



中國有色金屬有限公司*

China Nonferrous Metals Company Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8306

Third Quarterly Report
2015

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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 RMB67.9 million for the nine months ended 30 September 2015, representing an approximately 13.8% decrease as compared with that of the corresponding period in 2014.
- Net loss of the Group attributable to owners of the Company for the nine months ended 30 September 2015 amounted to approximately RMB52.7 million (2014: RMB56.1 million).
- The Directors do not recommend dividend for the nine months ended 30 September 2015.

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

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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 nine months ended 30 September 2015, together with the comparative figures for the corresponding period in 2014 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Revenue	3	67,885	78,787	47,603	17,242
Cost of sales		(67,044)	(73,903)	(45,846)	(17,122)
Gross profit		841	4,884	1,757	120
Other income		4	2,623	-	1,625
Changes in fair value of derivative financial instruments		-	24	-	-
Selling and distribution costs		(878)	(4,745)	(15)	(2,001)
Administrative expenses		(23,069)	(22,188)	(6,045)	(5,526)
Loss from operations		(23,102)	(19,402)	(4,303)	(5,782)
Finance costs	4	(31,586)	(38,110)	(6,909)	(14,274)
Loss before income tax		(54,688)	(57,512)	(11,212)	(20,056)
Income tax credit	5	1,982	1,387	837	927
Loss for the period		(52,706)	(56,125)	(10,375)	(19,129)
Loss for the period attributable to owners of the Company		(52,706)	(56,125)	(10,375)	(19,129)
Losses per share					
Basic and diluted	7	RMB3.01 cents	RMB3.20 cents	RMB0.59 cent	RMB1.09 cent

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	Nine months ended 30 September		Three months ended 30 September	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Loss for the period	(52,706)	(56,125)	(10,375)	(19,129)
Other comprehensive income/(expense), after tax				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	1,100	(463)	1,421	199
Total other comprehensive income/(expense) for the period, net of tax	1,100	(463)	1,421	199
Total comprehensive expense attributable to owners of the Company:	(51,606)	(56,588)	(8,954)	(18,930)

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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. Its 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 nine months ended 30 September 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 nine months ended 30 September 2015 are unaudited but have been reviewed by the Company’s audit committee.

2. ADOPTION OF NEW OR AMENDED IFRSs

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

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3. REVENUE

The Group is engaged in trading, mining and processing of mineral resources. Revenue recognised during the nine months and three months ended 30 September 2015 and 2014 are as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2015 <i>RMB'000</i> (unaudited)	2014 <i>RMB'000</i> (unaudited)	2015 <i>RMB'000</i> (unaudited)	2014 <i>RMB'000</i> (unaudited)
Revenue:				
Trading, mining and processing of mineral resources	67,885	78,787	47,603	17,242

4. FINANCE COSTS

	Nine months ended 30 September		Three months ended 30 September	
	2015 <i>RMB'000</i> (unaudited)	2014 <i>RMB'000</i> (unaudited)	2015 <i>RMB'000</i> (unaudited)	2014 <i>RMB'000</i> (unaudited)
Wholly repayable within five years				
– interest on bank loans	3,040	3,139	1,022	995
– interest on other loans	11,250	13,500	3,750	6,000
Interest on convertible bonds/ shareholder's loan	15,258	21,438	121	7,268
Interest on finance lease liabilities	33	33	11	11
Interest on shareholder loan	2,005	–	2,005	–
	31,586	38,110	6,909	14,274

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5. INCOME TAX CREDIT

	Nine months ended 30 September		Three months ended 30 September	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Current taxation	-	-	-	-
Deferred taxation	<u>1,982</u>	<u>1,387</u>	<u>837</u>	<u>927</u>
Total tax credit for the period	<u><u>1,982</u></u>	<u><u>1,387</u></u>	<u><u>837</u></u>	<u><u>927</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 expense for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. DIVIDEND

No dividend has been paid, proposed, or declared by the Group for the nine months ended 30 September 2015 (2014: Nil).

7. 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 RMB52,706,000 (2014: RMB56,125,000) 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 nine months ended 30 September 2014 was same as the basic losses per share because the impacts of both of the exercise of share options and conversion of the convertible bonds were anti-dilutive. The exercise of share options had lapsed on 30 May 2015 and the convertible bonds were due on 9 July 2015, therefore there is no impact to the diluted losses per share for the nine months ended 30 September 2015.

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8. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2015

	Attributable to owners of the Company									
	Share capital	Share premium	Capital		Specific reserve	Other reserve	Convertible			Total
			redemption reserve	Translation reserve			Share option reserve	bonds equity reserve	Accumulated losses	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2014 and 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	-	-	-	-	-	-	-	-	(52,706)	(52,706)
Other comprehensive income										
Currency translation	-	-	-	1,100	-	-	-	-	-	1,100
Total comprehensive expense for the period	-	-	-	1,100	-	-	-	-	(52,706)	(51,606)
Share options lapsed	-	-	-	-	-	-	(30,503)	-	30,503	-
At 30 September 2015 (unaudited)	<u>3,107</u>	<u>970,169</u>	<u>6</u>	<u>(12,178)</u>	<u>4,264</u>	<u>15,529</u>	<u>-</u>	<u>118,673</u>	<u>(232,236)</u>	<u>867,334</u>

For the nine months ended 30 September 2014

	Attributable to owners of the Company									
	Share capital	Share premium	Capital		Specific reserve	Other reserve	Convertible			Total
			redemption reserve	Translation reserve			Share option reserve	bonds equity reserve	Accumulated losses	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2013 and 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	-	-	-	-	-	-	-	-	(56,125)	(56,125)
Other comprehensive expense										
Currency translation	-	-	-	(463)	-	-	-	-	-	(463)
Total comprehensive expense for the period	-	-	-	(463)	-	-	-	-	(56,125)	(56,588)
Share options lapsed	-	-	-	-	-	-	(1,814)	-	1,814	-
At 30 September 2014 (unaudited)	<u>3,107</u>	<u>970,169</u>	<u>6</u>	<u>(14,107)</u>	<u>4,264</u>	<u>15,529</u>	<u>48,969</u>	<u>118,673</u>	<u>(108,544)</u>	<u>1,038,066</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Market review

Lead

Total global supply of lead for the first eight months of this year stood at approximately 6.677 million tonnes whilst total consumption for the same period was approximately 6.663 million tonnes, representing a supply surplus of approximately 14,000 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 – August	2015	2014
Metal production (tonnes)	6,677,000	7,116,000
Metal usage (tonnes)	6,663,000	7,096,000
Surplus (tonnes)	14,000	20,000

Source: International Lead and Zinc Study Group ("ILZSG")

There was slight decrease in global refined lead metal production and consumption as compared with last corresponding period. In accordance with ILZSG latest forecasts, global demand for refined lead metal is expected to decrease to approximately 10.82 million tonnes in 2015. The supply for refined lead mine is expected to reach 10.83 million tonnes in 2015 with a slight reduction as resulted from lower output in the People's Republic of China (the "PRC") and Peru, where production at the La Oroya plant was suspended in June last year. Having considered the forecast on the demand and supply of the refined lead metal, it is anticipated that there will be a close balance with no material surplus/deficit in 2015.

Zinc

Total global supply of zinc was approximately 9.327 million tonnes for the first eight months of this year whilst total consumption was approximately 9.153 million tonnes, representing a surplus of approximately 174,000 tonnes. When compared to the supply deficit of approximately 290,000 tonnes for the same period of last year, it has turned to the supply surplus of 174,000 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 – August	2015	2014
Metal production (tonnes)	9,327,000	8,769,000
Metal usage (tonnes)	9,153,000	9,059,000
Surplus/(deficit) (tonnes)	174,000	(290,000)

Source: ILZSG

In accordance with ILZSG latest forecasts, world usage of refined zinc metal will increase to approximately 13.9 million tonnes in 2015. The growth in global demand of zinc metal is expected to be primarily driven by rises in the PRC where usage is expected to increase by 1.4%.

Market review

First nine months of 2015 was a difficult moment for the nonferrous industry. Reference to the nonferrous metals industry prosperity index issued by China Nonferrous Metals Industry Association (“CNMIA”) for the first nine months of 2015, the index recorded a continue downward trend during the reporting period. The index had considered a variety of factors including but not limited to the import amount of nonferrous metals, the entities profitability and investment atmosphere. In accordance with an article issued by the CNMIA, a forum was held by the Ministry of Industry and Information Technology (“MIIT”) in discussing the operation performance of certain nonferrous metals companies for the first half of 2015, it was reported that the industry was continuously under significant challenges. The high finance cost and production cost were factors primarily undermining the profitability of the industry. Considering the current market condition, MIIT announced that preparation work has started to pave the way for the launching of the 13th Five-Year Plan in the coming future.

Prospect

Through the implementation of the 12th Five-Year Plan (2011-2015), the combined output of 10 nonferrous metals has been boosted. In accordance with the statistics issued by ILZSG, total production of refined lead metal in the PRC grew from approximately 10.606 million tonnes to 11.274 million tonnes whereas production of refined zinc metal grew from 13.064 million tonnes to 13.513 million tonnes during the year from 2011 to 2014.

Suffering from the keen competition in the nonferrous metals market and recent market price trend, the Group’s average selling price of various products were sustainable at the low level. Moreover, recent continued strength of the United States dollars (“US\$”) weighed on the nonferrous metals prices, which were US dollar-denominated. In addition, although the central bank cut the bank reserve requirement ratio, corporate finance cost for the industry is still high. The funding restriction hindered production and operation in some degree. Couple with the rise in environmental related costs and labour costs, the profitability of the industry is further undermined. It is expected the business environment of the nonferrous metals market to remain unfavourable in the coming months of this year.

Given the industrial output (including the metals market industry) and overall economical performance both slowed in 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. Looking ahead, the Directors are cautiously positive on the continuous economic development in the PRC and believe the PRC government will continue to implement favourable economic policies to sustain the economic development, which could facilitate the continuous growth of the nonferrous metals sector in the PRC.

Financial performance analysis

Revenue

For the nine months ended 30 September 2015, the Group recorded a turnover of approximately RMB67.9 million, representing a decrease of approximately 13.8% as compared with the turnover of approximately RMB78.8 million for the same period last year. Meanwhile, total costs of production was approximately RMB67.0 million (2014: RMB73.9 million), representing a decrease of approximately 9.3%.

Revenue and gross profit margin for the nine months ended 30 September 2015 and 2014 are as follows:

	Nine months ended 30 September 2015				Nine months ended 30 September 2014			
	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	
Nonferrous metal mining	67,885	(67,044)	841	1.2%	75,018	(71,950)	3,068	4.1%
Metal trading	-	-	-	-	1,974	(1,953)	21	1.1%
Indent trading/service income	-	-	-	-	1,795	-	1,795	100%
Total	67,885	(67,044)	841	1.2%	78,787	(73,903)	4,884	6.2%

Revenue from metal mining decreased to approximately RMB67.9 million for the nine months ended 30 September 2015 as compared to approximately RMB75.0 million recorded for the corresponding period in 2014, representing a decrease of approximately 9.5%. No revenue was generated from metal trading and indent trading as a result of the adverse market condition of the nonferrous metal industry.

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For the nine month ended 30 September 2015, the selling price for the Group's product in the PRC markets remained at a low level, this unfavourable condition had a considerable adverse impact on the performance of the Group. The average selling price of zinc concentrates and lead concentrates of mining site decreased from RMB7,936 per tonne to RMB7,201 per tonne and RMB9,798 per tonne to RMB8,895 per tonne respectively as compared with the last corresponding period. In addition, revenue from the by-products including sulphuric acid and tailing mine, which were produced at limited costs, also decreased by approximately RMB3.8 million. Given that the selling prices and the sales volume of by-products kept decreasing, these attributed to a lowered gross profit ratio for the reporting period.

The followings are the sales volume and average selling price for each of our mining products and trading business in respect of the nine months ended 30 September 2015 and 2014:

	Nine months ended 30 September 2015			Nine months ended 30 September 2014		
	Sales volume (tonnes)	Selling price per unit RMB	Total revenue RMB'000	Sales volume (tonnes)	Selling price per unit RMB	Total revenue RMB'000
Zinc concentrates	8,842	7,201.4	63,675	8,156	7,936.6	64,731
Lead concentrates	459	8,895.4	4,083	847	9,798	8,299
Sulphuric acid	-	-	-	14,951	53.6	802
Tailing mine	1,022	124.3	127	28,860	109.5	3,160
Indent trading/service income	-	-	-	1,795	-	1,795
Total revenue			<u>67,885</u>			<u>78,787</u>

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 12 November 2015, trade and note receivables as at 31 December 2014 of RMB44.9 million has been settled. The remaining outstanding amount of RMB118.0 million was overdue. Subsequent to 31 December 2014, the Group entered into various metal purchase transactions with the said debtor approximately RMB108.3 million. It is the intention of the Company to resell these metal purchase to the other sale counter parties before the physical delivery date (i.e. indent sale and purchase transactions (the "Indent Trading")) and realise the cash from the Indent Trading. However, the trading stock was not accepted by the buyer and the transaction was finally cancelled.

As a result of the return of trading stock, no sales have been recorded under the indent trading business during the period. On the other hand, the Company has returned the trading stock to the suppliers and is in progress to demand for the repayment of the outstanding balances.

Trade and note receivables as at 30 September 2015 was approximately RMB139.0 million, of which RMB113.8 million was overdue over 1 year. Subsequent to 30 September 2015 and up to 12 November 2015, approximately RMB10.2 million has been received from trade and note receivables. Except for the balance of approximately RMB6.6 million is within its credit term, the remaining balance is overdue. The Company is monitoring the progress of the balance collection and will consider impairment if appropriate.

Other income

During the period, other income was approximately RMB4,000 representing a decrease of approximately RMB2.6 million as compared the same period of 2014. The decrease was mainly attributed to the lowered scrap sales during the period.

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. The Group has not entered into any commodity futures contracts during the nine months ended 30 September 2015.

Operating expenses

Selling and distribution costs for the nine months ended 30 September 2015 was approximately RMB0.9 million (2014: RMB4.7 million). The reduction in selling expenses was attributable to the fact that our customers typically transported the nonferrous metal concentrates from the mining site at their expenses.

Administrative expenses for the nine months ended 30 September 2015 amounted to approximately RMB23.1 million, representing an increase of approximately RMB0.9 million compared with the same period last year. Administrative expenses mainly consisted of staff costs, legal and professional fees, rent and rates, commission, depreciation, various government expenses and net exchange difference.

Finance costs

Finance costs for the nine months ended 30 September 2015 amounted to approximately RMB31.6 million (2014: RMB38.1 million). The decrease in finance costs was resulted from the convertible bonds which was due on 9 July 2015.

Loss for the period attributable to owners of the Company

The net loss of the Group attributable to owners of the Company for the nine months ended 30 September 2015 was approximately RMB52.7 million (2014: RMB56.1 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 had been issued at the Intermediate People's Court of Shenzhen City ("First Writ"), (ii) 3 November 2014 and had been issued at the Intermediate People's Court of Bayannur ("Second Writ"); and (iii) 29 December 2014 and had 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 Shenzhen First Create Investment Co., Ltd# (深圳市冠欣投資有限公司) ("First Create") for repayment of loans and interest accrued thereon. The subsidiaries of the Company namely, Barneng Wuzhong Qi Jiashengpan Zinc, lead and Pyrite Resources Exploitation Co., Ltd# (巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司) ("Jiashengpan") and/or Shenzhen Ruirui Technology Co., Ltd# (深圳市睿潤科技有限 公司) ("Shenzhen Ruirui") was 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.

Reference to announcement 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. 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.

On 20 April 2015, Jiashengpan had filed a counterclaim (“Counter-Proceedings”) with, and had paid the filing fee to, Shenzhen Futian District People’s Court, against the claim made by Shenzhen Qinghua Industrial Company Limited# (深圳市青樺實業有限公司) regarding the Third Writ. However, On 8 July 2015, the Futian Court confirmed that it did not accept the application of Jiashengpan for the Counter-Proceedings. Having taken advice from the PRC legal advisers, the Company considered that Jiashengpan will not lodge any appeal against the Futian Court’s judgment regarding the Counter-Proceedings. Jiashengpan will focus on its defence to the legal action under the Third Writ. Details of which can be referred to in the announcement dated 10 July 2015;

- 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, other than the withdrawal of the claim against Jiashengpan in the Second Writ, the outcome of the First Writ and Third Writ are yet to be determined. On the other hand, the Judgments (裁決書) dated 12 June 2014 had been issued by the Shenzhen Arbitration Centre in relation to the Arbitration Cases but this had not been received by the Company until mid-May 2015. Nevertheless, First Create has issued an undertaking to assume payment liability arising from the Writs and Arbitration Cases so as to avoid any losses incurred by the Company. As at the date of this report, no further action has been carried out by the claimant in the Arbitration Cases against Jiashengpan.

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

As at 30 September 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); (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 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 were as follows:

Long positions in the shares of the Company

Ordinary shares of HK\$0.002 each of the Company

Name of Director	Capacity	Number of shares	Percentage of shareholding (%)
Liu Yaling (<i>note</i>)	Beneficial owner	38,727	0.00%
	Interest of spouse	22,628,802	1.29%

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

SHARE OPTIONS

As at 30 September 2015, save as disclosed herein, none of the Directors and chief executive of the Company had any interests and short positions in the 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 to in Rules 5.46 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEME

As at 30 September 2015, the share options granted by the Company had lapsed. Details of options movement during the period were as follows:

Name or category of participant	Number of share options					At 30 September 2015	Date of grant of share options (note)	Exercise period of share options	Exercise share options HK\$
	At 1 January 2015	Granted during the period	Exercise during the period	Lapsed during the period					
In aggregate	<u>71,702,000</u>	<u>-</u>	<u>-</u>	<u>(71,702,000)</u>	<u>-</u>		28/7/2010	Period 1	1.23

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 30 September 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 the SFO:

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

Notes:

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

Save as disclosed herein, so far as known to any Director or chief executive of the Company, no other person (other than the Directors and chief executive of the Company) had any interest and short positions in the shares, underlying shares and debentures of the Company which were discloseable under Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register required to be kept under section 336 of the SFO as at 30 September 2015.

CORPORATE GOVERNANCE

The Company has complied throughout the nine months ended 30 September 2015 with the code provisions set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules with certain deviations in respect of the distinctive roles of chairman and chief executive officer 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 entered into several guarantee documents without obtaining the Board approval, his duty as executive Director had been suspended on 22 January 2015, as well as his role as the legal representative, executive director and general manager in Jiashengpan on 27 March 2015.

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

FOREIGN EXCHANGE EXPOSURE

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

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

DIRECTORS/CONTROLLING SHAREHOLDERS INTERESTS IN COMPETING BUSINESS

During the period and at the date of this report, the following Director(s) and controlling shareholder(s) are/is considered to have interests in the businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the GEM Listing Rules:

Mr. Mei Ping held shareholding and/or directorship in 深圳冠欣礦業集團有限公司 and First Create (collectively referred as "First Create Group"), 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; and
- (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 that 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 holds 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 nine months ended 30 September 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 and the Company's auditors in matter coming within the scope of the Group audit. It also reviews the quarterly results for the nine months ended 30 September 2015 of the Group. The members of the audit committee comprises three independent non-executive Directors, namely Mr. Cheng Feng (Chairman of the audit committee), Mr. Ng Man Kwan, Lawrence and Mr. Siu Kai Chun.

The Group's unaudited consolidated results for the nine months ended 30 September 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 nine months ended 30 September 2015.

PUBLIC FLOAT

For the nine months ended 30 September 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
Liu Yaling
Director

Hong Kong, 12 November 2015

As at the date of this report, the Board consists of the two executive Directors, namely Mr. Mei Ping (suspended) and Ms. Liu Yaling, the non-executive Director is Mr. Chan Wai Cheung, Admiral and the independent non-executive Directors are Mr. Ng Man Kwan, Lawrence, Mr. Cheng Feng and Mr. Siu Kai Chun.