



**Third 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

\* for identification only

**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.*

## HIGHLIGHTS

- Achieved a turnover of approximately RMB79.1 million for the nine months ended 30 September 2016, representing an approximately 16.5% increase as compared with that of the corresponding period in 2015.
- Net loss of the Group attributable to owners of the Company for the nine months ended 30 September 2016 amounted to approximately RMB65.0 million (2015: RMB52.7 million).
- The Directors do not recommend dividend for the nine months ended 30 September 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 nine months ended 30 September 2016, together with the comparative figures for the corresponding period in 2015 as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
<b>Revenue</b>	3	<b>79,082</b>	67,885	<b>38,964</b>	47,603
Cost of sales		<b>(82,607)</b>	(67,044)	<b>(42,747)</b>	(45,846)
<b>Gross (loss)/profit</b>		<b>(3,525)</b>	841	<b>(3,783)</b>	1,757
Other income		<b>181</b>	4	-	-
Selling and distribution costs		<b>(198)</b>	(878)	<b>(12)</b>	(15)
Administrative expenses		<b>(20,530)</b>	(23,069)	<b>(3,698)</b>	(6,045)
<b>Loss from operations</b>		<b>(24,072)</b>	(23,102)	<b>(7,493)</b>	(4,303)
Finance costs	4	<b>(41,437)</b>	(31,586)	<b>(13,967)</b>	(6,909)
<b>Loss before income tax</b>		<b>(65,509)</b>	(54,688)	<b>(21,460)</b>	(11,212)
Income tax credit	5	<b>537</b>	1,982	<b>249</b>	837
Loss for the period attributable to the owners of the Company		<b>(64,972)</b>	(52,706)	<b>(21,211)</b>	(10,375)
<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>3,461</b>	1,100	<b>627</b>	1,421
<b>Total comprehensive income for the period attributable to the owners of the Company</b>		<b>(61,511)</b>	(51,606)	<b>(20,584)</b>	(8,945)
<b>Loss per share</b>					
Basic and diluted	7	<b>RMB3.71 cents</b>	RMB3.01 cents	<b>RMB1.21 cents</b>	RMB0.59 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 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. Its principal subsidiaries are engaged in the mining, processing and trading of mineral resources. There were no significant changes in the Group’s operations during the period.

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

The accounting policies adopted in preparing the unaudited consolidated results for the nine months ended 30 September 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 nine months ended 30 September 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 nine months and three months ended 30 September 2016 and 2015 are as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
<b>Revenue:</b>				
Mining, processing and trading of mineral resources	<u>79,082</u>	<u>67,885</u>	<u>38,964</u>	<u>47,603</u>

### 4. FINANCE COSTS

	Nine months ended 30 September		Three months ended 30 September	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Interest on bank loans	2,473	3,040	782	1,022
Interest on other loans	16,875	11,250	5,625	3,750
Interest on convertible bonds	-	15,258	-	121
Interest on finance lease liabilities	-	33	-	11
Interest on shareholder loans	22,089	2,005	7,560	2,005
	<u>41,437</u>	<u>31,586</u>	<u>13,967</u>	<u>6,909</u>

### 5. INCOME TAX CREDIT

	Nine months ended 30 September		Three months ended 30 September	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Current taxation	-	-	-	-
Deferred taxation	537	1,982	249	837
Total tax credit for the period	<u>537</u>	<u>1,982</u>	<u>249</u>	<u>837</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.

## 6. DIVIDEND

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

## 7. 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 RMB64,972,000 (2015: RMB52,706,000) 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.

Diluted losses per share for the nine months ended 30 September 2016 and 2015 are same as the basic loss per share because the impacts of both of the exercise of share options and conversion of the convertible bonds are anti-dilutive.

## 8. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2016

	Attributable to owners of the Company									
	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 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	-	-	-	-	-	-	-	-	(64,972)	(64,972)
<b>Other comprehensive income</b>										
Currency translation	-	-	-	3,461	-	-	-	-	-	3,461
Total comprehensive income for the period	-	-	-	3,461	-	-	-	-	(64,972)	(61,511)
At 30 September 2016 (unaudited)	<u>3,107</u>	<u>970,169</u>	<u>6</u>	<u>(2,038)</u>	<u>4,264</u>	<u>15,529</u>	<u>-</u>	<u>-</u>	<u>(706,407)</u>	<u>284,630</u>

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	Attributable to owners of the Company									
	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 31 December 2014 and 1 January 2015 (audited)	3,107	970,169	6	(13,278)	4,264	15,529	30,503	118,673	(210,033)	918,940
Loss for the period	-	-	-	-	-	-	-	-	(52,706)	(52,706)
<b>Other comprehensive income</b>										
Currency translation	-	-	-	1,100	-	-	-	-	-	1,100
Total comprehensive income for the period	-	-	-	1,100	-	-	-	-	(52,706)	(51,606)
Share options lapsed	-	-	-	-	-	-	(30,503)	-	30,503	-
At 30 September 2015 (unaudited)	<u>3,107</u>	<u>970,169</u>	<u>6</u>	<u>(12,178)</u>	<u>4,264</u>	<u>15,529</u>	<u>-</u>	<u>118,673</u>	<u>(232,236)</u>	<u>867,334</u>





## MANAGEMENT DISCUSSION AND ANALYSIS

### Market review

#### Lead

Total global supply of lead for the first eight months of this year stood at approximately 7.121 million tonnes whilst total consumption for the same period was approximately 7.073 million tonnes, representing a supply surplus of approximately 48,000 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 – August	<b>2016</b>	2015
Metal production (tonnes)	<b>7,121,000</b>	6,677,000
Metal usage (tonnes)	<b>7,073,000</b>	6,663,000
Surplus (tonnes)	<b>48,000</b>	14,000

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 8.924 million tonnes for the first eight months of this year whilst total consumption was approximately 9.105 million tonnes, representing a deficit of approximately 181,000 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 – August	<b>2016</b>	2015
Metal production (tonnes)	<b>8,924,000</b>	9,327,000
Metal usage (tonnes)	<b>9,105,000</b>	9,153,000
(Deficit)/surplus (tonnes)	<b>(181,000)</b>	174,000

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.

**Market review**

According to the statistics of China Nonferrous Metals Industry Association, in the first eight months of 2016, the national output of ten nonferrous metals including lead and zinc, rose to approximately 34.10 million tonnes, its output growth has increased by approximately 0.67% while compared with the last corresponding period. The output of zinc lowered by 0.97% to approximately 4.1 million tonnes but lead climbed by 7.26% to approximately 2.8 million tonnes. Although the profitability of the overall industrial corporation in the first eight months of 2016 has increased by 8.4% to RMB4,058.4 billion, mining industry has decreased by 70.9% to approximately RMB53.5 billion.

### **Prospect**

Suffering from the keen competition in the nonferrous metals market, 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 during the year of 2016.

Given the industrial output (including the metals market industry) and overall economy performance both slowed down in 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 People's Republic of China (the "PRC") and believe the PRC government will continue to implement favourable economic policies to sustain the economic development, which could facilitate the continuous growth of the nonferrous metals sector in the PRC.

## Financial performance analysis

### Revenue

For the nine months ended 30 September 2016, the Group recorded a turnover of approximately RMB79.1 million, representing an increase of approximately 16.5% as compared with the turnover of approximately RMB67.9 million for the same period last year. Accordingly, total costs of production was approximately RMB82.6 million (2015: RMB67.0 million), representing an increase of approximately 23.2%.

Revenue and gross profit margin for the nine months ended 30 September 2016 and 2015 are as follows:

	Nine months ended 30 September 2016				Nine months ended 30 September 2015			
	Revenue	Cost of sales	Gross (loss)	Gross (loss) %	Revenue	Cost of sales	Gross profit	Gross profit %
	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	
<b>Nonferrous metal mining</b>	<b>79,082</b>	<b>(82,607)</b>	<b>(3,525)</b>	<b>(4.5%)</b>	67,885	(67,044)	841	1.2%

For the nine month ended 30 September 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 RMB79 million for the nine months ended 30 September 2016 as compared to approximately RMB67.9 million recorded for the corresponding period in 2015, representing an increase of approximately 16.5%.

The average selling price of zinc concentrates and lead concentrates sold in the PRC markets decreased from approximately RMB7,201.4 per tonne to approximately RMB6,106.6 per tonne and approximately RMB8,895.4 per tonne to approximately RMB7,924.6 per tonne respectively. Given that overall production cost in the nonferrous metal mining had also been increasing, the said factors led to a gross loss of RMB3.5 million.

The followings are the sales volume and average selling price for each of the mining products and trading business in respect of the nine months ended 30 September 2016 and 2015:

	Nine months ended 30 September 2016			Nine months ended 30 September 2015		
	Sales volume (tonnes)	Selling price per unit RMB	Total revenue RMB'000	Sales volume (tonnes)	Selling price per unit RMB	Total revenue RMB'000
Zinc concentrates	9,715	6,106.6	59,326	8,842	7,201.4	63,675
Lead concentrates	2,493	7,924.6	19,756	459	8,895.4	4,083
Tailing mine	-	-	-	1,022	124.3	127
Total revenue			<b>79,082</b>			<b>67,885</b>

### **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 30 September 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 September 2016 was approximately RMB140.2 million, of which RMB119.5 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 RMB3.2 million during the period). Other remaining outstanding balance amounted to approximately RMB20.7 million. Subsequent to 30 September 2016 and up to 9 November 2016, approximately RMB11.9 million has been received from trade and note receivables.

**Other income**

During the period, other income was approximately RMB0.18 million representing an increase of approximately RMB0.14 million as compared the same period of 2015.

**Operating expenses**

Selling and distribution costs for the nine months ended 30 September 2016 was approximately RMB0.2 million (2015: RMB0.9 million).

Administrative expenses for the nine months ended 30 September 2016 amounted to approximately RMB20.5 million, representing a decrease of approximately RMB2.5 million compared with the same period last year. Administrative expenses mainly consisted of staff costs, legal and professional fees, rent and rates, commission, depreciation, various government expenses and net exchange difference.

**Finance costs**

Finance costs for the nine months ended 30 September 2016 amounted to approximately RMB41.4 million, representing an increase of approximately RMB9.9 million as compared with the nine months ended 30 September 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 owners of the Company**

The net loss of the Group attributable to owners of the Company for the nine months ended 30 September 2016 was approximately RMB65.0 million (2015: RMB52.7 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 "Writs"). 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 the Arbitration Cases against First Create for repayment of loans and interest accrued thereon. The subsidiaries of the Company namely, Bameng Wuzhong Qi Jiashengpan Zinc, Lead and Pyrite Resources Exploitation Co., Limited# (巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司) ("Jiashengpan") and/or Shenzhen 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, 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 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 September 2016, the interests and short positions of the Directors and the chief executive and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of the Hong Kong Special Administrative Region (the "SFO")), which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (b) required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

### **Long positions in the shares of the Company**

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

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Percentage of shareholding (%)</b>
Liu Yaling	Beneficial owner	38,727	–
	Interest of spouse	22,628,802	1.29
		<u>22,627,529</u>	<u>1.29</u>

*Note:* Ms. Liu Yaling was deemed to be interested in the 22,628,802 shares which were held by her spouse, under the SFO.

### *Share options*

As at 30 September 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 September 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:

<b>Name of shareholders</b>	<b>Type of interests</b>	<b>Position</b>	<b>Number of shares</b>	<b>Approximate percentage</b>
Ruffy Investments Limited (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 30 September 2016.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the nine months ended 30 September 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 trade and other receivables denominated in US\$ as at the end of the reporting period. As the exchange rate of HK\$ is pegged against US\$, the Directors were of the opinion that the currency risk of US\$ was insignificant to the Group.

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

## **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 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 nine months ended 30 September 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 and the Company’s auditors in matter coming within the scope of the Group audit. It also reviews the quarterly results for the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2016.

## **PUBLIC FLOAT**

For the nine months ended 30 September 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, 9 November 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.*