



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 2016

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2016, together with the comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	<i>Notes</i>	2016 RMB'000	2015 <i>RMB'000</i>
Revenue	5	111,485	90,992
Cost of sales		<u>(105,579)</u>	<u>(88,650)</u>
Gross profit		5,906	2,342
Other income	5	18,269	38,111
Selling and distribution costs		(1,850)	(897)
Administrative expenses		(31,948)	(41,745)
Impairment losses on various assets		(6,032)	(677,620)
Provision for litigations	12	<u>(1,234,768)</u>	<u>–</u>
Loss from operations		(1,250,423)	(679,809)
Finance costs	6	<u>(55,826)</u>	<u>(53,728)</u>
Loss before tax		(1,306,249)	(733,537)
Income tax credit	7	<u>2,306</u>	<u>152,959</u>
Loss for the year attributable to owners of the Company	8	<u><u>(1,303,943)</u></u>	<u><u>(580,578)</u></u>

	<i>Notes</i>	2016 RMB'000	2015 RMB'000
Other comprehensive income, after tax			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(13,207)	24,822
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		21,359	(17,043)
Other comprehensive income for the year, net of tax		8,152	7,779
Total comprehensive loss for the year attributable to the owners of the Company		(1,295,791)	(572,799)
Loss per share – Basic and diluted	9	RMB (74.46) cents	RMB (33.15) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>Notes</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		98,096	92,400
Intangible assets		252,704	260,191
Prepaid land lease payments		1,755	1,797
Deferred tax assets		55,377	54,950
		407,932	409,338
Current assets			
Inventories		143,889	131,476
Prepaid land lease payments		42	42
Trade and note receivables	10	147,021	126,784
Other receivables, deposits and prepayments		458,131	464,394
Amount due from a related company		715	2,035
Bank and cash balances		576	6,645
		750,374	731,376
Current liabilities			
Trade and note payables	11	59,577	72,382
Accruals and other payables		1,713,705	100,240
Amounts due to related companies		2,594	4,624
Borrowings		194,600	194,600
Current tax liabilities		84,309	84,309
		2,054,785	456,155
Net current (liabilities)/assets		(1,304,411)	275,221
Total assets less current liabilities		(896,479)	684,559
Non-current liabilities			
Accruals and other payables		–	283,368
Deferred tax liabilities		53,171	55,050
		53,171	338,418
NET (LIABILITIES)/ASSETS		(949,650)	346,141
EQUITY			
Share capital		3,107	3,107
Reserves		(952,757)	343,034
TOTAL (DEFICIT)/EQUITY		(949,650)	346,141

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 the Growth Enterprises Market (the “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 the GEM of the Stock Exchange has been suspended since 1 April 2015.

On 19 May 2017, the Company received a letter (the “Notice”) from the Stock Exchange informing the Company that the Listing 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 the GEM (the “GEM Listing”) 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 has to submit a resumption proposal as required by Rule 17.26 of the GEM Listing Rules before the expiry of the six months from the date of the Notice. If the Company fails to submit a viable proposal by the expiry of the six-month period from the date of the Notice, the Stock Exchange will proceed with cancellation of the Company’s listing status.

Proposed restructuring of the Group

On 24 October 2017, the Company entered into an agreement with third parties, pursuant to which the Company conditionally agreed to sell the entire equity interest in Yongbao Resources Exploitation and Development Limited and 13 subsidiaries of the Company (the “Disposed 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 深圳市睿納實業有限公司 (“Ruirui”), which are named defendants under certain litigations and arbitration cases. Upon the completion of the disposal, the Disposed Group will cease to be subsidiaries of the Company and the financial results of the Disposed 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.

The Company has submitted a resumption proposal to the Stock Exchange on 3 November 2017 seeking its approval for the resumption of trading in the shares of the Company. In support of the submission of the resumption proposal, the Company has entered into a legally binding conditional acquisition agreement, a legally binding conditional capital increase agreement and a legally binding conditional subscription agreement all dated 3 November 2017 regarding the acquisition of a finance lease company in the PRC. It is expected that the acquisition would constitute a very substantial acquisition and reverse takeover involving a new listing application of the Company under the GEM Listing Rules.

Going concern

The Group incurred a loss of approximately RMB1,303,943,000 for the year ended 31 December 2016 and as at 31 December 2016, the Group had net current liabilities and net liabilities of approximately RMB1,304,411,000 and 949,650,000, respectively. Also, the Group had contingent liabilities of approximately RMB133,078,000. Further, the Group's ability to retain the mining right and continue its mining activities are in doubt. 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 2016. 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 HKFRSs 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 financial statements prepared under IFRSs.

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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Customer A	111,485	70,689
Customer B	–	20,177
	<u><u> </u></u>	<u><u> </u></u>

During the year ended 31 December 2016, the Group's revenue solely derived from one customer. During the year ended 31 December 2015, there were two customers with whom transactions of each exceed 10% of the Group's revenue.

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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Revenue:		
Sales of goods	111,485	90,992
	<u><u> </u></u>	<u><u> </u></u>
Other income:		
Bank interest income	–	2
Reversal of write-down of inventories	15,685	–
Reversal of impairment of trade receivables	–	150
Gain on settlement of convertible bonds	–	37,956
Forfeiture of accruals and other payables	1,412	–
Sales of scrap materials	558	–
Rental income	525	–
Others	89	3
	<u> </u>	<u> </u>
	18,269	38,111
	<u><u> </u></u>	<u><u> </u></u>

6. FINANCE COSTS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest on bank borrowings	3,206	3,909
Interest on other borrowings	22,500	22,115
Interest on convertible bonds	–	15,563
Interest on other payables	30,120	12,947
Interest on finance lease liabilities	–	35
	<hr/>	<hr/>
Total finance costs on financial liabilities	55,826	54,569
Less: Interest capitalised included in construction in progress	–	(841)
	<hr/>	<hr/>
	55,826	53,728
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX CREDIT

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Deferred taxation	2,306	152,959
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No provision for Hong Kong profits tax has been made for the years ended 31 December 2016 and 2015 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 2016 and 2015. No provision for the PRC Enterprise Income Tax is required since these subsidiaries have no assessable profits for the years.

8. LOSS FOR THE YEAR

This is stated after charging/(crediting):

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Directors' emoluments	1,745	1,287
Salaries, wages and other benefits (excluding those of directors)	9,993	12,749
Retirement benefit schemes contributions (excluding those of directors)	206	580
	<hr/>	<hr/>
Total staff costs	11,944	14,616
	<hr/>	<hr/>
Depreciation of property, plant and equipment		
– Owned	16,848	18,201
– Held under finance leases	–	297
	<hr/>	<hr/>
	16,848	18,498
	<hr/>	<hr/>
Cost of inventories recorded as expense	105,579	88,650
Amortisation of mining right	3,160	9,382
Amortisation of prepaid land lease payments	42	42
	<hr/>	<hr/>
Impairment of trade receivables	–	5,563
Impairment of property, plant and equipment	1,705	167,812
Impairment of intangible assets	4,327	480,113
Write-down of inventories to net realisable value	–	24,132
	<hr/>	<hr/>
Impairment losses on various assets	6,032	677,620
	<hr/>	<hr/>
Reversal of write-down of inventories	(15,685)	–
Reversal of impairment of trade receivables	–	(150)
Auditor's remuneration	770	770
Operating lease expenses in respect of rented premises	686	707
Foreign exchange loss, net	–	9
	<hr/> <hr/>	<hr/> <hr/>

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss of approximately RMB1,303,943,000 (2015: RMB580,578,000) for the year attributable to owners of the Company and the weighted average number of 1,751,308,000 (2015: 1,751,308,000) ordinary shares in issue during the year.

(b) Diluted loss per share

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

No diluted loss per share is presented for the year ended 31 December 2015 as the exercise of the Company's outstanding share options and conversion of the convertible bonds would be anti-dilutive.

10. TRADE AND NOTE RECEIVABLES

	2016 RMB'000	2015 <i>RMB'000</i>
Trade and note receivables	154,359	134,122
Less: provision for impairment loss	<u>(7,338)</u>	<u>(7,338)</u>
	<u>147,021</u>	<u>126,784</u>

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

	2016 RMB'000	2015 <i>RMB'000</i>
Balance at beginning of the year	7,338	1,925
Impairment loss recognised during the year	–	5,563
Reversal of impairment	<u>–</u>	<u>(150)</u>
Balance at end of year	<u>7,338</u>	<u>7,338</u>

- (a) The Group normally grants a credit period of 90 (2015: 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 dates and net of impairment loss, is as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within 60 days	9,076	740
61 to 120 days	4,549	–
121 to 180 days	9,060	5,890
181 to 365 days	–	3,858
Over 365 days	124,336	116,296
	147,021	126,784

- 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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Neither past due nor impaired	13,625	740
61 to 120 days past due	9,060	–
121 to 180 days past due	–	9,748
Over 365 days past due	124,336	116,296
	147,021	126,784

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

11. 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:

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	7,582	5,611
91 to 180 days	5,939	25,196
181 to 365 days	9,284	5,486
Over 365 days	36,772	36,089
	<hr/> 59,577 <hr/>	<hr/> 72,382 <hr/>

12. PROVISION FOR LITIGATIONS

The Group had writs of civil summon and arbitration cases under which Jiashengpan and Ruirui were named as one of the defendants. During the year under review, provision of litigations of approximately RMB1,234,768,000 was made.

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"). 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 深圳市冠欣投资有限公司 ("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 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, Third Writ and Arbitration Cases. Accordingly, the Group had made a provision for litigation of approximately RMB1,234,768,000 during the year.

13. EVENTS AFTER THE REPORTING DATE

Subsequent to 31 December 2016, the Group has received a judgment order notifying Jiashengpan is liable for the judgment debt. Details of which are set out in the paragraph headed “OTHER LITIGATION” in the Management Discussion and Analysis section.

On 19 May 2017, the Company received a letter from the Stock Exchange informing the Company that the Listing 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 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 is required to submit a resumption proposal to demonstrate that it has a sufficient level of operations or assets required by Rule 17.26 of GEM Listing Rules at least 10 business days before the expiry of the six months from the date of the Notice (i.e. 18 November 2017). If the Company fails to submit a viable proposal by the expiry of the six-month period, the Stock Exchange will proceed with cancellation of the Company’s listing.

The Company has submitted a resumption proposal to the Stock Exchange on 3 November 2017 seeking its approval for the resumption of trading in the shares of the Company. In support of the submission of the resumption proposal, the Company has entered into a legally binding conditional acquisition agreement, a legally binding conditional capital increase agreement and a legally binding conditional subscription agreement all dated 3 November 2017 regarding the acquisition of a finance lease company in the PRC. It is expected that the acquisition would constitute a very substantial acquisition and reverse takeover involving a new listing application of the Company under the GEM Listing Rules.

The Company and an independent third party as purchaser entered into the disposal agreement, pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the entire issued share capital in Yongbao Resources Exploitation and Development Limited which is the intermediate holding company of the Disposed Group for a consideration of HK\$1 or equivalent to unaudited net assets value of the Disposed Group as at June 2017. The disposal constitutes a very substantial disposal (as such term defined under Chapter 19 of the GEM Listing Rules) for the Company.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT ON THE COMPANY’S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016, an extract of which is as follows:

Basis for disclaimer of opinion

1 OPENING BALANCES AND CORRESPONDING FIGURES

The consolidated financial statements of the Group for the year ended 31 December 2015 which form the basis for the corresponding figures presented in the current year’s consolidated financial statements were not audited by us. 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 cost of property, plant and equipment and intangible assets of approximately RMB491,440,000 (2015: RMB467,191,000) and RMB1,123,998,000 (2015: RMB1,123,998,000), respectively. 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 amount of property, plant and equipment and intangible assets of approximately RMB98,096,000 (2015: RMB92,400,000) and RMB252,704,000 (2015: RMB260,191,000), respectively, in the consolidated statement of financial position as at 31 December 2016. 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 2016 and 2015 and the related depreciation, amortisation and provision for impairment losses for the years ended 31 December 2016 and 2015 were properly recorded.

3 ACCRUALS AND OTHER PAYABLES

As at 31 December 2016, included in accruals and other payables is payable to Ruffy Investment Limited (“Ruffy”), the Company’s immediate and ultimate holding company, of approximately RMB322,051,000 (2015: RMB281,356,000) and the related accrued interest of approximately RMB14,796,000 (2015: RMB4,795,000) resulted from the convertible bonds issued by the Company to Ruffy in 2008 which were matured in July 2015. In addition, a gain on settlement of convertible bonds to Ruffy of approximately RMB37,956,000 was recognised as

other income for the year ended 31 December 2015 and interest on payable to Ruffy of approximately RMB29,828,000 (2015: RMB12,833,000) was recognised as finance costs for the year ended 31 December 2016. 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 2016 and 2015 and the aforesaid balance of other income for the year ended 31 December 2015 and the aforesaid balances of finance costs for the years ended 31 December 2016 and 2015 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 (2015: RMB54,950,000), RMB53,171,000 (2015: RMB55,050,000) and RMB84,309,000 (2015: RMB84,309,000), respectively, in the consolidated statement of financial position as at 31 December 2016 and in respect of the income tax credit of approximately RMB2,306,000 (2015: RMB152,959,000) for the year ended 31 December 2016. 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 2016 and 2015 and the balances of income tax credit were properly recorded for the years ended 31 December 2016 and 2015.

5 PROVISIONS AND CONTINGENT LIABILITIES ARISING FROM ALLEGED GUARANTEE

As at 31 December 2016, included in accruals and other payables is provision for litigation liabilities of approximately RMB1,234,768,000 in respect of its writs and arbitration cases in which the Group is the defendant as detailed in note 34 to the consolidated financial statements. However, we have been unable to obtain sufficient appropriate audit evidence for the provision for litigation liabilities of approximately RMB1,234,768,000 in the consolidated statement of financial position as at 31 December 2016 and the related expenses of the same amount 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 2016 and for the year then ended.

In addition, as disclosed in note 34 to the consolidated financial statements, the Group had contingent liabilities of approximately RMB133,078,000 (2015: RMB1,152,898,000) as at 31 December 2016 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 2016, the Group's trade receivables and other receivables, deposits and prepayments included past due balances of approximately RMB124,336,000 (2015: RMB116,290,000) and RMB395,281,000 (2015: RMB354,324,000), respectively. 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 2016 and 2015 and the related provision for impairment losses were properly recorded for the years ended 31 December 2016 and 2015.

8 RELATED PARTY TRANSACTIONS

As described in point 6 above, the Group's internal procedures in 2015 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 as at 31 December 2015 and related party transactions for the year then ended 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".

Any adjustments to the figures as described from points 1 to 8 above might have significant consequential effects on the Group's results and cash flows for the years ended 31 December 2016 and 2015 and the financial position of the Group as at 31 December 2016 and 2015, and the related disclosures thereof in the consolidated financial statements.

9 MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

As at 31 December 2016, 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) Default of bank loan with mining right pledged as security

As disclosed in note 26 to the consolidated financial statements, the Company's subsidiary, 巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司 ("Jiashengpan"), was in default on repayments of the entrusted loan with principal amount of RMB150,000,000, together with accrued interests and penalties of approximately RMB53,889,000 as at 31 December 2016. Jiashengpan's mining right of carrying amount of approximately RMB252,704,000 as at 31 December 2016 has been pledged as security of the entrusted loan. The entrusted loan was also secured by guarantees given by the Company's controlling shareholder (the "Controlling Shareholder") and by a company controlled by the Controlling Shareholder (the "Corporate Guarantor"). In January 2016, a court order was issued to impound, freeze and distress the assets of Jiashengpan, the Controlling Shareholder and the Corporate Guarantor of value equivalent to approximately RMB176,002,000. The management of Jiashengpan believes that the mining right is subject to the frozen order and the Group may lose the mining right.

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

The Group incurred a loss of approximately RMB1,303,943,000 for the year ended 31 December 2016 and as at 31 December 2016, it had net current liabilities and net liabilities of approximately RMB1,304,411,000 and RMB949,650,000, respectively.

(c) Contingent liabilities

The Group had contingent liabilities of approximately RMB133,078,000 as at 31 December 2016 as detailed in note 34 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 has been 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 restructuring, 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 2016, total revenue increased by approximately 22.5% to approximately RMB111.5 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 2% and by approximately 19% respectively as compared with last year. Both zinc and lead prices remained at low level during the year of 2015 and recovered from the year of 2016.

All revenue of the Group as generated from sales of nonferrous metal mining products amounted to approximately RMB111.5 million during the year of 2016 (2015: approximately RMB91.0 million), representing an increase of approximately 22.5% as compared with last year. Approximately 5.3% gross profit margin was recorded for the year ended 31 December 2016 representing an increase of approximately 2.7% as compared with last year. Overall, lead concentrates increased by approximately 509.6% of the mining sector's revenue and as such its fluctuation had materially improved the Group's performance in 2016.

OTHER INCOME

During the year, other income was approximately RMB18.3 million (2015: RMB38.1 million). The decrease was mainly attributable to gain on settlement of convertible bonds in respect of the liability component which amounted to approximately RMB38.0 million for the last year.

OPERATING EXPENSES

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

Administrative expenses for the year decreased to approximately RMB31.9 million, as compared to approximately RMB41.7 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.

Impairment losses represented losses recognised for the Group’s cash generating unit, which include intangible assets and property, plant and equipment, totalling RMB6.0 million (2015: RMB647.90 million) due to the adverse business environment of Jiashengpan. No impairment losses on the trade and other receivables and write down of inventories to net realisable value were recognised during the year (2015: RMB5.6 million and RMB24.1 million respectively).

FINANCE COSTS

Finance costs for the year ended 31 December 2016 amounted to approximately RMB55.8 million (2015: RMB53.7 million) representing an increase of approximately RMB2.1 million.

PROVISION FOR LITIGATIONS

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, (ii) 3 November 2014 and has been issued at the Intermediate People’s Court of Bayannur; and (iii) 29 December 2014 and has been issued at the People’s Court of Futian, Shenzhen. In addition, the Company had also been aware of four arbitration cases in Shenzhen Arbitration Centre against First Create (the “Arbitration Cases”). The aforesaid writs and Arbitration Cases against First Create for repayment of loans and interest accrued thereon. The subsidiaries of the Company namely, Jiashengpan Ruirui was/were named 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 under the First Writ.

Reference to the announcement of the Company dated 18 March 2016, a judgment 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 judgment debt of approximately RMB215.8 million as at December 2015. As advised by the PRC legal advisers, Jiashengpan and Ruirui would have the right to claim against First Create, which is the borrower of the First Claimed Amount, in the event that Jiashengpan is required to pay for the judgment 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 RMB70.0 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 under the Second Writ.

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. Hence, 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 RMB35.0 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 under the Third Writ.

Reference to the announcement of the Company dated 18 March 2016, a judgment 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 judgment debt. As advised by the PRC legal advisers, Jiashengpan would have the right to claim against First Create, which is the borrower of the Third Claimed Amount, in the event that Jiashengpan is required to pay for the judgment debt under the Third Writ;

Arbitration Cases

- (iv) By a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors agreed to provide guarantee for a loan amount of RMB200.0 million 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 RMB216.5 million.
- (v) By a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors agreed to provide guarantee for a loan amount of RMB100.0 million 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 RMB107.5 million.

- (vi) By a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors agreed to provide guarantee for a loan amount of RMB145.0 million 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 RMB152.1 million.
- (vii) By a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors in connection of the loan amount of RMB80.0 million 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 RMB84.2 million.

Reference to the announcement of the Company dated 18 March 2016, Shenzhen Arbitration Committee# (深圳仲裁委員會) passed judgments 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 approximately RMB525 million, interest accrued and penalties thereon.

As at the date of this announcement, to the best knowledge, information and belief of the Directors, having made all reasonable enquires, none of the First Plaintiff, the Third Plaintiff and the plaintiff under the Arbitration Cases has enforced the judgment against Jiashengpan and Ruirui. Nevertheless, First Create has issued an undertaking to assume payment liability arisen from the First Writ, Third Writ and Arbitration Cases.

Having considered that no progress on settlement of the above litigations and the Arbitration Case for about 3 years and having received a letter dated 13 September 2017 from First Create mentioning that its financial position is not capable to repay the liabilities, the management of the Company are in doubt that Jiashenpan may be liable to the above litigations due to the inadequate financial capability of Mr. Mei Wei and 深圳冠欣礦業集團有限公司# (First Create Mining Group Company Limited) (“First Create Mining”). Thus, based on the prudence practice, the management of the Company recorded a provision for litigations of approximately RMB1,234.8 million in relation to the above litigations and the Arbitration Cases in the financial statements during the year.

OTHER LITIGATION

(viii) 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 statement.

(ix) 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 2016 was approximately RMB1,304.9 million (2015: RMB580.6 million).

The loss was mainly attributable to the provision for litigations made 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 2016, the deficit attributable to owners of the Company was approximately RMB949.7 million (2015: equity of approximately RMB346.1 million). The Group's bank and cash balances stood at RMB0.6 million (2015: RMB6.6 million). The decrease is a result of the loss incurred during the year. As at 31 December 2016, the Group's net current liabilities is approximately RMB1,304.4 million (2015: current assets approximately RMB275.2 million).

Total inventory stood at approximately RMB143.9 million (31 December 2015: approximately RMB131.4 million). The inventory level of the Company became stable.

As at 31 December 2016, the total asset value of the Group was approximately RMB1,158.3 million (2015: approximately RMB1,140.7 million). Total liabilities was approximately RMB2,108.0 million (2015: approximately RMB794.6 million). Gearing ratio of the Group, calculated as total liabilities over total assets was approximately 182% (2015: approximately 69.7%). The interest-bearing borrowings of the Group amounted to approximately RMB194.6 million (2015: approximately RMB194.6 million).

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

Except for those disclosed in this report, there were no other significant investments held, material acquisitions, or disposals of subsidiaries during the six months period ended 30 June 2017. Apart from those disclosed in this report, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this interim 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 in 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.

PLEDGE OF ASSETS

As at 31 December 2016, the Group's mining rights at the net carrying amount of approximately RMB252.7 million (2015: RMB260.2 million) were pledged to secure borrowing facilities granted to the Group.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2016, 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 2016 amounted to approximately RMB11.3 million (2015: approximately RMB14.6 million). The Directors received remuneration of approximately RMB1.7 million during the year ended 31 December 2016 (2015: approximately RMB1.3 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 2016, the company had no outstanding options.

FINAL DIVIDEND

The Directors do not recommend any final dividend for the year ended 31 December 2016 (2015: nil).

PRC NONFERROUS METAL MARKET INDUSTRY REVIEW

According to an article issued by the Ministry of Industry and Information Technology (the “MIIT”) of the PRC, the national output of ten nonferrous metals for this year, including lead and zinc, rose to approximately 52.83 million tonnes, its output growth has increased by approximately 2.5% as compared with last year. The output of lead and zinc increased by approximately 5.7% to 4.67 million and approximately 2% to 6.27 million tonnes respectively. Total profitability of the nonferrous metals industry in the PRC had increased by approximately 34.8% to approximately RMB243 billion as compared with last year. According to data from the National Bureau of Statistics of the PRC in August 2017, the PRC’s mining industry posted a profit slump of 41% year on year to RMB50.5 billion during the year of 2016 (2015: RMB45.0 billion, increasing 20% year on year).

As resulted from the improvement of the demand and the production capacity, the prices of zinc and lead are showing an increasing trend from the year of 2016. In the PRC, the reduction in output of the nonferrous metals also took place from the end of year 2015. During the year of 2016, the profits of the industry is better that expected because of domestic supply reform and downstream demand. The metals prices increase strongly, some varieties of prices is the highest record in recent years.

The MIIT issued a 13th Five-Year development plan on nonferrous metals industry. The plan mentioned that nonferrous metals industry in the PRC will be rank of the world power by the end of year 2020. Such plan concentrates on the improvement of quality and efficiency, technological innovation, green development and international cooperation to expand the market demand in PRC. In order to promote a more open economy and encourage “One Belt One Road” strategy, favourable policies will be formulated to facilitate the sully side reform to accelerate the industry transformation and upgrade the technology.

Although the PRC government will continue to implement policies to improve the nonferrous metals industry, the industry faces the problems including inadequate of intensive processing and skills, poor stability of quality, overcapacity of smelting and low-end processing capacity, which makes enterprises in the industry in a low profit or loss status. Also, both the production costs and finance costs in the industry increased that leads the enterprises burden heavy debts.

In view of the above industry problems, certain nonferrous industry procedures, including Jiashengpen, in general are suffering losses. As a strategic response, the industry will focus on changing the mode of development of the industry, from the scale of expansion to optimize the stock level, control the growth rate of output, from low-cost resources and elements into innovation, accelerate the development of high-end materials and the implementation of intelligent manufacturing to enhance the medium and long-term growth momentum.

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 2016 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 2016, 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 2016 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.

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 2016 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 2016.

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

AUDITOR

Following the removal of BDO Limited as auditor of the Company on 9 August 2017 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 2016 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.

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, 23 November 2017

As at the date of this announcement, the executive Directors are Ms. Liu Yaling and Mr. Chan Hoi Tung, 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*