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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

RESULTS

The board of directors (the "Directors") (the "Board") of Jinchuan Group International Resources Co. Ltd. (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2012 together with the comparative figures in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		For the six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
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)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

For the six months ended 30 June 2012

		For the six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
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
Total non-current assets		**51,450**	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
Total current assets		**862,116**	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
Total current liabilities		**161,066**	90,603
NET CURRENT ASSETS		**701,050**	700,306
TOTAL ASSETS LESS CURRENT LIABILITIES		**752,500**	757,766

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

At 30 June 2012

	Notes	**30 June 2012 (Unaudited)** ***HK$'000***	31 December 2011 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Provision for long service payments		**448**	452
Finance lease payables		**153**	126
Deferred tax liabilities		**1,741**	1,776
Total non-current liabilities		**2,342**	2,354
NET ASSETS		**750,158**	755,412
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	**27,549**	27,549
Reserves		**723,435**	728,689
		750,984	756,238
Non-controlling interests		**(826)**	(826)
TOTAL EQUITY		**750,158**	755,412

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the parent									
	Issued capital *HK$'000*	Share premium account *HK$'000*	Share option reserve *HK$'000*	Reserve funds *HK$'000*	Contributed surplus *HK$'000*	Exchange fluctuation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'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									
	Issued capital *HK$'000*	Share premium account *HK$'000* *(note 16)*	Share option reserve *HK$'000*	Reserve funds *HK$'000*	Contributed surplus *HK$'000*	Exchange fluctuation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'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	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'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 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:

- 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 *Financial Instruments: Disclosures – Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

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.

4. OPERATING SEGMENT INFORMATION *(continued)*

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.

For the six months ended 30 June 2012

	Trading of mineral and metal products	**Cosmetic and beauty**	**Property investment and development**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	165,934	54,233	–	220,167
Other income and gains	–	405	281	686
	165,934	54,638	281	220,853
Reconciliation:				
Corporate and other unallocated income				5,559
Elimination of intersegment sales				–
				226,412
Segment results	580	(2,530)	281	(1,669)
Reconciliation:				
Corporate and other unallocated income				5,559
Corporate and other unallocated expenses				(9,471)
Loss before taxation				(5,581)

As at 30 June 2012

	Trading of mineral and metal products	**Cosmetic and beauty**	**Property investment and development**	**Total**
Segment assets	465,498	113,496	–	578,994
Reconciliation:				
Corporate and other unallocated assets				334,572
Total assets				913,566

4. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2011

	Cosmetic and beauty	Property investment and development	Total
	HK$'000	*HK$'000*	*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
Reconciliation:			
Corporate and other unallocated income			2,003
Elimination of intersegment sales			–
			63,199
Segment results	(8,377)	762	(7,615)
Reconciliation:			
Corporate and other unallocated income			2,003
Corporate and other unallocated expenses			(8,122)
Loss before taxation			(13,734)

As at 30 June 2011

	Cosmetic and beauty	Property investment and development	Total
Segment assets	130,868	16,969	147,837
Reconciliation:			
Corporate and other unallocated assets			710,262
Total assets			858,099

Geographical information

(a) *Revenue from external customers*

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

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	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'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	**(8)**	(762)
(Write-back)/write-down of inventories to net realisable value	**(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	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'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	2011
	(Unaudited)	(Unaudited)
	HK\$'000	*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.

11. TRADE AND BILLS RECEIVABLES *(continued)*

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).

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.

* *For identification purposes*

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 Number of shares	31 December 2011 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	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
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 has 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.

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. Since then, the Group had ceased it property investment operations.

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.

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.

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).

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.

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.

CORPORATE GOVERNANCE INFORMATION *(continued)*

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, 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 became 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.

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 announcement, 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.