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中國有色金屬有限公司*

China Nonferrous Metals Company Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 8306)

**MEMORANDUM OF UNDERSTANDING
IN RELATION TO THE POSSIBLE ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY**

The Board announces that on 11 November 2016, the Company, as purchaser entered into the non-legally binding MOU with the Vendor as vendor in relation to the Possible Acquisition.

The Target Company is incorporated in the British Virgin Islands with limited liability. The business span of the Target Group include residential and commercial property development and other property related business.

The Board wishes to emphasise that no binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition is materialised, it will constitute a notifiable transaction on the part of the Company. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company.

Further announcement in respect of the Possible Acquisition will be made by the Company in the event any Formal Agreement has been signed.

This announcement is made by the Company pursuant to Rule 17.10(2)(a) of the GEM Listing Rules and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong).

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION

The Board announces that on 11 November 2016, the Company, as purchaser entered into the non-legally binding MOU with the Vendor as vendor in relation to the Possible Acquisition.

Date: 11 November 2016

Parties:

The Purchaser: China Nonferrous Metals Company Limited

The Vendor: an individual, an independent third party

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor is an Independent Third Party.

Major terms of the MOU

Assets to be acquired

Under the MOU, the Company intends to acquire and the Vendor intends to dispose of the entire issued share capital in the Target Company.

Consideration

The consideration for the Possible Acquisition shall be not more than RMB1,500,000,000. The exact amount, the manner and the method of payment of the consideration for the sale and purchase of the Target Company will be negotiated between the parties to the MOU based on the results of the due diligence investigation to be conducted by the Company on the Target Group.

The consideration for the Possible Acquisition payable to the Vendor by the Company may be satisfied by way of the allotment and issue of new Shares and/or issue of convertible bonds carrying rights to convert into new Shares and is subject to further negotiation between the Company and the Vendor. The issue price of and/or the initial conversion price for, new Shares is subject to further negotiation between the Company and the Vendor.

Due Diligence Review

The Company will commence the due diligence of the Target Group as soon as practicable after the execution of the MOU, and will use the best endeavours to finish such review and financial analysis within 90 days after the execution of the MOU.

The Vendor will commence the due diligence of the Group as soon as practicable after the execution of the MOU, and will use the best endeavours to finish such review and financial analysis within 90 days after the execution of the MOU.

Exclusivity Period

Under the MOU, in consideration of the expenses to be incurred by the Company in the negotiation of the MOU and in conducting its due diligence review on the Target Group, the Vendor will not, and will procure directors, officers, employees, representatives and agents of the Vendor and/or the Target Group will not, directly or indirectly, for a period of 90 days commencing from the date of the MOU (or such other date the Vendor and the Company may determine) to (i) solicit, initiate or encourage inquiries or offers from, or (ii) initiate or continue negotiations or discussions with or furnish any information to, or (iii) enter into any agreement or statement of intent or understanding with, any person or entity other than the Company with respect to the Possible Acquisition. Upon signing of the MOU, the Vendor shall terminate all his negotiations with third parties in respect of the sale and purchase of any equity interest, assets or business of the Target Group.

Under the MOU, in consideration of the expenses to be incurred by the Vendor in the negotiation of the MOU and in conducting its due diligence review on the Group, the Company will not, and will procure directors, officers, employees, representatives and agents of the Company will not, directly or indirectly, for a period of 90 days commencing from the date of the MOU (or such other date the Vendor and the Company may determine) to (i) solicit, initiate or encourage inquiries or offers from, or (ii) initiate or continue negotiations or discussions with or furnish any information to, or (iii) enter into any agreement or statement of intent or understanding with, any person or entity other than the Vendor with respect to the issue of securities of the Company. Upon signing of the MOU, the Company shall terminate all its negotiations with third parties in respect of issue of any securities of the Company.

Non-legally binding effect

Save for the Exclusivity Period, the confidentiality, the undertaking to maintain the listing status of the Shares, expenses and governing law and jurisdiction, the MOU does not constitute any legally binding commitment in respect of the Possible Acquisition. The Possible Acquisition is subject to the execution and completion of the Formal Agreement.

Formal Agreement

Both the Company and the Vendor will proceed to the negotiation for a legally binding Formal Agreement on or before 120 days from the date of the MOU (or such later date to be agreed by the Vendor and the Company).

Conditions

It is expected that the Formal Agreement shall contains the following conditions precedent for the completion of the Possible Acquisition:

- (i) the completion of Reorganisation (in the form and manner to the satisfaction of the Vendor) and the Shares shall remain listed on GEM;

- (ii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in the securities which may be issued to satisfy the consideration;
- (iii) all necessary consents and approvals (including but not limited to the Securities and Futures Commission and/or the Stock Exchange has approved in principle of the resumption of the trading of the Shares and the Shareholders (or the independent Shareholders, as the case may be) passing at an extraordinary general meeting of the Company of an ordinary resolution approving the Formal Agreement and the transactions contemplated thereunder) as required under laws and regulations to be obtained on the part of the Vendor and the Company in respect of the Formal Agreement and the transactions contemplated thereunder having been obtained;
- (iv) the warranties given by the Company (and/or other guarantor, if applicable) under the Formal Agreement remaining true, accurate and not misleading in all respects;
- (v) in the absolute opinion of the Vendor, all the litigations, pending litigation, judgment, or threatened investigation, arbitration, allegation, or other legal proceedings and over-due debts in respect of any member of the Group have been resolved to the satisfaction of the Vendor;
- (vi) there does not exist any injunction, restriction or law, regulation, guidance, order, notice or judgment from the courts that materially delay the completion of the Possible Acquisition;
- (vii) the Vendor being satisfied with the results of the due diligence review on the Group to be conducted by the Vendor; and
- (viii) any other conditions which may be agreed by the parties to the MOU and included in the Formal Agreement.

The Company shall provide to the Vendor representations and warranties, undertakings and indemnities (in the form and manner to the satisfaction of the Vendor) that are common in transactions similar with the Possible Acquisition.

Reorganisation

It is a condition precedent that the Group has to undergo a reorganisation, so that Jiashengpan and Ruirui, which are subject to litigations and arbitrations and/or has/have defaulted in repayment of its/their debts, and other subsidiaries of the Group shall be disposed of by the Company.

The steps and procedures of the Reorganisation shall be conducted to the satisfaction of the Company and the Vendor and shall be in compliance with the relevant laws and regulations.

INFORMATION OF THE TARGET GROUP

The Target Company is an investment company incorporated in the British Virgin Islands. The Target Company wholly owns a company incorporated in Hong Kong. The business span of the Target Group include residential and commercial property development and other property related business.

Reasons for the Possible Acquisition

The Group is principally engaged in nonferrous metal mining and nonferrous metal trading. In about January 2015, it was discovered that two major subsidiaries, namely Jiashengpan and Ruirui had executed some guarantees, without the approval of the Board, to secure certain debts of Mr. Mei Wei, the controlling shareholder of the Company, and his controlled corporations. Some creditors of Mr. Mei Wei subsequently instituted lawsuits against, inter alia, Mr. Mei Wei, his controlled corporations, Jiashengpan and Ruirui and judgments were held against Mr. Mei Wei, his controlled corporation, Jiashengpan and Ruirui. Further details are disclosed in the announcements of the Company dated 22 January 2015, 31 March 2015, 15 April 2015, 29 May 2015, 8 June 2015, 10 July 2015, 23 October 2015, 8 January 2016, 1 March 2016 and 18 March 2016 respectively.

In view of the mining right of Jiashenpan is subject to unexpected encumbrances arising from the litigation, the Directors deliberate that it is necessary for the Group to explore new business opportunity in order to maintain the momentum of the Group business.

The Directors are well aware of the rapid development and growth of property market in the first-second tier cities in the PRC in the past few years. The Target Group, being a long well-established property developer, has its property development projects mainly located in first-second tier cities in the PRC, will have large room for further development in the coming years. It is anticipated that after the completion of the Possible Acquisition, the business of the Target Group would be able to general sufficient cash flow for the Group to resume its business and financial condition to a healthy position.

The Directors consider that the Possible Acquisition will enable the Group to participate in the property market in the PRC and also enable the Group to capture the rapid growth of the PRC economy. The Directors believe that the Possible Acquisition is in the interest of the Company and its Shareholders as a whole.

General

The MOU does not constitute legally-binding commitment (save and except for the provisions relating to, inter alia, Exclusivity Period, the confidentiality, the undertaking to maintain the listing status of the Shares, expenses and governing law and jurisdiction) in respect of the Possible Acquisition. The Possible Acquisition is subject to the execution and completion of the Formal Agreement.

If the Formal Agreement is entered into, it is expected that the Possible Acquisition will constitute a notifiable transaction on the part of the Company pursuant to the GEM Listing and is subject to approval requirements under the GEM Listing Rules. In this regard, the Company will comply with the reporting, disclosure and/or Shareholder's approval requirements under the GEM Listing Rules.

The Board wishes to emphasise that no binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition is materialised, it may constitute a notifiable transaction on the part of the Company. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company.

Further announcement in respect of the Possible Acquisition will be made by the Company in the event any Formal Agreement has been signed.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2015 and will continue to be suspended until further notice.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

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| “Board” | the board of Directors from time to time |
| “Company” | China Nonferrous Metals Company Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the GEM |
| “connected person” | has the meaning ascribed to this term under the GEM Listing Rules |
| “Director(s)” | director(s) of the Company |
| “Formal Agreement” | the formal sale and purchase agreement which may or may not be entered into in relation to the Possible Acquisition |
| “GEM” | the Growth Enterprise Market of the Stock Exchange |

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| “GEM Listing Rules” | the Rules Governing the Listing of Securities on the GEM |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | any persons or company(ies) and their respective ultimate beneficial owners, to the best of the Director’s knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules |
| “Jiashengpan” | Bameng Wuzhong Qi Jiashengpan Zinc, Lead and Pyrite Resources Exploitation Company Limited# (巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司), an indirect wholly owned subsidiary of the Company |
| “MOU” | the non-legally binding memorandum of understanding dated 11 November 2016 entered into between the Company and the Vendor setting out the preliminary understanding in relation to the Possible Acquisition |
| “Possible Acquisition” | the possible acquisition by the Company from the Vendor of the entire issued share capital of the Target Company as contemplated under the MOU |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |
| “Reorganisation” | the reorganisation of the Group, which include, among others, the steps as described in the paragraph headed “The Reorganisation” in this announcement |
| “Ruirui” | Shenzhen City Ruirui Industrial Company Limited# (深圳市睿納實業有限公司), an indirect wholly owned subsidiary of the Company |
| “Shares” | ordinary share(s) of HK\$0.002 each in the share capital of the Company |

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| “Shareholders” | holder(s) of the issued Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | a company incorporated in the British Virgin Islands with limited liability, the entire issue share capital of which is owned by the Vendor |
| “Target Group” | the Target Company and its subsidiaries |
| “Vendor” | being the vendor to the MOU, an Independent Third Party |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “RMB” | Renminbi, the lawful currency of the PRC |

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

Hong Kong, 14 November 2016

In this announcement, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.

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*