



中國有色金屬有限公司*

China Nonferrous Metals Company Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 8306)

**INTERIM RESULTS ANNOUNCEMENT FOR
THE SIX MONTHS ENDED 30 JUNE 2017**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF
THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK
EXCHANGE”)**

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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 (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 China Nonferrous Metals Company Limited is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016 as follows:

CORPORATE INFORMATION

Executive Director

Ms. LIU Yaling
Mr. CHAN Hoi Tung
(appointed on 1 June 2017)

Non-Executive Director

Mr. CHAN Wai Cheung, Admiral

Independent Non-Executive Directors

Mr. NG Man Kwan, Lawrence
Mr. CHENG Feng
Mr. SIU Kai Chun

Compliance Officer

Ms. LIU Yaling

Company Secretary

Mr. IP Yiu Tak
(resigned on 1 June 2017)
Mr. LAI Ka Ki
(appointed on 1 June 2017)

Audit Committee

Mr. CHENG Feng (Chairman)
Mr. NG Man Kwan, Lawrence
Mr. SIU Kai Chun

Remuneration Committee

Mr. NG Man Kwan, Lawrence
(Chairman)
Mr. CHENG Feng
Mr. CHAN Wai Cheung, Admiral

Nomination Committee

Mr. NG Man Kwan, Lawrence
(Chairman)
Mr. CHAN Wai Cheung, Admiral
Mr. CHENG Feng

Authorised Representatives

Ms. LIU Yaling
Mr. IP Yiu Tak
(resigned on 1 June 2017)
Mr. LAI Ka Ki
(appointed on 1 June 2017)

Stock Code

8306

Company Website

<http://www.cnm.com.hk>

Legal Advisers

Michael Li & Co.

Auditor

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Unit 701, 7/F, Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

Principal Banker

Hang Seng Bank

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Share Registrar and Transfer Office in Bermuda

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong

Room 1104
Jubilee Centre
18 Fenwick Street
Wanchai
Hong Kong

HIGHLIGHTS

- Turnover for the six months ended 30 June 2017 was approximately RMB59.6 million, representing an approximately 48.6% increase as compared with that of the corresponding period in 2016.
- Net loss of the Group attributable to owners of the Company for the six months ended 30 June 2017 amounted to approximately RMB147.0 million (2016: RMB43.8 million).
- The Directors do not recommend an interim dividend for the six months ended 30 June 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 “**Directors**”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | Six months ended 30 June | | Three months ended 30 June | |
|--|-------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Notes | 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) | 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) |
| Revenue | 3 | 59,597 | 40,118 | 17,610 | 34,599 |
| Cost of sales | | (40,902) | (39,860) | (14,945) | (34,529) |
| Gross profit | | 18,695 | 258 | 2,665 | 70 |
| Other income | | 593 | 181 | 331 | 81 |
| Selling and distribution costs | | (852) | (186) | (598) | (177) |
| Administrative expenses | | (11,632) | (16,832) | (5,581) | (12,951) |
| Provision for litigations | | (124,334) | - | (62,511) | - |
| Loss from operations | 5 | (117,530) | (16,579) | (65,694) | (12,977) |
| Finance costs | 6 | (28,966) | (27,470) | (14,566) | (13,875) |
| Loss before income tax | | (146,496) | (44,049) | (80,260) | (26,852) |
| Income tax credit | 7 | (515) | 288 | (350) | 279 |
| Loss for the period attributable to the owners of the Company | | (147,011) | (43,761) | (80,610) | (26,573) |
| Other comprehensive (loss)/ income, after tax | | | | | |
| Items that will not be reclassified to profit or loss: | | | | | |
| Exchange differences on translation of foreign operations | | 9,805 | 567 | 6,580 | 756 |
| Items that may be reclassified to profit or loss: | | | | | |
| Exchange differences on translation of foreign operations | | (12,871) | 2,267 | 18,107 | 2,978 |
| Other comprehensive (loss)/ income, for the year, net of tax | | (3,066) | 2,834 | 24,687 | 3,734 |
| Total comprehensive loss for the period attributable to the owners of the Company | | (150,077) | (40,927) | (55,923) | (22,839) |
| Loss per share | | | | | |
| Basic and diluted | 9 | RMB(8.39) cents | RMB(2.5) cents | RMB(4.60) cents | RMB(1.52) cents |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

| | Notes | As at 30 June 2017 RMB'000 (unaudited) | As at 31 December 2016 RMB'000 (audited) |
|--|-------|--|--|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 97,981 | 98,096 |
| Intangible assets | | 250,969 | 252,704 |
| Prepaid land lease payments | | 1,732 | 1,755 |
| Deferred tax assets | | 55,377 | 55,377 |
| | | 406,059 | 407,932 |
| Current assets | | | |
| Inventories | | 147,268 | 143,889 |
| Prepaid land lease payments | | 42 | 42 |
| Trade and note receivables | 11 | 139,833 | 147,021 |
| Other receivables, deposits and prepayments | | 451,458 | 458,131 |
| Amounts due from a related company | | 23,611 | 715 |
| Bank and cash balances | | 1,261 | 576 |
| | | 763,473 | 750,374 |
| Current liabilities | | | |
| Trade and note payables | 12 | 69,622 | 59,577 |
| Accruals and other payables | 14 | 1,839,151 | 1,713,705 |
| Amounts due to related companies | | 26,132 | 2,594 |
| Borrowings | 13 | 194,600 | 194,600 |
| Current tax liabilities | | 86,110 | 84,309 |
| | | 2,215,615 | 2,054,785 |
| Net current liabilities | | (1,452,142) | (1,304,411) |
| Total assets less current liabilities | | (1,046,083) | (896,479) |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

| | <i>Notes</i> | As at 30 June 2017 RMB'000 (unaudited) | As at 31 December 2016 RMB'000 (audited) |
|---|--------------|---|--|
| Non-current liabilities | | | |
| Deferred tax liabilities | | <u>53,644</u> | <u>53,171</u> |
| | | <u>53,644</u> | <u>53,171</u> |
| NET LIABILITIES | | <u><u>(1,099,727)</u></u> | <u><u>(949,650)</u></u> |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 15 | 3,107 | 3,107 |
| Reserves | | <u>(1,102,834)</u> | <u>(952,757)</u> |
| TOTAL DEFICIT | | <u><u>(1,099,727)</u></u> | <u><u>(949,650)</u></u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 2017 | 2016 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Net cash from/(use in) operating activities | 3,292 | (4,515) |
| Net cash used in investing activities | (2,588) | (1,049) |
| Net cash used in financing activities | - | (1,691) |
| | <hr/> | <hr/> |
| Net increase/(decrease) in cash and cash equivalents | 704 | (7,255) |
| Cash and cash equivalents at beginning of the period | 576 | 6,645 |
| Effect of foreign exchange, net | (19) | 3,915 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at end of the period | 1,261 | 3,305 |
| | <hr/> <hr/> | <hr/> <hr/> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

| | Attributable to owners of the Company | | | | | | | Total RMB'000 |
|--|---------------------------------------|-----------------------------|---|-----------------------------------|--------------------------------|-----------------------------|---------------------------------|------------------|
| | 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 loses RMB'000 | |
| At 31 December 2016 and 1 January 2017 (unaudited) | 3,107 | 970,169 | 6 | 2,653 | 4,264 | 15,529 | (1,945,378) | (949,650) |
| Total comprehensive loss for the period | - | - | - | (3,066) | - | - | (147,011) | (150,077) |
| At 30 June 2017 (unaudited) | 3,107 | 970,169 | 6 | (413) | 4,264 | 15,529 | (2,092,389) | (1,099,727) |

For the six months ended 30 June 2016

| | | | | | | | | |
|---|-------|---------|---|---------|-------|--------|-----------|----------|
| At 31 December 2015 and 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 | - | - | - | 2,834 | - | - | (43,761) | (40,927) |
| At 30 June 2016 (unaudited) | 3,107 | 970,169 | 6 | (2,665) | 4,264 | 15,529 | (685,196) | 305,214 |

NOTES TO THE INTERIM FINANCIAL REPORT

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 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 (“BVI”).

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

The unaudited consolidated financial information 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 financial information also include the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies adopted in preparing the unaudited consolidated financial information for the six months ended 30 June 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 financial information for the six months ended 30 June 2017 are unaudited but have been reviewed by the Company’s audit committee.

2. ADOPTION OF NEW OR 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 2017.

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 trading, mining and processing of mineral resources. Revenue recognised during the six months and three months ended 30 June 2017 are as follows:

| | Six months ended 30 June | | Three months ended 30 June | |
|---|---|--------------------------------|---|--------------------------------|
| | 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) | 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) |
| Revenue: | | | | |
| Mining, processing and trading of mineral resources | 59,597 | 40,118 | 17,610 | 34,599 |

4. SEGMENT INFORMATION

The Directors manage the Group's daily operations as a single operating 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 revenue from external customers by geographical areas are not presented as the geographical segments other than the People's Republic of China (the "PRC") are less than 10% of the aggregate amount of all segments.

5. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

| | Six months ended 30 June | | Three months ended 30 June | |
|---|---|--------------------------------|---|--------------------------------|
| | 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) | 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) |
| Amortisation of intangible assets | 1,736 | 1,153 | 1,369 | 1,088 |
| Amortisation of prepaid land lease payments | 21 | 22 | 11 | 11 |
| Depreciation of property, plant and equipment | 5,750 | 5,684 | 3,151 | 2,455 |

6. FINANCE COSTS

| | Six months ended 30 June | | Three months ended 30 June | |
|----------------------------|---|---|---|---|
| | 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) | 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) |
| Interest on bank loans | 1,478 | 1,691 | 750 | 846 |
| Interest on other loans | 11,250 | 11,250 | 5,625 | 5,625 |
| Interest on other payables | 16,238 | 14,529 | 8,191 | 7,404 |
| | 28,966 | 27,470 | 14,566 | 13,875 |

7. INCOME TAX CREDIT

| | Six months ended 30 June | | Three months ended 30 June | |
|---------------------------------|---|---|---|---|
| | 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) | 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) |
| Deferred taxation | (515) | 288 | (350) | 279 |
| Total tax credit for the period | (515) | 288 | (350) | 279 |

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.

8. DIVIDEND

No dividend has been paid, proposed or declared by the Group for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

9. LOSS PER SHARE

Basic loss per share is calculated based on the Group's loss for the period attributable to owners of the Company of approximately RMB147,011,000 (2016: RMB43,761,000) divided by the weighted average number of approximately 1,751,308,000 (2016: approximately 1,751,308,000) ordinary shares in issue during the period.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the six months ended 30 June 2017 and 2016.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired approximately RMB5,635,000 property, plant and equipment (six months ended 30 June 2016: RMB1,194,000).

During the period, the Group had not disposed any of its property, plant and equipment (six months ended 30 June 2016: Nil).

11. TRADE AND NOTE RECEIVABLES

The Group has a policy of allowing trade customers with credit normally within 90 days. However, for certain customers with long established relationship and good past payment histories, a longer credit period may be granted. The ageing analysis of the trade and note receivables (net of allowance for impairment) is as follows:

| | As at 30 June 2017 RMB'000 (unaudited) | As at 31 December 2016 RMB'000 (audited) |
|-----------------|---|--|
| Within 60 days | 11,920 | 9,076 |
| 61 to 120 days | 5,700 | 4,549 |
| 121 to 180 days | – | 9,060 |
| 181 to 365 days | – | – |
| Over 365 days | 122,213 | 124,336 |
| | 139,833 | 147,021 |

12. TRADE AND NOTE PAYABLES

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

| | As at 30 June 2017 RMB'000 (unaudited) | As at 31 December 2016 RMB'000 (audited) |
|-----------------|---|--|
| Within 90 days | 12,116 | 7,582 |
| 91 to 180 days | 674 | 5,939 |
| 181 to 365 days | 6,483 | 9,284 |
| Over 365 days | 50,349 | 36,772 |
| | 69,622 | 59,577 |

13. BORROWINGS

During the period, the Group had not raised any borrowings (six months ended 30 June 2016: Nil). During the period, the Group had not repaid any borrowings (six months ended 30 June 2016: Nil).

Other loan – entrusted loan

The other loan in the sum of RMB150,000,000 to 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公司)(“Jiashengpan”), for a term of two years commencing from 31 January 2013 and ending to 30 January 2015. Since the expiry of the said loan on 30 January 2015 and up to the date of this report, no repayment of any principal amount on the said loan has been made by Jiashengpan or any member of the Group.

14. ACCRUALS AND OTHER PAYABLES

On 9 July 2008, the Company issued convertible bonds with a principal amount of HK\$756,900,000 (the “2008 Convertible Bonds”), which bear coupon interest rate at 3% per annum payable semi-annually in arrears. The maturity date of the 2008 Convertible Bonds with principal amount of HK\$382,038,000 was on 9 July 2015. However, on 9 July 2015, none of the outstanding 2008 Convertible Bonds with principal amount of HK\$382,038,000 were redeemed at its principal amount, inclusive of any interest as accrued.

On 25 March 2015, Ruffy had undertaken not to demand immediate repayment in part or in whole for the redemption of the outstanding 2008 Convertible Bonds with principal amount of HK\$372,298,000 held by Ruffy (“Ruffy Bonds”) on the maturity date until 9 July 2017 or such later date as the Company and Ruffy may agree in writing. Hence, Ruffy Bonds was classified as other payables under the non-current liabilities together with the interest accrued of approximately RMB304,415,000.

On 29 February 2016, the remaining bondholders of the 2008 Convertible Bonds have also undertaken not to demand immediate repayment in part or in whole for the redemption of the outstanding 2008 Convertible Bonds with principal amount of HK\$9,740,000 held by the remaining bondholders (the “Remaining 2008 Convertible Bonds”) on the maturity date until 31 December 2016. Hence, the Remaining 2008 Convertible Bonds together with the interest accrued were classified as other payables under the current liabilities of approximately RMB9,485,000, of which approximately RMB5,400,000 was due to Ms. Liu Yaling, an executive Director of the Company, as at 30 June 2016.

15. SHARE CAPITAL

| | As at 30 June 2017 | | As at 31 December 2016 | |
|---|--|--|--|---------------------------------|
| | Number of shares '000 (unaudited) | Amount HK\$'000 (unaudited) | Number of shares '000 (audited) | Amount HK\$'000 (audited) |
| Authorised: | | | | |
| Ordinary shares of HK\$0.002 each at end of the period/ year | 25,000,000 | 50,000 | 25,000,000 | 50,000 |
| | | RMB'000 | | RMB'000 |
| Issued: | | | | |
| Ordinary shares of HK\$0.002 each at end of the period/ year | 1,751,308 | 3,107 | 1,751,308 | 3,107 |

16. COMMITMENTS

(A) Commitments under operating leases

As lessee

At the respective reporting date, the Group had outstanding commitments payable under non-cancellable operating leases in respect of rented premises which fall due as follows:

| | As at 30 June 2017 RMB'000 (unaudited) | As at 31 December 2016 RMB'000 (audited) |
|---------------------------------------|---|--|
| Within one year | 556 | 741 |
| In the second to fifth year inclusive | – | 185 |
| | 556 | 926 |

Operating lease payments represent rental payable by the Group for its office premise. Leases are negotiated for terms of one to two (31 December 2016: one to two) years. Certain leases contain an option to renew and renegotiate the terms of the leases at expiry dates or at date mutually agreed between the Group and the landlords. None of the leases include contingent rentals.

As lessor

At the respective reporting date, the Group had outstanding commitments receivable under non-cancellable operating lease in respect of property, plant and equipment which fall due as follows:

| | As at 30 June 2017 RMB'000 (unaudited) | As at 31 December 2016 RMB'000 (audited) |
|---------------------------------------|---|--|
| Within one year | 700 | 700 |
| In the second to fifth year inclusive | 530 | 880 |
| | 1,230 | 1,580 |

Operating lease receivables represent rental receivable by the Group for its property, plant and equipment. Leases are negotiated for a term of three years.

(B) Capital Commitments

As at 30 June 2017 the Group's capital expenditure contracted but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment amount to approximately RMB34,078,000 (31 December 2016: RMB34,078,000).

17. PLEDGE OF ASSETS

As at 30 June 2017 the Group's mining rights at the net carrying amount of approximately RMB250,969,000 (31 December 2016: RMB252,704,000) were pledged to secure borrowing facilities granted to the Group.

18. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group had the following material related party transactions:

- (a) As at 30 June 2017 and 31 December 2016, the Group's bank borrowings of RMB44,600,000 were guaranteed by Mr. Mei Ping, a former Director (who had resigned on 22 June 2016), Shenzhen City First Create Investment Co., Ltd.# (深圳市冠欣投資有限公司)("First Create") and Wulan Chabu Bainaimiao Co., Ltd.# (烏蘭察布市白乃廟銅業有限責任公司), these are related companies in which Mr. Mei Wei, the Company's substantial shareholder has beneficial interests and/or directorship.
- (b) As at 30 June 2017 and 31 December 2016, the Group's borrowing facility of RMB150,000,000 was secured by the Group's mining rights and guaranteed by Shenzhen First Create Mining Group Limited# (深圳冠欣礦業集團有限公司)("First Create Mining") and Mr. Mei Wei.

MANAGEMENT DISCUSSION AND ANALYSIS

Market review

Lead

Total global supply of lead for the first six months of this year stood at approximately 5.934 million tonnes whilst total consumption for the same period was approximately 6.020 million tonnes, representing a supply deficit of approximately 86,000 tonnes. During the year 2016, global lead production was approximately 11.183 million tonnes and consumption was approximately 11.150 million tonnes, representing a supply surplus of approximately 33,000 tonnes.

World refined lead supply and usage

| January – June | 2017 | 2016 |
|----------------------------|-----------|-----------|
| Metal production (tonnes) | 5,934,000 | 5,503,000 |
| Metal usage (tonnes) | 6,020,000 | 5,475,000 |
| (Deficit)/Surplus (tonnes) | (86,000) | 28,000 |

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

Both global refined lead metal production and consumption increased by approximately 7.8% and 10.0% respectively as compared with last corresponding period. In accordance with ILZSG forecasts, both global demand and production for refined lead metal are expected to rise 2% to 10.83 million tonnes 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 6.744 million tonnes for the first six months of this year whilst total consumption was approximately 6.947 million tonnes, representing a deficit of approximately 203,000 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 surplus of approximately 146,000 tonnes.

World refined zinc supply and usage

| January – June | 2017 | 2016 |
|---------------------------|-----------|-----------|
| Metal production (tonnes) | 6,744,000 | 6,708,000 |
| Metal usage (tonnes) | 6,947,000 | 6,905,000 |
| Deficit surplus (tonnes) | (203,000) | (197,000) |

Source: ILZSG

In accordance with ILZSG forecasts, world usage and supply of refined zinc metal will increase to approximately 14.3 million tonnes and 13.7 million tonnes in 2017 respectively. As a consequence, it is anticipated that there would not be any material deficit/surplus between the usage and consumption in 2017.

Business review

Global and the PRC economic condition review

During the reporting period, the global economic recovery and growth remain sluggish. Coupled with the slowdown in the EU’s economic growth after “Brexit” in United Kingdom, the United States and the EU that all policy levers must be adopted, including monetary, fiscal and structural policies to enhance growth prospects.

While the economy of the PRC is growing, in accordance with International Monetary Fund (IMF) forecasts, the economic growth rate of the PRC will be 6.6% and 6.2% for the next two years respectively that dominated by domestic consumption. However, the lending business in the PRC is growing at an unfavourable rate to approximately 250% of GDP that leads the economic recovery was unstable.

The PRC Nonferrous Metals Market Industry Review

The market of the PRC's nonferrous industry has experienced rapid growth over the past decade, spurred on by the increasing demand of the various business sectors. The PRC has remained one of the world's largest consumers of minerals and the world's largest producer of lead, zinc and other metals. Even though the PRC has sizeable mineral resource reserves, energy resources and key ferrous and nonferrous metal reserves are in many cases low-grade and hard to extract, making mine development costly and the smelting process more energy intensive and polluting. Therefore, the PRC has to import from other countries in which it becomes the world's largest importers of lead and zinc concentrates in recent years.

The nonferrous metals industry has two major characteristics this year. The first one is the industry showed a trend of high growth and post-stabilization, the growth of output of ten nonferrous metals smelting products becomes narrow month by month. The second one is the effect of solving illegal aluminum electrolysis.

In the first half of the year, the nonferrous metals industry as a whole showed a steady growth of production with rising prices and a sustained improvement in efficiency. However, the structural contradictions such as increasing cost, insufficient innovation and financing difficulties have not yet been fundamentally solved. The price is the major factor affecting the efficiency of enterprises. The continuous improvement of industrial development remained to be further consolidated. Looking forward to the next few months, the nonferrous metals industry will maintain its steady operation and the market price remain high and volatile. In 2017, the overall nonferrous metals industry in the PRC will run smoothly.

According to an article issued by the Ministry of Industry and Information Technology (the "MIIT") of the PRC, in the first half of this year, the national price of major nonferrous metals including lead and zinc, increased sharply compared with the same period of last year. Total income of the nonferrous metals industry in the PRC had increased by 17.1% to approximately RMB3,201.1 billion and the profitability of the nonferrous metals industry in the PRC had increased by 50.8% to RMB128.3 billion as compared with last year that have brought significant positive impacts the Group performance.

Prospect

Facing to the recent market price trend in the nonferrous metals market, the Group's average selling price of various products had increased as compared with the last corresponding period. The MIIT 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.

Financial performance analysis

Revenue

For the six months ended 30 June 2017, the Group recorded a turnover of approximately RMB59.6 million, representing an increase of approximately 48.6% as compared with the turnover of approximately RMB40.1 million for the same period last year. Accordingly, total costs of production increased by approximately 2.6% to approximately RMB40.9 million compared with the same period last year.

Revenue and gross profit/(loss) margin for the six months period ended 30 June 2017 and 2016 are as follows:

| | Six months ended 30 June 2017 | | | | Six months ended 30 June 2016 | | | |
|----------------------------|----------------------------------|-----------------------------|----------------------------|----------------------|----------------------------------|-----------------------------|----------------------------|----------------------|
| | Revenue RMB'000 | Cost of sales RMB'000 | Gross profit RMB'000 | Gross profit % | Revenue RMB'000 | Cost of sales RMB'000 | Gross (loss) RMB'000 | Gross (loss) % |
| Nonferrous metal mining | <u>59,597</u> | <u>(40,902)</u> | <u>18,695</u> | <u>31.4%</u> | <u>40,118</u> | <u>(39,860)</u> | <u>258</u> | <u>0.64%</u> |

Nonferrous metal mining

For the six months ended 30 June 2017, the selling price for the Group's product in the PRC markets increased, this favourable condition had a positive impact on the performance of the Group. Also, the increase of the market demand leads to the increase of sales volume of the Group. As a result, revenue generated from nonferrous metal mining increased to approximately RMB59.6 million for the first half of 2017 as compared to approximately RMB40.1 million recorded for the corresponding period in 2016, representing an increase of approximately 48.6%.

During the period, total profitability of the nonferrous metals industry in the PRC had increased by approximately 50.8% to approximately RMB128.3 billion as compared with the same period of last year.

The followings are the sales volume and average selling prices for each of our mining products in respect of the six months period ended 30 June 2017 and 2016:

| | Six months ended 30 June 2017 | | | Six months ended 30 June 2016 | | |
|-------------------|--|---|--------------------------------------|----------------------------------|-------------------------------------|-----------------------------|
| | Sales volume (tonnes) | Selling price per unit RMB | Total revenue RMB'000 | Sales volume (tonnes) | Selling price per unit RMB | Total revenue RMB'000 |
| Zinc concentrates | 4,398 | 12,107.5 | 53,249 | 6,531 | 5,603.7 | 36,598 |
| Lead concentrates | 411 | 12,836.9 | 5,276 | 458 | 7,685.6 | 3,520 |
| Tailing mine | - | - | 1,072 | - | - | - |
| Total revenue | | | <u>59,597</u> | | | <u>40,118</u> |

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, such accounts receivable turnover was approximately 74 days should the trading account receivable balances be excluded. Subsequent to the 2016 year end date and up to 15 November 2017, trade and note receivables of approximately RMB74.1 million as at 31 December 2016 has been settled. The remaining outstanding amount of approximately RMB72.9 million was overdue.

Trade and note receivables as at 30 June 2017 was approximately RMB139.8 million, of which RMB72.7 million was carried forward from 31 December 2016 (balance as at 31 December 2016 was approximately RMB70.1 million and the difference represented an exchange difference of RMB2.6 million during the period). Other remaining outstanding balance amounted to approximately RMB67.1 million. Subsequent to 30 June 2017 and up to 15 November 2017, approximately RMB62.1 million has been received from trade and note receivables.

Other income

During the period, other income was approximately RMB593,000 representing an increase of approximately RMB412,000 as compared with approximately RMB181,000 of the same period of 2016. It was mainly attributed to the rental income for the property, plant and equipment during the period.

Operating expenses

Selling and distribution costs for the six months ended 30 June 2017 was approximately RMB852,000 (six months ended 30 June 2016: RMB186,000). The increase was in tandem with the increased turnover of the Group.

Administrative expenses for the six months ended 30 June 2017 amounted to approximately RMB11.6 million, representing a decrease of approximately RMB5.2 million compared with the same period last year. Administrative expenses mainly consisted of staff costs, legal and professional fees, rent and rates, depreciation and various government expenses.

Finance costs

Finance costs for the six months ended 30 June 2017 amounted to approximately RMB29.0 million, representing an increase of approximately RMB1.5 million as compared with the six months ended 30 June 2016. The increase was mainly attributed to the interest penalties charged on a loan in the sum of RMB150.0 million of the Company which was overdue.

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 Cases 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 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 six months ended 30 June 2017 was approximately RMB147.0 million (six months ended 30 June 2016: RMB43.8 million).

Liquidity and financial resources

The Group generally finances its operations with internally generated cash flows and banking facilities provided by its principal bankers in the PRC. As at 30 June 2017, the total deficit attributable to owners of the Company was approximately RMB1,099.7 million (31 December 2016: RMB949.7 million). The Group's bank and cash balances stood at RMB1.3 million (31 December 2016: RMB0.58 million). The interest-bearing bank borrowings of the Group amounted to RMB194.6 million (31 December 2016: RMB194.6 million).

As at 30 June 2017, the total asset value of the Group was approximately RMB1,169.5 million (31 December 2016: approximately RMB1,158.3 million). Total liability was approximately RMB2,269.2 million (31 December 2016: RMB2,108.0 million). Gearing ratio of the Group, calculated as total liabilities over total assets were approximately 194% (31 December 2016: approximately 182%). The interest-bearing borrowings of the Group amounted to approximately RMB194.6 million (31 December 2016: RMB194.6 million).

Working capital (mainly nonferrous metal mining business)

Total inventory stood at approximately RMB147.3 million as at 30 June 2017 (31 December 2016: approximately RMB143.9 million). The inventory turnover days in nonferrous metal mining increased from 490 days for the year ended 31 December 2016 to 1,296 days in current period should the trading stock be excluded. Total trade receivables stood at approximately RMB139.8 million as at 30 June 2017 (31 December 2016: approximately RMB147.0 million). As set out in the section headed "Addendum to business and financial review" above, trade receivable turnover days in nonferrous metal mining increased from 74 days for the year ended 31 December 2016 to 108 days in current period should the metal trade receivable balances be excluded. The Group will continue to exercise due care in managing credit exposure. Trade payable turnover days in nonferrous metal mining decreased from 638 days as at 31 December 2016 to 211 days in current period. In view of the existing market condition, certain suppliers have offered a lenient credit term to Jiashengpan, which attributable to long trade payables turnover days.

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

As at 30 June 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 deemed interested in the 22,628,802 shares which were held by her spouse, under the SFO.

Share options

As at 30 June 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 30 June 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 the SFO:

| Name of shareholders | Type of interests | Position | Number of shares | Approximate percentage of interests |
|---|------------------------------------|-----------------|-------------------------|--|
| Ruffy Investments Limited (<i>Note 1</i>) | Beneficial owner | Long | 1,033,091,706 | 58.99% |
| Mr. Mei Wei (<i>Notes 1 & 2</i>) | 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 30 June 2017.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30 June 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 appointment of the chairman. The Company is still in progress to file the vacancy and the announcement will be made when appropriated.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms which are the same as the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings throughout the period under review. The Company was not aware of any non-compliance during the six months period ended 30 June 2017.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

Except for those disclosed in this announcement, there were no other significant investments held, material acquisitions, or disposals of subsidiaries 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.

Other deviations included (1) the non-executive director is not appointed for a specific term (which is required under code provision A.4.1 of the Corporate Governance Code) but is subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company according to the Company's bye-laws; and (2) code provision A.1.8 of the Corporate Governance Code stipulates that the Company should arrange appropriate insurance cover in respect of legal action against its Directors. The Board is of the view that the Directors may be subject to the insurance premium which is much higher than necessary, reasonably or normally charged as insurance companies may tend to have reservation in accepting insurance coverage for directors of a listed company whose shares are suspended from trading. Therefore, no insurance cover has been

arranged currently. The Board will monitor any changes to the situation and identify potential insurance company(ies) to arrange appropriate insurance in respect of legal action against its Directors and officers in due course after the resumption of trading of the Company's shares in compliance with code provision A.1.8 of the Corporate Governance Code.

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 receivables denominated in US\$ as at the end of the reporting period. As the exchange rate of HK\$ is pegged against US\$, the Directors were of the opinion that the currency risk of US\$ was insignificant to the Group.

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

CONTROLLING SHAREHOLDER INTERESTS IN COMPETING BUSINESS

During the period and at the date of this report, 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, including its subsidiaries and associated companies, engaged in the mining and trading business. However, the Directors do not consider the interests 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 overseas focus while majority turnover in the Group is local business.

Mr. Mei Wei also holds shareholding interests and/or directorship 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 six months ended 30 June 2017 and up to and including the date of this interim 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 a Purchaser entered into the disposal agreement, pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to purchase. The Disposal constitutes a very substantial disposal (as such term 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 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.

EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2017, the Group had approximately 190 employees. The Group has maintained good relations with its staff and has not experienced any disruption of its operations due to labour disputes. The Group provides fringe benefits in accordance with the relevant laws and regulations of the PRC and Hong Kong including contributions to society security scheme of the PRC and the contributions to the Mandatory Provident Fund Scheme of Hong Kong. The Group remunerated its employees in accordance with their work performance and experience. 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 30 June 2017, the Company had no outstanding options

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 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 the interim results for the six months ended 30 June 2016 and the internal control procedures 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 six months ended 30 June 2016 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 six months period ended 30 June 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.