中國有色金屬有限公司*
China Nonferrous Metals Company Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 8306)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of China Nonferrous Metals Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

ANNUAL RESULTS

The board (the "Board") of Directors of the Company is pleased to announce the audited annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	5	**126,076**	383,283
Cost of sales		**(115,851)**	(369,406)
Gross profit		**10,225**	13,877
Other income	5	**1,190**	10,595
Changes in fair value of derivative financial instruments		**24**	3,984
Selling and distribution costs		**(5,645)**	(4,363)
Administrative expenses		**(36,072)**	(44,425)
Equity-settled share options expenses		**–**	(1,134)
Impairment losses		**(133,637)**	(261,000)
Loss from operations	6	**(163,915)**	(282,466)
Finance costs	7	**(46,772)**	(46,103)
Loss before income tax		**(210,687)**	(328,569)
Income tax credit	8	**34,607**	67,785
Loss for the year		**(176,080)**	(260,784)
Attributable to:			
Owners of the Company		**(176,080)**	(259,140)
Non-controlling interests		**–**	(1,644)
Loss for the year		**(176,080)**	(260,784)
Losses per share	9		
Basic and diluted		**(10.05) cents**	(14.80) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	RMB'000	RMB'000
Loss for the year	**(176,080)**	(260,784)
Other comprehensive income, after tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**366**	353
Total other comprehensive income for the year, net of tax	**366**	353
Total comprehensive income for the year	**(175,714)**	(260,431)
Attributable to:		
Owners of the Company	**(175,714)**	(258,787)
Non-controlling interests	**–**	(1,644)
	(175,714)	(260,431)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**242,791**	279,465
Intangible assets		**749,686**	856,807
Prepaid land lease payments		**1,839**	1,881
Deposits		**–**	4,616
Deferred tax assets		**24,450**	16,564
		1,018,766	1,159,333
Current assets			
Inventories		**28,845**	59,801
Prepaid land lease payments		**42**	42
Trade and note receivables	10	**162,922**	182,007
Other receivables, deposits and prepayments		**541,359**	384,382
Financial assets at fair value through profit or loss		**–**	1,261
Amount due from a related company		**1,880**	482
Pledged bank deposits		**–**	1,138
Cash and bank balances		**37,045**	219,849
		772,093	848,962
Current liabilities			
Trade and note payables	11	**50,735**	100,196
Other payables and accrued charges		**70,122**	59,451
Amounts due to related companies		**5,426**	1,581
Financial liabilities at fair value through profit or loss		**–**	298
Borrowings		**194,867**	45,355
Convertible bonds		**291,610**	–
Provision for tax		**81,650**	81,586
		694,410	288,467
Net current assets		**77,683**	560,495
Total assets less current liabilities		**1,096,449**	1,719,828
Non-current liabilities			
Borrowings		**–**	150,266
Convertible bonds		**–**	270,678
Deferred tax liabilities		**177,509**	204,230
		177,509	625,174
Net assets		**918,940**	1,094,654
EQUITY			
Share capital		**3,107**	3,107
Reserves		**915,833**	1,091,547
Total equity		**918,940**	1,094,654

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Nonferrous Metals Company Limited (the "Company") was incorporated in Bermuda on 14 April 2004 as an exempted company under the Companies Act 1981 of Bermuda (as amended). Its shares are listed on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 28 February 2005.

The Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the Company's principal place of business changes from Suites 1704-05, 17th Floor, Dah Sing Financial Centre,108 Gloucester Road, Wanchai, Hong Kong to Room 1104, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong with effective from 14 May 2014.

The directors of the Company (the "Directors") consider that the Company's immediate and ultimate holding company is Ruffy Investments Limited ("Ruffy"), a company incorporated in the British Virgin Islands.

The principal activity of the Company is investment holding. The principal subsidiaries of the Company are engaged in the mining, processing and trading of mineral resources. There were no significant changes in the Group's operations during the year.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The financial statements for the year ended 31 December 2014 were approved and authorised for issue by the Board of Directors on 31 March 2015.

2. BASIS OF PRESENTATION

The Group incurred a loss attributable to the owners of the Company of approximately RMB176,080,000 for the year ended 31 December 2014. As at 31 December 2014, as disclosed in note 12 to this announcement, the Group has outstanding lawsuits and arbitration cases in the aggregate claim amount of approximately RMB801,124,000 arising from alleged guarantee documents entered into by two subsidiaries of the Group. In addition, subsequent to 31 December 2014, the Group has not repaid the entrusted loan with the principal amount of RMB150,000,000 together with loan interest after the expiry date of the entrusted loan on 30 January 2015 and up to the date of approval of these financial statements. These matters give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the foregoing, the consolidated financial statements have been prepared on a going concern basis. In the opinion of the directors, the liquidity of the Group can be maintained in the coming year taking into consideration the proposed arrangements which include, but not limited to, the followings:

(i) Convertible bonds

As at 31 December 2014, the Company issued convertible bonds with the outstanding principal amount of HK$382,038,000 are due on 9 July 2015. As of the date of approval of these financial statements, no conversion of any convertible bonds has been made by the bondholders subsequent to 31 December 2014. Any convertible bonds remain outstanding on the maturity date shall be redeemed at its then outstanding principal amount, inclusive of any interest as accrued. Ruffy, the Company's immediate and ultimate holding company wholly and beneficially owned by Mr. Mei Wei, is the major bondholder, with the outstanding principal amount of HK$372,298,000. In view of the adverse working capital position of the Group and the Company, Ruffy has undertaken on 25 March 2015 not to demand immediate repayment in part or in whole for the redemption of all outstanding convertible bonds held by Ruffy on the maturity date until 9 July 2017 or such later date as the Company and Ruffy may agree in writing.

(ii) Entrusted loan

Subsequent to 31 December 2014, the Group has not repaid an entrusted loan in the principal amount of RMB150,000,000 together with loan interest since the expiry of the entrusted loan on 30 January 2015 and up to the date of approval of these financial statements. The aforesaid entrusted loan is secured by the Group's mining rights in Wulatezing Qi, an autonomous region in Inner Mongolia of the PRC and guaranteed by a related company, 深圳冠欣礦業集團有限公司 ("First Create Mining") and the controlling shareholder of the Company, Mr. Mei Wei. The Company's executive director, Mr. Mei Ping and the Mr. Mei Wei have beneficial interests and directorships in First Create Mining. The Group is still in the course of the negotiation with the lender, the bank trustee, First Create Mining and Mr. Mei Wei (collectively referred to as the "Entrusted Loan Parties") for the extension of the entrusted loan. As of the date of approval of these financial statements, no agreement with the Entrusted Loan Parties in respect of the extension of the entrusted loan has been reached. First Create Mining and Mr. Mei Wei have undertaken to honour their obligations as guarantors of this entrusted loan under their guarantee agreements and agree to provide adequate funds for loan repayment in the event of failure in obtaining extension of the entrusted loan.

(iii) Outstanding lawsuits and arbitration cases

As detailed in the note 12 to this announcement, three writs of civil summon had been issued against深圳市冠欣投資有限公司 ("First Create"), which is the related company of the Company, for the repayment of approximately RMB240,800,000 totally, alleging to be the principal, accrued interest and defaulted interest pursuant to the loan agreements together with the related legal costs. The Company's executive director, Mr. Mei Ping and Mr. Mei Wei have beneficial interests and directorships in First Create. The Company's wholly-owned subsidiary, namely 巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司 ("Jiashengpan"), is also a named defendant under the writs and another wholly-owned subsidiary of the Company, namely 深圳市睿汭科技有限公司 ("Shenzhen Ruirui") is also a named defendant under one of the three writs. There are some guarantee documents allegedly being executed by Jiashengpan and Shenzhen Ruirui as guarantors for the aforesaid loan agreements.

In addition, some arbitration cases were brought by a third party individual in Shenzhen Arbitration Centre against First Create and Jiashengpan for a claim of total amount of RMB560,324,000 alleging to be the principal, accrued interest and defaulted interest pursuant to the loan agreements together with the related legal costs. There are some guarantee documents allegedly being executed by Jiashengpan as guarantors for the claimed amounts.

The Group has been taking steps to actively liaise with First Create and the relevant plaintiffs under the writs and arbitration cases to resolve the matters. As of the date of approval of these financial statements, no settlement has been concluded in respect of the writs and the arbitration cases. First Create as the borrower of the aforesaid loans in the writs and arbitration cases has undertaken to bear all liabilities, legal duties and losses incurred to the Group arising from these writs and arbitration cases.

(iv) Additional financial support from the controlling shareholder

The Company's controlling shareholder, Mr. Mei Wei has undertaken the recoverability of certain trade receivables, deposits and other receivables of the Group in aggregated amount of RMB609,851,000 as at 31 December 2014 in case these balances and any related inventories purchase (in whole or in part) are still outstanding as at 31 December 2015.

In addition to the aforesaid financial undertakings made by Mr. Mei Wei and his affiliates, Mr. Mei Wei has further undertaken to provide continuing financial support to the Group to meet its liabilities as they fall due and to maintain the Group as a going concern for a period at least up to 31 December 2015.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

3. ADOPTION OF NEW AND REVISED IFRSs

In the current year, the Group has applied for the first time the following new or revised standards and amendments (the "new IFRSs") issued by the IASB and the International Financial Reporting Interpretations Committee of the IASB, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2014:

Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
IFRIC–Int 21	Levies

The adoption of the new IFRSs had no material impact on the Group's consolidated financial statements.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to IAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

IFRIC–Int 21 - Levies

IFRIC-Int 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation has been applied retrospectively.

The adoption of IFRIC-Int 21 has no impact on these financial statements as the interpretation is consistent with the Group's previous application of its accounting policies on provisions.

New/revised IFRSs that have been issued but are not yet effective

The following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

IFRSs (Amendments)	Annual Improvements 2010-2012 Cycle [2]
IFRSs (Amendments)	Annual Improvements 2011-2013 Cycle [1]
IFRSs (Amendments)	Annual Improvements 2012-2014 Cycle [3]
Amendments to IAS 1	Disclosure Initiative [3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [3]
Amendments to IAS 27	Equity Method in Separate Financial Statements [3]
IFRS 9 (2014)	Financial Instruments [5]
IFRS 15	Revenue from Contracts with Customers [4]

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
[3] Effective for annual periods beginning on or after 1 January 2016
[4] Effective for annual periods beginning on or after 1 January 2017
[5] Effective for annual periods beginning on or after 1 January 2018

Annual Improvements 2010-2012 Cycle, 2011-2013 Cycle and 2012-2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to IAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to IAS 27 - Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries in its separate financial statements.

IFRS 9 (2014) - Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

IFRS 15 - Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these new or revised IFRSs and the Directors are not yet in a position to quantify the effects on the Group's consolidated financial statements.

4. SEGMENT INFORMATION

The Directors manage the Group's operations as a single business segment. The Group's operations are monitored and strategic decisions are made on the basis of operating results, consolidated assets and liabilities as reflected in the Group's financial statements prepared under IFRSs.

The Group's principal place of operations is in Mainland China. The Group's assets are located in Mainland China. The Group's revenue from external customers in different locations is as follows:

	2014	2013
	RMB'000	*RMB'000*
– Mainland China (domicile)	**119,265**	380,196
– Hong Kong	**6,811**	3,087
Total revenue	**126,076**	383,283

The geographical analysis of revenue is based on the location of external customers.

There are two (2013: three) customers with whom transactions of each exceed 10% of the Group's revenue during the year ended 31 December 2014. During the year ended 31 December 2014, revenue derived from these customers are approximately RMB47,966,000 and RMB36,870,000 individually (2013: RMB85,182,000, RMB71,885,000 and RMB64,452,000 individually).

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, derived from the Group's principal activities recognised during the year is as follows:

	2014	2013
	RMB'000	*RMB'000*
Revenue:		
Sales of goods	**119,265**	380,196
Income from indent trading (note)	**6,811**	3,087
	126,076	383,283
Other income:		
Bank interest income	**30**	114
Sales of scrap materials	**1,136**	3,576
Reversal of impairment of trade receivables	**–**	6,640
Gain on disposal of subsidiaries	**–**	190
Others	**24**	75
	1,190	10,595

Note:

During the year ended 31 December 2014, the Group entered into indent trading transactions of nonferrous metals and other products and the gross invoiced sale amount was approximately RMB378,693,000 (2013: RMB355,793,000). Pursuant to 2009 amendments to IAS 18 Revenue, the Group's sale amount received from its indent trading are deemed as cash collected on behalf of the principal as an agent. Accordingly, the net amount receivable in return for services performed is recognised as revenue.

6. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

	2014	2013
	RMB'000	*RMB'000*
Directors' emoluments	**497**	714
Other staff costs:		
Salaries, wages and other benefits	**15,910**	18,321
Equity-settled share options expenses (excluding those of Directors)	**–**	1,134
Retirement benefit schemes contributions (excluding those of Directors)	**410**	605
Total staff costs	**16,817**	20,774
Depreciation of property, plant and equipment		
–Owned	**16,819**	16,673
–Held under finance lease	**397**	460
	17,216	17,133
Amortisation of mining rights	**9,157**	9,656
Amortisation of prepaid land lease payments	**42**	42
Impairment of trade and other receivables*	**4,125**	–
Impairment of property, plant and equipment*	**31,548**	65,250
Impairment of intangible assets*	**97,964**	195,750
Operating lease expenses in respect of rented premises	**1,504**	1,583

* These are included in "Impairment losses" in the consolidated income statement.

7. FINANCE COSTS

	2014	2013
	RMB'000	***RMB'000***
Wholly repayable within five years		
– interest on bank loans	**4,319**	5,521
– interest on other loans	**15,056**	13,365
Interest on convertible bonds	**28,866**	27,155
Interest on finance lease liabilities	**45**	62
Total finance costs on financial liabilities not at fair value through profit or loss	**48,286**	46,103
Less: Interest capitalised included in construction in progress	**(1,514)**	–
	46,772	46,103

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 10.14% (2013: Nil) to expenditure on qualifying asset.

8. INCOME TAX CREDIT

Income tax credit in the consolidated income statement represents:

	2014	2013
	RMB'000	*RMB'000*
Current taxation		
– PRC	**–**	–
Deferred taxation	**(34,607)**	(67,785)
Total tax credit for the year	**(34,607)**	(67,785)

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2014 and 2013 as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2014 and 2013. Income tax credit for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. LOSSES PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic losses per share is calculated based on the Group's loss for the year attributable to owners of the Company of RMB176,080,000 (2013: RMB259,140,000) divided by the weighted average number of approximately 1,751,308,000 (2013: approximately 1,751,308,000) ordinary shares in issue during the year.

Diluted losses per share for the years ended 31 December 2014 and 2013 are same as the basic earnings per share because the impacts of both of the exercise of share options and conversion of the convertible bonds are anti-dilutive.

10. TRADE AND NOTE RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade and note receivables	**164,847**	182,007
Less: Impairment loss recognised	**(1,925)**	–
	162,922	182,007

The ageing analysis of the trade and note receivables (net of allowance for impairment) is as follows:

	2014	2013
	RMB'000	*RMB'000*
0 to 60 days	**16,503**	47,412
61 to 120 days	**6**	134,595
121 to 180 days	**5,569**	–
181 to 365 days	**140,844**	–
	162,922	182,007

11. TRADE AND NOTE PAYABLES

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

	2014	2013
	RMB'000	*RMB'000*
0 to 90 days	**16,589**	58,912
91 to 180 days	**4,224**	5,727
181 to 365 days	**10,092**	5,880
Over 365 days	**19,830**	29,677
	50,735	100,196

12. CONTINGENT LIABILITIES

During the year ended 31 December 2014, three writs of civil summon (collectively referred to as the "Writs") dated (i) 24 September 2014 (the "First Writ") and has been issued for the repayment of RMB162,577,000 (the "First Claimed Amount"), alleging to be the principal and interest accrued thereon pursuant for a loan agreement dated 15 April 2014 together with the related legal costs at the Intermediate People's Court of Shenzhen City, (ii) 3 November 2014 (the "Second Writ") and has been issued for the repayment of RMB46,486,000 (the "Second Claimed Amount"), alleging to be the principal and interest accrued thereon pursuant to the loan agreement dated 23 May 2012 together with the related legal costs at the Intermediate People's Court of Bayannur; and (iii) 29 December 2014 (the "Third Writ") and has been issued for the repayment of RMB31,737,000 alleging to be the principal, accrued interest and defaulted interest pursuant to the loan agreements together with the related legal costs (the "Third Claimed Amount") at the People's Court of Futian, Shenzhen, the PRC respectively, against First Create. The Company's subsidiary, namely Jiashengpan, is also a named defendant under the Writs and another subsidiary, namely Shenzhen Ruirui is also a named defendant under the First Writ. There are some guarantee documents allegedly being executed by Jiashengpan and Shenzhen Ruirui as guarantors for the aforesaid loan agreements.

In addition, some arbitration cases were brought by a third party individual in Shenzhen Arbitration Centre against First Create and Jiashengpan (the "Arbitration Cases") for a claim of total amount of RMB560,324,000 alleging to be the principal, accrued interest and defaulted interest pursuant to the loan agreements together with the related legal costs (the "Other Claimed Amounts"). There are some guarantee documents allegedly being executed by Jiashengpan to guarantee the Other Claimed Amounts.

The Group's management and the Company's legal adviser are in the process of conducting investigation as to the validity and legal enforceability of these alleged guarantees documents. The Group has been taking steps to actively liaise with First Create and the relevant plaintiffs under the writs and arbitration cases to resolve the matters. The Group considers that the validity and legal enforceability of these alleged guarantees documents are in questions and therefore unable to make a reliable estimate of the potential obligation. No provision for loss has been made in the consolidated financial statements.

On 6 March 2015, the plaintiff to the Arbitration Cases executed an undertaking in favour of First Create, pursuant to which the plaintiff to the Arbitration Cases agreed to release Jiashengpan as a guarantor under the guarantee documents, provided that First Create pays the plaintiff RMB20,000,000 before 15 April 2015. On the same date, Mr. Mei Wei also executed an undertaking in favour of Jiashengpan pursuant to which Mr. Mei Wei agreed to assume the payment liability in respect of the said RMB20,000,000.

On 25 March 2015, First Create as the borrowers of the aforesaid loans in the writs and arbitration cases has undertaken to bear all liabilities, legal duties and losses incurred to the Group arising from these writ and arbitration cases.

As of the date of approval of these financial statements, no settlement has been concluded in respect of the writs and the arbitration cases.

13. EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, there are some changes in the board of directors of the Company as follows:

i) Mr. Chan Siu Lun has resigned from his office as an independent non-executive Directors, the chairman of the audit committee and a member of the remuneration committee and a member of nomination committee of the Company with effect from 20 March 2015. Details of which are set out in the Company's announcements dated 23 March 2015 and 29 March 2015.

ii) Mr. Kwan Man Kit, Edmond has resigned from his office as an independent non-executive Director, a member of the audit committee and the chairman of the remuneration committee and the nomination committee with effect from 27 March 2015. Details of which are set out in the Company's announcement dated 29 March 2015.

iii) Mr. Ng Man Kwan, Lawrence has been appointed as an independent non-executive Director, a member of the audit committee, chairman of the remuneration committee and the nomination committee with effect from 27 March 2015. Details of which are set out in the Company's announcement dated 29 March 2015.

iv) Ms. He Qing has been appointed as the chairlady of the audit committee with effect from 27 March 2015. Details of which are set out in the Company's announcement dated 29 March 2015.

AUDIT OPINION

The auditor of the Group will issue disclaimer audit opinion on the consolidated financial statements of the Group for the year under audit. An extract of the auditor's report is set out in the section headed "**EXTRACTION OF INDEPENDENT AUDITOR'S REPORT**" below.

EXTRACTION OF INDEPENDENT AUDITOR'S REPORT

Basis for disclaimer of opinion

1. **Scope limitation and material uncertainty relating to the going concern basis of preparing the consolidated financial statements**

   The Group incurred a loss attributable to the owners of the Company of approximately RMB176,080,000 for the year ended 31 December 2014. As at that date, as disclosed in note 39 to the consolidated financial statements and stated in part 3 below, the Group has outstanding lawsuits and arbitration claims amounting to approximately RMB801,124,000 arising from the alleged financial guarantee document entered into by two subsidiaries of the Group. In addition, as at the date of this report, the Group has not repaid the entrusted loan in principal amount of RMB150,000,000, together with accrued interest thereon after its maturity on 30 January 2015. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

   Notwithstanding the foregoing, the consolidated financial statements have been prepared on a going concern basis the appropriateness of which largely depends upon the successful outcome of the arrangements as disclosed in note 3.1(iii) to the consolidated financial statements, which in particular include the execution of various financial undertakings and guarantees by the controlling shareholder of the Company and his affiliates (the "Financial Support"). If the Financial Support is not forthcoming, the Group may not be able to meet its financial obligations as and when they fall due. However, we have not been provided with sufficient documentary evidence in respect of the financial position of the controlling shareholder and his affiliates to enable us to assess whether they have sufficient financial capability to provide the aforementioned Financial Support to the Group. There were no other satisfactory audit procedures that we could adopt to assess whether the Group had sufficient resources to meet its operating and financing needs for the foreseeable future. Accordingly, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves regarding the Group's ability to continue as a going concern.

The consolidated financial statements do not include any adjustments that may be necessary should the going concern basis of preparation be determined to be inappropriate. These would include any adjustments to write down the Group's assets to their net realisable amounts, to provide for any liabilities which may arise on cessation of business and to reclassify non-current assets and liabilities as current.

2. Related party transactions

As described in part 3 below, the Group's internal procedures did not enable it to properly identify and disclose on a timely basis all material related party transactions that occurred during the year. We have not been able to obtain sufficient appropriate audit evidence therefore concerning the completeness of related parties and related party transactions presented and disclosed in the consolidated financial statements. Accordingly, we have not been able to satisfy ourselves that all related party balances and transactions have been properly presented and disclosed as required by the International Accounting Standard 24 "Related Party Disclosures".

3. Alleged guarantee documents

As mentioned in note 39 to the consolidated financial statements, three writs of civil summons have been issued against 深圳市冠欣投資有限公司 ("First Create"), which is a related company of the Company, in 2014 for the repayment of a total of approximately RMB240,800,000 alleging to be the principal, accrued interest and default interest pursuant to the loan agreements together with the related legal costs. The Company's subsidiary, namely 巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限公司("Jiashengpan"), is a named defendant under the three writs and another subsidiary, namely 深圳市睿汭科技有限公司 ("Shenzhen Ruirui"), is also a named defendant under one of the three writs. It is alleged that Jiashengpan and Shenzhen Ruirui had executed certain guarantee documents in 2014 to act as guarantors for the aforesaid loan agreements.

In addition, a number of arbitration claims have been brought by a third party individual against First Create and Jiashengpan in 2014 for repayment of a total amount of RMB560,324,000 alleging to be the principal, accrued interest and default interest pursuant to the loan agreements together with the related legal costs. It is alleged that Jiashengpan had executed certain guarantee documents in 2014 whereby Jiashengpan has guaranteed the above claims.

However, the announcement by the Company of the above writs and arbitration cases arising from these alleged guarantee documents in 2014 was made subsequently on 22 January 2015.

As at the date of this report, the Group's management and the Company's legal advisers are still in the process of conducting their investigation as to the validity and legal enforceability of these alleged guarantee documents. In addition, the

Group has taken steps to actively liaise with First Create and the relevant plaintiffs under the aforesaid writs and arbitration claims to resolve the above matters. As of the date of this report, no settlement has been concluded in respect of these writs and arbitration claims.

As a result, we were unable to obtain sufficient appropriate audit evidence concerning the validity and legal enforceability of the alleged guarantees and therefore as to whether the Group should recognise any provision for loss in respect of the alleged guarantees and, if these alleged guarantees were held to be valid and enforceable, as to the amount of provision for loss under the alleged guarantees for the year ended 31 December 2014.

4. Recoverability of the Group's trade receivables, other receivables and deposits paid

As at 31 December 2014, the trade receivables, other receivables and deposits paid of the Group included the past due balances of RMB109,875,000, RMB90,019,000 and RMB279,208,000 (the "Balances"), respectively. As at the date of this report, the Balances have not been settled. We were not provided with sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the Balances. Accordingly, we are unable to determine whether the Group's trade receivables, other receivables and deposits and its impairment losses are properly stated as at 31 December 2014 and for the year then ended.

5. Completeness of pending litigation, proceedings, hearings or claims

As described in part 3 above, the Group's internal procedures did not enable it to properly identify on a timely basis the writs and arbitration claims arising in 2014. We have not been able to obtain sufficient appropriate audit evidence therefore concerning the completeness of pending litigation, proceedings, hearings or claims against the Group.

Accordingly, we are unable to determine whether all provisions and contingent liabilities have been properly accounted for and disclosed for in the consolidated financial statements in accordance with International Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets".

6. Information and documents provided by the management

In view of the Group's internal procedures in place, we have not been able to obtain sufficient audit evidences concerning the completeness of the relevant information and documents as described in parts 2 and 5 above. In addition, during the course of our audit, we were unable to satisfy ourselves that the accounting information and documentation provided by the management for the purpose of our audit was complete and accurate in all material respects, nor to quantify the extent of adjustments that might have been necessary in respect of the Group's consolidated financial statements for the year ended 31 December 2014 as a result of missing accounting information and documentation, if any.

Disclaimer of opinion on view given by the consolidated financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements and whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

Looking back to the year of 2014, total revenue decreased by about 67.1% to approximately RMB126.1 million. The decrease was mainly attributable to the decrease in the metal trading business to RMB2.0 million (2013: RMB224.3 million) due to the adverse market conditions in 2014.

MINING

Zinc prices remained at low level during the first half year of 2014. It has been slightly recovered in the second half year of 2014 due to decrease in the stockpiles as expected. The decline in the revenue compared with last year was mainly caused by the decrease in sales volume of zinc and lead concentrates from Jiashengpan which has set off the impact on the increase in selling prices.

Revenue generated from sales of nonferrous metal products amounted to approximately RMB117.3 million (2013: approximately RMB155.8 million), representing an decrease of approximately 24.7% as compared with last year. Approximately 2.9% gross profit margin was recorded for the year ended 31 December 2014 representing a decrease of approximately 3.5 percentage points as compared with last year. Revenue generated from sales of tailing mine amounted to approximately RMB6.2 million (2013: RMB9.1 million) as a result of the drop in the selling price of RMB115.5 per tonne (2013: RMB125.6 per tonne). Overall, zinc concentrates accounted for approximately 88.2% of the mining sector's revenue (2013: 85%) and as such its fluctuation had materially affected the Group's performance in 2014.

METAL TRADING

Total revenue generated from trading activities amounted to approximately RMB2.0 million for the year (2013: RMB224.3 million) representing a decrease of approximately RMB222.3 million or 99.1% over the last year as the continuous adverse market condition in 2014. To remain its competitiveness, the Group has adopted a slim margin strategy in respect of its metal trading business. Gross profit margin on metal trading is maintained at single digit profit margin, which is approximately 1.1% (2013: 0.3%).

INDENT TRADING/SERVICE INCOME

Total gross invoiced amount was approximately RMB378.7 million which was generated from the indent trading activities; a net amount of RMB6.8 million in total has been recognised as revenue during the year.

OTHER INCOME

During the year, other income was approximately RMB1.2 million (2013: RMB10.6 million). The decrease was mainly attributable to the reversal of impairment of trade receivables of approximately RMB6.6 million recognised as other income in last year, which is one-off in nature.

CHANGES IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

It represents the gain or loss arising from the changes in fair value of the metal commodity futures contracts used to hedge against the Group's production and inventories. For the year ended 31 December 2014, the Group recorded a net gain on future contracts of approximately RMB24,000 (2013: approximately RMB4.0 million). The Group did not enter into any commodity futures contracts unrelated to the business operations during the year (2013: Nil).

OPERATING EXPENSES

Selling and distribution costs for the year amounted to approximately RMB5.6 million, as compared to approximately RMB4.4 million reported last year. Increase in the selling and distribution expenses was mainly due to the transportation cost borne by the Group during the year, which was borne by a trading company disposed last year.

Administrative expenses for the year decreased to approximately RMB36.1 million, as compared to approximately RMB44.4 million reported last year. The decrease was attributable to the disposal of a trading company in last year which lowered the administration expenses as a whole.

Impairment losses represented losses recognised for the Group's cash generating unit, which include intangible assets and property, plant and equipment, totalling RMB129.5 million (2013: RMB261.0 million) and losses on the trade and other receivables RMB4.1 million due to the adverse business environment of the nonferrous metals market. Impairment losses recognised on the trade and other receivables totalling RMB4.1 million (2013: Nil).

FINANCE COSTS

Finance costs for the year ended 31 December 2014 amounted to approximately RMB46.8 million (2013: RMB46.1 million) representing an increase of approximately RMB0.7 million.

Subsequent to 31 December 2014, the Group has not repaid an entrusted loan in the principal amount of RMB150,000,000 together with certain loan interest since the expiry of the entrusted loan on 30 January 2015. As at the date of this announcement, Jiashengpan is still in the course of the negotiation with the lender to prepare the new terms of the entrusted loan.

LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company for the year ended 31 December 2014 was approximately RMB176.1 million (2013: RMB259.1 million).

The loss was attributable to the decrease in the gain on metal commodity futures contracts, decrease in the sales volume of zinc and lead concentrates from the mining site during the year and the impairment losses recognised during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by its principal bankers in the PRC. As at 31 December 2014, the total equity attributable to owners of the Company was approximately RMB919.0 million (2013: RMB1,094.7 million).

The Group's cash and bank balances (including pledged bank deposits) stood at RMB37.0 million (2013: RMB221.0 million). The decrease is a result of the repayment to local suppliers and fund advance to suppliers for trading and mining purposes. As at 31 December 2014, the Group's net current assets is approximately RMB77.7 million (2013: approximately RMB560.5 million). The worsening of the short term liquidity position was due to the convertible bonds due within seven months in 2015. In view of the working capital position of the Group as at 31 December 2014. Ruffy has undertaken on 25 March 2015 not to demand immediate repayment of convertible Bonds held by Ruffy on the maturity date until 9 July 2017 or such later date as the Company and Ruffy may agree in writing.

The Group will use its best endeavour to address the liquidity issues, including but not limited to (i) secure financial support from Mr. Mei Wei; and (ii) further negotiations with plaintiffs so as to withdraw Jiashengpan and RuiRui as guarantors as soon as practicable.

As at 31 December 2014, the total asset value of the Group was approximately RMB1,790.9 million (2013: approximately RMB2,008.3 million). Total liabilities was approximately RMB871.9 million (2013: approximately RMB913.6 million). Gearing ratio of the Group, calculated as total liabilities over total assets was approximately 48.7% (2013: approximately 45.5%). The interest-bearing and other bank borrowings of the Group amounted to approximately RMB194.9 million (2013: approximately RMB195.6 million).

FOREIGN EXCHANGE EXPOSURE

The Group has bank balances, sales and purchases denominated in foreign currencies which expose the Group to foreign currency risk. The currency risk for those subsidiaries with functional currency in Hong Kong Dollars ("HK$") were mainly attributable to the bank balances and trade and other receivables denominated in United States Dollars ("US$") as at the end of the reporting year. As the exchange rate of HK$ is pegged against US$, the Directors were of the opinion that the currency risk of US$ was insignificant to the Group.

The Group currently does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

SAFETY PRODUCTION AND ENVIRONMENTAL PROTECTION

The Group has always been paying great attention to production safety and environmental protection while achieving growth in zinc and lead concentrates production. Thus, the Group had put great efforts in promoting safety management and strengthened measures for environmental protection, aiming to build itself into a safety-oriented and environmental-friendly corporation.

PLEDGE OF ASSETS

As at 31 December 2014, the Group's mining rights at the net carrying amount of approximately RMB749.7 million (2013: RMB856.8 million) were pledged to secure borrowing facilities granted to the Group. The Group's pledged bank deposits of approximately RMB1.1 million were used to pledge to certain note payables of the Group as at 31 December 2013.

LITIGATIONS AND CONTINGENT LIABILITIES

Reference to the announcement dated 22 January 2015, the Company had been aware of three writs of civil summon dated (i) 24 September 2014 and has been issued at the Intermediate People's Court of Shenzhen City ("First Writ"), (ii) 3 November 2014 and has been issued at the Intermediate People's Court of Bayannur ("Second Writ"); and (iii) 29 December 2014 and has been issued at the People's Court of Futian, Shenzhen ("Third Writ", together with First Writ and Second Writ, the "Writs"). In addition, the Company had also been aware of four arbitration cases in Shenzhen Arbitration Centre against First Create (the "Arbitration Cases" together with the Writs, the "Writs and Arbitration Cases"). The Writs and Arbitration Cases against First Create for repayment of loans and interest accrued thereon. Jiashengpan and/or RuiRui is a named defendant under the Writs and Arbitration Cases. Each of the plaintiffs under the Writs and Arbitration Cases alleged the following:

i. by a guarantee executed by Jiashengpan and RuiRui, they agreed to guarantee of RMB156,617,000 together with any accrued interest and other liabilities arisen in favour of the plaintiff. The plaintiff thereto claimed against First Create, Jiashengpan and RuiRui of approximately RMB162,577,000 under the First Writ;

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

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

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

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

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

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

As at the date of this announcement, the investigations are still ongoing, and to the best knowledge of the Company, it has not identified any other undisclosed litigations or arbitration cases.

EMPLOYEE INFORMATION

As at 31 December 2014, the Group had approximately 290 employees. The Group has maintained good relations with its staff and has not experienced any disruption of its operations due to labour disputes. The Group provides fringe benefits in accordance with the relevant laws and regulations of the PRC and Hong Kong including contributions to social security scheme of the PRC and the contributions to the Mandatory Provident Fund Scheme of Hong Kong. The Group remunerates its employees in accordance with their work performance and experience.

Total employees' remuneration incurred for the year ended 31 December 2014 amounted to approximately RMB16.8 million. The Directors received remuneration of approximately RMB0.5 million during the year ended 31 December 2014 (2013: approximately RMB0.7 million).

FINAL DIVIDEND

The Directors do not recommend any final dividend for the year ended 31 December 2014 (2013: nil).

PRC NONFERROUS METAL MARKET INDUSTRY REVIEW

PRC Nonferrous Metals Development in 2014

According to an article issued by the Ministry of Industry and Information Technology ("MIIT") of the PRC, the national output of ten nonferrous metals for this year, including lead and zinc, rose to approximately 44.17 million tonnes, its output growth has increased by approximately 9.6% while compared with last year. The output of lead lowered to approximately 5.6% to 4.22 million tonnes but zinc climbed approximately 10% to 5.83 million tonnes respectively.

Total profitability in nonferrous metals industry in the PRC had decreased by approximately 0.1% to approximately RMB205.3 billion as compared with last year.

Supply of the nonferrous metals in the PRC has been affected by the industrial restructuring and technology level upgrade in accordance to the 12th Five-Year Plan. Facing with difficulties of overcapacity, particularly in the nonferrous industry, this plan aims to eliminate backward production capacity and focus on the environmental protection in order to accelerate the development of the nonferrous industry in the PRC. During the year 2014, MIIT in China substantially increased its target of eliminating overcapacity, including cutting the lead smelter capacity by 115,000 tonnes and Hunan Province also announced its plan to eliminate backward production capacity of copper and lead by at least 300,000 tonnes together with the stringent restriction in entering into the high energy consumption and high pollution industries. These measures will be strengthened and continued as MIIT has announced that preparation work has been started to pave the way for the launch of 13th Five-Year Plan in coming future.

Suffering from the keen competition in the nonferrous metals market and recent market price trend, the Group's average selling price of various products were sustainable at the low level, it is expected the business environment of the nonferrous metals market remain unfavourable in 2015 as the currencies polices of macro economics, trading investment momentum and bulk commodity prices furthered uncertainies within the industry. The record of high production cost and low grading ore, now showing no signs of abatement, will continue to plague the Group's financial performance.

Nevertheless, with the accelerated industrialisation and urbanisation in the PRC, natural resources are expected in short supply. In addition, the PRC government continued to promote industrial restructuring and upgrade the nonferrous metals industry technology with a plan to eliminate backward production capacity and focus on the environmental protection. These are expected to accelerate the development of the industry in the PRC as the corporation will pave the way for a better regulated and healthier Chinese nonferrous metals industry.

AUDIT COMMITTEE

The Company set up an Audit Committee in February 2005 with the responsibility of reviewing and providing supervision over the Group's financial reporting process and internal controls, as well as making recommendations to the Board for appointment and removal of external auditor.

Following the appointment of Mr. Ng Man Kwan, Lawrence and resignation of Mr. Chan Siu Lun and Mr. Kwan Man Kit, Edmond, the Audit Committee currently comprises two members who are independent non-executive Directors, which fall below the minimum requirement of Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules. The Company is endeavouring to identify suitable candidate to fill the vacancy within three months from March 2015.

All independent non-executive Directors have confirmed their independence pursuant to Rule 5.09 of the GEM Listing Rules.

The Group's 2014 quarterly, interim and annual reports have been reviewed by the Audit Committee which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

CORPORATE GOVERNANCE REPORT

The Company applied the principles and complied with all requirements of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules throughout 2014 with certain deviations in respect of the distinctive roles of chairman and chief executive officer. The following summarises the Company's corporate governance practices and explains deviations, if any, from the CG Code:

The Company does not have a post of chief executive officer. Mr. Mei Ping is the chairman of the Board and he is responsible to manage day to day business. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly at least four times a year to discuss issues affecting operations of the Company. Also, the balance of power is further ensured by the following reasons:

– audit committee is composed exclusively of all independent non-executive Directors; and

– the independent non-executive Directors have free and direct access to the Company's external auditor and independent professional advisors when considered necessary.

It is believed that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. Given that Mr. Mei Ping has urged and worked closely with First Create and Mr. Mei Wei to resolve the Writs and Arbitration Cases in order to reduce and avoid any loss incurred to the Company and with reference to the statement issued by the PRC legal adviser, the guarantee documents shall be considered void under the PRC law. The Board considers to monitor the progress. Further, the PRC legal adviser would act for Jiashengpan, to issue a counterclaim against the plaintiffs before mid April 2015. As the outcomes of the Writs and Arbitration Cases in the PRC are yet to be determined, the Board will convene another meeting to transact the suitability of Mr. Mei Ping for acting a Director and hold him accounting for if the result indicating Mr. Mei Ping has negligence, willful default or improper act arising from the Writs and Arbitration Cases. Nonetheless, the Board has suspended Mr. Mei Ping's duty as executive Director on 22 January 2015 as well as his role in Jiashengpan including legal representative, executive director and general manager since 27 March 2015.

The number of independent non-executive Directors and Audit Committee members fall below the minimum requirement of Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules. The Company is endeavoring to identify suitable candidates to fill the vacancy within three months from March 2015.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the amount of sufficient public float as required under Rule 11.23 the GEM Listing Rules throughout 2014.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint BDO Limited as auditor of the Company.

By order of the Board
China Nonferrous Metals Company Limited
Tsang Chung Sing, Edward
Executive Director

Hong Kong, 31 March 2015

As at the date of this announcement, the executive Directors are Mr. Mei Ping (suspended) and Mr. Tsang Chung Sing, Edward and the independent non-executive Directors are Ms. He Qing and Mr. Ng Man Kwan, Lawrence.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this announcement misleading.

This announcement will remain on the pages of "Latest Company Announcements" on the GEM website at http://www.hkgem.com for at least 7 days from the date of its posting and the Company's website http://www.cnm.com.hk.

* *For identification purposes only*