



**First Quarterly Report
2016**



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

(Incorporated in Bermuda with limited liability)

Stock Code: 8306

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

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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.

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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 of the Stock Exchange (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 RMB5.5 million for the three months ended 31 March 2016, representing an approximately 11.9% increase as compared with that of the corresponding period in 2015.
- The net loss of the Group attributable to the owners of the Company for the three months ended 31 March 2016 was approximately RMB17.2 million (2015: RMB17.2 million).
- The Directors do not recommend dividend for the three months ended 31 March 2016.

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.

The board (the “Board”) of Directors of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2016, together with the comparative figures for the corresponding period in 2015 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended 31 March	
	<i>Notes</i>	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Revenue	3	5,519	4,932
Cost of sales		(5,331)	(3,729)
Gross profit		188	1,203
Other income		100	–
Selling and distribution costs		(9)	(369)
Administrative expenses		(3,881)	(6,099)
Loss from operations		(3,602)	(5,265)
Finance costs		(13,595)	(12,230)
Loss before income tax		(17,197)	(17,495)
Income tax credit	4	9	304
Loss for the period attributable to the owners of the Company		(17,188)	(17,191)
Other comprehensive income, after tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(900)	(197)
Total comprehensive income for the period attributable to the owners of the Company		(18,088)	(17,388)
Loss per share	6		
Basic and diluted		RMB(0.98) cent	RMB(0.98) cent

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 of the Stock Exchange with effect from 28 February 2005.

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

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

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

The accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31 March 2016 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015. The consolidated results for the three months ended 31 March 2016 are unaudited but have been reviewed by the Company’s audit committee.

2. ADOPTION OF NEW AND AMENDED IFRS

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 2016.

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 2015. The Directors anticipate that the adoption of the new IFRSs had no material impact on how the results for the current and prior periods have been prepared and presented.

3. REVENUE

The Group is engaged in the mining, processing and trading of mineral resources. Revenue recognised during the three months ended 31 March 2016 and 2015 are as follows:

	Three months ended 31 March	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue:		
Mining, processing and trading of mineral resources	5,519	4,932
	<u><u>5,519</u></u>	<u><u>4,932</u></u>

4. INCOME TAX CREDIT

	Three months ended 31 March	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current taxation	–	–
Deferred taxation	9	304
	<u><u>9</u></u>	<u><u>304</u></u>
Total tax credit for the period	9	304

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

5. DIVIDEND

No dividend has been paid, proposed, or declared by the Group for the three months ended 31 March 2016 (2015: Nil).

6. LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Basic losses per share is calculated based on the Group's loss for the period attributable to the owners of the Company of approximately RMB17,188,000 (2015: approximately RMB17,191,000) divided by the weighted average number of approximately 1,751,308,000 (2015: approximately 1,751,308,000) ordinary shares in issue during the period.

The exercise of share options had lapsed on 30 May 2015 and the convertible bonds were due on 9 July 2015, therefore there was no impact on the diluted loss per share for the three months ended 31 March 2016. Diluted loss per share for the three months ended 31 March 2015 was same as the basic loss per share because the impacts of both of the exercise of share options and conversion of the convertible bonds were anti-dilutive.

7. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2016

	Share capital	Share premium	Capital redemption reserve	Translation reserve	Specific reserve	Other reserve	Share option reserve	Convertible bonds equity reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016 (audited)	3,107	970,169	6	(5,499)	4,264	15,529	-	-	(641,435)	346,141
Loss for the period	-	-	-	-	-	-	-	-	(17,188)	(17,188)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Currency translation	-	-	-	(900)	-	-	-	-	-	(900)
Total comprehensive income for the period	-	-	-	(900)	-	-	-	-	(17,188)	(18,088)
At 31 March 2016 (unaudited)	3,107	970,169	6	(6,399)	4,264	15,529	-	-	(658,623)	328,053

For the three months ended 31 March 2015

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

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS AND FINANCIAL REVIEW

Market review

Lead

Total global supply of lead for the first two months of 2016 stood at approximately 1.606 million tonnes whilst total consumption for the same period was only approximately 1.572 million tonnes. The global market for lead metal was closely balanced with production exceeded consumption by approximately 34,000 tonnes. During the year 2015, global lead production was approximately 10.97 million tonnes and consumption was approximately 10.96 million tonnes, representing a supply surplus of approximately 10,000 tonnes.

World refined lead supply and usage

January – February	2016	2015
Metal production (tonnes)	1,606,000	1,719,000
Metal usage (tonnes)	1,572,000	1,716,000
Surplus (tonnes)	34,000	3,000

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

There was no material fluctuation in global refined lead metal production and consumption as compared with last corresponding period. In accordance with ILZSG forecasts, global demand for refined lead metal is expected to rise to 11.1 million tonnes in 2016. The supply for refined lead mine is expected to rise to 11.2 million tonnes in 2016. As a consequence, it is anticipated that there should not have any material deficit/surplus between the usage and consumption in 2016.

Zinc

Total global supply of zinc was approximately 2.200 million tonnes for the first two months of 2016 whilst total consumption was approximately 2.154 million tonnes, representing a supply surplus of approximately 46,000 tonnes. During the year 2015, global zinc production was approximately 13.93 million tonnes and consumption was approximately 13.82 million tonnes, representing a supply surplus of approximately 105,000 tonnes.

World refined zinc supply and usage

January – February	2016	2015
Metal production (tonnes)	2,200,000	2,154,000
Metal usage (tonnes)	2,154,000	2,093,000
Surplus (tonnes)	46,000	61,000

Source: ILZSG

In accordance with ILZSG forecasts, world usage and supply of refined zinc metal will increase to approximately 14.4 million tonnes and 14.2 million tonnes in 2016 respectively. As a consequence, it is anticipated that there would not be any material deficit/surplus between the usage and consumption in 2016.

PRC nonferrous metals development and prospect

According to an article issued by the Ministry of Industry and Information Technology of the People’s Republic of China (the “PRC”), the national output of ten nonferrous metals for the year of 2015, including lead and zinc, rose to approximately 50.9 million tonnes, its output growth has increased by approximately 5.8% while compared with the year of 2014. The output of lead lowered by approximately 5.3% to 3.86 million tonnes but zinc climbed approximately 4.9% to 6.15 million tonnes respectively. Total profitability in nonferrous metals industry in the PRC in the year of 2015 had decreased by approximately 13.2% to approximately RMB179.9 billion as compared with the year of 2014.

The nonferrous metals industry in the PRC for the period continued to suffer from the uncertainties of slower economy growth. The GDP of the PRC had risen by 6.7% in the first quarter of 2016, which is the lowest for the country since the financial crisis of 2009. Besides, as resulted from the imbalance between the demand and the production capacity, the price of zinc and lead remained at a low level. The industry also faced challenges from the more stringent environmental requirements, certain zinc manufacturers had cut or reduced their production scale so as to comply with the government regulations.

Financial highlights

The Group is principally engaged in the mining, processing and trading of mineral resources. The mining site in Bameng Wuzhong Qi Jiashengpan Zinc, Lead and Pyrite Resources Exploitation Co. Ltd# (巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司) (“Jiashengpan”), which is a significant business in the Group. There was no metal trading and indent trading revenue as a result of the adverse market conditions of the nonferrous metal industry for the period. The nonferrous metals mining’s gross profit margin ratio was slightly improved from approximately 3.0% to 3.4% compared with last corresponding period.

The following is a comparison of financial results between the three months ended 31 March 2016 and 2015:

For the three months ended 31 March 2016, the Group recorded a turnover of approximately RMB5.5 million, representing an increase of approximately 11.9% as compared with the turnover of approximately RMB4.9 million for the same period last year. Total costs of production increased to approximately RMB5.3 million compared with the same period last year.

Revenue and gross profit margin for the three months ended 31 March 2016 and 2015 are as follows:

	Three months ended 31 March 2016				Three months ended 31 March 2015			
	Revenue RMB'000	Cost of sales RMB'000	Gross profit RMB'000	Gross profit %	Revenue RMB'000	Cost of sales RMB'000	Gross profit RMB'000	Gross profit %
Nonferrous metal mining	5,519	(5,331)	188	3.4%	3,846	(3,729)	117	3.0%
Indent trading/service income	-	-	-	-	1,086	-	1,086	100%
Total	5,519	(5,331)	188	3.4%	4,932	(3,729)	1,203	24.4%

Comparing with other quarters in a year, the Group usually experiences lower sales in the first quarter due to reduced business activities around Chinese New Year holiday as our customers generally place their orders in advance in the quarter immediately prior to the Chinese New Year. In addition, the extreme snowy weather condition affected the utilisation of the production equipment at the Inner Mongolian plant making the sales comparatively lower in the first quarter.

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

	Three months ended 31 March 2016			Three months ended 31 March 2015		
	Sales volume (tonne)	Selling price (RMB/tonne)	Total revenue (RMB'000)	Sales volume (tonne)	Selling price (RMB/tonne)	Total revenue (RMB'000)
Zinc concentrate	841	4,946.5	4,160	500	7,692.3	3,846
Lead concentrate	171	7,947.4	1,359	-	-	-
Indent trading/ service income	-	-	-	-	-	1,086
			<u>5,519</u>			<u>4,932</u>

Financial information by ordinary course of business

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

	Three months ended 31 March 2016			
	Mining	Metal trading	Unallocated corporate income and expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	5,519	–	–	5,519
Cost of sales	(5,331)	–	–	(5,331)
Gross profit	188	–	–	188
Other income	100	–	–	100
Selling and distribution costs	(9)	–	–	(9)
Administrative expenses	(2,529)	(1,039)	(313)	(3,881)
Finance costs	(6,471)	–	(7,124)	(13,595)
Loss before income tax	<u>(8,721)</u>	<u>(1,039)</u>	<u>(7,437)</u>	<u>(17,197)</u>

Addendum to business and financial review

For the year ended 31 December 2015, overall revenue of the Group was approximately RMB91.0 million and the trade and note receivables as at 31 December 2015 was approximately RMB126.8 million, as such accounts receivable turnover was approximately 42 days should the trading account receivable balances excluded. Subsequent to the 2015 year end date and up to 12 May 2016, trade and note receivables of approximately RMB10.5 million as at 31 December 2015 has been settled. The remaining outstanding amount of approximately RMB116.3 million was overdue. Mr. Mei Wei has undertaken to recover of certain trade receivables in aggregated amount of approximately RMB116.3 million.

Trade and note receivables as at 31 March 2016 was approximately RMB121.1 million, of which RMB115.5 million was carried forward from 31 December 2015 (balance as at 31 December 2015 was approximately RMB116.3 million and the difference represented an exchange difference of RMB0.8 million during the period). Other remaining outstanding balance amounted to approximately RMB5.6 million. Subsequent to 31 March 2016 and up to 12 May 2016, approximately RMB5.6 million has been received from trade and note receivables.

Other income

Other income for the three months ended 31 March 2016 amounted to approximately RMB100,000 (2015: Nil).

Operating expenses

Administrative expenses for the three months ended 31 March 2016 amounted to approximately RMB3.9 million (2015: approximately RMB6.1 million), representing a decrease of approximately RMB2.2 million compared with the three months ended 31 March 2015. It was mainly attributed to the reduction in depreciation expenses and other governmental expenses.

Finance costs

Finance costs for the three months ended 31 March 2016 amounted to approximately RMB13.6 million, representing an increase of approximately RMB1.4 million as compared with the three months ended 31 March 2015. The increase was mainly attributed to the interest penalties charged on a loan in the sum of RMB150 million of the Company which was overdue.

Loss for the period attributable to the owners of the Company

The loss attributable to the owners of the Company for the three months ended 31 March 2016 was approximately RMB17.2 million (2015: RMB17.2 million).

LITIGATIONS AND CONTINGENT LIABILITIES

Reference to the announcement dated 22 January 2015, the Company had been aware of three writs of civil summon dated (i) 24 September 2014 and has been issued at the Intermediate People's Court of Shenzhen City ("First Writ"), (ii) 3 November 2014 and has been issued at the Intermediate People's Court of Bayannur ("Second Writ"); and (iii) 29 December 2014 and has been issued at the People's Court of Futian, Shenzhen ("Third Writ", together with the First Writ and the Second Writ, the "Writ"). In addition, the Company had also been aware of four arbitration cases in Shenzhen Arbitration Centre against Shenzhen City First Create Investment Company Limited# (深圳市冠欣投資有限公司)("First Create") (the "Arbitration Cases"). The Writs and Arbitration Cases against First Create for repayment of loans and interest accrued thereon. The subsidiaries of the Company namely, Jiashengpan and/or Shenzhen City Ruirui Industrial Company Limited# (深圳市睿納實業有限公司) ("Ruirui") were named as defendants. 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. As advised by the PRC legal advisers, Jiashengpan and Ruirui would have the right to claim against First Create, which was the borrower of the First Claimed Amount, in the event that Jiashengpan is required to pay for the 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. 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 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 Group Company Limited* (深圳冠欣礦業集團有限公司) (“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 report, the outcome is yet to be determined.

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

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

As at 31 March 2016, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of the Hong Kong Special Administrative Region (the "SFO")), which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or; (c) as otherwise notified to the Company and the Stock Exchange in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in the shares of the Company

Ordinary shares of HK\$0.002 each of the Company

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

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 31 March 2016, save as disclosed herein, none of the Directors and chief executive of the Company had any interests and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); and (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2016, so far as the Directors were aware, the following persons or companies (other than the Directors or chief executive of the Company) had an interest or short position in the shares, underlying shares and debentures of the Company which were discloseable under Divisions 2 and 3 of Part XV of the SFO and recorded in the register of interests required to be kept by the Company pursuant to Section 336 of SFO:

Name of shareholders	Type of interests	Position	Number of shares	Approximate percentage of interests
Ruffy Investments Limited ("Ruffy") (Note 1)	Beneficial owner	Long	<u>1,033,091,706</u>	<u>58.99%</u>
Mr. Mei Wei (Notes 1 & 2)	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 31 March 2016.

CORPORATE GOVERNANCE

The Company has complied throughout the three months ended 31 March 2016 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 and no specific appointment term of a non-executive Director as described in the 2015 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.

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 other receivables denominated in United States Dollars (“USD”) as at the end of the reporting period. As the exchange rate of HK\$ is pegged against USD, the Directors were of the opinion that the currency risk of USD was insignificant to the Group.

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

DIRECTORS/CONTROLLING SHAREHOLDERS INTERESTS IN COMPETING BUSINESS

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

Mr. Mei Ping held shareholding or directorship in First Create Mining and First Create (collectively referred as “First Create Group”) which, including its subsidiaries and associated companies, engaged in the mining and trading business. The Company’s substantial shareholder, Mr. Mei Wei, also has beneficial interest and directorship in First Create Group. However, the Directors do not consider the interests/directorship held by Mr. Mei Ping and Mr. Mei Wei to be competing in practice with the relevant businesses of the Group in view of trading business of First Create Group is overseas focus while majority turnover in the Group is local business.

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 held shareholding interests and/or directorship in companies engaged in the mining and processing of mineral resources. However, the Directors do not consider the interest held will create any competing in practice with the relevant businesses of the Group as the mineral resources explored are not mainly zinc and lead concentrates oriented or the mining sites activities are inactive.

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.

SUSPENSION OF TRADING IN SHARES

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

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

The audit committee provides a link between the Board of Directors and the Company's auditors in matter coming within the scope of the Group audit. It also reviews and supervises the financial reporting process (including review of the first quarterly results for the three months ended 31 March 2016) 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 three months ended 31 March 2016 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

MATERIAL ACQUISITION AND DISPOSAL

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

PUBLIC FLOAT

For the three-month period ended 31 March 2016, 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 May 2016

As at the date of this report, 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. Ng Man Kwan, Lawrence, Mr. Cheng Feng and Mr. Siu Kai Chun.