中國有色金屬有限公司*
China Nonferrous Metals Company Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8306

Annual Report 2016

* for identification only

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. MEI Ping *(Chairman)* (resigned on 22 June 2016)
Mr. CHAN Hoi Tung (appointed on 1 June 2017)
Ms. LIU Yaling

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. CHENG Feng
Mr. CHAN Wai Cheung, Admiral

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

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

FINANCIAL HIGHLIGHTS

	2016	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**111,485**	90,992	126,076	383,283	339,650
Gross profit	**5,906**	2,342	10,225	13,877	35,844
Loss attributable to owners of the Company	**(1,303,943)**	(580,578)	(176,080)	(259,140)	(17,322)
(Deficit)/Equity attributable to owners of the Company	**(949,650)**	346,141	918,940	1,094,654	1,309,254
Total assets	**1,158,306**	1,140,714	1,790,859	2,008,295	2,195,736
Total liabilities	**2,107,956**	794,573	871,919	913,641	793,638

	2016	2015	2014	2013	2012 (Restated)
Loss per share (RMB cents) Basic and diluted	**(74.46)**	(33.15)	(10.05)	(14.80)	(1.60)

GROUP STRUCTURE

The Group structure with major subsidiaries as at 31 December 2016 is as follows:

CHINA NONFERROUS METALS COMPANY LIMITED
(Stock code: 8306)

100% **China Nonferrous Metals Management Limited**

100% **Yongbao Resources Exploitation and Development Limited**

100% **Straight Upward Investments Limited**

100% **Sky King Development Limited**

100% **Shenzhen City Ruirui Industrial Company Limited ("Ruirui")#**

100% **Bameng Wuzhong Qi Jiashengpan Zinc, Lead, and Pyrite Resources Explortation Co., Limited ("Jiashengpan")#**

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Ms. Liu Yaling (劉亞玲) ("Ms. Liu"), aged 44, is an executive Director and the general manager of the Company. Ms. Liu graduated from the Ocean University of Qingdao with a Bachelor's Degree in Ecology and a Master's Degree in Accounting from California State University, LA, USA. Ms. Liu is a member of the Chinese Institute of Certified Public Accountants. Prior to joining the Group as financial controller in November 2009, Ms. Liu was a manager of KPMG, Shenzhen, China. Ms. Liu was appointed as financial controller in November 2009 and was redesignated as general manager in June 2012. Ms. Liu is an independent director of Shenzhen Changhong Technology Co., Ltd. (stock code: SZ-300151), the shares of which are listed on the Shenzhen Stock Exchange.

Mr. Chan Hoi Tung (陳海東) ("Mr. Chan"), aged 46, has over 20 years of working experience, mainly in the corporate finance, investment banking areas and merger and acquisition advisory services in various reputable international financial institutions and investment banks. Mr. Chan currently is a director and shareholder of Ananotech Limited, a company based in Hong Kong and investing into electric vehicle technologies. Mr. Chan is a Chartered Financial Analyst and is a member of each of The American Institute of Certified Public Accountants and the Institute of Management Accountants in the United States. He graduated from The Chinese University of Hong Kong with a Bachelor's Degree in Business Administration and obtained a Master's Degree in Accounting Science from the University of Illinois at Urbana-Champaign in the United States.

NON-EXECUTIVE DIRECTOR

Mr. Chan Wai Cheung, Admiral (陳偉璋) ("Mr. Admiral Chan"), aged 44, is the non-executive Director. He was the financial controller of the Company for the period from June 2012 to November 2014. He holds a Bachelor of Arts (Honours) in Accountancy from City University of Hong Kong. Mr. Admiral Chan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has extensive experience in accounting and auditing field. Mr. Admiral Chan is an executive director of Energy International Investments Holdings Limited (stock code: 353) and an independent non-executive director of Carnival Group International Holdings Limited (stock code: 996), Hanbo Enterprises Holdings Limited (stock code: 1367) and Zhong Ao Home Group Limited (stock code: 1538), all of which are listed on the Main Board of the Stock Exchange. He was an independent non-executive director of Jia Meng Holdings Limited (stock code: 8101), which is listed on GEM, from September 2013 to May 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Man Kwan, Lawrence (吳萬鈞) ("Mr. Ng"), aged 47, is an independent non-executive Director. He obtained his Master of Business Administration Degree from the University of Wales, Newport in the United Kingdom. Mr. Ng has over 20 years of knowledge of a wide range of financial products such as fixed income, wealth management and asset management business. Mr. Ng is currently the managing partner of Prince Fund Management Limited, mainly responsible for the using of derivative products for hedging and performing asset management analysis. He was a director responsible for asset management for Prince Capital Management Limited, a licensed corporation for asset management under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Mr. Ng has previously held senior positions at leading global financial institutions in Asia such as the American Express Bank Limited, DBS Bank Limited, Hong Leong Bank in Singapore and Fleet National Bank.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheng Feng (程峰) ("Mr. Cheng"), aged 45, is an independent non-executive Director. He obtained his diploma in Financial Accounting from Hubei College of Finance and Economics (湖北省財經高等專科學校), and his diploma in Financial Management from Hubei Economic Management Cadre Institute (湖北省經濟幹部管理學院). Mr. Cheng is a senior manager of the quality supervision department (質量監管部) in Ruihua Certified Public Accountants, responsible for conducting independent reviews of the operations of listed companies and proposed listed companies. Mr. Cheng is registered as a member of the Chinese Institute of Certified Public Accountants. He has over 15 years of experience in the accounting and auditing field.

Mr. Siu Kai Chun (蕭啟晉) (formerly known as Siu Kwok Yee (蕭國義)) ("Mr. Siu"), aged 49, is an independent non-executive Director. He is the chief financial officer and company secretary of Wang Tai Holdings Limited (stock code: 1400), a company listed on the main board of the Stock Exchange. Mr. Siu has over 17 years of experience in auditing, finance and accounting field. Mr. Siu graduated from City University of Hong Kong with a Bachelor's Degree in business studies in December 1994 and completed the Executive Master of Business Administration programme at Lingnan (University) College, Sun Yat-sen University (中山大學嶺南(大學)學院), Guangzhou, the PRC in November 2003. Mr. Siu is currently a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales.

SENIOR MANAGEMENT AND MANAGEMENT TEAM

Ms. Liu Yaling (劉亞玲), holds several positions of the Company, including executive Director and general manager of the Company. Ms. Liu graduated with a Master's Degree and is a member of the Chinese Institute of Certified Public Accountants.

MANAGEMENT DISCUSSION AND ANALYSIS

PRC NONFERROUS METAL MARKET INDUSTRY REVIEW

Introduction to Lead and Zinc

Lead is a very corrosion-resistant, dense, ductile and malleable blue-gray metal that has been used for at least 5,000 years. Approximately 80% of the lead produced globally is used for making lead-acid batteries, which can be found in motor vehicles and in emergency systems.

Zinc is a bluish-white, lustrous, diamagnetic metal. Approximately 50% of the zinc produced globally is used for making galvanising steel.

PRC Nonferrous Metals Development in 2016

The principal market for our nonferrous products is the PRC.

Facing to the complex economic environment, coupled with the volatility of the financial markets, the nonferrous market performance in general was steady improved during the year of 2016. The overall production was steady growth and efficiency improved, the overall performance of the industry was stable.

The nonferrous market performance in the PRC in turn affects our production and planning. According to the recent forecast of the International Lead and Zinc Study Group (the "ILZSG"), global zinc demand is expected to increase to 14.3 million tonnes in 2017 following the growth in 2016. The global lead demand is expected to increase to 11.39 million tonnes in 2017, as a consequence of a further increase in Chinese usage which is forecast to grow by 4.3%.

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

MARKET REVIEW

LEAD

Total global supply of lead for this year stood at approximately 11.183 million tonnes whilst total consumption was approximately 11.150 million tones, representing a surplus of approximately 33,000 tonnes. During year 2015, global lead production was approximately 10.971 million tonnes and consumption was approximately 10.961 million tonnes, representing a supply surplus of approximately 10,000 tonnes.

World refined lead supply and usage

	2016	2015
Metal production (tonnes)	**11,183,000**	10,971,000
Metal usage (tonnes)	**11,150,000**	10,961,000
Surplus (tonnes)	**33,000**	10,000

Source: ILZSG

Both refined lead metal production and consumption slightly increased by approximately 1.7% and 1.9% respectively as compared with the year of 2015. In accordance with ILZSG forecasts, both world usage and supply of refined lead metal will increase to approximately 11.39 million 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 13.711 million tonnes for this year whilst total consumption was approximately 13.857 million, representing a deficit of approximately 146,000 tonnes. During year 2015, global zinc production was approximately 13.929 million tonnes and consumption was approximately 13.824 million tonnes, representing a supply surplus of approximately 105,000 tonnes.

World refined zinc supply and usage

	2016	2015
Metal production (tonnes)	**13,711,000**	13,929,000
Metal usage (tonnes)	**13,857,000**	13,824,000
(Deficit)/surplus (tonnes)	**(146,000)**	105,000

Source: ILZSG

In accordance with ILZSG forecasts, the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

INFORMATION ON THE MINE

The mine of the Group is located in Wulatezhong Qi, an autonomous region in Inner Mongolia of the PRC with an aggregate mining area of 1.1014 km^2 (the "Mine"). The exploration activities on the Mine are mainly exploration of nonferrous metals of zinc and lead.

A resource verification on the Mine has been conducted by No. 5 Geology Institute in December 2008 and the verification report was submitted by Jiashengpan, the results of which are set out below:

Category under Chinese standard	Zinc resources contained metal (approximate '000 tonnes)	Lead resources contained metals (approximate '000 tonnes)
112b	302.20	42.68
333	554.90	68.16
Total as at 31 December 2008	857.10	110.84
Less: Total output from 2009 to 2016	(108.32)	(11.75)
Total as at 1 January 2017	748.78	99.09

The data above present the zinc and lead resources in metal tonnes which represent the estimated quantities in various nonferrous concentrates after processing.

Major assumptions of the above table:

The resource statements above are not in compliance with Joint Ore Reserves Committee ("JORC") Code for the reporting of mineral resources and/or ore reserves. The resources presented in the above table are all inside the mining lease, however it is believed that the resources may also include some tonnes below the depth boundary and it is based on the detailed analysis on resource maps obtained from the Group's internal records.

The following is a list of main resource parameters used for resources estimates as extracted from the verification report which was conducted by No. 5 Geology Institute of above table:

- Average grades: weighted average for exploration engineering line; weighted average for ore-block and orebody;
- Ore densities: 3.39 tonnes per cubic metre (t/m^3) for the main block, and 3.75 t/m^3 for the west block;
- Areas of blocks were defined on vertical cross section maps and/or longitudinal projection maps along the exploration line, and calculated using standard formula showing as triangular, trapezoidal, and rectangular shapes;
- Volume of blocks was calculated by using standard formula for various shapes. For example, when two sectional areas are shown and (Sl-S2)/Sl×l00 < 40%, the block volume: V = (S1+S2)/2×H, Here S1 and S2 are the areas of the blocks; and H is vertical distance between two sectional areas;
- Resources of mineralised bodies were estimated using the standard formula: Q = V×d, where Q, V and d are the resource tonnes, volumes, and densities, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit margin of the Group are analysed as follows:

	2016				2015			
	Revenue	**Cost of sales**	**Gross profit**	**Gross profit %**	Revenue	Cost of sales	Gross profit	Gross profit%
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Nonferrous metal mining	**111,485**	**(105,579)**	**5,906**	**5.3%**	90,992	(88,650)	2,342	2.6%

REVENUE

Looking back to the year of 2016, total revenue increased by approximately 22.5% to approximately RMB111.5 million. The increase was mainly attributable to the increase in market price of China nonferrous metals industry.

MINING

Both zinc and lead prices had increased by approximately 2% and by approximately 19% respectively as compared with last year. Both zinc and lead prices remained at low level during the year of 2015 and recovered from the year of 2016.

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

The followings are the sales volume and average selling prices for each of our mining products and trading business in respect of the years ended 31 December 2016 and 2015:

	2016			2015		
	Sales volume	**Selling price**	**Total revenue**	Sales volume	Selling price	Total revenue
	(tonne)	***(RMB/tonne)***	***(RMB'000)***	*(tonne)*	*(RMB/tonne)*	*(RMB'000)*
Zinc concentrates	**12,324**	**7,026.5**	**86,594**	12,097	6,889.2	86,783
Lead concentrates	**2,343**	**10,623.6**	**24,891**	459	8,895.4	4,083
Tailing mine	**–**	**–**	**–**	1,022	123.3	126
			111,485			90,992

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 exclude. Subsequent to the 2016 year end date and up to 30 September 2017, trade and note receivables of RMB17.9 million as at 31 December 2016 has been settled. The remaining outstanding amount of RMB129.1 million was overdue.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INCOME

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

OPERATING EXPENSES

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

Administrative expenses for the year decreased to approximately RMB31.9 million, as compared to approximately RMB41.7 million reported last year. Administrative expenses mainly consisted of staff costs, legal and professional fees, rent and rates, commission, depreciation, various government expenses and net exchange differences.

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

FINANCE COSTS

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

PROVISION FOR LITIGATIONS

Reference to the announcement dated 22 January 2015, the Company had been aware of three writs of civil summon dated (i) 24 September 2014 and has been issued at the Intermediate People's Court of Shenzhen City, (ii) 3 November 2014 and has been issued at the Intermediate People's Court of Bayannur; and (iii) 29 December 2014 and has been issued at the People's Court of Futian, Shenzhen. In addition, the Company had also been aware of four arbitration cases in Shenzhen Arbitration Centre against 深圳市冠欣投資有限公司 ("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 and/or 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(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, Mei Ping, Mei Wei, First Create and other defendants shall be jointly and severally liable for the judgment debt of approximately RMB43.4 million as at 31 December 2015. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB525 million, interest accrued and penalties thereon.

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

Having considered that no progress on settlement of the above litigations and the Arbitration Case for about 3 years and having received a letter dated 13 September 2017 from First Create mentioning that its financial position is not capable to repay the liabilities, the management of the Company are in doubt that Jiashenpan may be liable to the above litigations due to the inadequate financial capability of Mr. Mei Wei, First Create and 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 consolidated financial statements for the year.

OTHER LITIGATIONS

(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 statements.

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company for the year ended 31 December 2016 was approximately RMB1,304.9 million (2015: RMB580.6 million).

The loss was mainly attributable to the provision for litigations made during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by its principal bankers in the PRC. As at 31 December 2016, the deficit attributable to owners of the Company was approximately RMB949.7 million (2015: equity of approximately RMB346.1 million). The Group's bank and cash balances stood at RMB0.6 million (2015: RMB6.6 million). The decrease is a result of the loss incurred during the year. As at 31 December 2016, the Group's net current liabilities is approximately RMB1,304.4 million (2015: net current assets approximately RMB275.2 million).

Total inventory stood at approximately RMB143.9 million (2015: approximately RMB131.5 million). The inventory level of the Company became stable.

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

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

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

FOREIGN EXCHANGE EXPOSURE

The Group has bank balances, sales and purchases denominated in foreign currencies which expose the Group to foreign currency risk. The currency risk for those subsidiaries with functional currency in Hong Kong Dollars ("HK$") were mainly attributable to the bank balances and trade and other receivables denominated in United States Dollars ("US$") as at the end of the reporting year. As the exchange rate of HK$ is pegged against US$, the Directors were of the opinion that the currency risk of US$ was insignificant to the Group.

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

MANAGEMENT DISCUSSION AND ANALYSIS

SAFETY PRODUCTION AND ENVIRONMENTAL PROTECTION

The Group has always been paying great attention to production safety and environmental protection while achieving growth in zinc and lead concentrates production. Thus, the Group had put great efforts in promoting safety management and strengthened measures for environmental protection, aiming to build itself into a safety-oriented and environmental-friendly corporation. The production safety permit has been renewed during the year and its expiry date is extended to the year 2018.

PLEDGE OF ASSETS

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

EMPLOYEE INFORMATION

As at 31 December 2016, the Group had approximately 190 employees. The Group has maintained good relations with its staff and has not experienced any disruption of its operations due to labour disputes. The Group provides fringe benefits in accordance with the relevant laws and regulations of the PRC and Hong Kong including contributions to social security scheme of the PRC and the contributions to the Mandatory Provident Fund Scheme of Hong Kong. The Group remunerates its employees in accordance with their work performance and experience.

Total employees' remuneration incurred for the year ended 31 December 2016 amounted to approximately RMB11.9 million (2015: approximately RMB14.6 million). The Directors received remuneration of approximately RMB1.7 million during the year ended 31 December 2016 (2015: approximately RMB1.3 million).

SHARE OPTION SCHEME

The pervious share option scheme of the Company expired on 15 February 2015 and the Company has not adopted new share option scheme. As at 31 December 2016, the Company had no outstanding options.

FINAL DIVIDEND

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

CORPORATE GOVERNANCE REPORT

The Company applied the principles and complied with all requirements of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules throughout 2015 with certain deviations. The following summarises the Company's corporate governance practices and explains deviations, if any, from the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

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 have complied with the required standard of dealings and its code of conduct regarding directors' securities transactions throughout the year ended 31 December 2016.

BOARD OF DIRECTORS

During the period from 1 January 2016 up to the date of this report, there have been changes in the composition of the Board. As at the date of this report, the Board comprised six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. The list of all Directors and the aforesaid changes are set out below:

Executive Directors
Ms. LIU Yaling
Mr. CHAN Hoi Tung (appointed on 1 June 2017)
Mr. MEI Ping (resigned on 22 June 2016)

Non-executive Director
Mr. CHAN Wai Cheung, Admiral

Independent non-executive Directors
Mr. NG Man Kwan, Lawrence
Mr. CHENG Feng
Mr. SIU Kai Chun

The Directors' profile is set out on pages 6 to 7 of this annual report. The Company has complied with Rules 5.05(1) and (2) of the GEM Listing Rules, i.e. the Board includes at least three independent non-executive directors and at least one of them possesses appropriate professional qualifications or accounting or related financial management expertise. The Company has received confirmation from each independent non-executive Director about his independence under the GEM Listing Rules and continues to consider each of them to be independent. In accessing the independence of independent non-executive Directors, the Company is satisfied that each independent non-executive Director fulfills the guideline requirements as set out in Rule 5.09 of the GEM Listing Rules.

The Board is responsible for determining the overall strategy and development, overseeing the business operations of the Group, financial reporting, legal and regulatory compliance, risk management, major acquisitions, disposals, capital transactions and approving the annual business plan of the Group whereas day-to-day execution responsibility was delegated to management team of the Company with clear directions by the Board. The Board is also responsible for the establishment of the internal control of the Company; the Board discusses with the management regularly to ensure that internal control is operating effectively. There is no other relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

CORPORATE GOVERNANCE REPORT

All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his/her position, and has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently.

Every newly appointed Director receives a comprehensive and formal induction upon his/her appointment to ensure that he/she has a proper understanding of operations and business of the Group and is fully aware of responsibilities and obligations of being a Director. The Group provides continuing briefings and professional development to the Directors to update on the latest development in relation to the GEM Listing Rules and other applicable regulatory requirements as well as the Group's business and governance policies.

During the year and up to date of this report, the Company was unable to find any insurance company to provide appropriate insurance cover to the Directors and officers of the Group from their risk exposure arising from the business of the Group. The Group will continue to seek for insurance companies to comply with the CG Code.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on Directors' training. During the year, all Directors have participated in continuous professional development by attending seminars/in-house briefing/reading materials to develop and refresh their knowledge and skills and provided a record of training to the Company. These covered a broad range of topics including Directors' duties, corporate governance and recent updates on the GEM Listing Rules.

Name of Directors	Attended seminars or briefing/read materials
Executive Directors	
Ms. LIU Yaling	✓
Mr. CHAN Hoi Tung (appointed on 1 June 2017)	N/A
Mr. MEI Ping (resigned on 22 June 2016)	N/A
Non-executive Director	
Mr. CHAN Wai Cheung, Admiral	✓
Independent non-executive Directors	
Mr. NG Man Kwan, Lawrence	✓
Mr. CHENG Feng	✓
Mr. SIU Kai Chun	✓

CORPORATE GOVERNANCE REPORT

FREQUENCY OF MEETINGS AND ATTENDANCE

Each Director is expected to give sufficient time and attention to the affairs of the Company. The time commitment required of Directors to perform their responsibilities to the Company will be reviewed annually. The attendance record of each of the Directors for the Board and committee meetings held during the year is set out below:

	Number of attendance/Number of meetings			
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. MEI Ping (resigned on 22 June 2016)	0/12	N/A	N/A	N/A
Ms. LIU Yaling	12/12	N/A	N/A	N/A
Non-executive Director				
Mr. CHAN Wai Cheung, Admiral	12/12	N/A	1/1	1/1
Independent non-executive Directors				
Mr. NG Man Kwan, Lawrence	8/12	4/4	1/1	1/1
Mr. CHENG Feng	12/12	4/4	1/1	1/1
Mr. SIU Kai Chun	12/12	4/4	N/A	N/A

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company does not have a post of chief executive officer. Mr. Mei Ping is the chairman of the Board but resigned on 22 June 2016. The board is in the process of locating appropriate persons to fill the vacancies of the Chairman and Chief Executive Officer. Even so, the Board considers that the existing Board members are able to share the power and responsibility of Chairman and Chief Executive Officer and the balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly at least four times a year to discuss issues affecting operations of the Company. Also, the balance of power is further ensured by the following reasons:

– Audit committee is composed exclusively of all independent non-executive Directors; and

– The independent non-executive Directors have free and direct access to the Company's external auditor and independent professional advisors when considered necessary.

It is believed that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

APPOINTMENT TERM OF NON-EXECUTIVE DIRECTOR

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

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company set up a Remuneration Committee in February 2005 with written terms of reference in compliance with paragraph B1.2 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. During the financial year ended 31 December 2016 and up to the date of this report, the members of the Remuneration Committee were:

Mr. Ng Man Kwan, Lawrence	Chairman
Mr. Cheng Feng	Member
Mr. Chan Wai Cheung, Admiral	Member

The responsibility of the Remuneration Committee is to formulate transparent procedures for development of remuneration policies and packages for key executives. The terms of reference of the Remuneration Committee are in compliance with GEM Listing Rules.

The Remuneration Committee consults the chairman of the Board about their proposals relating to the remuneration policies and packages of key executives. During the year under review, meetings were held for considering and reviewing the remuneration and terms of service contracts of the executive Directors of the Company.

NOMINATION COMMITTEE

The Company set up the Nomination Committee in March 2005 with written terms of reference in compliance with paragraph A5.2 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. During the financial year ended 31 December 2016 and up to the date of this report, the members of the Nomination Committee were:

Mr. Ng Man Kwan, Lawrence	Chairman
Mr. Chan Wai Cheung, Admiral	Member
Mr. Cheng Feng	Member

The responsibilities and authorities of the Nomination Committee are clearly stated in the terms of reference of the Nomination Committee, including but not limited to reviewing the structure, size and composition of the Board, making recommendations to the Board on relevant matters relating to the appointment of Directors and accessing the independence of the independent non-executive Directors. The terms of reference of the Nomination Committee are in compliance with the GEM Listing Rules.

The Board has adopted a board diversity policy and its aims to set out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Nomination Committee discusses and agrees annually measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption. Selection of candidates is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company set up an Audit Committee in February 2005 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraph C3.3 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. On 23 December 2015, the Board adopted a set of the revised terms of reference of the Audit Committee in line with the GEM Listing Rules requirement in relation to the internal control by introducing the concept of the risk management. The Audit Committee has the responsibility of reviewing and providing supervision over the Group's financial reporting process and internal controls, as well as making recommendations to the Board for appointment and removal of external auditor. During the financial year ended 31 December 2016 and up to the date of this report, the members of the Audit Committee were:

Mr. Cheng Feng	Chairman
Mr. Ng Man Kwan, Lawrence	Member
Mr. Siu Kai Chun	Member

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

The Group's 2016 quarterly, interim and annual reports have been reviewed by the Audit Committee which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for the Group's risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, but not absolute assurance against misstatement or loss.

Given the relatively simple corporate and operation structure, the Group currently does not have an internal audit function.

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management as well as overseeing the formation, implementation and monitoring of the risk management and internal control systems.

In addition, the Group engages independent professional advisor to conduct a review of the effectiveness of the Group's risk management and internal control systems in various material aspects including financial, operational and compliance controls. The risk management and internal control systems are reviewed by the Audit Committee at least once a year to improve the Group's operations.

For the year ended 31 December 2016, the Board, through its Audit Committee, is satisfied that the Group's risk management and internal control systems (i) are adequate to meet the needs of the Group in its current business environment; and (ii) comply with the code provisions on internal control as set out in the GEM Listing Rules.

AUDITOR'S REMUNERATION

Currently, the Company's external auditor is ZHONGHUI ANDA CPA Limited. For the year ended 31 December 2016, the remuneration was payable to the auditor of the Company for provision of audit services was approximately RMB770,000. The Audit Committee approved the appointment of ZHONGHUI ANDA CPA Limited as the auditor of the Company, and the Board fully concur with such approval by the Audit Committee.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial period and to ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements.

The statements of the auditor of the Company regarding their responsibilities on the financial statements are set out in the Independent Auditor's Report on pages 33 to 37 of this annual report.

COMPANY SECRETARY

Mr. Lai Ka Ki ("Mr. Lai"), has been appointed as the Company Secretary of the Company since June 2017. He is the Finance Manager of the Company. He obtained his degree of Bachelor of Commerce in Accounting from Hong Kong Shue Yan University. Mr. Lai is registered as a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Lai confirmed that he has taken no less than 15 hours of relevant professional training during the year.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene a special general meeting and putting forward proposals at shareholders' meeting

Pursuant to the bye-laws of the Company, any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company by mail at Room 1104, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquires may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at Room 1104, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

There has not been any significant change in the Company's constitutional documents during the year ended 31 December 2016.

INVESTOR RELATIONS

The Board recognises the importance of maintaining a clear, timely and effective communication with the shareholders and investors of the Company. The Board also recognises that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the shareholders and investors of the Company will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, quarterly reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at http://www.cnm.com.hk. Members of the Board and chairman of various board committees will attend the forthcoming annual general meeting of the Company (the "AGM") to answer questions raised by the shareholders of the Company. The resolutions of every important proposal will be proposed at general meetings separately.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS (Continued)

Voting at general meetings of the Company is conducted by way of poll in accordance with the GEM Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

There were no special general meeting held during the year ended 31 December 2016.

GOING CONCERN BASIS

The auditor of the Company modifies its audit opinion on the consolidated financial statements for the year ended 31 December 2016 as a result of the Writs and Arbitration Cases; details of which are set out in the paragraphs headed "PROVISION FOR LITIGATIONS" in the Management Discussion and Analysis section may cause doubt to the going concern of the Company. The Group incurred a loss attributable to the owners of the Company of approximately RMB1,303.9 million for the year ended 31 December 2016 and had accumulated losses of approximately RMB1,945.4 million at the same date. The Group has provision for litigations of approximately RMB1,234.8 million arising from alleged guarantee documents entered into by two subsidiaries of the Group. In addition, the Group has not repaid the entrusted loan as disclosed in note 26 to the consolidated financial statements with the principal amount of RMB150.0 million together with accrued interests after the expiry date on 30 January 2015 and up to the date of approval of these consolidated financial statements. The Group's mining right of carrying amount of approximately RMB252.7 million as at 31 December 2016 has been pledged as security of the entrusted loan and is believed to be subject to court order. These matters give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the foregoing the consolidated financial statements have been prepared on a going concern basis. In the opinion of the Directors, the liquidity of the Group can be maintained in the coming year based on the assumption that the proposed restructuring of the Group as detailed below will be successfully completed.

Reference to an announcement dated 24 October 2017, the Company entered into an agreement with independent third parties, pursuant to which the Company conditionally agreed to sell the entire equity interest in Yongbao Resources Exploitation and Development Limited and 13 subsidiaries of the Company (the "Disposed Group"), including Jiashengpan and Ruirui, which are named defendants under certain litigations and arbitration cases. Upon the completion of the disposal, the Disposed Group will cease to be subsidiaries of the Company and the Company will be released from the obligation of the litigations and arbitration cases.

The Company has submitted a resumption proposal to the Stock Exchange on 3 November 2017 seeking its approval for the resumption of trading in the shares of the Company. In support of the submission of the resumption proposal, the Company has entered into a legally binding conditional acquisition agreement, a legally binding conditional capital increase agreement and a legally binding conditional subscription agreement dated 3 November 2017 regarding the acquisition (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.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the consolidated financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 35 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 38 of the annual report.

BUSINESS REVIEW

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position can be found in "Management Discussion and Analysis" set out on pages 8 to 16 respectively.

DIVIDEND

The Directors do not recommend the payment of a dividend.

PRINCIPAL RISKS AND UNCERTAINTIES

The following is a list of principal risks and uncertainties that are considered to be of significance, as it would have potential significant impacts to the Group's businesses, results of operations and financial conditions. However, this is non-exhaustive as there may be other risks and uncertainties arising from changes in economic and other conditions over time.

i. The Group only derives its turnover from a single customer. Such reliance on a small number of customers may materially affect the businesses of the Group, if the Group could not secure continuous supports from them.

ii. Significant fluctuations in global metals prices from year to year will cast corresponding significant fluctuations in year end valuations of intangible assets as well as exploration and evaluation assets, which may have material impacts on the Group's financial results due to the resultant impairment losses or reversal of impairment losses, and also on the Group's total non-current assets.

iii. The mining right of the Group will expire in 2019, and if such mining right could not be further extended and is subject to approval for renewal by the local authorities, the corresponding carrying amount under the intangible assets may need to be written off.

iv. Certain subsidiaries of the Group have get involved in various litigations and arbitration cases that the details can be refer to the paragraphs headed "PROVISION FOR LITIGATIONS" and "OTHER LITIGATIONS" in the Management Discussion and Analysis section, and the outcomes of the legal proceedings are still unknown that affected the going concern of the Company.

v. Please refer to Note 6 to the financial statements on pages 55 to 57 for the foreign currency risks, interest rate risks, credit risks and liquidity risks.

DIRECTORS' REPORT

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and maintaining a good standard of corporate social governance essential for bringing a framework for motivating employees to contribute to our community. The Group has made continuous efforts in promoting green measures and awareness in daily business operations. The principles of recycling and reducing will always be encouraged to adhere to as much as possible, such as implementing green office practices of double-sided printing and copying, setting up recycling bins and switching off idle lightings and regulating air-conditioning in different zoning.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Company is committed to constantly monitor the adherence and compliance with all significant legal and regulatory requirements essential to its business operations. As far as the Company is aware and to the best of the knowledge, information and belief of the Company, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business operations of the Group.

However, during the year under review, the Company has the following non-compliance with provisions of the GEM Listing Rules:

i. The 2016 annual results for the year ended 31 December 2016 cannot be published on or before 31 March 2017, because the Company required more time to plan the audit arrangement. As such, the Company was not able to timely comply with the financial reporting provisions under the GEM Listing Rules in (a) announcing the annual results for the financial year ended 31 December 2016 on or before 31 March 2017; and (b) publishing the 2016 annual report for the year ended 31 December 2016 on or before 31 March 2017.

ii. Due to the delay in publishing the 2016 annual report mentioned hereinabove, the Company was not able to timely comply with the provision under the GEM Listing Rules in laying its annual financial statements for the year ended 31 December 2016 before its members at its annual general meeting within the period of six months after the end of the financial year to which the annual financial statements relate, i.e. to hold its 2016 annual general meeting on or before 30 June 2017.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 28 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 40 of this annual report and in note 31 to the financial statements respectively.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2016, the Company had no distributable reserves as required in accordance with the Companies Act 1981 of Bermuda.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

EXECUTIVE DIRECTORS:

Mr. Mei Ping (resigned on 22 June 2016)
Mr. Chan Hoi Tung (appointed on 1 June 2017)
Ms. Liu Yaling

NON-EXECUTIVE DIRECTOR:

Mr. Chan Wai Cheung, Admiral

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Ng Man Kwan, Lawrence
Mr. Cheng Feng
Mr. Siu Kai Chun

In accordance with bye-laws 86 and 87 of the Company's bye-laws, Ms. Liu Yaling and Mr. Ng Man Kwan, Lawrence and Mr. Siu Kai Chun will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' PROFILE

The Directors' profile is set out on pages 6 to 7 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

The term of office of all Directors are not specific. All Directors are subject to re-election requirements under the Company's bye-laws.

DIRECTORS' REPORT

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

As at 31 December 2016, the interests and short positions of the Directors, the chief executive and their associates 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 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

(A) ORDINARY SHARES OF HK$0.002 EACH OF THE COMPANY

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

Note: Ms. Liu Yaling was deemed to be interested in the 22,628,802 shares which were held by her spouse, under the SFO.

(B) SHARE OPTIONS

As at 31 December 2016, save as disclosed herein, none of the Directors nor chief executive of the Company had any interests and short positions in any shares, underlying shares and 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 in Rules 5.46 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEME

As at 31 December 2016, none of the options granted by the Company was outstanding and the scheme had lapsed on 15 February 2015. The Company does not adopt new share option scheme as at the date of this report.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the options disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements which enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the financial statements, no contract of significance, to which the Company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed, at no time during the year had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, 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 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 or otherwise notified to the Company as follows:

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

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 December 2016.

DIRECTORS' REPORT

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 77.9% of the total purchases of the Group and the largest supplier accounted for approximately 20.9% during the year. The aggregate sales attributable to the Group's five largest customers accounted for approximately 100% of the total sales of the Group while sales to the largest customer accounted for approximately 100%.

So far as is known to the Directors, none of the Directors, their associates or substantial shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the share capital of any of the five largest customers and suppliers of the Group.

RELATIONSHIP BETWEEN THE GROUP AND EACH OF THE RELEVANT CONNECTED PERSONS

Ruffy is a company incorporated in the British Virgin Islands whose entire issued share capital is solely and beneficially owned by Mr. Mei Wei, a substantial shareholder of the Company.

First Create and First Create Mining (collectively referred as "First Create Group") were companies established under the laws of the PRC with limited liability. Mr. Mei Wei beneficially owned more than 30% equity interest in First Create Group respectively. Mr. Mei Wei have directorship in First Create Group. First Create Group is a connected person to the Company under the GEM Listing Rules.

As far as the transactions set out in note 33 to the financial statements under the heading of "Related Party Transactions" are concerned, the transaction as set out in note (a) was the de minimis rental payment to First Create which was exempt from the announcement, circular and independent shareholders' approval requirements under the GEM Listing Rules. The transaction as set out in note (b) was the remuneration of key management as determined pursuant to the service contracts entered into between the key management (including the Directors) of the Group and the securities issued and to be issued upon exercise of options granted to the Directors under the share option scheme of the Company were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the GEM Listing Rules. The transactions as set out in notes (c) and (d) were exempted from the announcement, circular and independent shareholders' approval requirements under the GEM Listing Rules.

Save as disclosed herein and elsewhere in the financial statements, (i) there were no other transactions which need to be disclosed as connected or continuing connected transactions in accordance with the requirements of the GEM Listing Rules; and (ii) no contracts of significance to which Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

DIRECTOR/CONTROLLING SHAREHOLDER INTERESTS IN COMPETING BUSINESSES

During the year and at the date of this report, the following Director(s) and controlling shareholder is/are 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.

Mr. Mei Wei held shareholding or directorship in First Create Group which, including its subsidiaries and associated companies, is engaged in the mining and trading business. Mr. Mei Wei also has beneficial interest and directorship in First Create Group. However, the Directors do not consider the interests/directorship held by Mr. Mei Ping and Mr. Mei Wei to be competing in practice with the relevant businesses of the Group in view of the trading business of First Create Group is overseas focus while major turnover in the Group is local business.

Mr. Mei Wei also held 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.

SUSPENSION OF TRADING IN SHARES AND LISTING STATUS

Trading in the shares of the Company on the Stock Exchange has been suspended since 1 April 2015, and will remain suspended until further notice.

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

The Company has to submit a resumption proposal as required by Rule 17.26 of the GEM Listing Rules before the expiry of the six months from the date of the Notice. If the Company fails to submit a viable proposal by the expiry of the six-months period, the Stock Exchange will proceed with cancellation of the Company's listing status.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Company on the basis of their merit, qualifications and competence. The emoluments of the Directors and senior management are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

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.

CORPORATE GOVERNANCE

The Company has complied with the CG Code as contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2016 which are explained in the relevant paragraphs.

A report on the principal corporate governance practices adopted by the Company is set out on pages 17 to 23 of this annual report.

DIRECTORS' REPORT

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

AUDIT COMMITTEE

The Company set up 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 and the Company's auditor in matter coming within the scope of the Group audit. It also reviews and supervises the financial reporting process and internal control procedures of the Group. The members of the audit committee comprises three independent non-executive Directors, namely Mr. Cheng Feng, Mr. Ng Man Kwan, Lawrence and Mr. Siu Kai Chun.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the amount of sufficient public float as required under Rule 11.23 of the GEM Listing Rules throughout 2016.

MATERIAL ACQUISITION AND DISPOSAL

No material acquisitions or disposals of subsidiaries and associated companies have been made by the Company during the year ended 31 December 2016.

EVENTS AFTER THE REPORTING DATE

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

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

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

The Company has submitted a resumption proposal to the Stock Exchange on 3 November 2017 seeking its approval for the resumption of trading in the shares of the Company. In support of the submission of the resumption proposal, the Company has entered into a legally binding conditional acquisition agreement, a legally binding conditional capital increase agreement and a legally binding conditional subscription agreement 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.

DIRECTORS' REPORT

The Company and an independent third party (the "Purchaser") entered into the disposal agreement dated 24 October 2017, pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the entire equity interest of Yongbao Resources Exploitation and Development Limited and 13 subsidiaries of the Company. The disposal constitutes a very substantial disposal (as such term defined under Chapter 19 of the GEM Listing Rules) for the part of the Company.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make any charitable contributions (2015: Nil).

AUDITOR

Following the removal of BDO Limited as auditor of the Company on 9 August 2017 by way of poll at the special general meeting of the Company. ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA") was appointed as the auditor of the Company on the same day to fill in the vacancy following the removal of BDO Limited.

The consolidated financial statements of the company for the year ended 31 December 2016 were audited by ZHONGHUI ANDA. A resolution will be submitted to the forthcoming annual general meeting to re-appoint ZHONGHUI ANDA CPA Limited as auditor of the Company.

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

On behalf of the Board
China Nonferrous Metals Company Limited

Liu Yaling
Executive Director

Hong Kong, 23 November 2017

INDEPENDENT AUDITOR'S REPORT

ZHONGHUI

TO THE SHAREHOLDERS OF
CHINA NONFERROUS METALS COMPANY LIMITED
中國有色金屬有限公司
(Incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Nonferrous Metals Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 82, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION

1 *Opening balances and corresponding figures*

The consolidated financial statements of the Group for the year ended 31 December 2015 which form the basis for the corresponding figures presented in the current year's consolidated financial statements were not audited by us. There were no satisfactory audit procedures for us to ascertain the existence, accuracy, presentation and completeness of certain opening balances, corresponding figures and other related disclosures (as further explained in the following paragraphs) shown in the current year's consolidated financial statements.

2 *Property, plant and equipment and intangible assets*

We have been unable to obtain sufficient appropriate audit evidence in respect of the cost of property, plant and equipment and intangible assets of approximately RMB491,440,000 (2015: RMB467,191,000) and RMB1,123,998,000 (2015: RMB1,123,998,000), respectively. In addition, as at the end of the reporting period, the management's assessment of the recoverable amount of the cash generating unit of the Group's mining business did not take into account that (i) the mining right will expire in 2019 and is subject to approval for renewal by the local authorities; and (ii) the mining right has been subject to a frozen order by court since January 2016 and the Group may lose the mining right. Accordingly, we have been unable to obtain sufficient appropriate audit evidence in respect of the carrying amount of property, plant and equipment and intangible assets of approximately RMB98,096,000 (2015: RMB92,400,000) and RMB252,704,000 (2015: RMB260,191,000), respectively, in the consolidated statement of financial position as at 31 December 2016. There were no other satisfactory audit procedures that we could perform to satisfy ourselves whether the aforesaid balances were fairly stated as at 31 December 2016 and 2015 and the related depreciation, amortisation and provision for impairment losses for the years ended 31 December 2016 and 2015 were properly recorded.

INDEPENDENT AUDITOR'S REPORT

3 *Accruals and other payables*

As at 31 December 2016, included in accruals and other payables is payable to Ruffy Investment Limited ("Ruffy"), the Company's immediate and ultimate holding company, of approximately RMB322,051,000 (2015: RMB281,356,000) and the related accrued interest of approximately RMB14,796,000 (2015: RMB4,795,000) resulted from the convertible bonds issued by the Company to Ruffy in 2008 which were matured in July 2015. In addition, a gain on settlement of convertible bonds to Ruffy of approximately RMB37,956,000 was recognised as other income for the year ended 31 December 2015 and interest on payable to Ruffy of approximately RMB29,828,000 (2015: RMB12,833,000) was recognised as finance costs for the year ended 31 December 2016. We have been unable to obtain sufficient appropriate audit evidence in respect of the aforesaid balances. There were no other satisfactory audit procedures that we could perform to satisfy ourselves whether the aforesaid balances of payable to Ruffy and the related accrued interest were fairly stated as at 31 December 2016 and 2015 and the aforesaid balance of other income for the year ended 31 December 2015 and the aforesaid balances of finance costs for the years ended 31 December 2016 and 2015 were properly recorded.

4 *Deferred and current income taxes*

We have been unable to obtain sufficient appropriate audit evidence in respect of the deferred tax assets, deferred tax liabilities and current tax liabilities of approximately RMB55,377,000 (2015: RMB54,950,000), RMB53,171,000 (2015: RMB55,050,000) and RMB84,309,000 (2015: RMB84,309,000), respectively, in the consolidated statement of financial position as at 31 December 2016 and in respect of the income tax credit of approximately RMB2,306,000 (2015: RMB152,959,000) for the year ended 31 December 2016. There were no other satisfactory audit procedures that we could perform to satisfy ourselves whether the balances of deferred tax assets and deferred and current tax liabilities were fairly stated as at 31 December 2016 and 2015 and the balances of income tax credit were properly recorded for the years ended 31 December 2016 and 2015.

5 *Provisions and contingent liabilities arising from alleged guarantee*

As at 31 December 2016, included in accruals and other payables is provision for litigation liabilities of approximately RMB1,234,768,000 in respect of its writs and arbitration cases in which the Group is the defendant as detailed in note 34 to the consolidated financial statements. However, we have been unable to obtain sufficient appropriate audit evidence for the provision for litigation liabilities of approximately RMB1,234,768,000 in the consolidated statement of financial position as at 31 December 2016 and the related expenses of the same amount recognised for the year then ended. There were no other satisfactory audit procedures that we could perform to satisfy ourselves whether the aforesaid balances were fairly stated as at 31 December 2016 and for the year then ended.

In addition, as disclosed in note 34 to the consolidated financial statements, the Group had contingent liabilities of approximately RMB133,078,000 (2015: RMB1,152,898,000) as at 31 December 2016 in respect of a legal case arising in 2015. However, the directors of the Company have not provided us with sufficient documentary evidence to enable us to assess whether it is appropriate for not making provision for the Group's obligation under the case. There were no alternative audit procedures that we could perform to obtain sufficient appropriate audit evidence in this respect.

INDEPENDENT AUDITOR'S REPORT

6 Completeness of pending litigations, proceedings, hearings or claims

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

7 Recoverability of trade receivables and other receivables, deposits and prepayments

As at 31 December 2016, the Group's trade receivables and other receivables, deposits and prepayments included past due balances of approximately RMB124,336,000 (2015: RMB116,290,000) and RMB395,281,000 (2015: RMB354,324,000), respectively. As at the date of this report, these balances have not been settled. We were not provided with sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the balances. Accordingly, we are unable to determine whether the Group's trade receivables and other receivables, deposits and prepayments were fairly stated as at 31 December 2016 and 2015 and the related provision for impairment losses were properly recorded for the years ended 31 December 2016 and 2015.

8 Related party transactions

As described in point 6 above, the Group's internal procedures in 2015 did not enable it to properly identify and disclose on a timely basis all material related party transactions that occurred during the year. We have not been able to obtain sufficient appropriate audit evidence therefore concerning the completeness of related parties as at 31 December 2015 and related party transactions for the year then ended presented and disclosed in the consolidated financial statements. Accordingly, we have not been able to satisfy ourselves that all related party balances and transactions have been properly presented and disclosed as required by the International Accounting Standard 24 "Related Party Disclosures".

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

INDEPENDENT AUDITOR'S REPORT

9 *Material uncertainty related to going concern*

As at 31 December 2016, there were conditions which indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

(a) *Default of bank loan with mining right pledged as security*

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

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

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

(c) *Contingent liabilities*

The Group had contingent liabilities of approximately RMB133,078,000 as at 31 December 2016 as detailed in note 34 to the consolidated financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Pang Hon Chung
Audit Engagement Director
Practising Certificate Number P05988
Hong Kong, 23 November 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016 RMB'000**	2015 RMB'000
Revenue	7	**111,485**	90,992
Cost of sales		**(105,579)**	(88,650)
Gross profit		**5,906**	2,342
Other income	7	**18,269**	38,111
Selling and distribution costs		**(1,850)**	(897)
Administrative expenses		**(31,948)**	(41,745)
Impairment losses on various assets		**(6,032)**	(677,620)
Provision for litigations	24(c)	**(1,234,768)**	–
Loss from operations		**(1,250,423)**	(679,809)
Finance costs	9	**(55,826)**	(53,728)
Loss before tax		**(1,306,249)**	(733,537)
Income tax credit	10	**2,306**	152,959
Loss for the year attributable to owners of the Company	11	**(1,303,943)**	(580,578)
Other comprehensive (loss)/income, after tax			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(13,207)**	24,822
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**21,359**	(17,043)
Other comprehensive income for the year, net of tax		**8,152**	7,779
Total comprehensive loss for the year attributable to the owners of the Company		**(1,295,791)**	(572,799)
Loss per share – Basic and diluted	14	**(74.46) cents**	(33.15) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**98,096**	92,400
Intangible assets	16	**252,704**	260,191
Prepaid land lease payments	17	**1,755**	1,797
Deferred tax assets	27	**55,377**	54,950
		407,932	409,338
Current assets			
Inventories	18	**143,889**	131,476
Prepaid land lease payments	17	**42**	42
Trade and note receivables	19	**147,021**	126,784
Other receivables, deposits and prepayments	20	**458,131**	464,394
Amount due from a related company	21	**715**	2,035
Bank and cash balances	22	**576**	6,645
		750,374	731,376
Current liabilities			
Trade and note payables	23	**59,577**	72,382
Accruals and other payables	24	**1,713,705**	100,240
Amounts due to related companies	25	**2,594**	4,624
Borrowings	26	**194,600**	194,600
Current tax liabilities		**84,309**	84,309
		2,054,785	456,155
Net current (liabilities)/assets		**(1,304,411)**	275,221
Total assets less current liabilities		**(896,479)**	684,559
Non-current liabilities			
Accruals and other payables	24	**–**	283,368
Deferred tax liabilities	27	**53,171**	55,050
		53,171	338,418
NET (LIABILITIES)/ASSETS		**(949,650)**	346,141
EQUITY			
Share capital	28	**3,107**	3,107
Reserves		**(952,757)**	343,034
TOTAL (DEFICIT)/EQUITY		**(949,650)**	346,141

On behalf of the Board

Liu Yaling **Chan Hoi Tung**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital RMB'000	Share premium RMB'000 (note a)	Capital redemption reserve RMB'000 (note b)	Foreign currency translation reserve RMB'000 (note c)	Specific reserve RMB'000 (note d)	Other reserve RMB'000 (note e)	Share option reserve RMB'000	Convertible bonds equity reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2015	3,107	970,169	6	(13,278)	4,264	15,529	30,503	118,673	(210,033)	918,940
Total comprehensive loss for the year	–	–	–	7,779	–	–	–	–	(580,578)	(572,799)
Release upon maturity of convertible bonds	–	–	–	–	–	–	–	(118,673)	118,673	–
Lapse of share options	–	–	–	–	–	–	(30,503)	–	30,503	–
At 31 December 2015 and 1 January 2016	**3,107**	**970,169**	**6**	**(5,499)**	**4,264**	**15,529**	**-**	**-**	**(641,435)**	**346,141**
Total comprehensive loss for the year	**-**	**-**	**-**	**8,152**	**-**	**-**	**-**	**-**	**(1,303,943)**	**(1,295,791)**
At 31 December 2016	**3,107**	**970,169**	**6**	**2,653**	**4,264**	**15,529**	**-**	**-**	**(1,945,378)**	**(949,650)**

Notes:

(a) The share premium includes shares issued at a premium.

(b) Capital redemption reserve represents the nominal value of the share capital of the Company repurchased and cancelled.

(c) Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

(d) In accordance with the relevant regulations in the People's Republic of China (the"PRC"), a subsidiary of the Company operating in the PRC is required to provide production maintenance fee, safety fund and other expenses of similar nature, which were charged to cost of sales and credited to specific reserve.

(e) Other reserve represents the difference between the consideration and the carrying amount of the net assets attributable to the additional interests in subsidiaries being acquired from non-controlling equity holders.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Cash flows from operating activities		
Loss before tax	**(1,306,249)**	(733,537)
Adjustments for:		
Finance costs	**55,826**	53,728
Interest income	**–**	(2)
Depreciation of property, plant and equipment	**16,848**	18,498
Amortisation of prepaid land lease payments	**42**	42
Amortisation of mining right	**3,160**	9,382
Impairment of trade receivables	**–**	5,563
Impairment of property, plant and equipment	**1,705**	167,812
Impairment of intangible assets	**4,327**	480,113
(Reversal of write-down)/write-down of inventories	**(15,685)**	24,132
Forfeiture of accruals and other payables	**(1,412)**	–
Gain on settlement of convertible bonds	**–**	(37,956)
Provision for litigations	**1,234,768**	–
Reversal of impairment of trade receivables	**–**	(150)
Operating cash flows before working capital changes	**(6,670)**	(12,375)
Change in inventories	**3,272**	(126,763)
Change in trade and note receivables	**(20,237)**	37,140
Change in other receivables, deposits and prepayments	**6,263**	82,890
Change in trade and note payables	**(12,805)**	21,647
Change in accruals and other payables	**39,247**	(708)
Change in amounts due to related companies	**(2,030)**	(802)
Net cash generated from operating activities	**7,040**	1,029
Cash flows from investing activities		
Purchase of property, plant and equipment	**(11,249)**	(22,145)
Interest received	**–**	2
Repayment from/(advance to) a related company	**1,320**	(155)
Net cash used in investing activities	**(9,929)**	(22,298)
Cash flows from financing activities		
Interest paid on borrowings	**(3,206)**	(3,909)
Interest paid on convertible bonds	**–**	(4,489)
Interest paid on other payables	**–**	(2,393)
Interest paid on finance lease liabilities	**–**	(35)
Capital element on finance lease liabilities	**–**	(267)
Net cash used in financing activities	**(3,206)**	(11,093)
Net decrease in cash and cash equivalents	**(6,095)**	(32,362)
Cash and cash equivalents at beginning of year	**6,645**	37,045
Effect of changes in foreign exchange	**26**	1,962
Cash and cash equivalents at end of year	**576**	6,645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 35.

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

2. BASIS OF PREPARATION

SUSPENSION OF TRADING IN SHARES OF THE COMPANY

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

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

The Company has to submit a resumption proposal as required by Rule 17.26 of the GEM Listing Rules before the expiry of the six months from the date of the Letter. If the Company fails to submit a viable proposal by the expiry of the six-months period, the Stock Exchange will proceed with cancellation of the Company's listing status.

PROPOSED RESTRUCTURING OF THE GROUP

On 24 October 2017, the Company entered into an agreement with independent third parties, pursuant to which the Company conditionally agreed to sell the entire equity interest in Yongbao Resources Exploitation and Development Limited and 13 subsidiaries of the Company (the "Disposed Group"), including 巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司 ("Jiashengpan") and 深圳市睿沩實業有限公司 ("Ruirui"), which are named defendants under certain litigations and arbitration cases (note 34). Upon the completion of the disposal, the Disposed Group will cease to be subsidiaries of the Company and the financial results of the Disposed Group will no longer be consolidated into the consolidated financial statements of the Company. The Company will be released from the obligation of the litigations and arbitration cases.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. BASIS OF PREPARATION (Continued)

GOING CONCERN

The Group incurred a loss of approximately RMB1,303,943,000 for the year ended 31 December 2016 and as at 31 December 2016, the Group had net current liabilities and net liabilities of approximately RMB1,304,411,000 and 949,650,000, respectively. Also, the Group had contingent liabilites of approximately RMB133,078,000 as disclosed in note 34. Further, the Group's ability to retain the mining right and continue its mining activities are in doubt as disclosed in note 26. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. IFRSs comprise International Financial Reporting Standard; International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRSs issued by International Accounting Standards Board and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors of the Company to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Hong Kong dollars ("HK$") and the functional currency of the principal operating subsidiaries is Renminbi ("RMB"). These consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of the following property, plant and equipment is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lives on a straight-line basis. The useful lives are as follows:

Buildings	Over the shorter of the term of the leasehold interests in land and the expect useful lives of 50 years
Leasehold improvements	3 to 5 years
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 to 8 years

Construction in progress represents leasehold buildings, plant and machinery and mining structures under development and is stated at cost less any impairment losses. Depreciation begins when the relevant assets are available for use.

Depreciation of mining structures is calculated using the Units of Production (the "UOP") method to write off the cost of the assets proportionately to the extraction of the proved and probable mineral reserves.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

LEASES

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases.

The Group as lessee

Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTANGIBLE ASSETS

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the UOP method. Mining rights are written off to profit or loss if the mining property is abandoned.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

RECOGNITION AND DERECOGNITION OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

FINANCIAL GUARANTEE CONTRACT LIABILITIES

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

– the amount of the obligations under the contracts, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

– the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

TRADE AND OTHER PAYABLES

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

EQUITY INSTRUMENTS

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(a) Revenue from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(b) Interest income is recognised on a time-proportion basis using the effective interest method.

(c) Rental income is recognised on a straight-line basis over the lease term.

EMPLOYEE BENEFITS

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

SHARE-BASED PAYMENTS

The Group grants equity-settled share-based payments to certain directors and employees.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

TAXATION

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

TAXATION (Continued)

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

RELATED PARTIES

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY ESTIMATES

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying the accounting policies, the directors have made the following judgements that have significant effect on the amounts recognised in the consolidated financial statements.

GOING CONCERN BASIS

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the proposed restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. Details are explained in note 2.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Estimation of mineral reserves

Mineral reserves are key elements in the Group's investment decision-making process. They are also an important element in determining the amount of amortisation of the mining rights included in intangible assets and depreciation of mining structures included in property, plant and equipment, and in testing for impairment. Changes in proved and probable mineral reserves, will affect UOP amortisation and depreciation recorded in the Group's consolidated financial statements for the mining rights and mining structures related to mining business activities.

Proved and probable reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms, evolution of technology or development plans. In general, changes in the technical maturity for mineral reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions.

(b) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY ESTIMATES (Continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(c) Impairment loss recognised in respect of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise. Also, the licence period of the mining rights held by the Group expires by January 2019 which is shorter than the estimated useful lives of the mine estimated by the management. Management of the Group is of the opinion that the Group will be able to renew the licence of the mining rights from the relevant authority continuously and at minimal charges. If the expectation differs from the original estimate, such differences will impact the impairment testing in the year in which such estimate is changed.

(d) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and note receivables and other receivables, deposits and prepayments, including the current creditworthiness and the past collection history of each debtor. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and note receivables and other receivables, deposits and prepayments and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments including trade and note receivables, other receivables, deposits and prepayments, bank and cash balances, trade and other payables and borrowings are disclosed in respective notes to the consolidated financial statements. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(A) FOREIGN CURRENCY RISK

Foreign exchange risk arises from future commercial transactions, monetary assets and liabilities denominated in a currency that is not the functional currencies of the group entities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The Group has certain exposure to foreign currency risk as certain business transactions, assets and liabilities are not principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2016, if RMB had weakened/strengthened 3% against the United States dollars ("USD") with all other variables held constant, consolidated loss after tax for the year would have been RMB3,362,000 (2015: RMB3,039,000) lower/higher, arising mainly as a result of the foreign exchange loss/gain on bank balances and other receivables denominated in USD.

(B) INTEREST RATE RISK

The Group's exposure to interest rate risk mainly arises from its bank deposits and borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2016, if interest rates had been 100 basis points lower/higher with all other variables held constant, consolidated loss after tax for the year would have been RMB58,000 (2015: RMB55,000) lower/higher, arising mainly as a result of lower/higher interest expense on borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(C) CREDIT RISK

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk as 65% (2015: 73%) and 99% (2015: 92%) of the total trade receivables as at 31 December 2016 are due from the Group's largest customer and largest three customers, respectively. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings.

(D) LIQUIDITY RISK

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management will closely monitor the cash flows generated from operations and the Group's needs for different types of external financing and will negotiate for proper facilities and consider proper means of equity financing as appropriate.

The following table details the Group's remaining contractual maturities for its financial liabilities. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	31 December 2016			
	On demand or within one year RMB'000	More than one year less than two years RMB'000	Total Undiscounted cash flows RMB'000	Total Carrying amount RMB'000
Trade and note payables	59,577	–	59,577	59,577
Accruals and other payables	1,743,825	–	1,743,825	1,713,705
Amounts due to related companies	2,594	–	2,594	2,594
Borrowings	220,306	–	220,306	194,600
	2,026,302	–	2,026,302	1,970,476

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(D) LIQUIDITY RISK (Continued)

	31 December 2015			
	On demand or within one year RMB'000	More than one year less than two years RMB'000	Total Undiscounted cash flows RMB'000	Total Carrying amount RMB'000
Trade and note payables	72,382	–	72,382	72,382
Accruals and other payables	113,187	313,488	426,675	383,608
Amounts due to related companies	4,624	–	4,624	4,624
Borrowings	227,662	–	227,662	194,600
	417,855	313,488	731,343	655,214

(E) CATEGORIES OF FINANCIAL INSTRUMENTS

	At 31 December	
	2016 RMB'000	2015 RMB'000
Financial assets:		
Loans and receivables (including bank and cash balances)	**310,608**	305,468
Financial liabilities:		
Financial liabilities at amortised costs	**1,970,476**	655,214

(F) FAIR VALUES

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

7. REVENUE AND OTHER INCOME

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

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

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

8. SEGMENT INFORMATION

The directors manage the Group's operations as a single business segment. The Group's operations are monitored and strategic decisions are made on the basis of operating results, consolidated assets and liabilities as reflected in the Group's financial statements prepared under IFRSs.

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

Revenue from major customers:

	2016 RMB'000	2015 RMB'000
Customer A	**111,485**	70,689
Customer B	**–**	20,177

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

9. FINANCE COSTS

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

10. INCOME TAX CREDIT

	2016 RMB'000	2015 RMB'000
Deferred taxation (note 27)	**2,306**	152,959

No provision for Hong Kong profits tax has been made for the years ended 31 December 2016 and 2015 as the Group had no estimated assessable profits arising in Hong Kong during the years.

The Group's subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax at a rate of 25% for the years ended 31 December 2016 and 2015. No provision for the PRC Enterprise Income Tax is required since these subsidiaries have no assessable profits for the years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

10. INCOME TAX CREDIT (Continued)

The reconciliation between income tax credit and loss before tax is as follows:

	2016 **RMB'000**	2015 RMB'000
Loss before tax	**(1,306,249)**	(733,537)
Tax at the domestic income tax rate of 25% (2015: 25%)	**(326,562)**	(183,384)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,018**	(116)
Tax effect of income not taxable and expenses not deductible, net	**314,715**	13,668
Tax effect of tax losses not recognised	**6,523**	16,873
Income tax credit	**(2,306)**	(152,959)

As at 31 December 2016, subject to agreement with the respective tax authorities, the Group has unrecognised tax losses of approximately RMB84,386,000 (2015: RMB63,559,000) available for offsetting against future taxable profits of the Group's companies which incurred losses. Under the current tax legislation, tax losses can be carried forward for five years since the year the loss is incurred. These unrecognised tax losses of approximately RMB84,386,000 (2015: RMB63,559,000) will expire at various dates up to and including 2021 (2015: up to and including 2020). Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams of the respective group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

11. LOSS FOR THE YEAR

This is stated after charging/(crediting):

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

	For the year ended 31 December 2016			
	Fees RMB'000	**Salaries, allowances and other benefits RMB'000**	**Retirement benefits scheme contributions RMB'000**	**Total emoluments RMB'000**
Executive Directors:				
Mr. Mei Ping (note (i))	**–**	**–**	**–**	**–**
Ms. Liu Yaling	**154**	**1,113**	**15**	**1,282**
Non-executive Director:				
Mr. Chan Wai Cheung, Admiral	**154**	**–**	**–**	**154**
Independent non-executive Directors:				
Mr. Ng Man Kwan, Lawrence	**103**	**–**	**–**	**103**
Mr. Cheng Feng	**103**	**–**	**–**	**103**
Mr. Siu Kai Chun	**103**	**–**	**–**	**103**
	617	**1,113**	**15**	**1,745**

	For the year ended 31 December 2015			
	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Total emoluments RMB'000
Executive Directors:				
Mr. Mei Ping (note (i))	8	–	–	8
Ms. Liu Yaling	85	679	8	772
Mr. Tsang Chung Sing, Edward	178	–	–	178
Non-executive Director:				
Mr. Chan Wai Cheung, Admiral	85	–	–	85
Independent non-executive Directors:				
Mr. Ng Man Kwan, Lawrence	65	–	–	65
Mr. Cheng Feng	57	–	–	57
Mr. Siu Kai Chun	49	–	–	49
Mr. Chan Siu Lun	16	–	–	16
Mr. Kwan Man Kit, Edmond	24	–	–	24
Ms. He Qing	33	–	–	33
	600	679	8	1,287

Note:

(i) Resigned as an executive director on 22 June 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

(B) SENIOR MANAGEMENT'S EMOLUMENTS

For the year ended 31 December 2016, one (2015: two) of the five highest paid individuals of the Group was/were director(s) of the Company whose emoluments are set out above. The remaining four (2015: three) highest paid individuals' emoluments of the Group are presented below:

	2016 **RMB'000**	2015 RMB'000
Salaries, allowances and other benefits in kind	**1,413**	1,450
Retirement benefits scheme contributions	**53**	42
	1,466	1,492

The emoluments fell within the following band:

	Number of individuals	
	2016	2015
Nil to HK$1,000,000	**4**	3

(C) No emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2016 and 2015.

13. DIVIDEND

The directors do not recommend the payment of any dividend for each of the years ended 31 December 2016 and 2015.

14. LOSS PER SHARE

(a) Basic loss per share

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

(b) Diluted loss per share

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST:								
At 1 January 2015	167,251	45	170,794	71,262	1,152	7,872	12,898	431,274
Additions	–	–	31,678	1,322	349	–	2,568	35,917
At 31 December 2015 and 1 January 2016	167,251	45	202,472	72,584	1,501	7,872	15,466	467,191
Additions	–	–	24,021	216	12	–	–	24,249
At 31 December 2016	167,251	45	226,493	72,800	1,513	7,872	15,466	491,440
ACCUMULATED DEPRECIATION AND IMPAIRMENT:								
At 1 January 2015	60,920	17	54,185	59,386	1,048	6,646	6,281	188,483
Exchange realignment	–	(1)	–	–	(1)	–	–	(2)
Provided during the year	4,466	23	1,866	11,731	71	341	–	18,498
Impairment loss	66,088	–	95,245	648	–	–	5,831	167,812
At 31 December 2015 and 1 January 2016	131,474	39	151,296	71,765	1,118	6,987	12,112	374,791
Provided during the year	5,453	6	10,272	1,029	10	78	-	16,848
Impairment loss	524	-	1,121	-	-	-	60	1,705
At 31 December 2016	137,451	45	162,689	72,794	1,128	7,065	12,172	393,344
CARRYING AMOUNTS:								
At 31 December 2016	29,800	-	63,804	6	385	807	3,294	98,096
At 31 December 2015	35,777	6	51,176	819	383	885	3,354	92,400

At the end of the reporting period, the Group carried out review of the recoverable amount of the cash generating unit (the "CGU") of the mining business as a result of the operating performance of the Group's mining business by reference to the professional valuation performed by Roma Appraisals Limited, an independent professional valuer. As at 31 December 2016, the recoverable amount of the CGU of approximately RMB344,000,000 (2015: RMB353,000,000) was determined based on value-in-use calculation using discounted cash flow technique with discount rate of 14.99% (2015: 14.50%) and at a growth rate of 3% (2015: 3%). The review led to the recognition of an impairment loss of property, plant and equipment of approximately RMB1,705,000 (2015: RMB167,812,000) which was recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

16. INTANGIBLE ASSETS

	Mining right RMB'000
COST:	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	1,123,998
ACCUMULATED AMORTISATION AND IMPAIRMENT:	
At 1 January 2015	374,312
Provided for the year	9,382
Impairment loss	480,113
At 31 December 2015 and 1 January 2016	**863,807**
Provided for the year	**3,160**
Impairment loss	**4,327**
At 31 December 2016	**871,294**
CARRYING AMOUNTS:	
At 31 December 2016	**252,704**
At 31 December 2015	**260,191**

Mining right represents the right for mining in Wulatezhong Qi, an autonomous region in Inner Mongolia of the PRC with an aggregate mining area of approximately 1.1014 square kilometer. The mining right will expire in January 2019. In the opinion of the directors of the Company, the Group will be able to renew the licence of the mining right from the relevant authority continuously and at minimal charges.

At the end of the reporting period, the Group carried out review of the recoverable amount of the CGU of the mining business as a result of the operating performance of the Group's mining business by reference to the professional valuation performed by Roma Appraisals Limited, an independent professional valuer. As at 31 December 2016, the recoverable amount of the CGU of RMB344,000,000 (2015: RMB353,000,000) was determined based on value-in-use calculation using discounted cash flow technique with discount rate of 14.99% (2015: 14.5%) and at the growth rate of 3% (2015: 3%). The review led to the recognition of an impairment loss of mining right of approximately RMB4,327,000 (2015: RMB480,113,000) which was recognised in profit or loss.

As at 31 December 2016, the Group's mining right with carrying amount of approximately RMB252,704,000 (2015: RMB260,191,000) was pledged to the entrusted loan of the Group. As detailed in note 34(a), the Group defaulted on the repayment of the principal amount on the entrusted loan and the accrued interest during the years ended 31 December 2016 and 2015. Given the Group's mining right was pledged to the entrusted loan, the management believes that its mining right is subject to the frozen order.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

17. PREPAID LAND LEASE PAYMENTS

	RMB'000
COST:	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	**2,114**
ACCUMULATED AMORTISATION AND IMPAIRMENT:	
At 1 January 2015	**233**
Provided for the year	**42**
At 31 December 2015 and 1 January 2016	**275**
Provided for the year	**42**
At 31 December 2016	**317**
CARRYING AMOUNTS:	
At 31 December 2016	**1,797**
At 31 December 2015	**1,839**

	2016 RMB'000	2015 RMB'000
Analysed for reporting purposes as:		
Current assets	**42**	42
Non-current assets	**1,755**	1,797
	1,797	1,839

Note: The Group's leasehold land is situated in the PRC.

18. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	**17,505**	19,158
Finished goods	**134,831**	136,450
	152,336	155,608
Less: provision for impairment loss	**(8,447)**	(24,132)
	143,889	131,476

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

19. TRADE AND NOTE RECEIVABLES

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

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

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

(a) The Group normally grants a credit period of 90 (2015: 90) days to its customers.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

19. TRADE AND NOTE RECEIVABLES (Continued)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 RMB'000	2015 RMB'000
Other receivables	**136,263**	155,723
Less: provision for impairment loss	**(2,200)**	(2,200)
	134,063	153,523
Deposits	**316,148**	296,010
Prepayments	**7,920**	14,861
	458,131	464,394

The directors consider that no further impairment of other receivables is necessary as there was no recent history of default in respect of these debtors. The Group does not hold any collateral over these balances.

21. AMOUNT DUE FROM A RELATED COMPANY

Name	**Balance at 31 December 2016 RMB'000**	Balance at 31 December 2015 RMB'000	Maximum amount outstanding during the year RMB'000
烏蘭察布市白乃廟銅業有限責任公司	**715**	2,035	2,035

The Company's previous director, Mr. Mei Ping, who resigned as an executive director on 22 June 2016, is a director of the related company and the Company's substantial shareholder, Mr. Mei Wei, is a key management personnel and has beneficial interest in the related company.

The amount due is unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

22. BANK AND CASH BALANCES

Cash at banks earn interest at floating rates based on daily bank deposit rates.

As at 31 December 2016, the Group had cash and bank balances denominated in RMB amounting to approximately RMB102,000 (2015: RMB186,000), which were deposited with banks in the PRC and held in hand. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

As detailed in note 34(a), as at 31 December 2016, one of the bank accounts of the Company's subsidiary, Jiashengpan, with a balance of RMB533 (2015: RMB533) is frozen according to a court order.

23. TRADE AND NOTE PAYABLES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

24. ACCRUALS AND OTHER PAYABLES

	2016 **RMB'000**	2015 RMB'000
Other payables (note a)	**390,084**	347,237
Accrued interest charges (note b)	**88,028**	35,408
Other accrued charges	**825**	963
Provision for litigations (note c)	**1,234,768**	–
	1,713,705	383,608
Analysed for reporting purposes as:		
Current liabilities	**1,713,705**	100,240
Non-current liabilities	**–**	283,368
	1,713,705	383,608

(a) Included in the other payables as at 31 December 2016 are (i) an outstanding amount of approximately RMB322,051,000 (2015: RMB281,356,000) due to Ruffy, which is unsecured, interest bearing at 3% per annum and repayable on 9 July 2017; (ii) an outstanding amount of approximately RMB4,807,000 (2015: RMB4,807,000) due to Ms. Liu Yaling ("Ms. Liu"), the director of the Company, which is unsecured, interest bearing at 3% per annum and repayable on 31 December 2016; and (iii) an outstanding amount of approximately RMB3,350,000 (2015: RMB3,350,000) due to an independent third party, which is unsecured, interest bearing at 3% per annum and repayable on 31 December 2016.

(b) Included in accrued interest charges are interest payable to Ruffy, Ms. Liu and an independent third party of approximately RMB14,796,000 (2015: RMB4,795,000), RMB776,000 (2015: RMB582,000) and nil (2015: RMB655,000) respectively.

(c) As detailed in note 34(b), the Group had writs of civil summon and arbitration cases under which Jiashengpan and Ruirui were named as one of the defendants. During the year, provision of litigations of approximately RMB1,234,768,000 was made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

25. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies in which Mr. Mei Ping and Mr. Mei Wei have beneficial interest or directorship in these companies are unsecured, non-interest bearing and repayable on demand.

26. BORROWINGS

	2016 **RMB'000**	2015 RMB'000
Bank loans – unsecured (note b)	**44,600**	44,600
Other loan – secured (note c)	**150,000**	150,000
	194,600	194,600

Notes:

(a) The borrowings are repayable on demand or within one year.

(b) As at 31 December 2016, the bank loans with principal amount of RMB44,600,000 (2015: RMB44,600,000) were guaranteed by 深圳市冠欣投資有限公司 ("First Create"), 烏蘭察布市白乃廟銅業有限責任公司 and Mr. Mei Ping.

The interest rate of the bank loans is 7.5% (2015: ranging from 7.5% to 9.0%) per annum during the year.

(c) Pursuant to the loan agreement dated 25 January 2013 (the "Loan Agreement") entered into among (i) an enterprise (the "Lender") established in the PRC as the entrusted lender; (ii) Jiashengpan as the borrower; and (iii) a licensed bank (the "Bank Trustee") established in the PRC as the trustee, the Lender entrusted the Bank to advance a loan (the "Loan") in the sum of RMB150,000,000 to Jiashengpan for a term of 2 years from 31 January 2013 to 30 January 2015 (both dates inclusive) at the interest rate of 10% per annum.

The Loan was secured by (i) personal guarantee given by Mr. Mei Wei; (ii) corporate guarantee given by 深圳冠欣礦業集團有限公司 ("First Create Mining"); and (iii) the mining right owned by Jiashengpan (note 16).

The Loan Agreement was expired on 30 January 2015. No repayment of any principal amount of the Loan in the sum of RMB150,000,000 and the interest accrued made by Jiashengpan or any member of the Group before and after the expiry thereof (the "Default"). As at 31 December 2016, the total default amount is approximately RMB203,889,000 (2015: RMB181,389,000), including principal amount of the Loan of RMB150,000,000 (2015: RMB150,000,000), accrued interest of approximately RMB22,950,000 (2015: RMB7,950,000) and estimated penalties of approximately RMB30,939,000 (2015: RMB23,439,000). As detailed in note 34(a), the mining right and a bank account of Jiashengpan are subject to a frozen order issued by the High People's Court of Jiangxi Province.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

27. DEFERRED TAX ASSETS AND LIABILITIES

The following are the major deferred tax assets and liabilities recognised by the Group:

	Impairment loss of property, plant and equipment RMB'000	Accelerated tax depreciation RMB'000	Fair value adjustment of mining right RMB'000	Total RMB'000
At 1 January 2015	24,450	(2,336)	(175,173)	(153,059)
Credit for the year (note 10)	30,500	85	122,374	152,959
At 31 December 2015 and 1 January 2016	**54,950**	**(2,251)**	**(52,799)**	**(100)**
Credit for the year (note 10)	**427**	**797**	**1,082**	**2,306**
At 31 December 2016	**55,377**	**(1,454)**	**(51,717)**	**2,206**

The following is the analysis of the deferred tax balances (after offsetting) for consolidated statement of financial position purposes:

	2016 RMB'000	2015 RMB'000
Deferred tax liabilities	**(53,171)**	(55,050)
Deferred tax assets	**55,377**	54,950
	2,206	(100)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

28. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.002 each at 1 January 2015, 31 December 2015 and 2016	25,000,000	50,000

	Number of shares '000	Amount RMB'000
Issued:		
Ordinary shares of HK$0.002 each at 1 January 2015, 31 December 2015 and 2016	1,751,308	3,107

CAPITAL RISK MANAGEMENT

The Group's capital management objectives include:

(i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;

(ii) to support the Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly review and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration of the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or raise new debts, or sell assets to reduce debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

29. EQUITY-SETTLED SHARE–BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to the resolutions of the shareholders passed on 16 February 2005 for the primary purpose of providing the people and the parties working for the interest of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with incentives to work better for the interest of the Group and/or rewards for their contribution and support to the Group.

Share option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period of not more than 10 years to be notified by the board of directors to each grantee, which period shall commence on the date on which an offer of the grant of an option is accepted or deemed to be accepted or deemed to be accepted in accordance with the terms of the Share Option Scheme and expire on the last day of such period as determined by the board.

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on 16 February 2005, after which period no further option will be granted but in respect of all option which remains exercisable at the end of such period, the provisions of the Share Option Scheme shall remain in full force and effect. Unless otherwise determined by the directors of the Company at their discretion, there is no requirement of minimum period of which a share option must be held.

As at 31 December 2016 and 2015, the Company had no share options outstanding under the Share Option Scheme as all outstanding share options were lapsed during the year ended 31 December 2015. Movement in share options during the year ended 31 December 2015 are as follows:

	Number of share options						
Name or category of participant	At beginning of year	Lapsed during the year	At end of year	Grant date	Vesting date	Exercise period	Exercise price HK$
Other employees	71,702,000	(71,702,000)	–	28 July 2010	28 July 2010	From 28 July 2010 to 30 May 2015	1.23

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 RMB'000	2015 RMB'000
Non-current asset		
Investment in subsidiaries	–	–
Current assets		
Other receivables, deposits and prepayments	3,948	3,842
Amounts due from subsidiaries	4,060	444,749
Amounts due from a related company	23,538	22,016
Bank and cash balances	224	6,214
	31,770	476,821
Current liabilities		
Accruals and other payables	385,885	13,416
Amounts due to subsidiaries	–	52,260
Amounts due to related companies	–	85,157
Current tax liabilities	3,817	3,570
	389,702	154,403
Total assets less current liabilities	(357,932)	322,418
Non-current liabilities		
Accruals and other payables	–	283,368
NET (LIABILITIES)/ASSETS	(357,932)	39,050
Capital and reserves		
Share capital	3,107	3,107
Reserves	(361,039)	35,943
TOTAL (DEFICIT)/EQUITY	(357,932)	39,050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

31. RESERVES

(a) The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Reserves of the Company

	Share premium RMB'000	Capital redemption reserve RMB'000	Foreign currency translation reserve RMB'000	Share option reserve RMB'000	Convertible bonds equity reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2015	970,169	6	(88,822)	30,503	118,673	(52,910)	977,619
Total comprehensive loss for the year	–	–	24,822	–	–	(966,498)	(941,676)
Release upon maturity of convertible bonds	–	–	–	–	(118,673)	118,673	–
Lapse of share option	–	–	–	(30,503)	–	30,503	–
At 31 December 2015 and 1 January 2016	**970,169**	**6**	**(64,000)**	**–**	**–**	**(870,232)**	**35,943**
Total comprehensive loss for the year	**–**	**–**	**(13,207)**	**–**	**–**	**(383,775)**	**(396,982)**
At 31 December 2016	**970,169**	**6**	**(77,207)**	**–**	**–**	**(1,254,007)**	**(361,039)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

32. COMMITMENTS

(A) COMMITMENTS UNDER OPERATING LEASES

As lessee

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

	2016 **RMB'000**	2015 RMB'000
Within one year	**741**	151
In the second to fifth years inclusive	**185**	–
	926	151

Operating lease payments represent rental payable by the Group for its office premises. Leases are negotiated for terms ranging from one to two (2015: one to two) years. Certain leases contain an option to renew the lease and renegotiated the terms at the 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 dates, the Group had outstanding commitments receivable under non-cancellable operating leases in respect of property, plant and equipment which fall due as follows:

	2016 **RMB'000**	2015 RMB'000
Within one year	**700**	–
In the second to fifth years, inclusive	**880**	–
	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

At the end of the reporting period, the Group's capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment amounted to approximately RMB34,078,000 (2015: RMB34,988,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

33. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, during the year, the Group had the following transactions with its related parties.

(A) Rental expenses were paid in accordance to a lease agreement entered between the Group and a related company of which Mr. Mei Wei is a shareholder. The lease was determined on arm's length negotiation between the parties and terminated in 2015.

	2016 **RMB'000**	2015 RMB'000
Rental expenses paid to a related company	**–**	53

(B) KEY MANAGEMENT COMPENSATION

The key management personnel of the Group comprise all the directors and the five highest paid individuals. Details of the compensation to directors and the five highest paid individuals are disclosed in note 12.

34. LITIGATIONS

(a) The Group received a notice (the "Notice") dated 23 February 2016 from the High People's Court of Jiangxi Province notifying Jiashengpan to defend against the Writ (as defined below) in April 2016. Enclosed therewith the Notice, (i) a writ (the "Writ") of civil summon dated 29 December 2015 brought by the 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 Mining and Mr. Mei Wei to impound, freeze and distress their respective bank savings and/or assets of value equivalent to approximately RMB176,002,000. As confirmed by the management of Jiashengpan, one of the bank accounts of Jiashengpan with a balance of RMB533 has been frozen according to the court order (note 22).

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

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For the year ended 31 December 2016

34. LITIGATIONS (Continued)

(b) (Continued)

(i) The First Writ

By a guarantee executed by Jiashengpan and Ruirui, they agreed to guarantee of approximately RMB156.6 million together with any accrued interest and other liabilities arisen in favour of the plaintiff. The plaintiff thereto claimed against First Create, Jiashengpan and Ruirui of approximately RMB162.6 million (the “First Claimed Amount”).

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

(ii) The Second Writ

By a loan agreement and a supplemental agreement executed by Jiashengpan, Jiashengpan agreed to guarantee of approximately RMB70 million together with any accrued interest and other liabilities arisen in favour of the plaintiff. The plaintiff thereto claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB46.5 million.

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

(iii) The Third Writ

By a guarantee executed by Jiashengpan, Jiashengpan agreed to guarantee of approximately RMB35 million together with any accrued interest and other liabilities arisen in favour of the plaintiff. The plaintiff thereto claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB31.7 million (the “Third Claimed Amount”).

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

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For the year ended 31 December 2016

34. LITIGATIONS (Continued)

(b) (Continued)

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

On 13 September 2017, the Group had received an letter from First Create, indicated that First Create and Mr. Mei Wei are unable to repay the liabilities in relation to the First Writ, Thrid Writ and Arbitration Cases. Accordingly, the Group had made a provision for litigation of approximately RMB1,234,768,000 during the year (note 24(c)).

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

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35. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ registration/ operations	Nominal value of issued ordinary shares/paid-in capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
China Nonferrous Metals Management Limited	Hong Kong	HK$2,000,000	100%	–	Trading of nonferrous metals
Yongbao Resources Exploitation and Development Limited	The BVI	USD1	100%	–	Investment holding
Straight Upward Investments Limited	The BVI	USD100	–	100%	Investment holding and trading of derivative financial instruments
Sky King Development Limited	Hong Kong	HK$1	–	100%	Investment holding and trading of derivative financial instruments
深圳市睿汭實業有限公司	The PRC	RMB161,045,269	–	100%	Investment holding and trading of nonferrous metals, and derivative financial instruments
巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司	The PRC	RMB150,000,000	–	100%	Mining and processing of mineral resources and holding of mining licence in the PRC
Ever Champion Holdings Limited	Hong Kong	HK$10	–	100%	Investment holding
深圳永智礦業有限公司	The PRC	RMB10,014,610	–	100%	Investment holding
深圳市朗通貿易有限公司	The PRC	RMB100,000	–	100%	Investment holding

The above table lists the Group's subsidiaries which, in the opinion of the directors, principally affect the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

36. EVENTS AFTER THE REPORTING DATE

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

37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 23 November 2017.