



**中國有色金屬有限公司\***

China Nonferrous Metals Company Limited

*(Incorporated in Bermuda with limited liability)*

Stock Code: 8306

First Quarterly Report  
2015

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

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*This report, for which the directors (the “Directors”) of China Nonferrous Metals Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report 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 report misleading.*

## **HIGHLIGHTS**

- Achieved a turnover of approximately RMB4.9 million for the three months ended 31 March 2015, representing an approximately 76.7% decrease as compared with that of the corresponding period in 2014.
- The net loss of the Group attributable to owners of the Company for the three months ended 31 March 2015 was approximately RMB17.2 million (2014: RMB17.3 million).
- The Directors do not recommend dividend for the three months ended 31 March 2015.

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The board (the “Board”) of Directors of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2015, together with the comparative figures for the corresponding period in 2014 as follows:

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

		<b>Three months ended 31 March</b>	
	<i>Notes</i>	<b>2015 RMB'000 (unaudited)</b>	2014 RMB'000 (unaudited)
Revenue	3	<b>4,932</b>	21,212
Cost of sales		<b>(3,729)</b>	(19,441)
<b>Gross profit</b>		<b>1,203</b>	1,771
Other income		–	109
Changes in fair value of derivative financial instruments		–	24
Selling and distribution costs		<b>(369)</b>	(425)
Administrative expenses		<b>(6,099)</b>	(6,871)
<b>Loss from operations</b>		<b>(5,265)</b>	(5,392)
Finance costs		<b>(12,230)</b>	(11,805)
<b>Loss before income tax</b>		<b>(17,495)</b>	(17,197)
Income tax credit/(expense)	4	<b>304</b>	(103)
<b>Loss for the period attributable to the owners of the Company</b>		<b>(17,191)</b>	(17,300)
<b>Losses per share</b>	6	<b>RMB(0.98) cent</b>	RMB(0.99) cent
Basic and diluted			

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Three months ended 31 March</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Loss for the period	<b>(17,191)</b>	(17,300)
<b>Other comprehensive expenses, after tax</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<b>(197)</b>	(688)
Total other comprehensive expenses for the period, net of tax	<b>(197)</b>	(688)
Total comprehensive expenses for the period attributable to owners of the Company	<b>(17,388)</b>	(17,988)

**NOTES:**

**1. GENERAL INFORMATION AND BASIS OF PRESENTATION**

The Company was incorporated in Bermuda on 14 April 2004 as an exempted company under the Companies Act 1981 of Bermuda (as amended). Its shares are listed on GEM with effect from 28 February 2005. As requested by the Company, trading in shares of the Company on the GEM has been suspended since 1 April 2015.

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

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

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

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

The accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31 March 2015 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014. The consolidated results for the three months ended 31 March 2015 are unaudited but have been reviewed by the Company’s audit committee.

**2. ADOPTION OF NEW AND AMENDED IFRSs**

In the current period, the Group has applied for the first time the new standards, amendments and interpretations (the “new IFRSs”), which are relevant to and effective for the Group’s financial statements for the annual financial period beginning on 1 January 2015.

The adoption of the new IFRSs did not change the Group’s accounting policies as followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014. The Directors anticipate that the adoption of the new IFRSs had no material impact on how the results for the current and prior periods have been prepared and presented.

**3. REVENUE**

The Group is engaged in the mining, processing and trading of mineral resources. Revenue recognised during the three months ended 31 March 2015 are as follows:

	<b>Three months ended 31 March</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Revenue:</b>		
Mining, processing and trading of mineral resources	<b>4,932</b>	21,212
	<u><u>4,932</u></u>	<u><u>21,212</u></u>

**4. INCOME TAX CREDIT/(EXPENSE)**

	<b>Three months ended 31 March</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Current taxation	-	-
Deferred taxation	<b>304</b>	(103)
Total tax credit/(expense) for the period	<b>304</b>	(103)
	<u><u>304</u></u>	<u><u>(103)</u></u>

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

**5. DIVIDEND**

No dividend has been paid, proposed, or declared by the Group for the three months ended 31 March 2015 (2014: Nil).

**6. LOSSES PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY**

Basic losses per share is calculated based on the Group's loss for the period attributable to owners of the Company of RMB17,191,000 (2014: RMB17,300,000) divided by the weighted average number of approximately 1,751,308,000 (2014: approximately 1,751,308,000) ordinary shares in issue during the period.

Diluted losses per share for the three months ended 31 March 2015 and 2014 are same as the basic losses per share because the impacts of both of the exercise of share options and conversion of the convertible bonds are anti-dilutive.

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**7. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*For the three months ended 31 March 2015*

	Share capital	Share premium	Capital redemption reserve	Translation reserve	Specific reserve	Other reserve	Share option reserve	Convertible bonds equity reserve	Accumulated losses	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2015 (audited)	3,107	970,169	6	(13,278)	4,264	15,529	30,503	118,673	(210,033)	918,940
Loss for the period	-	-	-	-	-	-	-	-	(17,191)	(17,191)
Other comprehensive expenses										
Currency translation	-	-	-	(197)	-	-	-	-	-	(197)
Total comprehensive expenses for the period	-	-	-	(197)	-	-	-	-	(17,191)	(17,388)
At 31 March 2015 (unaudited)	<u>3,107</u>	<u>970,169</u>	<u>6</u>	<u>(13,475)</u>	<u>4,264</u>	<u>15,529</u>	<u>30,503</u>	<u>118,673</u>	<u>(227,224)</u>	<u>901,552</u>

*For the three months ended 31 March 2014*

At 1 January 2014 (audited)	3,107	970,169	6	(13,644)	4,264	15,529	50,783	118,673	(54,233)	1,094,654
Loss for the period	-	-	-	-	-	-	-	-	(17,300)	(17,300)
Other comprehensive expenses										
Currency translation	-	-	-	(688)	-	-	-	-	-	(688)
Total comprehensive expenses for the period	-	-	-	(688)	-	-	-	-	(17,300)	(17,988)
At 31 March 2014 (unaudited)	<u>3,107</u>	<u>970,169</u>	<u>6</u>	<u>(14,332)</u>	<u>4,264</u>	<u>15,529</u>	<u>50,783</u>	<u>118,673</u>	<u>(71,533)</u>	<u>1,076,666</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND FINANCIAL REVIEW

#### Market review

##### Lead

Total global supply of lead for the first two months of 2015 stood at approximately 1.719 million tonnes whilst total consumption for the same period was only approximately 1.716 million tonnes, representing a supply surplus approximately 3,000 tonnes (2014: deficit 15,000 tonnes). During the year 2014, global lead production was approximately 11.274 million tonnes and consumption was approximately 11.279 million tonnes, representing a supply deficit of approximately 5,000 tonnes.

#### World refined lead supply and usage

January – February	2015	2014
Metal production (tonnes)	<b>1,719,000</b>	1,710,000
Metal usage (tonnes)	<b>1,716,000</b>	1,725,000
Surplus/(deficit) (tonnes)	<b>3,000</b>	(15,000)

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

There was no material fluctuation in global refined lead metal production and consumption as compared with last corresponding period. In accordance with ILZSG forecasts, global demand for refined lead metal is expected to rise to 11.05 million tonnes in 2015. The supply for refined lead mine is expected to rise to 11.03 million tonnes in 2015. As a consequence, it is anticipated that there should not have any material deficit/surplus between the usage and consumption in 2015.

##### Zinc

Total global supply of zinc was approximately 2.154 million tonnes for the first two months of 2015 whilst total consumption was approximately 2.093 million tonnes, representing a supply surplus of approximately 61,000 tonnes. During the year 2014, global zinc production was approximately 13.513 million tonnes and consumption was approximately 13.809 million tonnes, representing a supply deficit of approximately 296,000 tonnes.

World refined zinc supply and usage

January – February	<b>2015</b>	2014
Metal production (tonnes)	<b>2,154,000</b>	2,131,000
Metal usage (tonnes)	<b>2,093,000</b>	2,137,000
Surplus/(deficit) (tonnes)	<b>61,000</b>	(6,000)

Source: ILZSG

In accordance with ILZSG forecasts, global usage and supply of refined zinc metal is expected to reach approximately 14.14 million and 13.99 million tonnes in 2015 respectively. The global demand of zinc metal is expected to increase by approximately 6.0%, 4.8% and 2.4% in the United States, the People’s Republic of China (the “PRC”) and the Europe respectively.

**PRC nonferrous metals development and prospect**

According to an article issued by the Ministry of Industry and Information Technology of the PRC, the national output of ten nonferrous metals for the year of 2014, including lead and zinc, rose to approximately 44.17 million tonnes, its output growth has increased by approximately 9.6% while compared with the year of 2013. The output of lead lowered by approximately 5.6% to 4.22 million tonnes but that of zinc climbed approximately 10% to 5.83 million tonnes respectively. Total profitability in nonferrous metals industry in the PRC had decreased by approximately 0.1% to approximately RMB205.3 billion as compared with the year of 2013.

The economy of the PRC had risen by 7% in the first quarter of the year, a large figure compared to that in the western countries, but the lowest for the country since the financial crisis in 2009. The nation’s economy missed its official annual growth target of 7.5% for the first time in 15 years and still under downside pressure. In view of the current economic condition, the central bank cut its bank reserve requirement ratio by one percentage point in April 2015 in order to stimulate more lending business in the PRC. The move may free up an estimated RMB1.2 trillion which intend to boost financial markets. Given the industrial output (including the metals market industry) and overall economy performance both slowed in early 2015, further stimulus is expected to help revive the slowing economy which might be beneficial to the development of the nonferrous metal industry as a whole.

**Financial highlights**

The Group is principally engaged in the mining, processing and trading of mineral resources. The mining site in Bameng Wuzhong Qi Jiashengpan Zinc, Lead and Pyrite Resources Exploitation Co. Ltd (“Jiashengpan”), which is a significant profit generating business in the Group and its performance is heavily weighted to the Group’s profitability. Jiashengpan has generated revenue of approximately RMB3.8 million, representing approximately 77.6% of the Group’s revenue. However, gross profit margin ratio of Jiashengpan was diminished from approximately 7.9% to 3.0% compared with last corresponding period which was mainly attributable to the increase in the production cost in recent years.

The following is a comparison of financial results between the three months ended 31 March 2015 and 2014:

For the three months ended 31 March 2015, the Group recorded a turnover of approximately RMB4.9 million, representing a decrease of approximately 76.7% as compared with the turnover of approximately RMB21.2 million for the same period last year. Total costs of production decreased 80.8% to approximately RMB3.7 million compared with the same period in last corresponding period.

The decline in the revenue as compared with last corresponding period was mainly caused by the performance in the nonferrous metals mining business: (i) decrease in the sales volume in current period whilst certain sales in the last corresponding period represented the inventories brought forward from previous year; (ii) decrease in the production volume as a result of lower production volume as compared with last corresponding period; and (iii) due to the adverse market demand for the by-product, sales of which has been decrease to a large extent. Meanwhile, gross profit of the Group has decreased to approximately RMB1.2 million (2014: approximately RMB1.8 million), it was mainly attributable to the higher profit generated from indent trading during the period amounted to RMB1.1 million (2014: RMB0.1 million) which has partially setoff the impact on the decrease in the sales volume in the nonferrous metals mining business.

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Revenue and gross profit margin for the three months ended 31 March 2015 and 2014 are as follows:

	Three months ended 31 March 2015				Three months ended 31 March 2014			
	Revenue	Cost	Gross	Gross	Revenue	Cost	Gross	Gross
	RMB'000	of sales RMB'000	profit RMB'000	profit %	RMB'000	of sales RMB'000	profit RMB'000	profit %
Nonferrous metal mining	3,846	(3,729)	117	3.0%	21,112	(19,441)	1,671	7.9%
Indent trading/service income	1,086	-	1,086	100%	100	-	100	100%
<b>Total</b>	<b>4,932</b>	<b>(3,729)</b>	<b>1,203</b>	<b>24.4%</b>	<b>21,212</b>	<b>(19,441)</b>	<b>1,771</b>	<b>8.3%</b>

The Group usually experiences lower sales in the first quarter due to reduced business activities around Chinese New Year holiday as our customers generally place their orders in advance in the quarter immediately prior to the Chinese New Year. In addition, the extreme snowy weather condition affected the utilisation of the production equipment at the Inner Mongolian plant making the sales comparatively lower in the first quarter. According to the past experience, the sales and production volumes of the mining business will improve in subsequent periods.

The followings are the sales volume and average selling prices for each of our mining products and trading business in respect of the three months ended 31 March 2015 and 2014:

	Three months ended 31 March 2015			Three months ended 31 March 2014		
	Sales volume	Selling price	Total revenue	Sales volume	Selling price	Total revenue
	(tonne)	(RMB/tonne)	(RMB'000)	(tonne)	(RMB/tonne)	(RMB'000)
Zinc concentrate	500	7,692.3	3,846	2,212	7,788.4	17,228
Lead concentrate, crude lead and lead acid	-	-	-	229	9,414.8	2,156
Sulphuric acid	-	-	-	7,312	62.1	454
Tailing mine	-	-	-	10,872	117.2	1,274
Indent trading/ service income	-	-	1,086	-	-	100
			<b>4,932</b>			<b>21,212</b>

**Financial information by ordinary course of business**

The Company is engaged in three ordinary courses of business – nonferrous metal mining, nonferrous metal trading and metal commodity futures contracts, reflecting the structure used by the Company’s management to assess the performance of the Group.

**Three months ended 31 March 2015**

	<b>Mining</b>	<b>Metal trading</b>	<b>Unallocated corporate income and expenses</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>	3,846	1,086	–	4,932
<b>Cost of sales</b>	(3,729)	–	–	(3,729)
<b>Gross profit</b>	117	1,086	–	1,203
Selling and distribution costs	(369)	–	–	(369)
Administrative expenses	(3,570)	(968)	(1,561)	(6,099)
Finance costs	(4,720)	–	(7,510)	(12,230)
Profit/(loss) before income tax	(8,542)	118	(9,071)	(17,495)

**Addendum to business and financial review**

For the year ended 31 December 2014, overall revenue of the Group was approximately RMB126.1 million and the trade and note receivables as at 31 December 2014 was approximately RMB162.9 million, as such accounts receivable turnover was approximately 471 days. Long turnover days was mainly caused by the indent trading activity during the year. According to paragraph 21 in the appendix of International Accounting Standard 18 "Revenue", as the Group acted as an agent, the net receivable in return for services performed was recognised as revenue instead of the gross invoiced amount. In this regard, only the gross profit of approximately RMB6.8 million instead of the gross invoiced amount of approximately RMB378.7 million from the indent trading activity was recognised as revenue in the consolidated income statement. However, the gross amount was recorded in the trade receivable balance. As such, the Directors are of the view that the significant amount in the trade receivables but comparatively lower in revenue is a matter of accounting treatment. Subsequent to the 2014 year end date and up to 8 May 2015, trade and note receivables of RMB153.0 million as at 31 December 2014 has been settled either by the metal purchase or the bank receipts. The remaining outstanding amount of RMB9.7 million overdue and these are related to independent customers for whom there are no recent history of default.

The gross profit generated from the services performed by the Group as an agent of approximately RMB1.1 million have been recognised as revenue of the Group for the three months ended 31 March 2015. Its corresponding gross invoiced amount was approximately RMB238.3 million. Trade and note receivables as at 31 March 2015 was approximately RMB318.4 million. Subsequent to 31 March 2015 and up to 8 May 2015. No subsequent settlement has been received from 1 April 2015 to 8 May 2015, approximately RMB9.7 million is related to the overdue balance as at 31 December 2014 as mentioned above. Other remaining outstanding balance of RMB308.7 million is within its credit term.

### **Changes in fair value of derivative financial instruments**

It represents the gain or loss arising from the changes in fair value of the metal commodity futures contracts used to hedge against the Group's production and inventories. As a result of the adverse market condition of nonferrous metals market and decrease in the trading and production volume, the Group has not entered into any commodity futures contracts for the three months ended 31 March 2015.

### **Operating expenses**

Selling and distribution expenses for the three months ended 31 March 2015 amounted to approximately RMB0.37 million (2014: approximately RMB0.43 million), representing an decrease of approximately RMB0.06 million compared with the corresponding period in 2014.

Administrative expenses for the three months ended 31 March 2015 amounted to approximately RMB6.1 million (2014: approximately RMB6.9 million). Administrative expenses mainly consisted of staff costs, legal and professional fees, rent and rates, commission, depreciation and various governmental expenses.

### **Finance costs**

Finance costs for the three months ended 31 March 2015 amounted to approximately RMB12.2 million (2014: approximately RMB11.8 million).

### **Loss for the period attributable to equity owners**

The net loss of the Group attributable to the owners of the Company for the three months ended 31 March 2015 was approximately RMB17.2 million (2014: RMB17.3 million).

## LITIGATIONS AND CONTINGENT LIABILITIES

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 ("First Writ"), (ii) 3 November 2014 and has been issued at the Intermediate People's Court of Bayannur ("Second Writ"); and (iii) 29 December 2014 and has been issued at the People's Court of Futian, Shenzhen ("Third Writ", together with First Writ and Second Writ, the "Writs"). In addition, the Company had also been aware of four arbitration cases in Shenzhen Arbitration Centre against First Create (the "Arbitration Cases" together with the Writs, the "Writs and Arbitration Cases"). The Writs and Arbitration Cases against 深圳市冠欣投资有限公司 ("First Create") for repayment of loans and interest accrued thereon. The subsidiaries of the Company namely, Jiashengpan and/or 深圳市睿纳科技有限公司 ("Shenzhen Ruirui") is a named defendant under the Writs and Arbitration Cases. Each of the plaintiffs under the Writs and Arbitration Cases alleged the following:

- i. by a guarantee executed by Jiashengpan and Shenzhen Ruirui, they agreed to guarantee of RMB156,617,000 together with any accrued interest and other liabilities arisen in favour of the plaintiff. The plaintiff thereto claimed against First Create, Jiashengpan and Shenzhen Ruirui of approximately RMB162,577,000 under the First Writ;
- ii. by a loan agreement and a supplemental agreement executed by Jiashengpan, Jiashengpan agreed to guarantee of RMB70,000,000 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 RMB46,486,000 under the Second Writ;
- iii. by a guarantee executed by Jiashengpan, Jiashengpan agreed to guarantee of RMB35,000,000 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 RMB31,737,000 under the Third Writ;



- iv. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors agreed to provide guarantee for a loan amount of RMB200,000,000 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 RMB216,485,000;
- v. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors agreed to provide guarantee for a loan amount of RMB100,000,000 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 RMB107,517,000;
- vi. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors agreed to provide guarantee for a loan amount of RMB145,000,000 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 RMB152,131,000; and
- vii. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors in connection of the loan amount of RMB80,000,000 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 RMB84,191,000.

As at the date of this report, the outcomes of the Writs and Arbitration Cases are yet to be determined.

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

As at 31 March 2015, the interests and short positions of the Directors and 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; (c) as otherwise notified to the Company and the Stock Exchange in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

### Long positions in the shares of the Company

*Ordinary shares of HK\$0.002 each of the Company*

Name of Director	Capacity	Number of shares	Percentage of Shareholding (%)
He Qing	Interest of spouse	2,000,000	0.11

Note: Ms. He Qing was deemed to be interested in 2,000,000 shares which were held by Mr. Liu Ying, her spouse, under the SFO.

### Share options

As at 31 March 2015, save as disclosed herein, none of the Directors and chief executive of the Company had any interests and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); and (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

## SHARE OPTION SCHEME

As at 31 March 2015, options to subscribe for an aggregate of 71,702,000 shares had been granted to certain employees of the Group. Details of outstanding options as at 31 March 2015 were as follows:

Name or category of participant	Number of share options					Date of grant of share options (note)	Exercise period of share options	Exercise price of share options HK\$
	At 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	At 31 March 2015			
<b>Other employees</b>								
In aggregate	71,702,000	-	-	-	71,702,000	28/07/2010	Period 1	1.23
	<u>71,702,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,702,000</u>			

Period 1 28 July 2010 to 30 May 2015

Note: The vesting date of the share options is the date of grant.

## **SUBSTANTIAL SHAREHOLDERS**

As at 31 March 2015, so far as the Directors were aware, the following persons or companies (other than the Directors or chief executive of the Company) had an interest or short position in the shares, underlying shares and debentures of the Company which were discloseable under Divisions 2 and 3 of Part XV of the SFO and recorded in the register of interests required to be kept by the Company pursuant to Section 336 of SFO:

<b>Name of shareholders</b>	<b>Type of interests</b>	<b>Position</b>	<b>Number of shares</b>	<b>Approximate percentage of interests</b>
Ruffy Investments Limited ("Ruffy") (Note 1)	Beneficial owner	Long	1,371,544,609	78.32%
Mr. Mei Wei (Notes 1 & 2)	Interest in controlled corporation	Long	1,371,544,609	78.32%
	Beneficial owner	Long	82,912,000	4.73%
			<u>1,454,456,609</u>	<u>83.05%</u>

*Notes:*

1. These shares and underlying shares of the Company comprise of 1,033,091,706 shares and HK\$372,298,194 of outstanding principal amount of convertible bonds which can be convertible into 338,452,903 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 and HK\$370,957,666 of outstanding principal amount of convertible bonds have been pledged by Ruffy to CCB International Group Holdings Limited, 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 and 71,702,000 share options, were beneficially held by Mr. Mei Wei.

Save as disclosed herein, so far as known to any Director or chief executive of the Company, no other person (other than the Directors and chief executive of the Company) had any interest and short positions in the shares, underlying shares and debentures of the Company which were discloseable under Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register required to be kept under Section 336 of the SFO as at 31 March 2015.

## CORPORATE GOVERNANCE

The Company has complied throughout the three months ended 31 March 2015 with the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 of the GEM Listing Rules with certain deviations in respect of the distinctive roles of chairman and chief executive officer as described in the 2014 annual report. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board continues to believe that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. Given that Mr. Mei Ping has urged and worked closely with First Create and Mr. Mei Wei to resolve the Writs and Arbitration Cases in order to reduce and avoid any loss incurred to the Company and the outcomes of the Writs and Arbitration Cases are yet to be determined, the Board considers monitoring the progress and development of the claims in the meantime. Further, the PRC legal adviser would act for Jiashengpan, to issue a counterclaim against the plaintiffs. The Board will convene another meeting to transact the suitability of Mr. Mei Ping for acting as a Director and hold him accountable for any loss if the result indicates any negligence, willful default or improper act on the part of Mr. Mei Ping arising from the Writs and Arbitration Cases. Nonetheless, the Board has suspended Mr. Mei Ping’s duty as executive Director on 22 January 2015 as well as his role as the legal representative, executive director and general manager in Jiashengpan on 27 March 2015.

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

## **FOREIGN EXCHANGE EXPOSURE**

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

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

## **DIRECTORS/CONTROLLING SHAREHOLDERS INTERESTS IN COMPETING BUSINESS**

During the period 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 Ping held shareholding or directorship in 深圳冠欣礦業集團有限公司 and First Create (collectively referred as “First Create Group”) which, including its subsidiaries and associated companies, engaged in the mining and trading business. The Company’s substantial shareholder, 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:

- (1) Different target customers: trading business of First Create Group is overseas focus while majority turnover in the Group is local business.
- (2) Trading volume in First Create Group is significantly higher than the Group.

In addition, the Board is independent from the board of directors of the aforesaid companies as Mr. Mei Ping cannot personally control the Board. Since Mr. Mei Ping has voluntarily suspended his duty as executive Director and chairman of the Board, it is expected the Group is capable of carrying on its businesses independently of, and at arm's length from the business of such companies.

Mr. Mei Wei also held shareholding interests and/or directorship in companies engaged in the 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.

### **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.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the three months ended 31 March 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## **AUDIT COMMITTEE**

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

The audit committee provides a link between the Board of Directors and the Company’s auditors in matter coming within the scope of the Group audit. It also reviews the first quarterly results for the three months ended 31 March 2015. The members of the audit committee comprises two independent non-executive Directors, namely Ms. He Qing and Mr. Ng Man Kwan, Lawrence, which fall below the minimum requirement of Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules. The vacancy created by the resignation of Mr. Kwan Man Kit, Edmond on 27 March 2015, will be filled shortly.

The Group’s unaudited consolidated results for the three months ended 31 March 2015 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

## **MATERIAL ACQUISITION AND DISPOSAL**

No material acquisitions or disposals of subsidiaries and associated companies have been made by the Company during the three months ended 31 March 2015.



**PUBLIC FLOAT**

For the three-month period ended 31 March 2015, the Company has maintained the public float requirement as stipulated by the GEM Listing Rules.

On behalf of the Board

**China Nonferrous Metals Company Limited**

**Tsang Chung Sing, Edward**

*Director*

Hong Kong, 8 May 2015

*As at the date of this report, the Board consists of two executive Directors, namely Mr. Mei Ping (suspended) and Mr. Tsang Chung Sing, Edward and two independent non-executive Directors, namely Ms. He Qing and Mr. Ng Man Kwan, Lawrence.*