中國有色金屬有限公司*

China Nonferrous Metals Company Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 8306)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

ANNUAL RESULTS

The board (the "Board") of Directors of the Company is pleased to announce the audited annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015, together with the comparative figures for the year ended 31 December 2014, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015** ***RMB'000***	2014 *RMB'000*
Revenue	5	**90,992**	126,076
Cost of sales		**(88,650)**	(115,851)
Gross profit		**2,342**	10,225
Other income	5	**38,111**	1,190
Changes in fair value of derivative financial instruments		**–**	24
Selling and distribution costs		**(897)**	(5,645)
Administrative expenses		**(41,745)**	(36,072)
Impairment losses and write-down of inventories		**(677,620)**	(133,637)
Loss from operations	6	**(679,809)**	(163,915)
Finance costs	7	**(53,728)**	(46,772)
Loss before income tax		**(733,537)**	(210,687)
Income tax credit	8	**152,959**	34,607
Loss for the year attributable to the owners of the Company		**(580,578)**	(176,080)
Loss per share – Basic and diluted	9	**(33.15) cents**	(10.05) cents
Other comprehensive income, after tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**7,779**	366
Total comprehensive income for the year attributable to the owners of the Company		**(572,799)**	(175,714)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**92,400**	242,791
Intangible assets		**260,191**	749,686
Prepaid land lease payments		**1,797**	1,839
Deferred tax assets		**54,950**	24,450
		409,338	1,018,766
Current assets			
Inventories		**131,476**	28,845
Prepaid land lease payments		**42**	42
Trade and note receivables	10	**126,784**	162,922
Other receivables, deposits and prepayments		**464,394**	541,359
Amount due from a related company		**2,035**	1,880
Cash and bank balances		**6,645**	37,045
		731,376	772,093
Current liabilities			
Trade and note payables	11	**72,382**	50,735
Other payables and accrued charges		**100,240**	70,122
Amounts due to related companies		**4,624**	5,426
Borrowings		**194,600**	194,867
Convertible bonds		**–**	291,610
Provision for tax		**84,309**	81,650
		456,155	694,410
Net current assets		**275,221**	77,683
Total assets less current liabilities		**684,559**	1,096,449
Non-current liabilities			
Other payables and accrued charges		**283,368**	–
Deferred tax liabilities		**55,050**	177,509
		338,418	177,509
Net assets		**346,141**	918,940
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,107**	3,107
Reserves		**343,034**	915,833
Total equity		**346,141**	918,940

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Nonferrous Metals Company Limited (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 the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 28 February 2005.

The Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the Company's principal place of business is Room 1104, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong.

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

The financial statements 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 ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements include applicable disclosure requirements by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The financial statements for the year ended 31 December 2015 were approved and authorised for issue by the Board of Directors on 31 March 2016.

2. BASIS OF PRESENTATION

The Group incurred a loss attributable to the owners of the Company of approximately RMB580,578,000 for the year ended 31 December 2015 and had accumulated losses of approximately RMB641,435,000 at the same date. As at 31 December 2015, the Group has contingent liabilities of approximately RMB1,152,898,000 arising from alleged guarantee documents entered into by two subsidiaries of the Group. In addition, the Group has not repaid the entrusted loan with the principal amount of RMB150,000,000 together with accrued interests and default penalties interest after the expiry date on 30 January 2015 and up to the date of approval of these financial statements. The Group's mining right of carrying amount of approximately RMB260,191,000 as at 31 December 2015 has been pledged as security of the entrusted loan and is believed to be subject to frozen order. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the foregoing the financial statements have been prepared on a going concern basis. In the opinion of the directors, the liquidity of the Group can be maintained in the coming year taking into consideration the proposed arrangements which include, but not limited to, the followings:

1. Entrusted loan

As at 31 December 2015, the Group was in default on repayments of the entrusted loan in principal amount of RMB150,000,000, together with accrued interests and penalties of approximately RMB31,389,000. The Group has received a notice (the "Notice") dated 23 February 2016 from the High People's Court of Jiangxi Province notifying the Company's subsidiary, namely 巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司 ("Jiashengpan"), to defend against the Writ (as defined below) in April 2016. Enclosed therewith the Notice, (i) a writ (the "Writ") of civil summon dated 29 December 2015 brought by the lender at the High People's Court of Jiangxi Province against Jiashengpan, and Mr. Mei Wei, the controlling shareholder of the Company, and 深圳冠欣礦業集團有限公司 ("First Create Mining"), a company controlled by Mr. Mei Wei, for the Default; and (ii) a court order (the "Order") dated 20 January 2016 made by the High People's Court of Jiangxi Province against Jiashengpan, First Create Mining and Mr. Mei Wei to impound, freeze and distress their respective bank savings and/or assets of value equivalent to approximately RMB176,002,000.

The entrusted loan is secured by the Group's mining rights in Wulatezing Qi, an autonomous region in Inner Mongolia of the PRC and guaranteed by First Create Mining and Mr. Mei Wei. First Create Mining and Mr. Mei Wei have undertaken to honour their obligations as guarantors of this entrusted loan under their guarantee agreements and agree to provide adequate funds to settle the entrusted loan and the accrued interests and penalties.

2. **Contingent liabilities on lawsuits and arbitration cases**

The Group has contingent liabilities of approximately RMB1,152,898,000 arising from alleged guarantee documents entered into by two subsidiaries of the Group.

深圳市冠欣投資有限公司("First Create") as the borrower of the loans in the writs and arbitration cases has undertaken to bear all liabilities, legal duties and losses incurred to the Group arising from the Writs and arbitration cases.

3. **Additional financial support from the controlling shareholder**

Mr. Mei Wei has undertaken the recoverability of certain trade receivables, deposits and other receivables of the Group in aggregated amount of approximately RMB525,264,000 as at 31 December 2015 in case these balances (in whole or in part) are still outstanding as at 31 December 2016.

In addition to the aforesaid financial undertakings made by Mr. Mei Wei and his affiliates, Mr. Mei Wei has further undertaken to provide continuing financial support to the Group to meet its liabilities as they fall due and to maintain the Group as a going concern for a period at least up to 31 December 2016.

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

3. ADOPTION OF NEW AND REVISED IFRSs

In the current year, the Group has applied for the first time the following amendments (the "new IFRSs") issued by the IASB and the International Financial Reporting Interpretations Committee of the IASB, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2015:

IFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
IFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

The adoption of the new IFRSs had no material impact on the Group's consolidated financial statements.

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to IAS 24 Related Party Disclosures to clarify that a management entity that provides key management services to a reporting entity is deemed to be a related party of the reporting entity. The reporting entity is required to disclose the amount incurred for the service fee paid or payable to the management entity that employs, or has as directors, the persons that provide the key management personnel services.

The adoption of the amendments to IAS24 has no impact on these financial statements as the Group has not employed any key management personnel services from a management entity.

New/revised IFRSs that have been issued but are not yet effective

The following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

IFRSs (Amendments)	Annual Improvements 2012-2014 Cycle [1]
Amendments to IAS 1	Disclosure Initiative [1]
Amendments to IAS 7	Disclosure Initiative [2]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses [2]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [1]
Amendments to IAS 27 (2011)	Equity Method in Separate Financial Statements [1]
IFRS 9 (2014)	Financial Instruments [3]
IFRS 15	Revenue from Contracts with Customers [3]
IFRS 16	Lease [4]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 January 2018
[4] Effective for annual periods beginning on or after 1 January 2019

Amendments to IAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of IAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to IAS 27 (2011) – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries in its separate financial statements.

IFRS 9 (2014) – Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

IFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these new or revised IFRSs and the directors are not yet in a position to quantify the effects on the Group's consolidated financial statements.

IFRS 16 – Lease

Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

4. SEGMENT INFORMATION

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

The Group's principal place of operations is in Mainland China. The Group's assets are located in Mainland China. The Group's revenue from external customers in different locations is as follows:

	2015	2014
	RMB'000	*RMB'000*
– Mainland China (domicile)	**90,992**	119,265
– Hong Kong	**–**	6,811
Total revenue	**90,992**	126,076

The geographical analysis of revenue is based on the location of external customers.

There are two (2014: two) customers with whom transactions of each exceed 10% of the Group's revenue during the year ended 31 December 2015. During the year ended 31 December 2015, revenue derived from these customers are approximately RMB70,689,000 and RMB20,177,000 individually (2014: RMB47,966,000 and RMB36,870,000 individually) from the mining operation.

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, derived from the Group's principal activities recognised during the year is as follows:

	2015	2014
	RMB'000	*RMB'000*
Revenue:		
Sales of goods	**90,992**	119,265
Income from indent trading (note)	**–**	6,811
	90,992	126,076
Other income:		
Bank interest income	**2**	30
Sales of scrap materials	**–**	1,136
Reversal of impairment of trade receivables	**150**	–
Gain on settlement of convertible bonds	**37,956**	–
Others	**3**	24
	38,111	1,190

Note:

During the year ended 31 December 2014, the Group entered into indent trading transactions of nonferrous metals and other products and the gross invoiced sale amount was approximately RMB378,693,000. Pursuant to 2009 amendments to IAS 18 Revenue, the Group's sale amount received from its indent trading are deemed as cash collected on behalf of the principal as an agent. Accordingly, the net amount receivable in return for services performed is recognised as revenue.

6. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging/(crediting):

	2015	2014
	RMB'000	*RMB'000*
Directors' emoluments	**1,287**	497
Other staff costs:		
Salaries, wages and other benefits	**12,749**	15,910
Retirement benefit schemes contributions (excluding those of Directors)	**580**	410
Total staff costs	**14,616**	16,817
Depreciation of property, plant and equipment		
–Owned	**18,201**	16,819
–Held under finance lease	**297**	397
	18,498	17,216
Amortisation of mining rights	**9,382**	9,157
Amortisation of prepaid land lease payments	**42**	42
Impairment of trade receivables*	**5,563**	1,925
Impairment of other receivables*	**–**	2,200
Write-down of inventories to net realisable value*	**24,132**	–
Impairment of property, plant and equipment*	**167,812**	31,548
Impairment of intangible assets*	**480,113**	97,964
Operating lease expenses in respect of rented premises	**707**	1,504

* These are included in "Impairment losses and write-down of inventories" in the consolidated statement of comprehensive income.

7. FINANCE COSTS

	2015	2014
	RMB'000	***RMB'000***
Interest on bank loans	**3,909**	4,319
Interest on other loans	**22,115**	15,056
Interest on convertible bonds	**15,563**	28,866
Interest on other payables	**12,947**	–
Interest on finance lease liabilities	**35**	45
Total finance costs on financial liabilities	**54,569**	48,286
Less: Interest capitalised included in construction in progress	**(841)**	(1,514)
	53,728	46,772

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 11.24% (2014: 10.14%) to expenditure on qualifying assets.

8. INCOME TAX CREDIT

Income tax credit in the consolidated statement of comprehensive income represents:

	2015	2014
	RMB'000	*RMB'000*
Current taxation		
– PRC	**–**	–
Deferred taxation	**(152,959)**	(34,607)
Total tax credit for the year	**(152,959)**	(34,607)

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2015 and 2014 as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2015 and 2014. Income tax credit for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

PRC subsidiaries are subject to PRC Enterprise Income Tax at a rate of 25% (2014: 25%). No provision for the PRC Enterprise Income Tax has been made for the years ended 31 December 2015 and 2014 as the PRC subsidiaries have no assessable profits for the years.

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic loss per share is calculated based on the Group's loss for the year attributable to owners of the Company of approximately RMB580,578,000 (2014: RMB176,080,000) divided by the weighted average number of approximately 1,751,308,000 (2014: approximately 1,751,308,000) ordinary shares in issue during the year.

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

10. TRADE AND NOTE RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade and note receivables	**134,122**	164,847
Less: Provision for impairment loss	**(7,338)**	(1,925)
	126,784	162,922

The ageing analysis of the trade and note receivables (net of allowance for impairment) is as follows:

	2015	2014
	RMB'000	*RMB'000*
0 to 60 days	**740**	16,503
61 to 120 days	**–**	6
121 to 180 days	**5,890**	5,569
181 to 365 days	**3,858**	140,844
Over 365 days	**116,296**	–
	126,784	162,922

11. TRADE AND NOTE PAYABLES

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

	2015	2014
	RMB'000	*RMB'000*
0 to 90 days	**5,611**	16,589
91 to 180 days	**25,196**	4,224
181 to 365 days	**5,486**	10,092
Over 365 days	**36,089**	19,830
	72,382	50,735

12. CONTINGENT LIABILITIES

During the year ended 31 December 2014, three writs of civil summon (collectively referred to as the "Writs") dated (i) 24 September 2014 (the "First Writ") and has been issued for the repayment of approximately RMB162,577,000 (the "First Claimed Amount"), alleging to be the principal and interest accrued thereon pursuant for a loan agreement dated 15 April 2014 together with the related legal costs at the Intermediate People's Court of Shenzhen City, (ii) 3 November 2014 (the "Second Writ") and has been issued for the repayment of approximately RMB46,486,000 (the "Second Claimed Amount"), alleging to be the principal and interest accrued thereon pursuant to the loan agreement dated 23 May 2012 together with the related legal costs at the Intermediate People's Court of Bayannur; and (iii) 29 December 2014 (the "Third Writ") and has been issued for the repayment of approximately RMB31,737,000 alleging to be the principal, accrued interest and penalties pursuant to the loan agreements together with the related legal costs (the "Third Claimed Amount") at the People's Court of Futian, Shenzhen, the PRC respectively, against First Create. The Company's subsidiary, Jiashengpan, is also a named defendant under the Writs and another subsidiary, Ruirui is also a named defendant under the First Writ. There are some guarantee documents allegedly being executed by Jiashengpan and Ruirui as guarantors for the aforesaid loan agreements.

In addition, some arbitration cases were brought by a third party individual in Shenzhen Arbitration Centre against First Create and Jiashengpan (the "Arbitration Cases") for a claim of total amount of approximately RMB560,324,000 alleging to be the principal, accrued interest and penalties pursuant to the loan agreements together with the related legal costs (the "Other Claimed Amounts"). There are some guarantee documents allegedly being executed by Jiashengpan to guarantee the Other Claimed Amounts.

The Group's management and the Company's legal adviser was in the process of conducting investigation as to the validity and legal enforceability of these alleged guarantees documents. The Group took steps to actively liaise with First Create and the relevant plaintiffs under the writs and arbitration cases to resolve the matters. The Group considered that the validity and legal enforceability of these alleged guarantees documents were in questions and therefore unable to make a reliable estimate of the potential obligation as of the date of approval of 2014 consolidated financial statements. No provision for loss has been made in the consolidated financial statements during the year ended 31 December 2014.

On 25 March 2015, First Create as the borrowers of the aforesaid loans in the writs and arbitration case has undertaken to bear all liabilities, legal duties and losses incurred to the Group arising from the writs and arbitration cases.

On 3 June 2015, the plaintiff under the Second Writ had filed a notice of discontinuation to the court to withdraw its claim against Jiashengpan. As such Jiashengpan is no longer liable for the Second Claimed Amount.

On 7 August 2015, a judgment order was entered into against among other matters, Jiashengpan, Mei Ping, Mei Wei, First Create and other defendants. Each of Jiashengpan, Mei Ping, Mei Wei, First Create and other defendants shall be jointly and severally liable for the judgment debt (the "Third Judgment Debt"), comprising the Third Claimed Amount and the interest accrued thereon. As advised by the PRC legal advisers, Jiashengpan would have the right to claim against First Create, which is the borrower of the Third Claimed Amount, in the event that Jiashengpan is required to pay for the Third Judgment Debt.

On 18 November 2015, a judgment order was entered into against among other matters, Jiashengpan, Ruirui, Mr. Mei Wei, First Create and other defendants. Each of Jiashengpan, Ruirui, Mr. Mei Wei, First Create and other defendants shall be jointly and severally liable for the judgment debt (the "First Judgment Debt"), comprising the First Claimed Amount and the interest accrued thereon. As advised by the PRC legal advisers, Jiashengpan would have the right to claim against First Create, which is the borrower of the First Claimed Amount, in the event that Jiashengpan is required to pay for the First Judgment Debt.

Shenzhen Arbitration Committee (深圳仲裁委員會) passed judgments dated 12 June 2014 against First Create, other PRC companies controlled by Mr. Mei Wei and Jiashengpan. Each of the defendants shall be jointly and severally liable for paying the plaintiff under the Arbitration Cases the total principal sum of RMB525,000,000 and the interest accrued thereon (the "Arbitration Cases Debt"). The judgments were received by the Company during mid of May in 2015.

As at 31 December 2015, the Company considered the First Judgment Debt of RMB215,850,000, the Third Judgment Debt of RMB43,353,000 and the Arbitration Cases Debt of RMB893,695,000 are contingent liabilities of the Group, as it is expected that the obligation will be settled by First Create, Mr. Mei Wei and his affiliates who are jointly and severally liable to these obligations.

13. EVENTS AFTER THE REPORTING DATE

The Group's entrusted loan was in default during the year. Subsequent to 31 December 2015, the Group has received a notice dated 23 February 2016 from the High People's Court of Jiangxi Province notifying Jiashengpan to defend against the Writ in April 2016. Enclosed therewith the Notice, (i) the Writ of civil summon dated 29 December 2015 brought by the Bank Trustee and the Lender at the High People's Court of Jiangxi Province against Jiashengpan, First Create Mining and Mei Wei for the Default; and (ii) the Order dated 20 January 2016 made by the High People's Court of Jiangxi Province against Jiashengpan, First Create Mining and Mei Wei to impound, freeze and distress their respective bank savings and/or assets of value equivalent to approximately RMB176,002,000. First Create Mining and Mr. Mei Wei have undertaken to honour their obligations as guarantors of this entrusted loan under the guarantee agreements.

In addition, as confirmed by the management of Jiashengpan, one of the bank accounts of Jiashengpan of approximately RMB533 is frozen according to the Order issued subsequent to 31 December 2015.

AUDIT OPINION

The auditor of the Group will issue disclaimer audit opinion on the consolidated financial statements of the Group for the year under audit. An extract of the auditor's report is set out in the section headed "**EXTRACTION OF INDEPENDENT AUDITOR'S REPORT**" below.

EXTRACTION OF INDEPENDENT AUDITOR'S REPORT

Basis for disclaimer of opinion

1. SCOPE LIMITATION AND MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS OF PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2015, there were conditions which indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

As disclosed in note 25(b)(ii) to the consolidated financial statements, the Company's subsidiary, namely 巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司 ("Jiashengpan") was in default on repayments of the entrusted loan in principal amount of RMB150,000,000, together with accrued interests and penalties of approximately RMB31,389,000 as at 31 December 2015. Jiashengpan's mining right of carrying amount of approximately RMB260,191,000 as at 31 December 2015 has been pledged as security of the entrusted loan. The entrusted loan was also secured by guarantees given by the Company's controlling shareholder (the "Controlling Shareholder") and by a company controlled by the Controlling Shareholder (the "Corporate Guarantor"). In January 2016, a court order was issued to impound, freeze and distress the assets of Jiashengpan, the Controlling Shareholder and the Corporate Guarantor of value equivalent to approximately RMB176,002,000. As set out in note 14 to the consolidated financial statements, the management of Jiashengpan believes that the mining right is subject to the frozen order. In the event that the Group, the Controlling Shareholder or the Corporate Guarantor is unable to repay the defaulted entrusted loan together with the accrued interests and penalties, the Group may lost the mining right. The principal activities of the Group are mining, processing and sale of mineral resources.

As at 31 December 2015, the carrying amount of the mining right was approximately RMB260,191,000. At the same date, the Group's property, plant and equipment of carrying amount of approximately RMB91,126,000 was engaged in mining activities. There were also deferred tax asset of approximately RMB54,950,000 and deferred tax liabilities of approximately RMB55,050,000 in connection with the Group's mining activities. whether these amounts were fairly stated depend on the Group's ability to retain the mining right and continue its mining activities. The consequential impact is whether the impairment losses of intangible assets and property, plant and equipment and associated tax effect recognised during the year were properly stated.

(b) Losses for the year and the previous years

The Group incurred a loss attributable to the owners of the Company of approximately RMB580,578,000 for the year ended 31 December 2015 and had accumulated losses of approximately RMB641,435,000 at the same date.

(c) Contingent liabilities

The Group has contingent liabilities of approximately RMB1,152,898,000 as at 31 December 2015 as detailed in note 36 to the consolidated financial statements.

Notwithstanding the foregoing indications of existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, the consolidated financial statements have been prepared on a going concern basis, the appropriateness of which largely depends upon the successful outcome of the arrangements as disclosed in note 3.1(iii) to the consolidated financial statements, which in particular include the execution of various financial undertakings and guarantees by the Controlling Shareholder and his affiliates (the "Financial Support"). If the Financial Support is not forthcoming, the Group may not be able to meet its financial obligations as and when they fall due. However, we have not been provided with sufficient documentary evidence in respect of the financial position of the Controlling Shareholder and his affiliates to enable us to assess whether they have sufficient financial capability to provide the aforementioned Financial Support to the Group. There were no other satisfactory audit procedures that we could adopt to assess whether the Group had sufficient resources to meet its operating and financing needs for the foreseeable future. Accordingly, we were unable to satisfy ourselves regarding the Group's ability to continue as a going concern.

The consolidated financial statements do not include any adjustments that may be necessary should the going concern basis of preparation be determined to be inappropriate. These would include any adjustments to write down the Group's assets to their net realisable amounts, to provide for any liabilities which may arise on cessation of business and to reclassify non-current assets and liabilities as current.

2. CLASSIFICATION AND CARRYING AMOUNT OF RUFFY BONDS AND ASSOCIATED ACCRUED INTEREST

As disclosed in note 26 to the consolidated financial statements, the maturity date of convertible bonds issued by the Company in 2008 is on 9 July 2015 (the "2008 Convertible Bonds"). On 25 March 2015, Ruffy Investment Limited ("Ruffy"), the Company's immediate and ultimate holding company and a major holder of the 2008 Convertible Bonds, has entered into an extension letter with the Company to the effect that Ruffy has undertaken not to demand immediate repayment in part or in whole of the outstanding 2008 Convertible Bonds with principal amount of HK$372,298,000 held by Ruffy on the maturity date ("Ruffy Bonds") until 9 July 2017 or a later date in which case as the Company and Ruffy may agree in writing (the "Extension Letter").

It was noted that Ruffy Bonds have been pledged by Ruffy to a mortgagee before it entering into the Extension Letter. On 8 July 2015, the Company received a legal letter from a legal representative of the mortgagee of Ruffy Bonds which states that the Extension Letter, shall be deemed null and void ab initio because the mortgagee as the beneficiary under the charge over Ruffy Bonds doses not agree to and will not endorse the Extension Letter.

The directors are of the opinion that the Extension Letter is legally binding and therefore based on the Extension Letter, as at 31 December 2015, the Group presented the amount due to Ruffy (ie "Other payables" in the consolidated statement of financial position) of carrying amount of RMB281,356,000 and the accrued interest of approximately RMB2,012,000 as non-current liabilities. In addition, a gain on settlement of Ruffy Bonds of RMB37,956,000 was recognised as other income and effective interest on the amount payable to Ruffy of RMB12,833,000 was expensed for the year ended 31 December 2015.

The directors of the Company have not provided us with any legal opinion in respect of the enforceability of the Extension Letter and we do not have alternative audit procedures to obtain sufficient appropriate audit evidence in respect of the validity and legal enforceability of the Extension Letter issued by Ruffy. Accordingly, we have not been able to satisfy ourselves as to whether:

(i) The carrying amount of approximately RMB281,356,000 of other payables and associated accrued interest of approximately RMB2,012,000 classified as non-current liability in the consolidated statement of financial position as at 31 December 2015 was appropriately presented.

(ii) The gain on settlement of Ruffy Bonds of RMB37,956,000 and interest expense of RMB12,833,000 recognised in the year were free from material misstatement.

Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, would have a consequential effect on the net assets of the Group and on its loss for the year ended 31 December 2015.

3. PROVISIONS AND CONTINGENT LIABILITIES ARISING FROM ALLEGED GUARANTEE

In 2014, two writs of civil summon have been issued against深圳市冠欣投資有限公司 ("First Create"), which is a related company of the Company. The first writ dated 24 September 2014 (the "First Writ") has been issued at the Intermediate People's Court of Shenzhen City for the repayment of RMB162,577,000, alleging to be the principal and interest accrued thereon pursuant for a loan agreement dated 15 April 2014 together with the related legal costs. The second writ dated 29 December 2014 (the "Second Writ") has been issued at the People's Court of Futian, Shenzhen, the PRC for the repayment of RMB31,737,000 alleging to be the principal, accrued interest and penalties pursuant to the loan agreements together with the related legal costs. Jiashengpan is also a named defendant under the above two writs and another Company's subsidiary, namely 深圳市睿汭實業有限公司 (formerly 深圳市睿汭科技有限公司) ("Ruirui") is also a named defendant under the First Writ. It was alleged that Jiashengpan and Ruirui had executed certain guarantee documents in 2014 to act as guarantors for the aforesaid loan agreements.

In addition, some arbitration cases were brought by a third party individual in Shenzhen Arbitration Centre against First Create and Jiashengpan for a claim of total amount of RMB560,324,000 alleging to be the principal, accrued interest and penalties pursuant to the loan agreements together with the related legal costs.

In 2015, adjudication in respect of the two writs and arbitration cases were issued. In aggregate, each of Jiashengpan, Ruirui and other defendants (including First Create and the Controlling Shareholder and his affiliates) shall be jointly and severally liable for a total claimed amount of approximately RMB1,152,898,000 ("Total Claimed Amount").

The directors of the Company considered that First Create, the Controlling Shareholder and/or his affiliates will settle the Total Claimed Amount on the basis that they are also the defendants to the above two writs and arbitration cases and these parties have adequate financial resources to do so. Accordingly, as at 31 December 2015, no provision has been made in respect of the Group's obligation under these adjudications. The directors of the Company disclosed the Total Claimed Amount as contingent liabilities in the consolidated financial statements. However, the directors of the Company have not provided us with sufficient documentary evidence in respect of the financial position of First Create, the Controlling Shareholder and his affiliates to enable us to assess whether it is appropriate for not making provision for the Group's obligation. There were no alternative audit procedures that we could perform to obtain sufficient appropriate audit evidence in this respect. Any provision found to be necessary would reduce the net assets of the Group and increase its loss for the current year.

4. COMPLETENESS OF PENDING LITIGATION, PROCEEDINGS, HEARINGS OR CLAIMS

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

We disclaimed our opinion on the consolidated financial statements for the year ended 31 December 2014 with one of the matters also related to insufficient appropriate audit evidence concerning the completeness of pending litigation, proceedings, hearings or claims against the Group.

5. RECOVERABILITY OF THE GROUP'S TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS PAID

As at 31 December 2015, the trade receivables, other receivables and deposits paid of the Group included the past due balances of approximately RMB116,290,000, approximately RMB58,815,000 and approximately RMB295,509,000 (the "Balances"), respectively. As at the date of this report, the Balances have not been settled. We were not provided with sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the Balances. Accordingly, we are unable to determine whether the Group's trade receivables, other receivables and deposits and its impairment losses are properly stated as at 31 December 2015 and for the year then ended.

We disclaimed our opinion on the consolidated financial statements for the year ended 31 December 2014 with one matter related to insufficient appropriate audit evidence concerning trade receivables, other receivables and deposits paid of the Group which included past due balances as at 31 December 2014 of RMB109,875,000, RMB90,019,000 and RMB279,208,000 respectively. We were unable to determine these balances and impairment losses were properly stated as at 31 December 2014. Accordingly these amounts included as comparatives in the consolidated financial statements for the year ended 31 December 2015 may not be comparable.

6. RELATED PARTY TRANSACTIONS

As described in part 4 above, the Group's internal procedures in 2014 and 2015 did not enable it to properly identify and disclose on a timely basis all material related party transactions that occurred during the years. We have not been able to obtain sufficient appropriate audit evidence therefore concerning the completeness of related parties and related party transactions presented and disclosed in the consolidated financial statements. Accordingly, we have not been able to satisfy ourselves that all related party balances and transactions have been properly presented and disclosed as required by the International Accounting Standard 24 "Related Party Disclosures".

We disclaimed our opinion on the consolidated financial statements for the year ended 31 December 2014 with one of the matters also related to our inability to satisfy ourselves that all related party transactions and balances had been properly presented and disclosed. Accordingly, these transactions and balances included as comparatives in the consolidated financial statements for the year ended 31 December 2015 may not be comparable.

7. INFORMATION AND DOCUMENTS PROVIDED BY THE MANAGEMENT

In view of the Group's internal procedures in place, we have not been able to obtain sufficient audit evidences concerning the completeness of the relevant information and documents as described in parts 4 and 6 above. In addition, during the course of our audit, we were unable to satisfy ourselves that the accounting information and documentation provided by the management for the purpose of our audit was complete and accurate in all material respects, nor to quantify the extent of adjustments that might have been necessary in respect of the Group's consolidated financial statements for the year ended 31 December 2015 as a result of missing accounting information and documentation, if any.

We encountered with similar limitations in the course of our audit of the consolidated financial statements for the year ended 31 December 2014. Among other matters, we disclaimed our opinion on the consolidated financial statements for the year ended 31 December 2014. Accordingly, comparatives in the consolidated financial statements for the year ended 31 December 2015 may not be comparable.

Disclaimer of opinion

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

Looking back to the year of 2015, the selling price for the Group's product in the PRC markets remained at a low level, this unfavourable conditions had considerable adverse impact on the performance of the Group. As a result, total revenue decreased by approximately 27.8% to about RMB91.0 million. There was no metal trading and indent trading revenue as a result of the adverse market conditions of the nonferrous metal industry in 2015.

MINING

Zinc prices remained at low level during the year of 2015. Therefore, the Group had lowered its sales volume in response to the continuous drop in the selling prices. In addition, revenue from the by-products including sulphuric acid and tailing mine, which were produced with limited costs, also decreased during the year.

Revenue generated from sales of nonferrous metal mining products amounted to approximately RMB91.0 million (2014: approximately RMB117.3 million), representing a decrease of approximately 22.4% as compared with last year. Approximately 2.6% gross profit margin was recorded for the year ended 31 December 2015 representing a decrease of approximately 0.3 percentage point as compared with last year. Revenue generated from sales of tailing mine amounted to approximately RMB100,000 (2014: RMB6.2 million) as a result of a decrease in the sales volume. Overall, zinc concentrates accounted for approximately 95.4% of the mining sector's revenue and as such its fluctuation had materially affected the Group's performance in 2015.

INDENT TRADING/SERVICE INCOME

For the year ended 31 December 2015, the trading stock was not accepted by the buyers and the transactions were ultimately cancelled. As a result of the return of the trading stock, no sales have been recorded under the indent trading business for the year. For the year ended 31 December 2014, total gross invoiced amount was approximately RMB378.7 million which was generated from the indent trading activities; a net amount of RMB6.8 million had been recognised as revenue in that year.

OTHER INCOME

During the year, other income was approximately RMB38.1 million (2014: RMB1.2 million). The increase was mainly attributable to gain on settlement of convertible bonds in respect of the liability component which amounted to approximately RMB38.0 million.

OPERATING EXPENSES

Selling and distribution costs for the year amounted to approximately RMB0.9 million, as compared to approximately RMB5.6 million reported last year. The reduction in selling expenses was attributable to the fact that customers typically transported the nonferrous metal concentrates from the mining site at their expenses.

Administrative expenses for the year increased to approximately RMB41.7 million, as compared to approximately RMB36.1 million reported last year. Administrative expenses mainly consisted of staff costs, legal and professional fees, rent and rates, commission, deprecation, various government expenses and net exchange difference.

Impairment losses represented losses recognised for the Group's cash generating unit, which include intangible assets and property, plant and equipment, totalling RMB647.9 million (2014: RMB129.5 million) due to the adverse business environment of the nonferrous metals market. Impairment losses recognised on the trade and other receivables and write down of inventories to net realisable value approximately RMB5.6 million (2014: RMB4.1 million) and RMB24.1 million (2014: nil), respectively.

FINANCE COSTS

Finance costs for the year ended 31 December 2015 amounted to approximately RMB53.7 million (2014: RMB46.8 million). The increase was mainly attributed to the imputed interest for the extended convertible bonds.

LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company for the year ended 31 December 2015 was approximately RMB580.6 million (2014: RMB176.1 million).

The loss was attributable to the decrease in the sales volume and selling prices of zinc and lead concentrates from the mining site during the year and the impairment losses recognised during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by its principal bankers in the PRC. As at 31 December 2015, the total equity attributable to owners of the Company was approximately RMB346.1 million (2014: RMB919.0 million). The Group's cash and bank balances stood at RMB6.6 million (2014: RMB37.0 million). The decrease is a result of the loss incurred during the year. As at 31 December 2015, the Group's net current assets is approximately RMB275.2 million (2014: approximately RMB77.7 million). The improvement in the short term liquidity position was mainly attributable to Ruffy Investments Limited ("Ruffy") who has undertaken not to demand immediate repayment in part or in whole for the redemption of the outstanding convertible bonds with principal amount of HK$372.3 million until 9 July 2017 and accordingly RMB 281.3 million was classified as non-current liability as at 31 December 2015.

Total inventory stood at approximately RMB131.4 million (31 December 2014: approximately RMB28.8 million). The sharp increase in inventory was attributable to the stock purchased in Jiashengpan to approximately RMB112.1 million for trading purpose with an intention to resell. The inventory turnover days in nonferrous metal mining decreased from 92 days for the year ended 31 December 2014 to 80 days in current period should the trading stock be excluded. The decrease was mainly attributed to the lowered mining stock level kept during the year.

As at 31 December 2015, the total asset value of the Group was approximately RMB1,140.7 million (2014: approximately RMB1,790.9 million). Total liabilities was approximately RMB794.6 million (2014: approximately RMB871.9 million). Gearing ratio of the Group, calculated as total liabilities over total assets was approximately 69.7% (2014: approximately 48.7%). The interest-bearing borrowings of the Group amounted to approximately RMB194.6 million (2014: approximately RMB194.9 million).

FOREIGN EXCHANGE EXPOSURE

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

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

SAFETY PRODUCTION AND ENVIRONMENTAL PROTECTION

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

PLEDGE OF ASSETS

As at 31 December 2015, the Group's mining rights at the net carrying amount of approximately RMB260.2 million (2014: RMB749.7 million) were pledged to secure borrowing facilities granted to the Group.

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"). In addition, the Company had also been aware of four arbitration cases in Shenzhen Arbitration Centre against First Create (the "Arbitration Cases"). The aforesaid writs and Arbitration Cases against First Create for repayment of loans and interest accrued thereon. The subsidiaries of the Company namely, Jiashengpan and/or Ruirui was named defendant. Each of the aforesaid plaintiffs alleged the following:

i. by a guarantee executed by Jiashengpan and Ruirui, they agreed to guarantee of approximately RMB156.6 million together with any accrued interest and other liabilities arisen in favour of the plaintiff. The plaintiff thereto claimed against First Create, Jiashengpan and Ruirui of approximately RMB162.6 million under the First Writ;

   Reference to the announcement of the Company dated 18 March 2016, a judgment order was entered into against among other matters, Jiashengpan, Ruirui, Mei Wei, First Create and other defendants. Each of Jiashengpan, Ruirui, Mei Wei, First Create and other defendants shall be jointly and severally liable for the judgment debt of approximately RMB215.8 million as at 31 December 2015. As advised by the PRC legal advisers, Jiashengpan and Ruirui would have the right to claim against First Create, which is the borrower of the First Claimed Amount, in the event that Jiashengpan is required to pay for the judgment debt under the First Writ.

ii. by a loan agreement and a supplemental agreement executed by Jiashengpan, Jiashengpan agreed to guarantee of RMB70.0 million together with any accrued interest and other liabilities arisen in favour of the plaintiff. The plaintiff thereto claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB46.5 million under the Second Writ.

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

iii. by a guarantee executed by Jiashengpan, Jiashengpan agreed to guarantee of approximately RMB35.0 million together with any accrued interest and other liabilities arisen in favour of the plaintiff. The plaintiff thereto claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB31.7 million under the Third Writ.

   Reference to the announcement of the Company dated 18 March 2016, a judgment order was entered into against among other matters, Jiashengpan, Mei Ping, Mei Wei, First Create and other defendants. Each of Jiashengpan, Mei Ping, Mei Wei, First Create and other defendants shall be jointly and severally liable for the judgment debt of approximately RMB43.4 million as at 31 December 2015. As advised by the PRC legal advisers, Jiashengpan would have the right to claim against First Create, which is the borrower of the Third Claimed Amount, in the event that Jiashengpan is required to pay for the judgment debt under the Third Writ.

iv. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors agreed to provide guarantee for a loan amount of RMB200.0 million together with any accrued interest and other liabilities arisen and it is allegedly being advanced by a claimant to First Create. The plaintiff thereto filed an arbitration application claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB216.5 million;

v. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors agreed to provide guarantee for a loan amount of RMB100.0 million together with any accrued interest and other liabilities arisen and it is allegedly being advanced by a claimant to First Create. The plaintiff thereto filed an arbitration application claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB107.5 million;

vi. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors agreed to provide guarantee for a loan amount of RMB145.0 million together with any accrued interest and other liabilities arisen and it is allegedly being advanced by a claimant to First Create. The plaintiff thereto filed an arbitration application claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB152.1 million; and

vii. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors in connection of the loan amount of RMB80.0 million together with any accrued interest and other liabilities arisen and it is allegedly being advanced by a claimant to First Create. The plaintiff thereto filed an arbitration application claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB84.2 million.

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

Jiashengpan had taken out a loan in the sum of RMB150.0 million for a term of 2 years commencing from 31 January 2013 and ending on 30 January 2015 (both dates inclusive) at the interest rate of 10% per annum. Since the expiry of the loan agreement, there was no repayment of any principal and interest amount. In 2016, the Group was aware of another writ of civil summon ("Fourth Writ", together with the First Writ, Second Writ and the Third Writ, collectively the "Writs") jointly taken out by the bank and the lender against Jiashengpan and a court order made by the court against Jiashengpan and other guarantors namely, First Create Mining and Mei Wei to impound (查封), freeze (凍結) and distress (扣押) their respective bank savings and/or assets of value equivalent to approximately RMB176.0 million. As at the date of this announcement, the outcome is yet to be determined.

As at the date of this announcement, to the best knowledge, information and belief of the Directors, having made all reasonable enquires, none of the First Plaintiff, the Third Plaintiff and the plaintiff under the Arbitration Cases has enforced the judgment against Jiashengpan and Ruirui. Nevertheless, First Create has issued an undertaking to assume payment liability arisen from the First Writ, Third Writ and Arbitration Cases. Mr. Mei Wei and First Create Mining have undertaken to honour their obligations as guarantors of the entrusted loan under their guarantee agreements and agree to provide adequate funds to settle the entrusted loan and the accrued interests and penalties.

EMPLOYEE INFORMATION

As at 31 December 2015, the Group had approximately 220 employees. The Group has maintained good relations with its staff and has not experienced any disruption of its operations due to labour disputes. The Group provides fringe benefits in accordance with the relevant laws and regulations of the PRC and Hong Kong including contributions to social security scheme of the PRC and the contributions to the Mandatory Provident Fund Scheme of Hong Kong. The Group remunerates its employees in accordance with their work performance and experience.

Total employees' remuneration incurred for the year ended 31 December 2015 amounted to approximately RMB14.6 million (2014: RMB16.8 million). The Directors received remuneration of approximately RMB1.3 million during the year ended 31 December 2015 (2014: approximately RMB0.5 million).

FINAL DIVIDEND

The Directors do not recommend any final dividend for the year ended 31 December 2015 (2014: nil).

PRC NONFERROUS METAL MARKET INDUSTRY REVIEW

According to an article issued by the Ministry of Industry and Information Technology ("MIIT") of the PRC, the national output of ten nonferrous metals for this year, including lead and zinc, rose to approximately 50.9 million tonnes, its output growth has increased by approximately 5.8% as compared with last year. The output of lead lowered by approximately 5.3% to 3.86 million tonnes but the output of zinc climbed approximately 4.9% to 6.15 million tonnes. Total profitability of the nonferrous metals industry in the PRC had decreased by approximately 13.2% to approximately RMB179.9 billion as compared with last year. According to data from the National Bureau of Statistics of the PRC in January 2016, the PRC's mining industry posted a profit slump of 20% year on year to RMB45.0 billion during the year of 2015 (2014: RMB56.3 billion, dropping 10.7% year on year).

As resulted from the imbalance between the demand and the production capacity, the prices of zinc and lead are showing a decreasing trend according to the historical record. In the PRC, the reduction in output of the nonferrous metals also took place, especially by the end of the year. In November 2015, several large nonferrous metals mining companies in the PRC mutually agreed to strictly control the production capacity, and planned to reduce the refined zinc output by 500,000 tonnes in 2016. Besides, the industry also faced challenges from the more stringent environmental requirements. In March 2015, the MIIT announced the Lead and Zinc Industry Specification Conditions (2015 version), certain zinc manufacturers had cut or reduced their production scale so as to comply with the government regulations.

Although the PRC government will continue to implement stimulus policies for steady growth, the nonferrous metals market demand is expected to remain weak in view of the slow global economic recovery. The industry will continue to face uncertainty from the imbalance between the supply and demand of the nonferrous metals. Positive steps for de-stocking, eliminating overcapacity and upgrading efficiency are expected in response to the potential challenge ahead.

AUDIT COMMITTEE

The Company set up an Audit Committee in February 2005 with the responsibility of reviewing and providing supervision over the Group's financial reporting process and internal controls, as well as making recommendations to the Board for appointment and removal of external auditor.

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

The Group's 2015 quarterly, interim and annual reports have been reviewed by the Audit Committee which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE REPORT

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

The Company does not have a post of chief executive officer. Mr. Mei Ping is the chairman of the Board and he is responsible to manage day to day business. 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 balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly at least four times a year to discuss issues affecting operations of the Company. Also, the balance of power is further ensured by the following reasons:

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

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

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

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

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the amount of sufficient public float as required under Rule 11.23 the GEM Listing Rules throughout 2015.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint BDO Limited as auditor of the Company.

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

Hong Kong, 31 March 2016

As at the date of this announcement, the executive Directors are 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. 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*