



中國有色金屬有限公司*

China Nonferrous Metals Company Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 8306)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

**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.

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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 of the Stock Exchange (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.

* For identification purposes only

The board (the “Board”) of Directors of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2017, together with the comparative figures for the corresponding period in 2016 as follows:

HIGHLIGHTS

- Achieved a turnover of approximately RMB42.0 million for the three months ended 31 March 2017, representing an approximately 7.6 times increase as compared with that of the corresponding period in 2016.
- The net loss of the Group attributable to the owners of the Company for the three months ended 31 March 2017 was approximately RMB66.4 million (2016: RMB17.2 million).
- The Directors do not recommend dividend for the three months ended 31 March 2017.

The English translation of Chinese names or words in this announcement is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

The board (the “Board”) of directors (the “Director”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2017, together with the comparative figures for the corresponding period in 2016 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended 31 March	
	<i>Notes</i>	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Revenue	3	41,987	5,519
Cost of sales		(25,957)	(5,331)
Gross profit		16,030	188
Other income		262	100
Selling and distribution costs		(254)	(9)
Administrative expenses		(6,051)	(3,881)
Provision for litigations		(61,823)	–
Loss from operations		(51,836)	(3,602)
Finance costs		(14,400)	(13,595)
Loss before income tax		(66,236)	(17,197)
Income tax credit	4	(165)	9
Loss for the period attributable to the owners of the Company		(66,401)	(17,188)
Other comprehensive income, after tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		22,443	(900)
Total comprehensive loss for the period attributable to the owners of the Company		(43,958)	(18,088)
Loss per share	6		
Basic and diluted		RMB(3.79) cents	RMB(0.98) cents

NOTES:

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in Bermuda on 14 April 2004 as an exempted company under the Companies Act 1981 of Bermuda (as amended). Its shares are listed on GEM of the Stock Exchange with effect from 28 February 2005.

The functional currency of the Company is Hong Kong Dollars (“HK\$”). The consolidated financial information are presented in Renminbi (“RMB”) since most of the companies comprising the Group are operating in RMB environment and the functional currency of most of the companies comprising the Group is RMB.

The Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the Company’s principal place of business is Room 1104, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong.

The Directors consider that the Company’s immediate and ultimate holding company is Ruffy Investments Limited (“Ruffy”), a company incorporated in the British Virgin Islands.

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

The unaudited consolidated results have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board. The unaudited consolidated results also include the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31 March 2017 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016. The consolidated results for the three months ended 31 March 2017 are unaudited but have been reviewed by the Company’s audit committee.

2. ADOPTION OF NEW AND AMENDED IFRSs

In the current period, the Group has applied for the first time the new standards, amendments and interpretations (the “new IFRSs”), which are relevant to and effective for the Group’s financial statements for the annual financial period beginning on 1 January 2016.

The adoption of the new IFRSs did not change the Group’s accounting policies as followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016. The Directors anticipate that the adoption of the new IFRSs had no material impact on how the results for the current and prior periods have been prepared and presented.

3. REVENUE

The Group is engaged in the mining, processing and trading of mineral resources. Revenue recognised during the three months ended 31 March 2017 and 2016 are as follows:

	Three months ended 31 March	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Revenue:		
Mining, processing and trading of mineral resources	41,987	5,519

4. INCOME TAX CREDIT

	Three months ended 31 March	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Deferred taxation	(165)	9

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during the periods presented. Income tax credit for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

5. DIVIDEND

No dividend has been paid, proposed, or declared by the Group for the three months ended 31 March 2017 (2016: Nil).

6. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the loss of approximately RMB66,401,000 (2016: RMB17,188,000) for the year attributable to owners of the Company and the weighted average number of approximately 1,751,308,000 (2016: approximately 1,751,308,000) ordinary shares in issue during the period.

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7. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2017

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Foreign currency translation reserve RMB'000	Specific reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017 (unaudited)	3,107	970,169	6	2,657	4,264	15,529	(1,945,383)	(949,651)
Total comprehensive loss for the period	-	-	-	22,443	-	-	(66,401)	(43,958)
At 31 March 2017 (unaudited)	<u>3,107</u>	<u>970,169</u>	<u>6</u>	<u>25,100</u>	<u>4,264</u>	<u>15,529</u>	<u>(2,011,784)</u>	<u>(993,609)</u>

For the three months ended 31 March 2016

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Translation reserve RMB'000	Specific reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2016 (audited)	3,107	970,169	6	(5,499)	4,264	15,529	(641,435)	346,141
Total comprehensive loss for the period	-	-	-	(900)	-	-	(17,188)	(18,088)
At 31 March 2016(unaudited)	<u>3,107</u>	<u>970,169</u>	<u>6</u>	<u>(6,399)</u>	<u>4,264</u>	<u>15,529</u>	<u>(658,623)</u>	<u>328,053</u>

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS AND FINANCIAL REVIEW

Market review

Lead

Total global supply of lead for the first three months ended 31 March 2017 stood at approximately 2.94 million tonnes whilst total consumption for the same period was only approximately 2.984 million tonnes. The global market for lead metal was closely balanced with consumption exceeded production by approximately 44,000 tonnes. During the year 2016, global lead production was approximately 11.183 million tonnes and consumption was approximately 11.15 million tonnes, representing a supply surplus of approximately 33,000 tonnes.

World refined lead supply and usage

January – March	2017	2016
Metal production (tonnes)	2,940,000	2,673,000
Metal usage (tonnes)	2,984,000	2,658,000
(Deficit)/Surplus (tonnes)	(44,000)	15,000

Source: International Lead and Zinc Study Group (“ILZSG”)

There was no material fluctuation in global refined lead metal production and consumption as compared with last corresponding period. In accordance with ILZSG forecasts, global demand and production for refined lead metal is expected to rise to 11.7 million tonnes and 11.77 million tonnes respectively in 2017. As a consequence, it is anticipated that there should not have any material deficit/surplus between the usage and consumption in 2017.

Zinc

Total global supply of zinc was approximately 3.406 million tonnes for the first three months ended 31 March 2017 whilst total consumption was approximately 3.412 million tonnes, representing a supply deficit of approximately 6,000 tonnes. During the year 2016, global zinc production was approximately 13.711 million tonnes and consumption was approximately 13.857 million tonnes, representing a supply deficit of approximately 146,000 tonnes.

World refined zinc supply and usage

January – March	2017	2016
Metal production (tonnes)	3,406,000	3,318,000
Metal usage (tonnes)	3,412,000	3,315,000
(Deficit)/Surplus (tonnes)	(6,000)	3,000

Source: ILZSG

In accordance with ILZSG forecasts, global demand for refined zinc metal is expected to rise to 13.93 million tonnes in 2017. The supply for refined zinc mine is expected to rise to 13.0 million tonnes in 2017. As a consequence, it is anticipated that there would not be any material deficit/surplus between the usage and consumption in 2016.

PRC nonferrous metals development and prospect

According to an article issued by the Ministry of Industry and Information Technology of the People’s Republic of China (the “PRC”), the national output of ten nonferrous metals for the year of 2016, including lead and zinc, rose to approximately 52.8 million tonnes, its output growth has increased by approximately 2.5% while compared with the year of 2015. The output of lead and zinc increased by approximately 5.7% to 4.67 million tonnes and by approximately 2.0% to 6.27 million tonnes respectively. Total profitability in nonferrous metals industry in the PRC in the year of 2016 had increased by approximately 34.8% to approximately RMB243.0 billion as compared with the year of 2015.

The performance of nonferrous metals industry in the PRC for the period improved significantly. Total profitability in nonferrous metals industry in the PRC in the first quarter of 2017 had increased by approximately 78.7% to approximately RMB60.4 billion as compared with the first quarter of 2016. Besides, the nonferrous metals industry in the PRC had been planned to 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.

Financial highlights

The Group is principally engaged in the mining, processing of mineral resources. The mining site in Bameng Wuzhong Qi Jiashengpan Zinc, Lead and Pyrite Resources Exploitation Co. Ltd# (巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司) (“Jiashengpan”), which is a significant business in the Group. The nonferrous metals mining’s gross profit margin ratio was significantly improved from approximately 3.4% to 38.2% compared with last corresponding period.

The following is a comparison of financial results between the three months ended 31 March 2017 and 2016:

For the three months ended 31 March 2017, the Group recorded a turnover of approximately RMB42.0 million, representing an increase of approximately 7.6 times as compared with the turnover of approximately RMB5.5 million for the same period last year. The increase was mainly attributed to the increase of market demand and market price. Total costs of production increased to approximately RMB26.0 million compared with the same period last year.

Revenue and gross profit margin for the three months ended 31 March 2017 and 2016 are as follows:

	Three months ended 31 March 2017				Three months ended 31 March 2016			
	Revenue RMB'000	Cost of sales RMB'000	Gross profit RMB'000	Gross profit %	Revenue RMB'000	Cost of sales RMB'000	Gross profit RMB'000	Gross profit %
Nonferrous metal mining	<u>41,987</u>	<u>(25,957)</u>	<u>16,030</u>	<u>38.2%</u>	<u>5,519</u>	<u>(5,331)</u>	<u>188</u>	<u>3.4%</u>

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The followings are the sales volume and average selling prices for each of our mining products and trading business in respect of the three months ended 31 March 2017 and 2016:

	Three months ended 31 March 2017			Three months ended 31 March 2016		
	Sales volume (tonne)	Selling price (RMB/tonne)	Total revenue (RMB'000)	Sales volume (tonne)	Selling price (RMB/tonne)	Total revenue (RMB'000)
Zinc concentrate	3,061	11,993.1	36,711	841	4,946.5	4,160
Lead concentrate	410	12,868.3	5,276	171	7,947.4	1,359
		41,987				5,519

Financial information by ordinary course of business

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 PRC. The Group's assets are located in PRC. The Group's revenue from external customers were generated from the PRC.

Addendum to business and financial review

For the year ended 31 December 2016, overall revenue of the Group was approximately RMB111.5 million and the trade and note receivables as at 31 December 2016 was approximately RMB147.0 million, as such accounts receivable turnover was approximately 74 days should the trading account receivable balances excluded. Subsequent to the 2016 year end date and up to 30 September 2017, trade and note receivables of approximately RMB17.9 million as at 31 December 2016 has been settled. The remaining outstanding amount of approximately RMB129.1 million was overdue.

Trade and note receivables as at 31 March 2017 was approximately RMB168.9 million, of which RMB115.5 million was carried forward from 31 December 2016 (balance as at 31 December 2016 was approximately RMB116.3 million and the difference represented an exchange difference of RMB0.8 million during the period). Other remaining outstanding balance amounted to approximately RMB5.6 million. Subsequent to 31 March 2016 and up to 12 May 2016, approximately RMB5.6 million has been received from trade and note receivables.

Other income

Other income for the three months ended 31 March 2017 amounted to approximately RMB262,000 (2016: RMB100,000). It was mainly attributed to the rental income for the property, plant and equipment during the period.

Operating expenses

Administrative expenses for the three months ended 31 March 2017 amounted to approximately RMB6.1 million (2016: approximately RMB3.9 million), representing an increase of approximately RMB2.2 million compared with the three months ended 31 March 2016. The increase was in tandem with the increased turnover of the Group.

Finance costs

Finance costs for the three months ended 31 March 2017 amounted to approximately RMB14.4 million, representing an increase of approximately RMB0.8 million as compared with the three months ended 31 March 2016.

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 Jiashengpan 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 period attributable to the owners of the Company

The loss attributable to the owners of the Company for the three months ended 31 March 2017 was approximately RMB66.4 million (2016: RMB17.2 million).

OUTLOOK AND PROSPECTS

Facing to the recent market price trend in the nonferrous metals market, the Group's average selling price of various products had significant increase compared with the last corresponding period. The Ministry of Industry and Information Technology estimated that the output of major nonferrous metals products in the PRC will maintain 4.8% growth rate in 2017.

However, the increase in market uncertainty is affecting the industry performance because of the international political turmoil, such as the impact of Brexit was gradually released. The industry still 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 including Jiashengpan. Looking ahead, the Directors will continue to maintain the existing operation and restructure the Group at the same time.

SHARE OPTION SCHEME

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2017, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of the Hong Kong Special Administrative Region (the "SFO")), which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or; (c) as otherwise notified to the Company and the Stock Exchange in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in the shares of the Company

Ordinary shares of HK\$0.002 each of the Company

Name of Director	Capacity	Number of shares	Percentage of shareholding (%)
Liu Yaling	Beneficial owner	38,727	–
	Interest of spouse	<u>22,628,802</u>	<u>1.29</u>
		<u><u>22,667,529</u></u>	<u><u>1.29</u></u>

Note: Ms. Liu Yaling was appointed as an executive Director on 1 June 2015. Ms. Liu Yaling was deemed to be interested in the 22,628,802 shares of the Company which were held by her spouse, under the SFO.

Share options

As at 31 March 2017, none of the Directors and chief executive of the Company had any interests and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); and (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2017, so far as the Directors were aware, the following persons or companies (other than the Directors or chief executive of the Company) had an interest or short position in the shares, underlying shares and debentures of the Company which were discloseable under Divisions 2 and 3 of Part XV of the SFO and recorded in the register of interests required to be kept by the Company pursuant to Section 336 of SFO:

Name of shareholders	Type of interests	Position	Number of shares	Approximate percentage of interests
Ruffy Investments Limited ("Ruffy") (Note 1)	Beneficial owner	Long	1,033,091,706	58.99%
Mr. Mei Wei (Notes 1 & 2)	Interest in controlled corporation	Long	1,033,091,706	58.99%
	Beneficial owner	Long	11,210,000	0.64%
			<u>1,044,301,706</u>	<u>59.63%</u>

Notes:

1. These shares and underlying shares of the Company comprise of 1,033,091,706 shares were held by Ruffy, which is wholly-owned by Mr. Mei Wei. Mr. Mei Wei was deemed to be interested in these shares and the underlying shares under the SFO. Among the shares owned by Ruffy, 125,324,850 shares have been pledged by Ruffy to CCB International Group Holdings Limited, and 893,167,054 shares have been pledged by Ruffy to Xinxing Pipes (Hong Kong) Co. Limited.
2. These shares and underlying shares of the Company, comprise of 11,210,000 shares held by Mr. Mei Wei.

Save as disclosed herein, so far as known to any Director or chief executive of the Company, no other person (other than the Directors and chief executive of the Company) had any interest and short positions in the shares, underlying shares and debentures of the Company which were discloseable under Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register required to be kept under Section 336 of the SFO as at 31 March 2016.

CORPORATE GOVERNANCE

The Company has complied throughout the three months ended 31 March 2017 with the code provisions set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules with certain deviations in respect of the distinctive roles of chairman and chief executive officer and no specific appointment term of a non-executive Director as described in the 2016 annual report. 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 Board continues to believe that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

Also, the Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and its code of conduct regarding Directors' securities transactions during the reporting period.

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 HK\$ were mainly attributable to the bank balances and other receivables denominated in United States Dollars (“USD”) as at the end of the reporting period. As the exchange rate of HK\$ is pegged against USD, the Directors were of the opinion that the currency risk of USD was insignificant to the Group.

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

DIRECTORS/CONTROLLING SHAREHOLDERS INTERESTS IN COMPETING BUSINESS

During the period and at the date of this announcement, the following controlling shareholder is considered to have interests in the businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the GEM Listing Rules.

The Company’s substantial shareholder, Mr. Mei Wei, has beneficial interest and directorship in First Create Mining and First Create (collectively referred as “First Create Group”) which, through its subsidiaries and associated companies, engaged in the mining and trading business. However, the Directors do not consider the interests/directorship held by Mr. Mei Wei to be competing in practice with the relevant businesses of the Group in view of trading business of First Create Group is focusing on the overseas market while majority turnover in the Group is local business in the PRC.

In addition, the Board is independent from the board of directors of the companies in the First Create Group as Mr. Mei Wei cannot personally control the Board and the Group is capable of carrying on its businesses independently of, and at arm’s length from the business of such companies.

Mr. Mei Wei also held shareholding interests in companies engaged in the mining and processing of mineral resources. However, the Directors do not consider the interest held will create any competing in practice with the relevant businesses of the Group as the mineral resources explored are not mainly zinc and lead concentrates oriented or the mining sites activities are inactive.

Save as disclose above, none of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the three months ended 31 March 2017 and up to and including the date of this announcement.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUSPENSION OF TRADING IN SHARES 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 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.

Reference to the announcement dated 9 November, 2017, 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.

THE DISPOSAL

Reference to the announcement dated 24 October 2017, 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 all other subsidiaries of the Company, including Jiashengpan and Ruirui (collectively the “Disposed Group”) for a consideration of HK\$1 or equivalent to the unaudited net asset value of the Disposed Group as at 30 June 2017. The Disposal constitutes a very substantial disposal (as defined under Chapter 19 of the GEM Listing Rules) for 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 (collectively the “Acquisition”) of a finance lease company in the People’s Republic of China. 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the three months ended 31 March 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

AUDIT COMMITTEE

The Company established an audit committee on 16 February 2005 with written terms of reference in compliance with the GEM Listing Rules. The authority and duties of the audit committee are based on the guidelines set out in “A Guide for The Formation of An Audit Committee” published by the Hong Kong Institute of Certified Public Accountants.

The audit committee provides a link between the Board of Directors and the Company’s auditors in matter coming within the scope of the Group audit. It also reviews and supervises the financial reporting process (including review of the first quarterly results for the three months ended 31 March 2017) of the Group. The members of the audit committee comprises three independent non-executive Directors, namely Mr. Cheng Feng (Chairman of the audit committee), Mr. Ng Man Kwan, Lawrence and Mr. Siu Kai Chun.

The Group’s unaudited consolidated results for the three months ended 31 March 2017 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

PUBLIC FLOAT

For the three-month period ended 31 March 2017, the Company has maintained the public float requirement as stipulated by the GEM Listing Rules.

On behalf of the Board
China Nonferrous Metals Company Limited
Liu Yaling
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. Ng Man Kwan, Lawrence, Mr. Cheng Feng and Mr. Siu Kai Chun.