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中國有色金屬有限公司*
China Nonferrous Metals Company Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 8306)

SUPPLEMENTARY ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2017

Reference is made to the announcement of China Nonferrous Metals Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 29 June 2018 in relation to the annual results of the Group for the year ended 31 December 2017 (the “**2017 Annual Results Announcement**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2017 Annual Results Announcement.

QUALIFIED OPINION

Reference is made to the paragraphs headed “Extract of Independent Auditor’s Report on the Company’s Consolidated Financial Statements for the Year Ended 31 December 2017 - Basis for Disclaimer of Opinion” on pages 21 to 24 of the 2017 Annual Results Announcement. The Board wishes to supplement the followings:

1. Opening balances and corresponding figures

The Management of the Company had provided the available information in respect of the opening balances and corresponding figures for the year ended 31 December 2017. However, the auditor considered that the consolidated financial statements of the Group for the years ended 31 December 2016 and 2015 were disclaimed. There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of certain opening balances and corresponding figures (as further explained in the following paragraphs).

2. Property, plant and equipment and intangible assets

The auditor had been unable to obtain sufficient appropriate audit evidence in respect of the cost of property, plant and equipment and intangible assets and the recoverable amount of the cash generating unit of the Group's mining business as at 31 December 2017 and 2016, since (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.

As at 31 December 2016, the Group carried out review of the recoverable amount of the cash generating unit of the mining business based on of the operating performance of the Group's mining business by reference to the professional valuation performed by an independent professional valuer. As at 31 December 2017, the mining business was classified as assets classified as held for sale on the consolidated statement of financial position.

In the opinion of the Directors, the liquidity of the Group can be maintained in the coming years based on the assumption that the proposed restructuring of the Group will be successfully completed.

3. Accruals and other payables

The Management of the Company considered that the Group had made adequate accruals and payables to Ruffy, and the related accrued interest resulted from the convertible bonds issued by the Company to Ruffy in 2008 as at 31 December 2017 and 2016. In addition, interest on payable to Ruffy of approximately RMB20,568,000 (2016: RMB29,828,000) was recognised as finance costs for the year ended 31 December 2017.

However, the auditor considered that they had not yet obtained sufficient and appropriate evidence in respect of this matter.

4. Deferred and current income taxes

The Group recognised deferred tax assets, deferred tax liabilities and current tax liabilities of approximately RMB55,377,000 (2016: RMB55,377,000, as presented in the consolidated statement of financial position), RMB54,196,000 (2016: RMB53,171,000, as presented in the consolidated statement of financial position) and RMB80,483,000 (2016: RMB84,309,000, as presented in the consolidated statement of financial position), respectively, grouped under the disposal group classified as held for sale as at 31 December 2017 and in respect of the income tax expense of approximately RMB1,025,000 (2016: income tax credit of RMB2,306,000) for the year ended 31 December 2017.

However, the auditor considered that they had not yet obtained sufficient and appropriate evidence for these aforesaid balances.

5. Provisions and contingent liabilities arising from alleged guarantee

As at 31 December 2017, included in the disposal group classified as held for sale is provision for litigation liabilities of approximately RMB1,651,953,000 (2016: RMB1,234,768,000), as grouped under accruals and other payables consolidated in the statement of financial position, in respect of writs and arbitration cases in which the Group is the defendant. The Management of the Company considered that no progress on settlement of the litigations and arbitration cases for about 4 years and having received a letter dated 13 September 2017 from First Create, which is a related company of the Company, mentions that its financial position was not capable to repay the liabilities. The Management of the Company are in doubt that Jiashengpan may be liable to the above litigations and based on the prudence practice, the Management of the Company recorded the above provision for litigations in relation to such cases. However, the auditor considered that they had not yet obtained sufficient and appropriate evidence in respect of the adequacy on the provision made by the Group and therefore were not satisfied on the carrying amounts of the provision made as at 31 December 2017 and 2016 and the related expenses charged during the years then ended.

In addition, the Group had contingent liabilities of approximately RMB133,078,000 as at 31 December 2017 and 2016 in respect of a legal case arising in 2015. However, the auditor considered that they had not yet obtained sufficient and appropriate evidence in respect of this matter.

6. Completeness of pending litigations, proceedings, hearing or claims

As described in part 5 above, the Group had assessed the internal procedures to make several announcements regarding writs received, and the arbitration cases heard and associated claims judged in a timely manner.

However, the auditor considered that they had not yet obtained sufficient and appropriate evidence in respect of the completeness and assessment of related impact of writs, arbitration cases and claims arising in 2014 and 2015.

Following the discovery of the litigations and arbitration cases, the Board proposed several preventive measures to ensure that the Group maintains sound and effective control to safeguard shareholders' investments and the Company's assets, such as the suspension of the duties of Mr. Mei Ping including his role as the chairman of the Company, legal representative, chairman and general manager of Jiashengpan.

The Group engaged 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 2017, 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.

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

The Management of the Company had reviewed recoverability of receivables regularly and considered that adequate provision for impairment on receivables had been made as at 31 December 2017 and 2016. However, the auditor considered that they had not yet obtained sufficient and appropriate evidence in respect of the recoverability of receivables as at 31 December 2017 and 2016 as well as the related provision made during the years then ended.

8. Material uncertainty related to going concern

The Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on 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 auditor, after taking into account the Group's financial performance and contingent liabilities, considered that material uncertainty on the Group's going concern exists. The validity for the Group to continue as a going concern depends upon the completion of proposed restructuring which is uncertain. Accordingly, the auditor disclaimed the material uncertainty relating to the going concern basis.

Reference is made to the Company's announcement dated 24 October 2017. The Company and The Purchaser entered into the Disposal Agreement pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire equity interest in Yongbao Resources Exploitation and Development Limited and all its subsidiaries (the "**Disposal**"). It is expected that the Disposal would constitute a very substantial disposal (the "**VSD**").

After the Disposal, the Group will derecognise assets and liabilities from all subsidiaries and will fully discharge the contingent liabilities.

Reference is made to the Company's announcements dated 21 May 2018 and 29 June 2018, the Company entered into a revised conditional acquisition agreement and a revised conditional capital increase agreement 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 (the "**RTO**") involving a new listing application (the "**New Listing Application**") of the Company under the GEM Listing Rules. On 29 June 2018, the Company submitted the New Listing Application.

After the RTO, the Company will have sufficient assets to maintain the listing position in the Stock Exchange and new financial resource will be brought into the Company to satisfy the requirement to meet its liabilities as and when they fall due. Thus, the material uncertainty on the Group's going concern will be addressed.

The Directors believe that the disclaimer of opinion can be removed and there will be no any carry forward effect in the Group's financial statements for the year ending 31 December 2018 based on certain assumptions (as further explained in the paragraphs under "Notes to the Financial Statements" below).

The Audit Committee agreed with the view of the Management of the Company and confirmed that it had critically reviewed and agreed with the position of the Management of the Company on the major judgmental areas, repeated disclaimer of opinion issued by the auditors and proposals to address the audit issues.

The Company will publish further announcement(s) to update the Shareholders and potential investors of the progress of the VSD and the RTO as and when appropriate.

NOTES TO THE FINANCIAL STATEMENTS

Reference is made to the "Notes to the Financial Statements" Note 2 "Basis of Preparation" on pages 8 to 9 of the 2017 Annual Results Announcement. The Board wishes to supplement the following:

The Directors have consulted the auditor and based on current understanding and available information up to the date of this announcement, the audit opinion on the Group's financial statements for the year ending 31 December 2018 would be clean on the conditions that (i) the RTO and the VSD would be completed on or before 31 December 2018, and (ii) there are no other issues arising during the year ending 31 December 2018 that would adversely affect the auditor to provide a clean opinion on the Group's financial statements.

With reference to HKFRS 3 "Business Combination", the Group is deemed to have been acquired by the acquirer (the "**Acquirer**") for accounting purpose under the RTO. Assuming that the RTO and the VSD are completed on or before 31 December 2018, the consolidated financial statements for the year ending 31 December 2018 shall represent the continuation of the financial statements of Acquirer (accounting acquirer) and prepared in accordance with HKFRS 3 paragraphs. B21 to B22. The comparative information presented in the consolidated financial statements for the year ending 31 December 2018 shall be restated to that of the accounting acquirer.

Based on the above, the opening balances of the Group's financial statements would be the financial figures of the Restructured Group for the year ended 31 December 2017 given that the RTO and the VSD would be completed on or before 31 December 2018. As the disclaimer of opinion in the year 2017 related to the Disposal Group would not be stated as the opening figures of the Group's financial statements for the year ending 31 December 2018, the audit opinion on the Group's financial statements for the year ending 31 December 2018 would be clean.

Given that the RTO and the VSD would be completed on or before 31 December 2018 and based on current understanding and available information up to the date of this announcement, the audit opinion on the Group's financial statements for the year ending 31 December 2018 would be clean and therefore no areas or major items would be qualified/disclaimed by the auditor.

CORPORATE GOVERNANCE REPORT

Reference is made to the paragraphs under "Corporate Governance Report" on page 32 of the 2017 Annual Results Announcement. The Board wishes to supplement the followings:

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 annual results for the year ended 31 December 2017 cannot be published on or before 31 March 2018, 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 2017 on or before 31 March 2018; and (b) publishing the annual report for the year ended 31 December 2017 on or before 31 March 2018. The 2017 third quarterly report, 2017 annual report and the 2018 first quarterly report are expected to be published on or before 31 August 2018. Further announcement(s) will be made by the Company if the date of the above timetable is significantly delayed.

Dealing in the Shares on the Stock Exchange has been suspended since 1 April 2015 and will remain suspended until further notice. Shareholders and potential investors should note that the resumption of trading in the Shares is subject to various conditions which may or may not be fulfilled.

There is no guarantee that the resumption of trading in the Shares will take place. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

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

Hong Kong, 17 July 2018

As at the date of this announcement, the executive Director is Ms. Liu Yaling, the non-executive Director is Mr. Chan Wai Cheung, Admiral and the independent non-executive Directors are Mr. Cheng Feng, Mr. Ng Man Kwan, Lawrence and Mr. Siu Kai Chun.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will be published on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the Company’s website <http://www.cnm.com.hk>.

* *For identification purposes only*