliation:			
Elimination of intersegment sales			–
Revenue			129,394
Segment results:	762	(11,750)	(10,988)
Reconciliation:			
Interest income and unallocated gains			9,046
Corporate and other unallocated expenses			(16,519)
Loss before tax			(18,461)
Segment assets:	16,969	120,865	137,834
Reconciliation:			
Corporate and other unallocated assets			710,535
Total assets			848,369
Segment liabilities:	–	90,920	90,920
Reconciliation:			
Corporate and other unallocated liabilities			2,037
Total liabilities			92,957
Other segment information:			
Depreciation and amortisation	–	10,675	
Loss on disposal and write-off of items of property, plant and equipment	–	920	
Capital expenditure*	–	4,679	

* Capital expenditure consists of additions to property, plant and equipment.

Geographical information

(a) *Revenue from external customers*

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**49,543**	46,597
Mainland China	**1,793,136**	82,797
	1,842,679	129,394

The revenue information above is based on the locations of the customers.

(b) *Non-current assets*

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**21,957**	22,497
Mainland China	**25,786**	34,963
	47,743	57,460

The non-current assets information above is based on the locations of assets.

Information about a major customer

Revenue of approximately HK$1,740,990,000 was derived from a single customer in sales of mineral and metal products business (2011: HK$20,445,000 derived from a single customer in sales of cosmetic and beauty products).

3. REVENUE AND OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns, value-added tax and trade discounts; and the value of services rendered.

An analysis of revenue, other income and gains is as follows:

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**1,799,515**	92,493
Rendering of services	**43,164**	36,901
	1,842,679	129,394
Other income and gains		
Bank interest income	**7,665**	6,744
Gain on foreign exchange, net	**278**	2,263
Gain on disposal of a subsidiary	**8**	762
Gain on disposal of available-for-sale investments	**281**	–
Others	**1,606**	799
	9,838	10,568

4. LOSS BEFORE TAXATION

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

	2012	2011
	HK$'000	*HK$'000*
Cost of inventories sold	**1,746,980**	31,735
Cost of services provided	**12,816**	10,287
Depreciation	**7,413**	10,195
Amortisation of prepaid land lease payments	**553**	613
Minimum lease payments under operating leases in respect of buildings	**9,204**	9,052
Auditors' remuneration	**1,688**	2,590
Employee benefit expense (excluding directors' remuneration):		
Wages, salaries and allowances	**29,424**	39,886
Pension scheme contributions	**2,392**	4,408
Expense incurred for equity-settled share options granted (excluding directors' remuneration)	**–**	686
	31,816	44,980
Loss on disposal and write-off of items of property, plant and equipment	**5,162**	920
Gain on disposal of a subsidiary	**(8)**	(762)
Gain on disposal of available-for-sales investments	**(281)**	–
Write-back of inventories to net realisable value	**(373)**	(243)
Impairment of trade and bill receivables	**1,900**	4,559
Change in fair value of derivative financial instruments, net	**392**	–
Foreign exchange differences, net	**(278)**	(1,311)

5. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxation on profits derived by Mainland China subsidiaries has been estimated at Mainland China corporate income tax rate of 25% (2011: 25%).

	2012	2011
	HK$'000	*HK$'000*
Current – Mainland China:		
Charge for the year	**341**	492
Overprovision in prior years	**(58)**	(80)
Current – Hong Kong:		
Charge for the year	**4,054**	–
Deferred	**(235)**	(787)
Total tax expense/(credit) for the year	**4,102**	(375)

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

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,754,873,051 (2011: 2,750,116,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2012 and 31 December 2011 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during 2012 and 2011.

The calculation of the basic loss per share is based on:

	2012	2011
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic loss per share calculation	**(7,367)**	(18,084)

	Number of shares (in '000)	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**2,754,873**	2,750,116

7. AVAILABLE-FOR-SALE INVESTMENTS

	2012	2011
	HK$'000	*HK$'000*
Unlisted equity investments, at cost	**–**	111,410
Impairment	**–**	(94,441)
	–	16,969

Unlisted equity investments consisted of investments in equity interests which were designated as available-for-sale investments and have no fixed maturity date or coupon rate. In 2012, the Group disposed of all its interest on these unlisted equity investments.

8. TRADE AND BILL RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade and bill receivables	**1,346,575**	22,137
Impairment	**(8,310)**	(6,410)
	1,338,265	15,727

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

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

For the sale of goods in cosmetic and beauty business, payment in advance is normally required, except for major customers. For sales on credit, the credit period granted to customers generally ranges from one month to three months.

For trading of mineral and metal products, credit period granted to its customer ranges from three to six months.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group has significant concentration of credit risk where a debtor constitute 99% (2011: 28%) of trade and bill receivables. In 2012, 94% of the Group's trade and bill receivables was covered by letter of credit issued by the banks of the major debtor. In 2011, the Group did not hold any collateral or other credit enhancements over its trade receivable balances.

An aged analysis of the trade and bill receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 3 months	**1,049,808**	10,698
4 to 6 months	**281,494**	3,164
7 to 12 months	**3,549**	1,865
Over 1 year	**3,414**	–
	1,338,265	15,727

9. TRADE AND BILL PAYABLES

An aged analysis of the trade and bill payables as at the end of the reporting period, based on the invoice date, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 3 months	**912,598**	9,589
4 to 6 months	**15,164**	1,904
7 to 12 months	**118**	1,050
Over 1 year	**5,336**	603
	933,216	13,146

The trade and bill payables are non-interest-bearing and are normally settled on 90-day terms.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2012 is a milestone year for the Group. Leveraging on the extensive resources and experience of our controlling shareholder, Jinchuan Group Co., Ltd* (金川集團有限公司), the Group successfully commenced its trading business in Minerals and Metals and had traded minerals and metals sourced from Australia, Canada, Africa, Peru and Outer Mongolia during the year. Our Cosmetic and Beauty segment has also expanded its beauty school and commenced the offering of wedding planning courses in Hong Kong.

Mineral and Metal Products

Acting as the listed flagship of Jinchuan Group for undertaking overseas operations, the Group is keen on developing its international mineral and metal trading business and securing overseas mining investment opportunities. During the year ended 31 December 2012, the Group has entered into certain major contracts with overseas suppliers, most of which are long term contracts subject to annual renewal arrangements. In February 2012, the Group concluded a supply contract with a Zambian producer to purchase approximately 12,000 tonnes of copper blister, an intermediate raw material used in the manufacture of refined copper, over the contract period from April 2012 to December 2012. In June 2012, the Group concluded a supply contract with an European supplier to purchase 60,000 tonnes of copper concentrates from Outer Mongolia during the contract period from July 2012 to January 2013. Supply contracts with overseas suppliers primarily for the procurement of copper concentrates from Australia, Canada and Peru were also entered into in the last quarter of the year.

During the year ended 31 December 2012, the Group purchased and sold a total of approximately 11,545 tonnes of copper blister and 79,624 tonnes of copper concentrates. The Group sold all of these mineral and metal products to Jinchuan Group during the year.

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 through its beauty schools.

The reconstruction of distribution channels and intensified competition from international brands have reduced the sales of cosmetic products in the year under review. However, the revenue from training services provided by CMM Monita Academy has been growing steadily. There had been an increasing number of students joining the cosmetic and hair styling courses, as well as wedding & event management and bridal courses and services. CMM Group has devoted more resources to promote its training courses in large shopping malls and student enrollments have reached record numbers.

* *For identification purpose only*

Facing with the fierce competition from many international cosmetic brands in large cities in Mainland China, CMM Group has been repositioning its focus on second and third tier cities, whilst ceased the distribution of certain brands of cosmetic products in Mainland China. The restructuring of its distribution channel had mainly been implemented through the signing of a major distributorship agreement which generated royalty income during the year instead of generating direct product sales income as in the previous year. Therefore, the cosmetic product sales income for CMM Group dropped for the year. On the other hand, the beauty services income improved with increased beauty school tuition fees derived from the rise in beauty school attendance.

With over 40 years of rich experience in the cosmetic and beauty market, CMM Group will continue its strive to improve and provide quality services and products to the satisfaction of its customers.

Property Investment and Development

Consistent with the Company's strategic intention to focus its business in the mining and mineral resources sector, the Group disposed of its remaining available-for-sales investment in Macau in January 2012 for a total cash consideration of HK$17.3 million.

FINANCIAL REVIEW

The Group's operating results for the year ended 31 December 2012 were primarily contributed by the trading business of its Mineral and Metal products segment, and the business of its Cosmetics & Beauty segment which is operated by CMM Group.

Revenue and gross profit

The revenue for the year ended 31 December 2012 was HK$1,842.7 million, representing an increase of 13.3 times compared with HK$129.4 million in the prior year. This substantial increase in revenue was due to the Group's commencement of mineral and metal trading business which comprised non-ferrous metals commodity sales with a value far more greater than the value of sales generated from our cosmetic business.

For the same reason, our gross profit margin has dropped steeply from 67.5% in the prior year to 4.5% in the year under review. This is because the business nature of non-ferrous metals trading is characterized by substantial value but lean margin.

Other income and gains

Other income and gains in 2012 decreased slightly compared with that in the prior year. Despite the utilisation of majority of funds to finance the growing mineral and metal trading activities, the Group still managed to earn bank interest income of HK$7.7 million in 2012, representing an increase of 14.9% as compared with HK$6.7 million in 2011. However, the decrease in the gain on foreign exchange, net by HK$2.0 million for the year of 2012 as compared with 2011 has led to an overall decrease in other income and gain by HK$0.7 million for the year of 2012 as compared with the prior year.

Selling and distribution costs

Decrease in selling and distribution costs by HK$19.8 million, or 36.5%, from last year was resulted from further downsizing of CMM Group's sales staff. With the strategy to focus on the provision of beauty school and beauty training and services and the restructuring of distribution channel, less expenses were incurred by CMM Group for counter sales staff payroll, trademark license fees and advertising display of cosmetic products.

Administrative expenses

Administrative expenses increased slightly from HK$59.7 million in 2011 to HK$59.8 million in 2012. It was noticeable that the Group did not incur substantial promotional expenses in 2012 as we did in the prior year when we organised a launching ceremony for the Group. CMM Group's administrative staff reduction has resulted in a decrease in salary expenses. But these decreases have been fully offset by a loss on disposal and writes off of book value of property, plant and equipment when CMM Group scaled down its cosmetic product operations.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2012, the Group had cash and bank balances of approximately HK$341.9 million (of which HK$39.8 million was pledged) as compared to HK$713.7 million as at 31 December 2011. The interest-bearing bank borrowings of the Group of HK$16.9 million are due within one year. For the year under review, the Group had generally financed its operations with internally generated cash flows, and trade facilities provided by banks. The Group was in a net cash position as at 31 December 2012.

Material acquisitions and disposals of investments

In January 2012, the Group disposed of its remaining available-for-sale investment in Macau, being its 26.6% interest in a property interest in Macau, for a total cash consideration of HK$17.3 million.

Save for the above, the Group had no other material acquisitions or disposals of investments during the year under review.

Significant capital expenditures

Save for the purchase of property, plant and equipment of HK$3.1 million in the Cosmetic and Beauty segment, no significant capital expenditures were made for the year ended 31 December 2012.

Details of charges on the Group's assets

The Group's restricted cash deposits, buildings and prepaid land lease payments with net book values of HK$39.8 million, HK$13.9 million and HK$3.5 million, respectively, were pledged to secure general banking facilities granted to the Group.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2012.

Foreign exchange exposure

The reporting currency of the Group is in Hong Kong dollars ("HK$") and the functional currencies of the subsidiaries of the Group are in HK$, Renminbi ("RMB") or United States dollars ("US$"). With its international operations, the Group is exposed to foreign currency exchange risk in RMB and US$ which are predominantly the currencies the Group receives as its revenue. The Group monitors its exposure to foreign currency exchange risk on a continual basis.

Given the exchange rate peg between HK$ and US$, the Group is not exposed to significant exchange rate risk for transactions conducted in US$. On the other hand, the exchange rate fluctuation of RMB against HK$ could substantially affect the performance and financial position of the Group.

There had been moderate fluctuations in the exchange rate of RMB against US$ and HK$ in recent years. During the year, the Group managed its foreign currency exchange risk arising from RMB denominated transactions by entering into specific deliverable forward contracts to lock the exchange rate of future RMB revenue receipts against US$.

PROSPECTS

As we look forward into 2013, the Group will continue to follow the strategic path to become Jinchuan Group's flagship for undertaking overseas mining and mineral resources operations. We will focus on boosting our international trade business of the Minerals and Metals segment by cementing relationships with our existing network of overseas suppliers as well as expanding our customer portfolio by making strategic moves in the development and selection of suppliers and customers.

Our next move is to explore actively possible acquisitions of overseas mining and mineral resources assets, in particular matured assets, in order to further expand our global footprints. Jinchuan Group's worldwide network and experience in the field of non-ferrous metals gives us a competitive advantage in due diligence and price negotiation when it comes to executing acquisition projects. We are always on the outlook for quality assets that is aligned with our corporate strategy.

EMPLOYEES

As at 31 December 2012, the Group had 315 (2011: 453) employees. Employees receive competitive remuneration packages including salary and medical benefits. Key staff may also be entitled to performance bonus and share options.

DIVIDEND

No dividend has been paid or declared by the Company in respect of the year ended 31 December 2012 (2011: Nil).

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

AUDIT COMMITTEE

During the year, the audit committee of the Company has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control, reporting matters and the continuing connected transactions. The audited annual results for the year ended 31 December 2012 have been reviewed by the audit committee. The Group's consolidated financial statements for the year ended 31 December 2012 have been audited by the Company's auditors, Ernst & Young, and they have issued an unqualified opinion.

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 of the Listing Rules. Based on specific enquiry of all directors, during the year ended 31 December 2012, the directors of the Company have confirmed that they have complied with required standards as set out in the Model Code for the year ended 31 December 2012.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2012 with the respective code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (the "CG Code") (effective from 1 April 2012) as 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 year ended 31 December 2012, 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.

PUBLICATION OF FINANCIAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is available for viewing on the websites of the Hong Kong Exchanges and Clearing Limited ("HKEx") and the Company. The annual report for the year ended 31 December 2012 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the HKExnews and the Company's websites respectively in due course.

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

Hong Kong, 21 March 2013

As at the date of this announcement, the Board consists of three executive Directors, namely Mr. Yang Zhiqiang, Mr. Zhang Sanlin and Mr. Zhang Zhong, 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.