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 2017

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

* *For identification purposes only*

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 2017, together with the comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** ***RMB'000***	2016 *RMB'000* (Restated)
Continuing operations			
Revenue	5	**–**	–
Other income	5	**1**	1,412
Adminstrative expenses		**(14,734)**	(6,984)
Loss from operations		**(14,733)**	(5,572)
Finance costs	6	**(20,890)**	(30,120)
Loss before tax		**(35,623)**	(35,692)
Income tax credit	7	**3,550**	–
Loss for the year from continuing operations	9	**(32,073)**	(35,692)
Discontinued operations			
Loss for the year from discontinued operations	8	**(383,556)**	(1,268,251)
Loss for the year		**(415,629)**	(1,303,943)
Other comprehensive (loss)/income, after tax:			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**23,669**	(13,207)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(30,246)**	21,359
Other comprehensive (loss)/income for the year, net of tax		**(6,577)**	8,152
Total comprehensive loss for the year attributable to owners of the Company		**(422,206)**	(1,295,791)

	Note	**2017**	2016
		RMB'000	*RMB'000*
			(Restated)
Loss per share (RMB cents)	11		
From continuing and discontinued operations			
Basic and diluted		**(23.73)**	(74.46)
From continuing operations			
Basic and diluted		**(1.83)**	(2.04)
From discontinued operations			
Basic and diluted		**(21.90)**	(72.42)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Non-current assets			
Property, plant and equipment		**–**	98,096
Intangible assets		**–**	252,704
Prepaid land lease payments		**–**	1,755
Deferred tax assets		**–**	55,377
		–	407,932
Current assets			
Inventories		**–**	143,889
Prepaid land lease payments		**–**	42
Trade and note receivables	12	**–**	147,021
Other receivables, deposits and prepayments		**246**	458,131
Amount due from a related company		**–**	715
Bank and cash balances		**229**	576
		475	750,374
Assets classified as held for sale	13	**1,183,358**	–
		1,183,833	750,374
Current liabilities			
Trade and note payables	14	**–**	59,577
Accruals and other payables		**360,212**	1,713,705
Amounts due to related companies		**–**	2,594
Borrowings		**–**	194,600
Current tax liabilities		**–**	84,309
		360,212	2,054,785
Liabilities directly associated with assets classified as held for sale	13	**2,195,477**	–
		2,555,689	2,054,785
Net current liabilities		**(1,371,856)**	(1,304,411)
Total assets less current liabilities		**(1,371,856)**	(896,479)

	2017 *RMB'000*	2016 *RMB'000*
Non-current liabilities		
Deferred tax liabilities	**–**	53,171
NET LIABILITIES	**(1,371,856)**	(949,650)
Capital and reserves		
Share capital	**3,107**	3,107
Reserves	**(1,374,963)**	(952,757)
TOTAL DEFICIT	**(1,371,856)**	(949,650)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
Cash flows from operating activities		
Loss before taxation		
From continuing operations	**(35,623)**	(35,692)
From discountinued operation	**(382,531)**	(1,270,557)
Adjustments for:		
Finance costs	**46,412**	55,826
Interest income	**(1)**	–
Gain on disposal of property, plant and equipment	**(319)**	–
Depreciation of property, plant and equipment	**14,651**	16,848
Amortisation of prepaid land lease payments	**42**	42
Amortisation of mining right	**4,082**	3,160
Impairment of property, plant and equipment	**–**	1,705
Impairment of intangible assets	**–**	4,327
Reversal of write-down of inventories	**–**	(15,685)
Forfeiture of accruals and other payables	**–**	(1,412)
Provision for litigations	**417,185**	1,234,768
Operating cash flows before working capital changes	**63,898**	(6,670)
Change in inventories	**(6,067)**	3,272
Change in trade and note receivables	**(15,568)**	(20,237)
Change in other receivables, deposits and prepayments	**836**	6,263
Change in trade and note payables	**(828)**	(12,805)
Change in accruals and other payables	**(27,485)**	39,247
Change in amounts due to related companies	**1,648**	(2,030)
Net cash generated from operating activities	**16,434**	7,040
Cash flows from investing activities		
Purchase of property, plant and equipment	**(7,989)**	(11,249)
Proceeds from disposal of property, plant and equipment	**319**	–
(Repayment to)/repayment from a related company	**(2,611)**	1,320
Interest received	**1**	–

	2017 *RMB'000*	2016 *RMB'000*
Net cash used in investing activities	**(10,280)**	(9,929)
Cash flows from financing activities		
Interest paid on borrowings	**(3,134)**	(3,206)
Repayment of bank loans	**(3,000)**	–
Net cash used in financing activities	**(6,134)**	(3,206)
Net increase/(decrease) in cash and cash equivalents	**20**	(6,095)
Cash and cash equivalents at beginning of year	**576**	6,645
Effect of changes in foreign exchange rate, net	**(10)**	26
Cash and cash equivalents at end of year	**586**	576
Analysis of cash and cash equivalents		
Bank and cash balances	**229**	576
Bank and cash balances included in disposal group classified as held for sale	**357**	–
	586	576

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Nonferrous Metals Company Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Room 1104, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong, respectively. The shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal subsidiaries of the Company are engaged in the mining, processing and trading of mineral resources.

In the opinion of the directors of the Company, Ruffy Investments Limited, a company incorporated in the British Virgin Islands, is the immediate and ultimate holding company of the Company.

2. BASIS OF PREPARATION

Suspension of trading in shares of the Company and listing status

Reference is made to the Company's announcement dated 1 April 2015, the trading of the shares of the Company on GEM of the Stock Exchange has been suspended since 1 April 2015.

On 19 May 2017, the Company received a letter from the Stock Exchange informing the Company that the Listing Department (the "Department") of the Stock Exchange, having considered all the submissions made by the Company and that the Company had failed to maintain sufficient operations or assets under Rule 17.26 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") to warrant the continued listing of the Company's shares, has decided to proceed with cancellation of the Company's listing status under Rule 9.14 of the GEM Listing Rules.

The Company had submitted a resumption proposal (the "Resumption Proposal") to the Stock Exchange on 3 November 2017 seeking its approval for the resumption of trading in the shares of the Company. Subsequent to the submission of the Resumption Proposal, the Company submitted a revised resumption proposal (the "Revised Resumption Proposal") to the Stock Exchange on 7 May 2018 to replace the Resumption Proposal.

The Company received a letter dated 18 May 2018 from the Department of the Stock Exchange which stated that the Department has decided to grant a final extension of time to 30 June 2018 for the Company to submit a new listing application relating to the Revised Resumption Proposal.

On 24 October 2017, the Company entered into an agreement with independent third party (the "Disposal Agreement"), pursuant to which the Company conditionally agreed to sell the entire equity interest in Yongbao Resources Exploitation and Development Limited ("Yongbao") and 13 other subsidiaries of the Company (collectively the "Disposal Group"), including 巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司 ("Jiashengpan") and 深圳市睿汭實業有限公司 ("Ruirui"), which are named defendants under certain litigations and arbitration cases (note 15). Upon the completion of the disposal, the Disposal Group will cease to be subsidiaries of the Company and the financial results of the Disposal Group will no longer be consolidated into the consolidated financial statements of the Company. The Company will be released from the obligation of the litigations and arbitration cases. Up to the end of the reporting period, the disposal of the Disposal Group had yet to be completed.

In support of the submission of the Resumption Proposal, the Company has entered into a conditional acquisition agreement (the "Acquisition Agreement"), a conditional capital increase agreement (the "Capital Increase Agreement") and a conditional subscription agreement (the "Subscription Agreement") dated 3 November 2017 regarding the acquisition of a finance lease company in the People's Republic of China (the "PRC") (the "Acquisition"). In addition to the Acquisition, the Resumption Proposal also includes, among other things, (i) a conditional offer for sale of existing Shares by the controlling shareholder of the Company to all other existing qualified Shareholders, (ii) a conditional placing of existing Shares by the controlling shareholder of the Company and (iii) a scheme of arrangement to be made between the Company and its creditors.

The Acquisition Agreement and the Capital Increase Agreement had been revised and replaced by the revised conditional acquisition agreement (the "Revised Acquisition Agreement") and the revised conditional capital increase agreement (the "Revised Capital Increase Agreement") both dated 4 May 2018 in order to support the Revised Resumption Proposal on 7 May 2018.

Going concern

The Group incurred a loss of approximately RMB415,629,000 for the year ended 31 December 2017 and as at 31 December 2017, the Group had net current liabilities and net liabilities of approximately RMB1,371,856,000. Also, the Group had contingent liabilites of approximately RMB133,078,000 as at 31 December 2017 as disclosed in note 15. These conditions indicate the existence of a material uncertainty which 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.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amount, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. IFRSs comprise International Financial Reporting Standard; International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

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 consolidated financial statements prepared under IFRSs. Pursuant to the proposed disposal of the Disposal Group, the result of the Disposal Group under the single business segment of mining and processing of mineral resources has been presented as discontinued operations (note 8).

The Group's principal place of operations is in the PRC. The Group's assets are located in the PRC. The Group's revenue from external customers were generated from the PRC.

Revenue from major customers:

	2017	2016
	RMB'000	*RMB'000*
Customer A	**134,511**	111,485
Customer B	**48,185**	–

During the year ended 31 December 2017, there were two customers with whom transactions of each exceed 10% of the Group's revenue. During the year ended 31 December 2016, the Group's revenue solely derived from one customer.

5. REVENUE AND OTHER INCOME

Revenue represents amounts received and receivable for goods sold by the Group to customers.

An analysis of the Group's revenue and other income for the year is as follows:

	2017	2016
	RMB'000	*RMB'000*
Discontinued operations		
Revenue		
Sales of goods	**186,857**	111,485

	2017	2016
	RMB'000	*RMB'000*
Other income		
Bank interest income	**1**	–
Reversal of write-down of inventories	**–**	15,685
Reversal of impairment of trade receivables	**24**	–
Gain on disposal of property, plant and equipment	**319**	–
Forfeiture accruals and of other payables	**–**	1,412
Sales of scrap materials	**–**	558
Rental income	**466**	525
Others	**199**	89
	1,009	18,269
Representing:		
Continuing operations	**1**	1,412
Discontinued operations *(note 8)*	**1,008**	16,857
	1,009	18,269

6. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank borrowings	**3,134**	3,206
Interest on other borrowings	**22,388**	22,500
Interest on other payables	**20,890**	30,120
Total finance costs on financial liabilities	**46,412**	55,826
Representing:		
Continuing operations	**20,890**	30,120
Discontinued operations *(note 8)*	**25,522**	25,706
	46,412	55,826

7. INCOME TAX CREDIT

	2017	2016
	RMB'000	*RMB'000*
Current tax – Hong Kong profits tax		
Over-provision in prior years	**3,550**	–
Deferred taxation	**(1,025)**	2,306
Income tax credit	**2,525**	2,306
Representing:		
Continuing operations	**3,550**	–
Discontinued operations *(note 8)*	**(1,025)**	2,306
	2,525	2,306

No provision for Hong Kong profits tax had been made for the years ended 31 December 2017 and 2016 as the Group had no estimated assessable profits arising in Hong Kong during the years.

The Group's subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax at a rate of 25% for the years ended 31 December 2017 and 2016. No provision for PRC Enterprise Income Tax is required since the these subsidiaries had no assessable profit for the years.

8. DISCONTINUED OPERATIONS

Pursuant to the Disposal Agreement entered into between the Company and an independent third party (the "Purchaser"), the Company would dispose its entire equity in Yongbao together with its wholly-owned subsidiaries, including Jiashengpan and Ruirui. The result of the Disposal Group under the single business segment of mining and processing of mineral resources has been presented as discontinued operations. The comparative consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operations separative from continuing operations. The Disposal Group was classified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale on the consolidated statement of financial position.

	2017	2016
	RMB'000	*RMB'000*
Revenue	**186,857**	111,485
Cost of sales	**(101,139)**	(105,579)
Other income	**1,008**	16,857
Selling and distribution costs	**(882)**	(1,850)
Adminstrative expenses	**(25,668)**	(24,964)
Impairment losses on various assets	**–**	(6,032)
Provision for litigations	**(417,185)**	(1,234,768)
Finance costs	**(25,522)**	(25,706)
Loss before tax	**(382,531)**	(1,270,557)
Income tax (expense)/credit	**(1,025)**	2,306
Loss from discontinued operations	**(383,556)**	(1,268,251)

9. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

This is stated after charging:

	2017	2016
	RMB'000	*RMB'000*
Directors' emoluments	**2,253**	1,745
Salaries, wages and other benefits (excluding those of directors)	**1,579**	1,817
Retirement benefit scheme contributions (excluding those of directors)	**42**	81
Total staff costs	**3,874**	3,643
Depreciation of property, plant and equipment	**5**	56
Auditor's remuneration	**676**	770
Operating lease expenses in respect of rented premises	**718**	686
Foreign exchange loss, net	**7**	–

10. DIVIDEND

The directors do not recommend the payment of any dividend for each of the years ended 31 December 2017 and 2016.

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) From continuing and discontinued operations

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss of approximately RMB415,629,000 (2016: RMB1,303,943,000) for the year attributable to owners of the Company and the weighted average number of 1,751,308,000 (2016: 1,751,308,000) ordinary shares in issue during the year.

Diluted loss per share

No diluted loss per share is presented for the years ended 31 December 2017 and 31 December 2016 as the Company did not have any dilutive potential ordinary sharing.

(b) From continuing operations

Basic loss per share

The calculation of basic loss per share from continuing operations attributable to owners of the Company is based on the loss of approximately RMB32,073,000 (2016: RMB35,692,000) for the year from continuing operations attributable to owners of the Company and the denominator used is the same as that detailed above for basic loss per share.

Diluted loss per share

No diluted loss per share is presented for the years ended 31 December 2017 and 31 December 2016 as the Company did not have any dilutive potential ordinary sharing.

(c) **From discontinued operations**

Basic loss per share

The calculation of basic loss per share from discontinued operations attributable to owners of the Company is based on the loss for the year from discontinued operations attributable to owners of the Company of approximately RMB383,556,000 (2016: RMB1,268,251,000) and the denominator used is the same as that detailed above for basic loss per share.

Diluted loss per share

No diluted loss per share is presented for the years ended 31 December 2017 and 31 December 2016 as the Company did not have any dilutive potential ordinary sharing.

12. TRADE AND NOTE RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade and note receivables	**–**	154,359
Less: provision for impairment loss	**–**	(7,338)
	–	147,021

Movement in the provision for impairment of trade and note receivables is as follows:

	2017	2016
	RMB'000	*RMB'000*
Balance at beginning of year	**7,338**	7,338
Transferred to Disposal Group classified as held for sale	**(7,338)**	–
Balance at end of year	**–**	7,338

(a) The Group normally grants a credit period of 90 (2016: 90) days to its customers.

(b) Impairment loss in respect of trade and note receivables are recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade and note receivables directly.

(c) At the end of the reporting period, the aging analysis of trade and note receivables, based on invoice date and net of impairment loss, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 60 days	–	9,076
61 to 120 days	–	4,549
121 to 180 days	–	9,060
Over 365 days	–	124,336
	–	147,021

d) At the end of the reporting period, the aging analysis of trade and note receivables that were neither individually nor collectively considered to be impaired is as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	–	13,625
61 to 120 days past due	–	9,060
Over 365 days past due	–	124,336
	–	147,021

Trade and note receivebles that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the management believed that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The Group does not hold any collateral over these balances.

13. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Pursuant to the Disposal Agreement entered into between the Company and the Purchaser, the Company would dispose the entire equity interest in Yongbao together with its wholly-owned subsidiaries, including Jiashengpan and Ruirui. As at 31 December 2017, the disposal of Disposal Group has yet to be completed. The assets and liabilities attributable to the Disposal Group, which are expected to be sold within twelve months, have been classified as Disposal Group held for sale and are presented separately in the consolidated statement of financial position. The Disposal Group is included in the Group's single business segment.

The major classes of assets and liabilities comprising the Disposal Group classified as held for sale at 31 December 2017 are as follows:

	RMB'000
Property, plant and equipment	104,327
Intangible assets	248,622
Prepaid land lease payments	1,755
Deferred tax assets	55,377
Inventories	149,956
Trade and note receivables	162,589
Other receivables, deposits and prepayments	457,049
Amount due from a related company	3,326
Bank and cash balances	357
Total assets associated with the Disposal Group	1,183,358
Trade and note payables	(58,750)
Accruals and other payables	(1,806,206)
Amounts due to related companies	(4,242)
Borrowings	(191,600)
Current tax liabilities	(80,483)
Deferred tax liabilities	(54,196)
Total liabilities directly associated with assets classified as held for sale	(2,195,477)
Net liabilities of the Disposal Group	(1,012,119)

14. TRADE AND NOTE PAYABLES

At the end of the reporting period, the aging analysis of trade and note payables, presented based on the invoice date, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	–	7,582
91 to 180 days	–	5,939
181 to 365 days	–	9,284
Over 365 days	–	36,772
	–	59,577

15. PROVISION FOR LITIGATIONS

(a) The Group received a notice (the "Notice") dated 23 February 2016 from the High People's Court of Jiangxi Province notifying Jiashengpan to defend against the Writ (as defined below) in April 2016. Enclosed therewith the Notice, (i) a writ (the "Writ") of civil summon dated 29 December 2015 brought by the a licensed bank established in the PRC and an enterprise established in the PRC at the High People's Court of Jiangxi Province against Jiashengpan, 深圳冠欣礦業集團有限公司 First Create Mining Group Company Limited# (the "First Create Mining") Mr. Mei Wei for the default of the loan amounted to RMB150,000,000; and (ii) a court order dated 20 January 2016 made by the High People's Court of Jiangxi Province against Jiashengpan, First Create Mining and Mr. Mei Wei to impound, freeze and distress their respective bank savings and/or assets of value equivalent to approximately RMB176,002,000. As confirmed by the management of Jiashengpan, one of the bank accounts of Jiashengpan with a balance of RMB533 has been frozen according to the court order.

(b) Reference to the Company's announcement dated 22 January 2015, the Company had three writs of civil summon dated (i) 24 September 2014 and was issued at the Intermediate People's Court of Shenzhen City (the "First Writ"); (ii) 3 November 2014 and was issued at the Intermediate People's Court of Bayannur (the "Second Writ"); and (iii) 29 December 2014 and was issued at the People's Court of Futian, Shenzhen (the "Third Writ", together with the First Writ and the Second Writ, the "Writs"). The subsidiaries of the Company, Jiashengpan and/or Ruirui, were named as defendants. Each of the aforesaid plaintiffs alleged the following:

i) The First Writ

By a guarantee executed by Jiashengpan and Ruirui, they agreed to guarantee of approximately RMB156.6 million together with any accrued interest and other liabilities arisen in favour of the plaintiff. The plaintiff thereto claimed against 深圳冠欣投資有限公司 First Create Mining Group Company Limited# (the "First Create"), Jiashengpan and Ruirui of approximately RMB162.6 million (the "First Claimed Amount").

Reference to the announcement of the Company dated 18 March 2016, a judgement order was entered into against among other matters, Jiashengpan, Ruirui, Mr. Mei Wei, First Create and other defendants. Each of Jiashengpan, Ruirui, Mr. Mei Wei, First Create and other defendants shall be jointly and severally liable for the judgement debt. As advised by the PRC legal advisers, Jiashengpan and Ruirui would have the right to claim against First Create, which was the borrower of the First Claimed Amount, in the event that Jiashengpan is required to pay for the judgement debt under the First Writ.

ii) The Second Writ

By a loan agreement and a supplemental agreement executed by Jiashengpan, Jiashengpan agreed to guarantee of approximately RMB70 million 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 RMB46.5 million.

Reference to the announcement of the Company dated 8 June 2015, the plaintiff had filed a notice of discontinuation to the court to withdraw its claim against Jiashengpan on 3 June 2015. It is expected Jiashengpan is no longer liable for the claimed amount.

iii) The Third Writ

By a guarantee executed by Jiashengpan, Jiashengpan agreed to guarantee of approximately RMB35 million 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 RMB31.7 million (the "Third Claimed Amount").

Reference to the announcement of the Company dated 18 March 2016, a judgement order was entered into against among other matters, Jiashengpan, Mr. Mei Ping, Mr. Mei Wei, First Create and other defendants. Each of Jiashengpan, Mr. Mei Ping, Mr. Mei Wei, First Create and other defendants shall be jointly and severally liable for the judgement debt. As advised by the PRC legal advisers, Jiashengpan would have the right to claim against First Create, which was the borrower of the Third Claimed Amount, in the event that Jiashengpan is required to pay for the judgement debt under the Third Writ.

In addition, the Company had some arbitration cases in Shenzhen Arbitration Centre (the"Arbitration Cases"). Reference to the announcement of the Company dated 18 March 2016, Shenzhen Arbitration Committee (深圳仲裁委員會) passed judgements against First Create, other PRC companies controlled by Mr. Mei Wei and Jiashengpan. Each of the defendants shall be jointly and severally liable for paying the plaintiff under the Arbitration Cases the total principal sum of RMB525 million, interest accrued and penalties thereon.

On 13 September 2017, the Group had received an letter from First Create, indicated that First Create and Mr. Mei Wei are unable to repay the liabilities in relation to the First Writ, Thrid Writ and Arbitration Cases. The Group had made a provision for litigations of approximately RMB1,234,768,000 in 2016 and approximately RMB417,185,000 in 2017.

(c) Reference to the announcement of the Company dated 15 September 2017, the Group was recently being informed that a judgement order was entered into against Shenzhen Guanxin Mining Group Company Limited (the "Borrower"), Jiashengpan, Mei Wei, and other defendants after the hearing at 廣東省深圳市中級人民法院(the "Guangdong Province Shenzhen City Intermediate People's Court") in relation to a claim against the Borrower for the non-repayment of loan under a trust loan agreement which was subsequently assigned to the claimant thereto, and the guarantee agreement entered into by Jiashengpan as a guarantor in 2015. Pursuant to the judgement order, each of Jiashengpan, Mei Wei, the Borrower and other defendants shall be jointly and severally liable for the judgement debt, and Jiashengpan would have the right to claim against the Borrower, in the event that Jiashengpan is required to pay for the judgement debt under the claim of approximately RMB133,078,000.

16. EVENTS AFTER THE REPORTING DATE

Other than as disclosed elsewhere in the consolidated financial statements, the Group had no other significant events after the reporting date.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The auditor of the Company has expressed qualified opinion on the Company's consolidated financial statements of the Group for the year ended 31 December 2017, an extract of which is as follows:

Basis for disclaimer of opinion

1 OPENING BALANCES AND CORRESPONDING FIGURES

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2016, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitation on the scope of our audit and the material uncertainty relating to the going concern basis, details of which are set out in our audit report dated 23 November 2017.

There were no satisfactory audit procedures for us to ascertain the existence, accuracy, presentation and completeness of certain opening balances, corresponding figures and other related disclosures (as further explained in the following paragraphs) shown in the current year's consolidated financial statements.

2 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

We have been unable to obtain sufficient appropriate audit evidence in respect of the costs of property, plant and equipment and intangible assets of approximately RMB511,575,000 (2016: RMB491,440,000) and RMB1,123,998,000 (2016: RMB1,123,998,000), respectively, as at 31 December 2017. In addition, as at the end of the reporting period, the management's assessment of the recoverable amount of the cash generating unit of the Group's mining business did not take into account that (i) the mining right will expire in 2019 and is subject to approval for renewal by the local authorities; and (ii) the mining right has been subject to a frozen order by court since January 2016 and the Group may lose the mining right. Accordingly, we have been unable to obtain sufficient appropriate audit evidence in respect of the carrying amounts of property, plant and equipment and intangible assets grouped under the disposal group classified as held for sale (note 13) of approximately RMB104,327,000 (2016: RMB98,096,000, as presented in the consolidated statement of financial position) and RMB248,622,000 (2016: RMB252,704,000, as presented in the consolidated statement of financial position), respectively, as at 31 December 2017. There were no other satisfactory audit procedures that we could perform to satisfy ourselves whether the aforesaid balances were fairly stated as at 31 December 2017 and 2016 and the related depreciation, amortisation and provision for impairment losses for the years ended 31 December 2017 and 2016 were properly recorded.

3 ACCRUALS AND OTHER PAYABLES

As at 31 December 2017, included in accruals and other payables are payable to Ruffy Investments Limited ("Ruffy"), the Company's immediate and ultimate holding company, of approximately RMB310,013,000 (2016: RMB322,051,000) and the related accrued interest of approximately RMB23,060,000 (2016: RMB14,796,000) resulted from the convertible bonds issued by the Company to Ruffy in 2008 which were matured in July 2015.

In addition, interest on payable to Ruffy of approximately RMB20,568,000 (2016: RMB29,828,000) was recognised as finance costs for the year ended 31 December 2017. We have been unable to obtain sufficient appropriate audit evidence in respect of the aforesaid balances. There were no other satisfactory audit procedures that we could perform to satisfy ourselves whether the aforesaid balances of payable to Ruffy and the related accrued interest were fairly stated as at 31 December 2017 and 2016 and the aforesaid balances of finance costs for the years ended 31 December 2017 and 2016 were properly recorded.

4 DEFERRED AND CURRENT INCOME TAXES

We have been unable to obtain sufficient appropriate audit evidence in respect of the deferred tax assets, deferred tax liabilities and current tax liabilities of approximately RMB55,377,000 (2016: RMB55,377,000, as presented in the consolidated statement of financial position), RMB54,196,000 (2016: RMB53,171,000, as presented in the consolidated statement of financial position) and RMB80,483,000 (2016: RMB84,309,000, as presented in the consolidated statement of financial position), respectively, grouped under the disposal group classified as held for sale (note 13) as at 31 December 2017 and in respect of the income tax expense of approximately RMB1,025,000 (2016: income tax credit of RMB2,306,000) for the year ended 31 December 2017. There were no other satisfactory audit procedures that we could perform to satisfy ourselves whether the balances of deferred tax assets and deferred and current tax liabilities were fairly stated as at 31 December 2017 and 2016 and the balances of income tax expense/credit were properly recorded for the years ended 31 December 2017 and 2016.

5 PROVISIONS AND CONTINGENT LIABILITIES ARISING FROM ALLEGED GUARANTEE

As at 31 December 2017, included in the disposal group classified as held for sale (note 13) is provision for litigation liabilities of approximately RMB1,651,953,000 (2016: RMB1,234,768,000, as grouped under accruals and other payables in the consolidated statement of financial position), in respect of writs and arbitration cases in which the Group is the defendant as detailed in note 15 to the consolidated financial statements. However, we have been unable to obtain sufficient appropriate audit evidence for the provision for litigation liabilities of approximately RMB1,651,953,000 (2016: RMB1,234,768,000, as grouped under accruals and other payables in the consolidated statement of financial position) grouped under disposal group classified as held for sale (note 13) as at 31 December 2017 and the related expenses of approximately RMB417,185,000 (2016: RMB1,234,768,000) recognised for the year then ended. There were no other satisfactory audit procedures that we could perform to satisfy ourselves whether the aforesaid balances were fairly stated as at 31 December 2017 and 2016 and for the years then ended.

In addition, as disclosed in note 15 to the consolidated financial statements, the Group had contingent liabilities of approximately RMB133,078,000 (2016: RMB133,078,000) as at 31 December 2017 in respect of a legal case arising in 2015. However, the directors of the Company have not provided us with sufficient documentary evidence to enable us to assess whether it is appropriate for not making provision for the Group's obligation under the case. There were no alternative audit procedures that we could perform to obtain sufficient appropriate audit evidence in this respect.

6 COMPLETENESS OF PENDING LITIGATIONS, PROCEEDINGS, HEARINGS OR CLAIMS

In 2016 and 2017, the Group made several announcements regarding writs received, and arbitration cases heard and associated claims judged. These writs and arbitration cases relate to transactions conducted with related parties. The Group's internal procedures could not enable it to properly identify on a timely basis the writs, arbitration cases and associated claims arising in 2014 and 2015. We have not been able to obtain sufficient appropriate audit evidence therefore concerning the completeness and assessment of related consequential impact of pending litigations, 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 in the consolidated financial statements in accordance with International Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets".

7 RECOVERABILITY OF TRADE RECEIVABLES AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

As at 31 December 2017, the Group's trade receivables and other receivables, deposits and prepayments included past due balances of approximately RMB115,624,000 (2016: RMB124,336,000, as grouped under trade and note receivables in the consolidated statement of financial position) and RMB366,333,000 (2016: RMB395,281,000, as grouped under the other receivables, deposits and prepayments in the consolidated statement of financial position), respectively, grouped under the disposal group classified as held for sale (note 13). As at the date of this report, these 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 and other receivables, deposits and prepayments were fairly stated as at 31 December 2017 and 2016 and the related provision for impairment losses were properly recorded for the years ended 31 December 2017 and 2016.

Any adjustments to the figures as described from points 1 to 7 above might have significant consequential effects on the Group's results and cash flows for the years ended 31 December 2017 and 2016 and the financial position of the Group as at 31 December 2017 and 2016, and the related disclosures thereof in the consolidated financial statements.

8 MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

As at 31 December 2017, there were conditions which 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.

(a) Loss for the year and net current liabilities and net liabilities position

The Group incurred a loss of approximately RMB415,629,000 for the year ended 31 December 2017 and as at 31 December 2017, it had net current liabilities and net liabilities of approximately RMB1,371,856,000.

(b) Contingent liabilities

The Group has contingent liabilities of approximately RMB133,078,000 as at 31 December 2017 as detailed in note 15 to the consolidated financial statements.

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that a proposal for the resumption of trading in the Company's shares and the proposed restructuring of the Group to be submitted to The Stock Exchange of Hong Kong Limited to pursue a restructuring of the Group.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the resturcturing, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

Looking back to the year of 2017, total revenue increased by approximately 67.6% to approximately RMB186.9 million. The increase was mainly attributable to the increase in market price of China nonferrous metals industry.

MINING

Both zinc and lead prices had increased by approximately 84% and by approximately 46% respectively as compared with last year.

All revenue of the Group as generated from sales of nonferrous metal mining products amounted to approximately RMB186.9 million during the year of 2017 (2016: approximately RMB111.5 million), representing an increase of approximately 67.6% as compared with last year. Approximately 45.9% gross profit margin was recorded for the year ended 31 December 2017 representing an increase of approximately 40.6% as compared with last year.

OTHER INCOME

During the year, other income was approximately RMB1.0 million (2016: RMB18.3 million). The decrease was mainly attributable to reversal of write-down of inventories to approximately RMB15.7 million for the last year.

OPERATING EXPENSES

Selling and distribution costs for the year amounted to approximately RMB0.9 million, as compared to approximately RMB1.9 million reported last year. The decrease in selling expenses was attributable to the fact that less lead concentrates being sold.

Administrative expenses for the year decreased to approximately RMB40.4 million, as compared to approximately RMB31.9 million reported last year. Administrative expenses mainly consisted of staff costs, legal and professional fees, rent and rates, commission, depreciation, various government expenses and net exchange differences.

FINANCE COSTS

Finance costs for the year ended 31 December 2017 amounted to approximately RMB46.4 million (2016: RMB55.8 million) representing a decrease of approximately RMB9.4 million.

PROVISION FOR LITIGATIONS

(a) The Group received a Notice dated 23 February 2016 from the High People's Court of Jiangxi Province notifying Jiashengpan to defend against the Writ (as defined below) in April 2016. Enclosed therewith the Notice, (i) a writ (the "Writ") of civil summon dated 29 December 2015 brought by the Bank Trustee and the Lender at the High People's Court of Jiangxi Province against Jiashengpan, First Create and Mr. Mei Wei for the Default; and (ii) a court order dated 20 January 2016 made by the High People's Court of Jiangxi Province against Jiashengpan, First Create Mining and Mr. Mei Wei to impound, freeze and distress their respective bank savings and/or assets of value equivalent to approximately RMB176,002,000. As confirmed by the management of Jiashengpan, one of the bank accounts of Jiashengpan with a balance of RMB533 has been frozen according to the court order.

(b) Reference to the Company's announcement dated 22 January 2015, the Company had three writs of civil summon dated (i) 24 September 2014 and was issued at the Intermediate People's Court of Shenzhen City (the "First Writ"); (ii) 3 November 2014 and was issued at the Intermediate People's Court of Bayannur (the "Second Writ"); and (iii) 29 December 2014 and was issued at the People's Court of Futian, Shenzhen (the "Third Writ", together with the First Writ and the Second Writ, the "Writs"). The subsidiaries of the Company, Jiashengpan and/or Ruirui, were named as defendants. Each of the aforesaid plaintiffs alleged the following:

i) The First Writ

By a guarantee executed by Jiashengpan and Ruirui, they agreed to guarantee of approximately RMB156.6 million 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 RMB162.6 million (the "First Claimed Amount").

Reference to the announcement of the Company dated 18 March 2016, a judgement order was entered into against among other matters, Jiashengpan, Ruirui, Mr. Mei Wei, First Create and other defendants. Each of Jiashengpan, Ruirui, Mr. Mei Wei, First Create and other defendants shall be jointly and severally liable for the judgement debt. As advised by the PRC legal advisers, Jiashengpan and Ruirui would have the right to claim against First Create, which was the borrower of the First Claimed Amount, in the event that Jiashengpan is required to pay for the judgement debt under the First Writ.

ii) The Second Writ

By a loan agreement and a supplemental agreement executed by Jiashengpan, Jiashengpan agreed to guarantee of approximately RMB70 million 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 RMB46.5 million.

Reference to the announcement of the Company dated 8 June 2015, the second plaintiff had filed a notice of discontinuation to the court to withdraw its claim against Jiashengpan on 3 June 2015. It is expected Jiashengpan is no longer liable for the claimed amount.

iii) The Third Writ

By a guarantee executed by Jiashengpan, Jiashengpan agreed to guarantee of approximately RMB35 million 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 RMB31.7 million (the "Third Claimed Amount").

Reference to the announcement of the Company dated 18 March 2016, a judgement order was entered into against among other matters, Jiashengpan, Mr. Mei Ping, Mr. Mei Wei, First Create and other defendants. Each of Jiashengpan, Mr. Mei Ping, Mr. Mei Wei, First Create and other defendants shall be jointly and severally liable for the judgement debt. As advised by the PRC legal advisers, Jiashengpan would have the right to claim against First Create, which was the borrower of the Third Claimed Amount, in the event that Jiashengpan is required to pay for the judgement debt under the Third Writ.

In addition, the Company had some arbitration cases in Shenzhen Arbitration Centre (the"Arbitration Cases"). Reference to the announcement of the Company dated 18 March 2016, Shenzhen Arbitration Committee (深圳仲裁委員會) passed judgements against First Create, other PRC companies controlled by Mr. Mei Wei and Jiashengpan. Each of the defendants shall be jointly and severally liable for paying the plaintiff under the Arbitration Cases the total principal sum of RMB525 million, interest accrued and penalties thereon.

On 13 September 2017, the Group had received a letter from First Create, indicated that First Create and Mr. Mei Wei are unable to repay the liabilities in relation to the First Writ, Thrid Writ and Arbitration Cases. The Group had made a provision for litigations of approximately RMB1,234,768,000 in 2016 and approximately RMB417,185,000 in 2017.

(c) Reference to the announcement of the Company dated 15 September 2017, the Group was recently being informed that a judgement order was entered into against Shenzhen Guanxin Mining Group Company Limited (the "Borrower"), Jiashengpan, Mr. Mei Wei, and other defendants after the hearing at 廣東省深圳市中級人民法院 (the "Guangdong Province Shenzhen City Intermediate People's Court") in relation to a claim against the Borrower for the non-repayment of loan under a trust loan agreement which was subsequently assigned to the claimant thereto, and the guarantee agreement entered into by Jiashengpan as a guarantor in 2015. Pursuant to the judgement order, each of Jiashengpan, Mr. Mei Wei, the Borrower and other defendants shall be jointly and severally liable for the judgement debt, and Jiashengpan would have the right to claim against the Borrower, in the event that Jiashengpan is required to pay for the judgement debt under the claim of approximately RMB133,078,000.

OTHER LITIGATIONS

iv) Fourth Writ

The Group received a notice dated 23 February 2016 from the High People's Court of Jiangxi Province notifying Jiashengpan to defend against the Writ (as defined below) in April 2016. Enclosed therewith the notice, (i) a writ (the "Fourth Writ") of civil summon dated 29 December 2015 brought by the Bank Trustee and the Lender at the High People's Court of Jiangxi Province against Jiashengpan, First Create Mining and Mr. Mei Wei for the default; and (ii) a court order dated 20 January 2016 made by the High People's Court of Jiangxi Province against Jiashengpan, First Create and Mr. Mei Wei to impound, freeze and distress their respective bank savings and/or assets of value equivalent to approximately RMB176,002,000. As confirmed by the management of Jiashengpan, one of the bank accounts of Jiashengpan with a balance of RMB533 has been frozen according to the court order. Mr. Mei Wei and First Create Mining have undertaken to honour their obligations as guarantors of the entrusted loan under their guarantee agreements and agree to provide adequate funds to settle the entrusted loan and the accrued interests and penalties. Such loan had been included in the amount of borrowings that had been reflected in the Group's consolidated financial statements.

v) Fifth Writ

Reference to the announcement dated 15 September 2017, a judgment order was entered into against First Create Mining as borrower, Jiashengpan, Mr. Mei Wei and other defendants after the hearing at 廣東省深圳市中級人民法院 (the Guangdong Province Shengzhen City Intermediate People's Court) in relation to a claim against the Borrower for the non-repayment of loan under a trust loan agreement which was subsequently assigned to the claimant thereto and the guarantee agreement entered into by Jiashengpan as a guarantor.

Pursuant to the judgment, each of Jiashengpan, Mr. Mei Wei, First Create Mining and other defendants shall be jointly and severally liable for the judgment debt, and Jiashengpan would have the right to claim against First Create Mining, in the event that Jiashengpan is required to pay for the judgment debt under the claim.

LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company for the year ended 31 December 2017 was approximately RMB415.6 million (2016: RMB1,304.9 million).

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 2017, the deficit attributable to owners of the Company was approximately RMB1,371.2 million (2016: equity of approximately RMB949.7 million). The Group's bank and cash balances stood at RMB0.2 million (2016: RMB0.6 million). The decrease is a result of the loss incurred during the year. As at 31 December 2017, the Group's net current liabilities is approximately RMB1,371.2 million (2016: approximately RMB1,304.4 million).

As at 31 December 2017, the total asset value of continued operations of the Group was approximately RMB1,183.8 million (2016: approximately RMB1,158.3 million). Total liabilities was approximately RMB2,555.7 million (2016: approximately RMB2,108.0 million). Gearing ratio of the Group, calculated as total liabilities over total assets was approximately 215.9% (2016: approximately 182%).

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Except for those disclosed in this announcement, there were no other significant investments held, material acquisitions, or disposals of subsidiaries the year ended 31 December 2017. Apart from those disclosed in this announcement, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

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 arises.

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 on promoting safety management and strengthened measures for environmental protection, aiming to build itself into a safety-oriented and environmental-friendly corporation. The production safety permit has been renewed during the year and its expiry date is extended to the year 2018.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2017, the Group had approximately 190 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 2017 amounted to approximately RMB10.7 million (2016: approximately RMB11.3 million). The Directors received remuneration of approximately RMB2.3 million during the year ended 31 December 2017 (2016: approximately RMB1.7 million).

SHARE OPTION SCHEME

The pervious share option scheme of the Company expired on 15 February 2015 and the Company has not adopted new share option scheme. As at 31 December 2017, the Company had no outstanding options.

FINAL DIVIDEND

The Directors do not recommend any final dividend for the year ended 31 December 2017 (2016: nil).

PRC NONFERROUS METAL MARKET INDUSTRY REVIEW

According to an article issued by the Ministry of Industry and Information Technology of the PRC, the national output of ten nonferrous metals for this year, including lead and zinc, rose to approximately 53.78 million tonnes, its output growth increased by approximately 3.0% as compared with last year. The output of lead increased by approximately 9.7% to 4.72 million and the output of zinc decreased by approximately 0.7% to 6.22 million tonnes respectively. Total profitability of the nonferrous metals industry in the PRC had increased by approximately 27.5% to approximately RMB255.1 billion as compared with last year.

In 2017, the prices of nonferrous metals resources generally rose, especially in lead and zinc have increased by more than 20%. The nonferrous metals industry had stable growth in production and consumption, stable trade, rising market prices, continuous improvement in efficiency, and continuous optimization of structures.

At the same time, the nonferrous metals industry has made great progress in technology and green development, and the structure has been continuously optimized.

With the implementation of the "One Belt One Road", different industries in the PRC have undergone different changes. The nonferrous metals industry is one of the twelve key industries that have established international cooperation stated by State Council of the PRC. Also, the nonferrous metals industry is not only an important player but also an important beneficiary under the "One Belt One Road".

"One Belt One Road" facilitates the development of the industry, such as helping the industry to integrate into global resource allocation, increasing support on resources, improving supply structure and stimulating exports.

It is also benefit to the industry to develop international capacity cooperation and transfer our production capacity, as well as technology and capital. This will not only benefit the countries along the route, but also optimize the industrial structure of the mining industry.

Although "One Belt One Road" brings the nonferrous metals industry favorable factors, the industry still faces the problems including production costs increase, inadequate intensive processing and skills, poor stability of quality, overcapacity of smelting and low-end processing capacity, which make enterprises in the industry in a low profit and loss status.

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.

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

The Group's 2017 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 2017, 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 2017 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. 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.

Code provision A.4.1 of Appendix 15 of the GEM Listing Rules stipulates that non-executive director should be appointed for a specific term and subject to re-election. The non-executive Director is not appointed for a specific term but is subject to retirement by rotation in accordance with the Company's bye-laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in Appendix 15 of the GEM Listing Rules.

Details of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" of the 2017 Annual Report.

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 2017.

AUDITOR

On 9 August 2017, BDO Limited had been remove as auditor of the Company by way of poll at the special general meeting of the Company.

ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA") was appointed as the auditor of the Company on the same day to fill in the vacancy following the removal of BDO Limited.

The consolidated financial statements of the Company for the year ended 31 December 2017 were audited by ZHONGHUI ANDA. A resolution will be submitted to the forthcoming annual general meeting to re-appoint ZHONGHUI ANDA as auditor of the Company.

Save as disclosed above, there were no other changes in auditor of the Company during the past three years.

The English translation of Chinese name(s) in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).

By order of the Board
China Nonferrous Metals Company Limited
Liu Yaling
Executive Director

Hong Kong, 29 June 2018

As at the date of this announcement, the executive Director is Ms. Liu Yaling, the non-executive Director is Mr. Chan Wai Cheung, Admiral and the independent non-executive Directors are Mr. Cheng Feng, Mr. Ng Man Kwan, Lawrence and Mr. Siu Kai Chun.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purposes 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.

This announcement will be published on the GEM website at http://www.hkgem.com on the "Latest Company Announcement" page for at least 7 days from the date of publication and on the Company's website http://www.cnm.com.hk.

* *For identification purposes only*