

**Interim 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”)**

**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.**

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

## CORPORATE INFORMATION

### Executive Director

Ms. LIU Yaling

### Non-Executive Director

Mr. CHAN Wai Cheung, Admiral

### Independent Non-Executive Directors

Mr. NG Man Kwan, Lawrence

Mr. CHENG Feng

Mr. SIU Kai Chun

### Compliance Officer

Ms. LIU Yaling

### Company Secretary

Mr. IP Yiu Tak

### Audit Committee

Mr. CHENG Feng (*Chairman*)

Mr. NG Man Kwan, Lawrence

Mr. SIU Kai Chun

### Remuneration Committee

Mr. NG Man Kwan, Lawrence

(*Chairman*)

Mr. CHENG Feng

Mr. CHAN Wai Cheung, Admiral

### Nomination Committee

Mr. NG Man Kwan, Lawrence

(*Chairman*)

Mr. CHAN Wai Cheung, Admiral

Mr. CHENG Feng

### Authorised Representatives

Ms. LIU Yaling

Mr. IP Yiu Tak

### Stock Code

8306

### Company Website

<http://www.cnm.com.hk>

### Legal Advisers

Michael Li & Co.

### Auditor

BDO Limited

Certified Public Accountants

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

### Principal Banker

Hang Seng Bank

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

Level 22

Hopewell Centre

183 Queen's Road East

Hong Kong

### Principal Share Registrar and Transfer Office in Bermuda

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

Pembroke HM08

Bermuda

### Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### Head Office and Principal Place of Business in Hong Kong

Room 1104

Jubilee Centre

18 Fenwick Street

Wanchai

Hong Kong

## HIGHLIGHTS

- Turnover for the six months ended 30 June 2016 was approximately RMB40.1 million, representing an approximately 97.8% increase as compared with that of the corresponding period in 2015.
- Net loss of the Group attributable to owners of the Company for the six months ended 30 June 2016 amounted to approximately RMB43.8 million (2015: RMB42.3 million).
- Gearing ratio was 170.9% as at 30 June 2016 (31 December 2015: 148.7%).  
*(note)*
- The Directors do not recommend an interim dividend for the six months ended 30 June 2016.

*Note:* Gearing ratio is computed from total borrowings and other payables which are interest bearing divided by equity attributable to owners of the Company.

# 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 six months ended 30 June 2016, together with the comparative figures for the corresponding period in 2015 as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

|  |       | Six months ended<br>30 June    |                                | Three months ended<br>30 June  |                                |
|--|-------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  |       | 2016<br>RMB'000<br>(unaudited) | 2015<br>RMB'000<br>(unaudited) | 2016<br>RMB'000<br>(unaudited) | 2015<br>RMB'000<br>(unaudited) |
|  | Notes |                                |                                |                                |                                |
| <b>Revenue</b>   | 3     | <b>40,118</b>                  | 20,282                         | <b>34,599</b>                  | 15,350                         |
| Cost of sales  |       | <b>(39,860)</b>                | (21,198)                       | <b>(34,529)</b>                | (17,469)                       |
| <b>Gross profit/(loss)</b>   |       | <b>258</b>                     | (916)                          | <b>70</b>                      | (2,119)                        |
| Other income   |       | <b>181</b>                     | 4                              | <b>81</b>                      | 4                              |
| Selling and distribution costs   |       | <b>(186)</b>                   | (863)                          | <b>(177)</b>                   | (494)                          |
| Administrative expenses  |       | <b>(16,832)</b>                | (17,024)                       | <b>(12,951)</b>                | (10,925)                       |
| <b>Loss from operations</b>  | 5     | <b>(16,579)</b>                | (18,799)                       | <b>(12,977)</b>                | (13,534)                       |
| Finance costs  | 6     | <b>(27,470)</b>                | (24,677)                       | <b>(13,875)</b>                | (12,447)                       |
| <b>Loss before income tax</b>  |       | <b>(44,049)</b>                | (43,476)                       | <b>(26,852)</b>                | (25,981)                       |
| Income tax credit  | 7     | <b>288</b>                     | 1,145                          | <b>279</b>                     | 841                            |
| Loss for the period attributable to the owners of the Company                              |       | <b>(43,761)</b>                | (42,331)                       | <b>(26,573)</b>                | (25,140)                       |
| <b>Other comprehensive income, after tax</b>   |       |                                |                                |                                |                                |
| Items that may be reclassified subsequently to profit or loss:                             |       |                                |                                |                                |                                |
| Exchange differences arising on translation of foreign operations                          |       | <b>2,834</b>                   | (321)                          | <b>3,734</b>                   | (124)                          |
| <b>Total comprehensive income for the period attributable to the owners of the Company</b> |       | <b>(40,927)</b>                | (42,652)                       | <b>(22,839)</b>                | (25,264)                       |
| <b>Loss per share</b>  |       |                                |                                |                                |                                |
| Basic and diluted  | 9     | <b>RMB2.5 cents</b>            | RMB2.42 cents                  | <b>RMB1.52 cents</b>           | RMB1.44 cents                  |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

|  | Notes | As at<br>30 June<br>2016<br>RMB'000<br>(unaudited) | As at<br>31 December<br>2015<br>RMB'000<br>(audited) |
|--|-------|--|--|
| <b>ASSETS AND LIABILITIES</b>                  |       |  |  |
| <b>Non-current assets</b>                      |       |  |  |
| Property, plant and equipment                  | 10    | 87,910   | 92,400   |
| Intangible assets                              |       | 259,038  | 260,191  |
| Prepaid land lease payments                    |       | 1,775  | 1,797  |
| Deferred tax assets                            |       | 54,950   | 54,950   |
|  |       | <b>403,673</b>                                     | <b>409,338</b>                                       |
| <b>Current assets</b>                          |       |  |  |
| Inventories                                    |       | 125,214  | 131,476  |
| Prepaid land lease payments                    |       | 42   | 42   |
| Trade and note receivables                     | 11    | 126,427  | 126,784  |
| Other receivables, deposits<br>and prepayments |       | 453,609  | 464,394  |
| Amounts due from a related<br>company          |       | 1,937  | 2,035  |
| Cash and bank balances                         |       | 3,305  | 6,645  |
|  |       | <b>710,534</b>                                     | <b>731,376</b>                                       |
| <b>Current liabilities</b>                     |       |  |  |
| Trade and note payables                        | 12    | 48,593   | 72,382   |
| Other payables and accrued charges             | 14    | 117,719  | 100,240  |
| Amounts due to related companies               |       | 3,514  | 4,624  |
| Borrowings                                     | 13    | 194,600  | 194,600  |
| Provision for tax                              |       | 85,390   | 84,309   |
|  |       | <b>449,816</b>                                     | <b>456,155</b>                                       |
| <b>Net current assets</b>                      |       | <b>260,718</b>                                     | <b>275,221</b>                                       |
| <b>Total assets less current liabilities</b>   |       | <b>664,391</b>                                     | <b>684,559</b>                                       |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION**

As at 30 June 2016

|   | <i>Notes</i> | <b>As at<br/>30 June<br/>2016<br/>RMB'000<br/>(unaudited)</b> | As at<br>31 December<br>2015<br>RMB'000<br>(audited) |
|---|--------------|---|--|
| <b>Non-current liabilities</b>                      |              |   |  |
| Other payables and accrued charges                  | 14           | <b>304,415</b>  | 283,368  |
| Deferred tax liabilities                            |              | <b>54,762</b>   | 55,050   |
|   |              | <b>359,177</b>  | 338,418  |
| <b>Net assets</b>                                   |              |   |  |
|   |              | <b>305,214</b>  | 346,141  |
| <b>EQUITY</b>                                       |              |   |  |
| <b>Equity attributable to owners of the Company</b> |              |   |  |
| Share capital                                       | 15           | <b>3,107</b>  | 3,107  |
| Reserves  |              | <b>302,107</b>  | 343,034  |
| <b>Total equity</b>                                 |              |   |  |
|   |              | <b>305,214</b>  | 346,141  |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

|  | <b>Six months ended 30 June</b> |             |
|--|---------------------------------|-------------|
|  | <b>2016</b>                     | 2015        |
|  | <b>RMB'000</b>                  | RMB'000     |
|  | <b>(unaudited)</b>              | (unaudited) |
| Net cash (use in)/from operating activities          | <b>(4,515)</b>                  | 5,157       |
| Net cash used in investing activities                | <b>(1,049)</b>                  | (4,102)     |
| Net cash used in financing activities                | <b>(1,691)</b>                  | (15,341)    |
|  | <hr/>                           | <hr/>       |
| Net decrease in cash and cash equivalents            | <b>(7,255)</b>                  | (14,286)    |
| Cash and cash equivalents at beginning of the period | <b>6,645</b>                    | 37,045      |
| Effect of foreign exchange, net                      | <b>3,915</b>                    | (2,967)     |
|  | <hr/>                           | <hr/>       |
| Cash and cash equivalents at end of the period       | <b>3,305</b>                    | 19,792      |
|  | <hr/> <hr/>                     | <hr/> <hr/> |



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

|  | Attributable to owners of the Company |                           |  |                                 |                              |                           |                                  |  |                                |                   |
|--|---------------------------------------|---------------------------|--|---------------------------------|------------------------------|---------------------------|----------------------------------|--|--------------------------------|-------------------|
|  | Share capital<br>RMB '000             | Share premium<br>RMB '000 | Capital redemption reserve<br>RMB '000 | Translation reserve<br>RMB '000 | Specific reserve<br>RMB '000 | Other reserve<br>RMB '000 | Share option reserve<br>RMB '000 | Convertible bonds equity reserve<br>RMB '000 | Accumulated losses<br>RMB '000 | Total<br>RMB '000 |
| At 31 December 2015 and 1 January 2016 (audited) | 3,107                                 | 970,169                   | 6                                      | (5,499)                         | 4,264                        | 15,529                    | -                                | -  | (641,435)                      | 346,141           |
| Loss for the period                              | -                                     | -                         | -                                      | -                               | -                            | -                         | -                                | -  | (43,761)                       | (43,761)          |
| <b>Other comprehensive income</b>                |                                       |                           |  |                                 |                              |                           |                                  |  |                                |                   |
| Currency translation                             | -                                     | -                         | -                                      | 2,834                           | -                            | -                         | -                                | -  | -                              | 2,834             |
| Total comprehensive income for the period        | -                                     | -                         | -                                      | 2,834                           | -                            | -                         | -                                | -  | (43,761)                       | (40,927)          |
| At 30 June 2016 (unaudited)                      | <u>3,107</u>                          | <u>970,169</u>            | <u>6</u>                               | <u>(2,665)</u>                  | <u>4,264</u>                 | <u>15,529</u>             | <u>-</u>                         | <u>-</u>                                     | <u>(685,196)</u>               | <u>305,214</u>    |

For the six months ended 30 June 2015

|  |              |                |          |                 |              |               |          |                |                  |                |
|--|--------------|----------------|----------|-----------------|--------------|---------------|----------|----------------|------------------|----------------|
| At 31 December 2014 and 1 January 2015 (audited) | 3,107        | 970,169        | 6        | (13,278)        | 4,264        | 15,529        | 30,503   | 118,673        | (210,033)        | 918,940        |
| Loss for the period                              | -            | -              | -        | -               | -            | -             | -        | -              | (42,331)         | (42,331)       |
| <b>Other comprehensive income</b>                |              |                |          |                 |              |               |          |                |                  |                |
| Currency translation                             | -            | -              | -        | (321)           | -            | -             | -        | -              | -                | (321)          |
| Total comprehensive income for the period        | -            | -              | -        | (321)           | -            | -             | -        | -              | (42,331)         | (42,652)       |
| Lapse of share options                           | -            | -              | -        | -               | -            | -             | (30,503) | -              | 30,503           | -              |
| At 30 June 2015 (unaudited)                      | <u>3,107</u> | <u>970,169</u> | <u>6</u> | <u>(13,599)</u> | <u>4,264</u> | <u>15,529</u> | <u>-</u> | <u>118,673</u> | <u>(221,861)</u> | <u>876,288</u> |

## **NOTES TO THE INTERIM FINANCIAL REPORT**

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

The Company was incorporated in Bermuda on 14 April 2004 as an exempted company under the Companies Act 1981 of Bermuda (as amended). Its shares are listed on GEM with effect from 28 February 2005.

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 (“BVI”).

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 period.

The unaudited consolidated financial information 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 financial information also include the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies adopted in preparing the unaudited consolidated financial information for the six months ended 30 June 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 financial information for the six months ended 30 June 2016 are unaudited but have been reviewed by the Company’s audit committee.

### **2. ADOPTION OF NEW OR AMENDED IFRSs**

In the current period, the Group has applied for the first time the new standards, amendments and interpretations (the “new IFRSs”), which are relevant to and effective for the Group’s financial statements for the annual financial period beginning on 1 January 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 trading, mining and processing of mineral resources. Revenue recognised during the six months and three months ended 30 June 2016 are as follows:

|  | Six months ended<br>30 June    |                                | Three months ended<br>30 June  |                                |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  | 2016<br>RMB'000<br>(unaudited) | 2015<br>RMB'000<br>(unaudited) | 2016<br>RMB'000<br>(unaudited) | 2015<br>RMB'000<br>(unaudited) |
| <b>Revenue:</b>  |                                |                                |                                |                                |
| Mining, processing and trading<br>of mineral resources | <b>40,118</b>                  | 20,282                         | <b>34,599</b>                  | 15,350                         |

### 4. SEGMENT INFORMATION

The Directors manage the Group's daily operations as a single operating 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 revenue from external customers by geographical areas are not presented as the geographical segments other than the People's Republic of China (the "PRC") are less than 10% of the aggregate amount of all segments.

### 5. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

|  | Six months ended<br>30 June    |                                | Three months ended<br>30 June  |                                |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  | 2016<br>RMB'000<br>(unaudited) | 2015<br>RMB'000<br>(unaudited) | 2016<br>RMB'000<br>(unaudited) | 2015<br>RMB'000<br>(unaudited) |
| Amortisation of intangible assets                | <b>1,153</b>                   | 3,645                          | <b>1,088</b>                   | 3,270                          |
| Amortisation of prepaid<br>land lease payments   | <b>22</b>                      | 22                             | <b>11</b>                      | 11                             |
| Depreciation of property,<br>plant and equipment | <b>5,684</b>                   | 8,508                          | <b>2,455</b>                   | 4,587                          |

**6. FINANCE COSTS**

|                                       | Six months ended<br>30 June                         |                                       | Three months ended<br>30 June                       |                                       |
|---------------------------------------|---|---------------------------------------|---|---------------------------------------|
|                                       | <b>2016</b><br><b>RMB'000</b><br><b>(unaudited)</b> | 2015<br><i>RMB'000</i><br>(unaudited) | <b>2016</b><br><b>RMB'000</b><br><b>(unaudited)</b> | 2015<br><i>RMB'000</i><br>(unaudited) |
| Interest on bank loans                | 1,691   | 2,018                                 | 846   | 1,048                                 |
| Interest on other loans               | 11,250  | 7,500                                 | 5,625   | 3,750                                 |
| Interest on convertible bonds         | -   | 15,137                                | -   | 7,638                                 |
| Interest on other payables            | 14,529  | -                                     | 7,404   | -                                     |
| Interest on finance lease liabilities | -   | 22                                    | -   | 11                                    |
|                                       | <u>27,470</u>                                       | <u>24,677</u>                         | <u>13,875</u>                                       | <u>12,447</u>                         |

**7. INCOME TAX CREDIT**

|                                 | Six months ended<br>30 June                         |                                       | Three months ended<br>30 June                       |                                       |
|---------------------------------|---|---------------------------------------|---|---------------------------------------|
|                                 | <b>2016</b><br><b>RMB'000</b><br><b>(unaudited)</b> | 2015<br><i>RMB'000</i><br>(unaudited) | <b>2016</b><br><b>RMB'000</b><br><b>(unaudited)</b> | 2015<br><i>RMB'000</i><br>(unaudited) |
| Current taxation                | -   | -                                     | -   | -                                     |
| Deferred taxation               | 288   | 1,145                                 | 279   | 841                                   |
| Total tax credit for the period | <u>288</u>  | <u>1,145</u>                          | <u>279</u>  | <u>841</u>                            |

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

**8. DIVIDEND**

No dividend has been paid, proposed or declared by the Group for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

**9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY**

Basic loss per share is calculated based on the Group's loss for the period attributable to owners of the Company of approximately RMB43,761,000 (2015: RMB42,331,000) 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 share options had lapsed on 30 May 2015 and the convertible bonds were due on 9 July 2015, therefore there was no dilutive potential ordinary shares in existence during the six months ended 30 June 2016. Diluted loss per share for the six months ended 30 June 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.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired approximately RMB1,194,000 property, plant and equipment (six months ended 30 June 2015: RMB1,584,000).

During the period, the Group had not disposed any of its property, plant and equipment (six months ended 30 June 2015: Nil).

## 11. TRADE AND NOTE RECEIVABLES

The Group has a policy of allowing trade customers with credit normally within 90 days. However, for certain customers with long established relationship and good past payment histories, a longer credit period may be granted. The ageing analysis of the trade and note receivables (net of allowance for impairment) is as follows:

|               | <b>As at<br/>30 June<br/>2016<br/>RMB'000<br/>(unaudited)</b> | As at<br>31 December<br>2015<br>RMB'000<br>(audited) |
|---------------|---|--|
| 0-60 days     | <b>7,520</b>  | 740  |
| 61-120 days   | -   | -  |
| 121-180 days  | -   | 5,890  |
| 181-365 days  | -   | 3,858  |
| Over 365 days | <b>118,907</b>  | 116,296  |
|               | <b>126,427</b>  | 126,784  |

## 12. TRADE AND NOTE PAYABLES

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

|               | <b>As at<br/>30 June<br/>2016<br/>RMB'000<br/>(unaudited)</b> | As at<br>31 December<br>2015<br>RMB'000<br>(audited) |
|---------------|---|--|
| 0-90 days     | <b>15,010</b>   | 5,611  |
| 91-180 days   | <b>1,194</b>  | 25,196   |
| 181-365 days  | <b>2,631</b>  | 5,486  |
| Over 365 days | <b>29,758</b>   | 36,089   |
|               | <b>48,593</b>   | 72,382   |

### 13. BORROWINGS

During the period, the Group had not raised any borrowings (six months ended 30 June 2015: Nil). During the period, the Group had not repaid any borrowings (six months ended 30 June 2015: RMB179,000).

#### **Other loan – entrusted loan**

The other loan in the sum of RMB150,000,000 to 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”), for a term of two years commencing from 31 January 2013 and ending to 30 January 2015. Since the expiry of the said loan on 30 January 2015 and up to the date of this report, no repayment of any principal amount on the said loan has been made by Jiashengpan or any member of the Group.

### 14. OTHER PAYABLES AND ACCRUED CHARGES

On 9 July 2008, the Company issued convertible bonds with a principal amount of HK\$756,900,000 (the “2008 Convertible Bonds”), which bear coupon interest rate at 3% per annum payable semi-annually in arrears. The maturity date of the 2008 Convertible Bonds with principal amount of HK\$382,038,000 was on 9 July 2015. However, on 9 July 2015, none of the outstanding 2008 Convertible Bonds with principal amount of HK\$382,038,000 were redeemed at its principal amount, inclusive of any interest as accrued.

On 25 March 2015, Ruffy had undertaken not to demand immediate repayment in part or in whole for the redemption of the outstanding 2008 Convertible Bonds with principal amount of HK\$372,298,000 held by Ruffy (“Ruffy Bonds”) on the maturity date until 9 July 2017 or such later date as the Company and Ruffy may agree in writing. Hence, Ruffy Bonds was classified as other payables under the non-current liabilities together with the interest accrued of approximately RMB304,415,000.

On 29 February 2016, the remaining bondholders of the 2008 Convertible Bonds have also undertaken not to demand immediate repayment in part or in whole for the redemption of the outstanding 2008 Convertible Bonds with principal amount of HK\$9,740,000 held by the remaining bondholders (the “Remaining 2008 Convertible Bonds”) on the maturity date until 31 December 2016. Hence, the Remaining 2008 Convertible Bonds together with the interest accrued were classified as other payables under the current liabilities of approximately RMB9,485,000, of which approximately RMB5,400,000 was due to Ms. Liu Yaling, an executive Director of the Company, as at 30 June 2016.

## 15. SHARE CAPITAL

|  | As at<br>30 June 2016                      |                                   | As at<br>31 December 2015                |                                 |
|--|--|-----------------------------------|--|---------------------------------|
|  | Number of<br>shares<br>'000<br>(unaudited) | Amount<br>HK\$'000<br>(unaudited) | Number of<br>shares<br>'000<br>(audited) | Amount<br>HK\$'000<br>(audited) |
| <b>Authorised:</b><br>Ordinary shares of HK\$0.002<br>each at end of the period/year | <b>25,000,000</b>                          | <b>50,000</b>                     | 25,000,000                               | 50,000                          |
|  |  | <b>RMB'000</b>                    |  | <b>RMB'000</b>                  |
| <b>Issued:</b><br>Ordinary shares of HK\$0.002<br>each at end of the period/year     | <b>1,751,308</b>                           | <b>3,107</b>                      | 1,751,308                                | 3,107                           |

## 16. COMMITMENTS

As at 30 June 2016, the Group had the following commitments:

### (a) Operating lease commitment

As lessee

At the respective reporting date, the Group had outstanding commitments payable under non-cancellable operating leases in respect of rented premises which fall due as follows:

|                                       | As at<br>30 June<br>2016<br>RMB'000<br>(unaudited) | As at<br>31 December<br>2015<br>RMB'000<br>(audited) |
|---------------------------------------|--|--|
| Within one year                       | <b>709</b>   | 151  |
| In the second to fifth year inclusive | <b>531</b>   | -  |
|                                       | <b>1,240</b>                                       | 151  |

Operating lease payments represent rental payable by the Group for its office premise. Leases are negotiated for terms of one to two (31 December 2015: one to two) years. Certain leases contain an option to renew and renegotiate the terms of the leases at expiry dates or at date mutually agreed between the Group and the landlords. None of the leases include contingent rentals.

(b) *Capital commitments*

|                                   | <b>As at<br/>30 June<br/>2016<br/>RMB'000<br/>(unaudited)</b> | As at<br>31 December<br>2015<br>RMB'000<br>(audited) |
|-----------------------------------|---|--|
| Property, plant and equipment     |   |  |
| – Contracted but not provided for | <b>34,988</b>   | 34,988   |

**17. PLEDGE OF ASSETS**

As at 30 June 2016 the Group's mining rights at the net carrying amount of approximately RMB259,038,000 (31 December 2015: RMB260,191,000) were pledged to secure borrowing facilities granted to the Group.

**18. RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group had the following material related party transactions:

- (a) As at 30 June 2016 and 31 December 2015, the Group's bank borrowings of RMB44,600,000 were guaranteed by Mr. Mei Ping, a former Director (who had resigned on 22 June 2016), Shenzhen City First Create Investment Co., Ltd.# (深圳市冠欣投資有限公司) ("First Create") and Wulan Chabu Bainaimiao Co., Ltd.# (烏蘭察布市白乃廟銅業有限責任公司), these are related companies in which Mr. Mei Wei, the Company's substantial shareholder has beneficial interests and/or directorship.
- (b) As at 30 June 2016 and 31 December 2015, the Group's borrowing facility of RMB150,000,000 was secured by the Group's mining rights and guaranteed by Shenzhen First Create Mining Group Limited# (深圳冠欣礦業集團有限公司) ("First Create Mining") and Mr. Mei Wei.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Market review

#### Lead

Total global supply of lead for the first five months of this year stood at approximately 4.275 million tonnes whilst total consumption for the same period was approximately 4.222 million tonnes, representing a supply surplus of approximately 53,000 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-May               | 2016             | 2015      |
|---------------------------|------------------|-----------|
| Metal production (tonnes) | <b>4,275,000</b> | 4,243,000 |
| Metal usage (tonnes)      | <b>4,222,000</b> | 4,236,000 |
| Surplus (tonnes)          | <b>53,000</b>    | 7,000     |

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 2% to 10.83 million tonnes in 2016. The production for refined lead metal is expected to rise 2.3% to 10.90 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 5.533 million tonnes for the first five months of this year whilst total consumption was approximately 5.597 million tonnes, representing a deficit of approximately 64,000 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-May                | <b>2016</b>      | 2015      |
|----------------------------|------------------|-----------|
| Metal production (tonnes)  | <b>5,533,000</b> | 5,784,000 |
| Metal usage (tonnes)       | <b>5,597,000</b> | 5,641,000 |
| (Deficit)/surplus (tonnes) | <b>(64,000)</b>  | 143,000   |

Source: ILZSG

In accordance with ILZSG forecasts, world usage and supply of refined zinc metal will increase to approximately 14.33 million tonnes and 13.98 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.

**Business review**

**Global and the PRC economic condition review**

During the reporting period, the global economic recovery was slow. The operating environment in the second half of 2016 is expected challenging, impacted by the recent “Brexit” vote which resulted in certain negative uncertainties towards the economic growth in Europe. Coupled with the rise in the interest rate in the United States of America (the “US”) for the first time after a long period, leading to a strong US dollar. The GDP growth in the PRC had risen by 6.7% in the first half of the year, which was same as the first quarter. However, this figure revealed that it was the lowest for the country since the financial crisis in 2009. It raised the policy maker’s attention to take more steps to bolster the domestic demand and continue to implement stimulus policies to support growth. In response, the People’s Bank of China target at annual M2 growth of about 13% throughout the year in 2016. The monthly total grant of new loans in June 2016 amounted to RMB1.3 trillion, representing an increase by RMB0.39 trillion as compared with May 2016. It is expected that more loose monetary policies will be conducive including lowering bank reserve requirement ratio to stimulate the lending business in the PRC.

### **The PRC Nonferrous Metals Market Industry Review**

The market of the PRC's nonferrous industry has experienced rapid growth over the past decade, spurred on by the increasing demand of the various business sectors. The PRC has remained one of the world's largest consumers of minerals and the world's largest producer of lead, zinc and other metals. Even though the PRC has sizeable mineral resource reserves, energy resources and key ferrous and nonferrous metal reserves are in many cases low-grade and hard to extract, making mine development costly and the smelting process more energy intensive and polluting. Therefore, the PRC has to import from other countries in which it becomes the world's largest importers of lead and zinc concentrates in recent years. According to the General Administration of Customs of the PRC, the import volume of lead and zinc ore concentrates in the first five months of 2016 was approximately 0.53 million tonnes and 0.9 million tonnes.

Facing with the uncertainties in global and the PRC economy, the prices of nonferrous metals and bulk commodities were under pressure in the past two years, the demand for nonferrous metals and bulk commodities remained subdued afterwards. The price of nonferrous metals including zinc and lead remained volatile in low level in the first half of 2016. According to the data extracted from Shanghai Metals Exchange Markets website, the average price of zinc in the first half of the year decreased by approximately RMB1,900.0 to approximately RMB14,300.0 per tonne while lead increased by approximately RMB200.0 to approximately RMB13,800.0 per tonne when compared with their average price in the last corresponding period. The downward pressure on the prices have brought significant impacts the Group performance. Although the declining trend of zinc was slightly improved in June and July 2016, the nonferrous metal mining companies in the PRC are confronted with immense pressures in their operations.

Other challenges faced include those mineral resources are often located long distances away in rural area, resulting in higher transportation cost. Historically, the mining industry has been fragmented, with numerous companies operating in the same mining sector – this has caused considerable overlap in the industry. Consolidation has been encouraged in an effort to increase efficiency and to improve safety and environmental standards. Therefore, the PRC's 12th Five-Year Plan provides a blue-print for the economy's future direction which emphasises the government's plans to restructure the mining sector to create a safer and sustainable industry.

According to the statistics of China Nonferrous Metals Industry Association, in the first five months of 2016, the national output of ten nonferrous metals including lead and zinc, rose to approximately 20.7 million tonnes, its output growth has increased by approximately 0.3% while compared with the last corresponding period. The output of lead lowered by 3.57% to approximately 1.6 million tonnes

but zinc climbed by 1.6% to approximately 1.7 million tonnes. The financial performance in nonferrous metals industries have recorded a stable growth in the first five months of 2016, of which the total revenue and the profitability have increased by 2.6% to approximately RMB2,207.4 billion and by 8.6% to approximately RMB68.7 billion respectively. The investment in nonferrous metals slightly increased by 2.0% to approximately RMB232.7 billion.

### Prospect

Suffering from the keen competition in the nonferrous metals market and recent market price trend, the Group's average selling price of various products were sustainable at the low level. Moreover, the increase in the United States dollars ("US\$") index has placed pressure on the nonferrous metal prices. It is expected the business environment of the nonferrous metals market will continue to remain unfavourable in the second half of this year.

Given the industrial output (including the metals market industry) and overall economy performance both slowed down in early 2016, further stimulus is expected to help revive the slowing economy which might be beneficial to the development of the nonferrous metal industry as a whole. Looking ahead, the Directors are cautiously positive on the continuous economic development in the PRC and believe the PRC government will continue to implement favourable economic policies to sustain the economic development, which could facilitate the continuous growth of the nonferrous metals sector in the PRC.

### Financial performance analysis

#### Revenue

For the six months ended 30 June 2016, the Group recorded a turnover of approximately RMB40.1 million, representing an increase of approximately 97.8% as compared with the turnover of approximately RMB20.3 million for the same period last year. Accordingly, total costs of production increased by approximately 88.0% to approximately RMB39.9 million compared with the same period last year.

Revenue and gross profit/(loss) margin for the six months period ended 30 June 2016 and 2015 are as follows:

|                         | Six months ended<br>30 June 2016 |                             |                            |                      | Six months ended<br>30 June 2015 |                             |                            |                      |
|-------------------------|----------------------------------|-----------------------------|----------------------------|----------------------|----------------------------------|-----------------------------|----------------------------|----------------------|
|                         | Revenue<br>RMB'000               | Cost<br>of sales<br>RMB'000 | Gross<br>profit<br>RMB'000 | Gross<br>profit<br>% | Revenue<br>RMB'000               | Cost<br>of sales<br>RMB'000 | Gross<br>(loss)<br>RMB'000 | Gross<br>(loss)<br>% |
| Nonferrous metal mining | 40,118                           | (39,860)                    | 258                        | 0.64%                | 20,282                           | (21,198)                    | (916)                      | (4.5)%               |

### Nonferrous metal mining

For the six month ended 30 June 2016, the selling price for the Group's product in the PRC markets remained at a low level, this unfavourable conditions had a considerable adverse impact on the performance of the Group. However, the increase in the sales volume has offset the impact on the decrease in price. As a result, revenue generated from nonferrous metal mining increased to approximately RMB40.1 million for the first half of 2016 as compared to approximately RMB20.3 million recorded for the corresponding period in 2015, representing an increase of approximately 97.8%.

The average selling price of zinc concentrates and lead concentrates sold in the PRC markets decreased from approximately RMB7,430.6 per tonne to approximately RMB5,603.7 per tonne and approximately RMB8,745.0 per tonne to approximately RMB7,685.6 per tonne respectively. In addition, no revenue was generated from the by-products: tailing mine. Given that the continuous decrease in the selling price of lead and zinc concentrates as a result of the drop in the market price, the gross profit during the reporting period was approximately RMB260,000.

The followings are the sales volume and average selling prices for each of our mining products in respect of the six months period ended 30 June 2016 and 2015:

|                   | Six months ended<br>30 June 2016 |                                     |                             | Six months ended<br>30 June 2015 |                                     |                             |
|-------------------|----------------------------------|-------------------------------------|-----------------------------|----------------------------------|-------------------------------------|-----------------------------|
|                   | Sales<br>volume<br>(tonnes)      | Selling<br>price<br>per unit<br>RMB | Total<br>revenue<br>RMB'000 | Sales<br>volume<br>(tonnes)      | Selling<br>price<br>per unit<br>RMB | Total<br>revenue<br>RMB'000 |
| Zinc concentrates | 6,531                            | 5,603.7                             | 36,598                      | 2,357                            | 7,430.6                             | 17,514                      |
| Lead concentrates | 458                              | 7,685.6                             | 3,520                       | 302                              | 8,745.0                             | 2,641                       |
| Tailing mine      | -                                | -                                   | -                           | 1,022                            | 124.3                               | 127                         |
| Total revenue     |                                  |                                     | <u>40,118</u>               |                                  |                                     | <u>20,282</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, such accounts receivable turnover was approximately 42 days should the trading account receivable balances be excluded. Subsequent to the 2015 year end date and up to 10 August 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 certain trade receivables in aggregated amount of approximately RMB116.3 million.

Trade and note receivables as at 30 June 2016 was approximately RMB126.4 million, of which RMB118.9 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 RMB2.6 million during the period). Other remaining outstanding balance amounted to approximately RMB7.5 million. Subsequent to 30 June 2016 and up to 10 August 2016, approximately RMB7.5 million has been received from trade and note receivables.

### **Other income**

During the period, other income was approximately RMB181,000 representing an increase of approximately RMB177,000 as compared with approximately RMB4,000 of the same period of 2015.

### **Operating expenses**

Selling and distribution costs for the six months ended 30 June 2016 was approximately RMB186,000 (six months ended 30 June 2015: RMB863,000).

Administrative expenses for the six months ended 30 June 2016 amounted to approximately RMB16.8 million, representing a decrease of approximately RMB0.192 million compared with the same period last year. Administrative expenses mainly consisted of staff costs, legal and professional fees, rent and rates, depreciation and various government expenses.

### **Finance costs**

Finance costs for the six months ended 30 June 2016 amounted to approximately RMB27.5 million, representing an increase of approximately RMB2.8 million as compared with the six months ended 30 June 2015. The increase was mainly attributed to the interest penalties charged on a loan in the sum of RMB150.0 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 six months ended 30 June 2016 was approximately RMB43.8 million (six months ended 30 June 2015: RMB42.3 million).

### **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 30 June 2016, the total equity attributable to owners of the Company was approximately RMB305.2 million (31 December 2015: RMB346.1 million). The Group's cash and bank balances stood at RMB3.3 million (31 December 2015: RMB6.6 million). The interest-bearing bank borrowings of the Group amounted to RMB194.6 million (31 December 2015: RMB194.6 million). The Group's net gearing, expressed as a percentage of total borrowings and other payables which are interest bearing to equity attributable to owners of the Company was approximately 170.9%, as compared to approximately 148.7% as at 31 December 2015.

As set out in the section head "Litigation and Contingent Liabilities", the aggregate claim amount of approximately RMB1,279.6 million. In addition, the Group has not repaid the entrusted loan as disclosed in note 13 of this financial statements. These matters may give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

In view of above situation, the Group will use its best endeavour to address the liquidity issues to secure financial support from Mr. Mei Wei and his affiliates. 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.

### **Working capital (mainly nonferrous metal mining business)**

Total inventory stood at approximately RMB125.2 million as at 30 June 2016 (31 December 2015: approximately RMB131.5 million). The inventory amounted to approximately RMB96.5 million as at 30 June 2016 and 31 December 2015 was attributable to the stock purchased in Jiashengpan for trading purpose with an intention to resell when the market prices go up. The inventory turnover days in nonferrous metal mining decreased from 144 days for the year ended 31 December 2015 to 130 days in current period should the trading stock be excluded. Total trade receivables stood at approximately RMB126.4 million as at 30 June 2016 (31 December 2015: approximately RMB126.8 million). As set out in the section headed “Addendum to business and financial review” above, trade receivables included balances from metal trading activity. Trade receivable turnover days in nonferrous metal mining decreased from 42 days for the year ended 31 December 2015 to 34 days in current period should the metal trade receivable balances be excluded. The Group will continue to exercise due care in managing credit exposure. Trade payable turnover days in nonferrous metal mining decreased from 298 days as at 31 December 2015 to 221 days in current period. In view of the adverse market condition, certain suppliers have offered a lenient credit term to Jiashengpan, which attributable to long trade payables turnover days. The Group’s working capital decreased to approximately RMB260.7 million as at 30 June 2016 (31 December 2015: approximately RMB275.2 million).

### **Capital expenditure**

Total capital expenditure for the period amounted to approximately RMB1.2 million (six months ended 30 June 2015: approximately RMB1.6 million), of which the amount related to the fixed assets acquired by Jiashengpan.



## 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 "Writs"). In addition, the Company had also been aware of four arbitration cases in Shenzhen Arbitration Centre against First Create (the "Arbitration Cases"). The Writs and the 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, 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. 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, Mr. Mei Ping, Mr. Mei Wei, First Create and other defendants. Each of Jiashengpan, Mr. Mei Ping, Mr. 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 was 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 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 RMB525.0 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 and Mr. 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.

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 SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 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 deemed interested in the 22,628,802 shares which were held by her spouse, under the SFO.

### Share options

As at 30 June 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 30 June 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 the SFO:

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

### Notes:

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

Save as disclosed herein, so far as known to any Director or chief executive of the Company, no other person (other than the Directors and chief executive of the Company) had any interest and short positions in the shares, underlying shares and debentures of the Company which were discloseable under Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register required to be kept under Section 336 of the SFO as at 30 June 2016.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the six months ended 30 June 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 appointment of the chairman. The Company is still in progress to file the vacancy and the announcement will be made when appropriated.

Other deviations included (1) the non-executive director is not appointed for a specific term (which is required under code provision A.4.1 of the Corporate Governance Code) but is subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company according to the Company's bye-laws; and (2) code provision A.1.8 of the Corporate Governance Code stipulates that the Company should arrange appropriate insurance cover in respect of legal action against its Directors. The Board is of the view that the Directors may be subject to the insurance premium which is much higher than necessary, reasonably or normally charged as insurance companies may tend to have reservation in accepting insurance coverage for directors of a listed company whose shares are suspended from trading. Therefore, no insurance cover has been arranged currently. The Board will monitor any changes to the situation and identify potential insurance company(ies) to arrange appropriate insurance in respect of legal action against its Directors and officers in due course after the resumption of trading of the Company's shares in compliance with code provision A.1.8 of the Corporate Governance Code.

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 receivables denominated in US\$ as at the end of the reporting period. As the exchange rate of HK\$ is pegged against US\$, the Directors were of the opinion that the currency risk of US\$ was insignificant to the Group.

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

### **CONTROLLING SHAREHOLDER INTERESTS IN COMPETING BUSINESS**

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

The Company's substantial shareholder, Mr. Mei Wei, has beneficial interest and directorship in First Create Mining and First Create (collectively referred as "First Create Group"). However, the Directors do not consider the interests/directorship held by 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.

Mr. Mei Wei also holds 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.

## **EMPLOYEES AND REMUNERATION POLICIES**

At 30 June 2016, the Group had approximately 216 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 society security scheme of the PRC and the contributions to the Mandatory Provident Fund Scheme of Hong Kong. The Group remunerated its employees in accordance with their work performance and experience.

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

During the six months ended 30 June 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 the interim results for the six months ended 30 June 2016 and the internal control procedures 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 six months ended 30 June 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 six months ended 30 June 2016.



## **PUBLIC FLOAT**

For the six months period ended 30 June 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, 10 August 2016

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