# CHINA POLYMETALLIC MINING LIMITED 中國多金屬礦業有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2133

2015 ANNUAL REPORT

# CONTENTS

# CORPORATE PROFILE

**China Polymetallic Mining Limited** was incorporated in the Cayman Islands under the Companies Law on 30 November 2009 and was listed on the main board of the Hong Kong Stock Exchange on 14 December 2011.

The Company is one of the leading silver, lead and zinc mining companies in China and was the first company which solely engaged in mining non-ferrous metals to list on the Hong Kong Stock Exchange. Through owning the Shizishan Mine and the Dakuangshan Mine which have both reached full capacity, the Company continues to develop and explore large and high-grade reserves. Currently, most of our operations are located in Yunnan Province such as the Shizishan Mine, a large-scale and high-grade lead-zinc-silver mine, and the Dakuangshan Mine, a lead-zinc-silver mine. The Company is developing the Liziping Mine, a lead-zinc-silver mine and the Menghu Mine, a lead-zinc mine. The Company explored the lead-zinc-silver Dazhupeng Mine in a proactive and orderly manner. We have secured the long-term ore supply from the Lushan Mine, a tungsten-tin mine, at low cost and on an exclusive basis. The Company also has the mining right of the Angjiujia Mine, a lead-zinc mine located in Myanmar. We will further leverage our unique position as a leading Chinese mining company and close proximity to our key customers to meet the demand for silver, lead and zinc while maximizing returns for our shareholders.

# CORPORATE INFORMATION

*As at 2 February 2016*

## DIRECTORS

### Executive Directors

Mr. Ran Xiaochuan (re-designated as non-executive Director and resigned as Chairman with effect from 25 August 2015, and further re-designated as executive Director with effect from 18 September 2015)
Mr. Lei Dejun (appointed as executive Director with effect from 18 September 2015)

### Non-Executive Directors

Mr. Andrew Joseph Dawber
Mr. Lee Kenneth Jue

### Independent Non-Executive Directors

Mr. Christopher Michael Casey *(Interim Non-Executive Chairman)* (appointed as Interim Non-Executive Chairman with effect from 18 September 2015)
Mr. William Beckwith Hayden
Mr. Miu Edward Kwok Chi

## AUDIT COMMITTEE

Mr. Christopher Michael Casey *(Chairman)*
Mr. Andrew Joseph Dawber
Mr. Miu Edward Kwok Chi

## NOMINATION AND REMUNERATION COMMITTEE

Mr. Miu Edward Kwok Chi *(Chairman)*
Mr. Christopher Michael Casey
Mr. William Beckwith Hayden
Mr. Lee Kenneth Jue

## SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

Mr. Ran Xiaochuan *(Chairman)* (appointed as its chairman with effect from 18 September 2015)
Mr. Lei Dejun (appointed as a member with effect from 16 October 2015)
Mr. Lee Kenneth Jue (ceased to be its chairman with effect from 25 August 2015)
Mr. William Beckwith Hayden

## STRATEGY COMMITTEE

Mr. Andrew Joseph Dawber *(Chairman)* (appointed as a member with effect from 30 March 2015, and further appointed as its chairman with effect from 18 September 2015)
Mr. Miu Edward Kwok Chi (ceased to be its chairman with effect from 25 August 2015)
Mr. William Beckwith Hayden
Mr. Ran Xiaochuan

## COMPANY SECRETARY

Ms. Chan Wai Ling (appointed as the company secretary with effect from 2 February 2016)

## AUTHORISED REPRESENTATIVES

Mr. Ran Xiaochuan
Ms. Chan Wai Ling (appointed as an authorised representative with effect from 2 February 2016)

## REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HEAD OFFICE

15/F Fortune Plaza Office Building
No.11 Menghuan Road, Mang City
Dehong Prefecture, Yunnan Province, China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6312, 63/F
The Center
99 Queen's Road Central
Hong Kong

# CORPORATE INFORMATION

*As at 2 February 2016*

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman KY1-1111
Cayman Islands

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## AUDITORS

Ernst & Young

## LEGAL ADVISERS

**As to Hong Kong Law**

Dentons Hong Kong

**As to Cayman Islands Law**

Conyers Dill & Pearman

## INVESTOR RELATIONS CONTACT

Unit 6312, 63/F
The Center
99 Queen's Road Central
Hong Kong
Tel: +852 2180 7577

## PRINCIPAL BANKERS

Ping An Bank Co., Ltd
Agricultural Bank of China
China Merchants Banks
Citibank

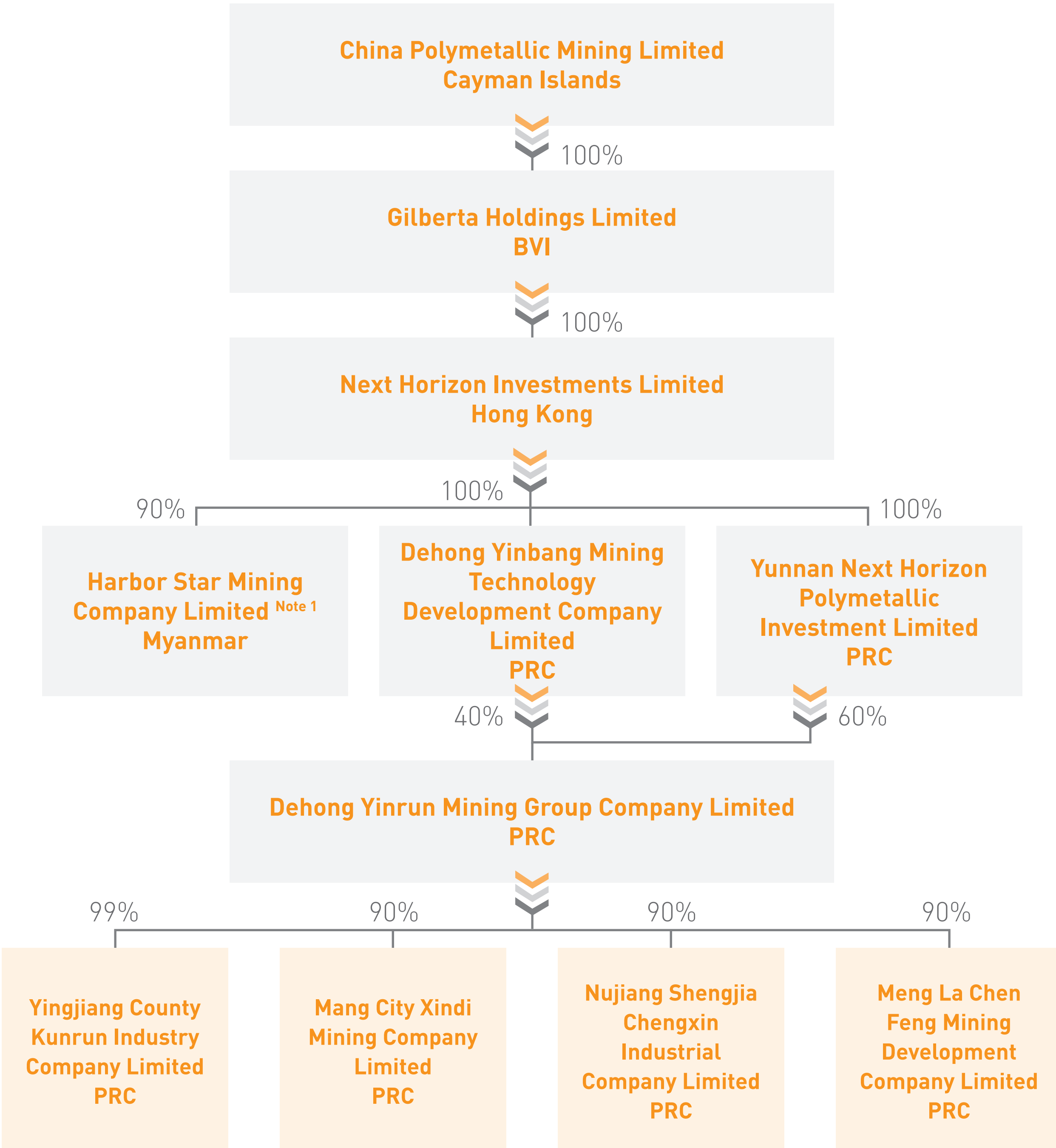
## STOCK CODE

2133

## WEBSITE ADDRESS

www.chinapolymetallic.com

# CORPORATE STRUCTURE




*Notes:*

1. On 24 December 2015, Next Horizon Investments Limited ("Next Horizon"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") pursuant to which Next Horizon has conditionally agreed to purchase and an independent third party, being the vendor, has conditionally agreed to sell, a 90% equity interest in Harbor Star Company, a company established in Myanmar with limited liability at a total consideration of RMB125,000,000.

   Completion of the Agreement shall take place on the fifth business day after the conditions set out in the Agreement have been fulfilled (or waived, as the case may be) or such other date as the vendor and Next Horizon may agree in writing. Please refer to the announcement of the Company dated 24 December 2015 for details. The conditions set out in the Agreement were fulfilled on 28 December 2015.

# FINANCIAL HIGHLIGHTS

The Group's summary of published results for the years ended 31 December 2011, 2012, 2013, 2014 and 2015 and the figures of assets, liabilities and non-controlling interests as at 31 December 2011, 2012, 2013, 2014 and 2015 are set out below:

## RESULTS

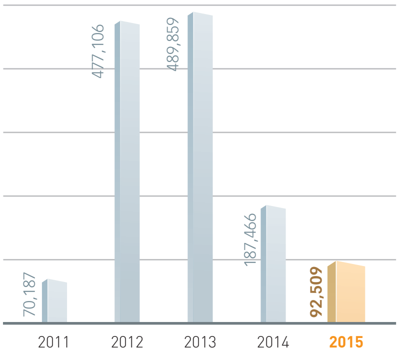
| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 2012 | 2011 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Revenue** | **92,509** | 187,466 | 489,859 | 477,106 | 70,180 |
| Cost of sales | **(56,569)** | (90,308) | (126,193) | (86,912) | (16,214) |
| **Gross profit** | **35,940** | 97,158 | 363,666 | 390,194 | 53,966 |
| Other income and gains | **19,127** | 18,270 | 1,758 | 3,534 | 2,760 |
| Selling and distribution costs | **(953)** | (1,246) | (997) | (1,010) | (7) |
| Administrative expenses* | **(49,166)** | (49,027) | (128,630) | (120,780) | (287,457) |
| Other expenses** | **(79,765)** | (2,944) | (7,629) | (3,793) | (2,855) |
| Financing costs | **(52,629)** | (41,015) | (12,633) | (5,047) | (382) |
| **Profit/(loss) before tax** | **(127,446)** | 21,196 | 215,535 | 263,098 | (233,975) |
| Income tax credit/(expenses) | **31,887** | (9,441) | (75,640) | (84,236) | (10,272) |
| **Profit/(loss) for the year** | **(95,559)** | 11,755 | 139,895 | 178,862 | (244,247) |
| **Attributable to:** | | | | | |
| The owners of the Company | **(94,084)** | 12,264 | 138,487 | 176,984 | (244,268) |
| Non-controlling interests | **(1,475)** | (509) | 1,408 | 1,878 | 21 |
| | **(95,559)** | 11,755 | 139,895 | 178,862 | (244,247) |
| Earnings/(loss) per share attributable to ordinary equity holders of the Company (RMB) — Basic and diluted | **(0.047)** | 0.006 | 0.070 | 0.090 | (0.210) |

* For comparison purpose, equity-settled share-base payment of RMB233,000,000 in 2011 was included in "Administrative expenses".

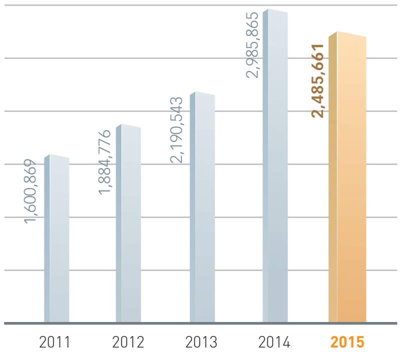
** For comparison purpose, impairment losses aggregated to RMB79,731,000 in 2015 was included in "Other expenses".

# FINANCIAL
# HIGHLIGHTS

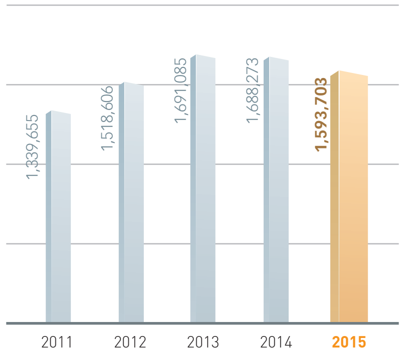
**Revenue**
(RMB'000)




**Total Assets**
(RMB'000)




**Equity/(deficit) attributable to the owners of the Company**
(RMB'000)




## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 2012 | 2011 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Non-current assets | **1,700,530** | 1,562,208 | 1,419,885 | 1,223,924 | 662,890 |
| Current assets | **785,131** | 1,423,657 | 770,678 | 660,852 | 937,979 |
| Current liabilities | **505,105** | 1,229,431 | 431,937 | 245,468 | 127,706 |
| Non-current liabilities | **323,156** | 17,078 | 15,949 | 74,903 | 132,178 |
| **Total equity** | **1,657,400** | 1,739,356 | 1,742,677 | 1,564,405 | 1,340,985 |
| Non-controlling interests | **63,797** | 51,083 | 51,592 | 45,799 | 1,330 |
| Equity attributable to the owners of the Company | **1,593,703** | 1,688,273 | 1,691,085 | 1,518,606 | 1,339,655 |

# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

I am pleased to present the Company's fifth Annual Report since listing on the Hong Kong Stock Exchange and my first as its Chairman.

2015 has presented many challenges for the Company and the executive team who are dedicated to creating value for all stakeholders. Those challenges have originated from economic issues external to the Company and geological issues relating to our mine at Shizishan.

Domestic demand has weakened as Chinese growth has slowed to 6.9% in 2015, down from 7.4% in the previous year. Whilst this growth rate is ahead of most Western economies it has not been lost on global markets that this is the slowest growth China has achieved in the last 25 years. This relatively small movement masks a transition from an export led manufacturing economy to one more like the developed economies of the west, where consumption accounts for the majority of output. This is an enormous task but there is much evidence that it is proceeding effectively. The private sector has expanded hugely, wages are rising and retail spending is increasing.

The global outlook has been mixed. The US Federal Reserve initially had the confidence to increase interest rates in recognition of the fact that economic conditions appear to have stabilised quoting expanding payrolls and earnings growth well above inflation. However, their most recent message makes it clear that the US is vulnerable to changing financial markets and global economic conditions. This is making it very hard for US Federal Reserve officials to communicate the sort of clear and consistent message that had been hoped for by the markets. Emerging markets performance has been varied between those who are commodity exporters and are suffering from depressed demand and oil importers who, in the latter part of 2015, saw real advantage from the effect of falling prices. The consumer led recovery in Europe appears to be hesitant and more quantitative easing is on the way from the European Central Bank.

The consequence of these factors has led to global economic uncertainty and capital market volatility as funds chase a safe home which may provide modest growth. As I write this it appears that little is changing. This volatility has increased in the first month of 2016 and continues to undermine the commodity markets most of which are recognized as being in over supply at this time. The oil market has led the way in declining prices and oil supply side economics is being transformed by the emergence of US shale gas as well the effect of lifting sanctions against Iran. Whilst the market for our products is not in this type of cycle it remains in over supply, competition is intense, prices are falling and some structural adjustments are taking place.

The principle issue at Shizishan was caused by particularly heavy rainfall which seriously flooded the mine and caused reduced activity in August and then suspended production in September. Pumping on a substantial scale lasted for three months and by the end of our period of review the mine became operational again. I am pleased to report that despite the seriousness and speed of the flooding nobody was injured and the management should be congratulated on the professional way in which they tackled these very serious events.

The fragmentation of the ore body at Shizishan persists at the 1,150 level but it is not so acute as it was at the 1,200 level and that has had a modest and positive impact on the feed grade.

This backdrop has resulted in a reduced turnover of RMB92.5m (2014: RMB187.5m), and gross profits down to RMB35.9m (2014: RMB97.2m). Administration costs were contained at RMB49.2m (2014: RMB49.0m) with financing costs up to RMB52.6m (2014: RMB41.0m). Impairment charges of RMB79.7m (2014: RMB0) pushed our loss before tax to RMB127.4m compared to a profit before tax of RMB21.2m in 2014.

In these difficult circumstances, the executives, with the full support of the Board, have concentrated on the priorities of cost control through careful management of overheads and cash preservation through careful management of capital expenditure.

We have a need to build the base of the Company by securing additional revenues and profits. The prevailing market conditions are giving rise to opportunities at attractive valuations. The executive team identified Harbour Star Company, based in Myanmar which has mining rights to Aung Jiujia Mine. The Group entered into the Agreement to acquire Harbour Star Company on 24 December 2015, full details of which may be found in this annual report. This is a great opportunity to pursue profitable growth outside China but close enough both geographically and culturally to enable effective management.

Above all else, throughout the Company's operations there has been and continues to be an uncompromising approach to ensure the health and safety of all our employees and those in our care as well as ensuring that we respect the environment in line with world class standards. We value the opportunity for the company to be a good corporate citizen.

Finally, I would like to extend my thanks to the staff and management of the Company who have offered their unconditional support in these difficult times. They should be congratulated for their loyalty. I would particularly like to thank my fellow directors, Mr Ran Xiaochuan and Mr Lei Dejun for their support of my chairmanship which has been unwavering.

By Order of the Board
**China Polymetallic Mining Limited**
**Christopher Michael Casey**
*Chairman*

Hong Kong, 2 February 2016

## MARKET REVIEW

During the Reporting Period, the mixed economic growth patterns among the major countries in the world were intensified, with developed economies like the US and Europe experiencing moderate recovery and most of the emerging countries encountering economic headwinds. In 2015, China's GDP growth rate slowed, indicating a structural deflation that continuously imposed downward pressures on China's economy.

In 2015, the domestic and overseas non-ferrous markets entered a period of profound adjustment. The development of the industry faced a series of challenges, including excess production capacity, decline in efficiency, rising costs, environmental protection pressure and intensified competition. In the course of economic transformation, China's economy demonstrated an overall declining trend of growth, reflected by weak demand for non-ferrous metals and consequently depressed prices.

In 2015, in light of falling prices of zinc, the output of zinc concentrate in China recorded its first decline, which was 4.75 million tonnes in 2015, down by 14.2% over the same period of last year. Conversely, the output of refined zinc was 6.15 million tonnes in 2015, representing a year-on-year increase of 4.9%. In 2015, China's lead output amounted to 3.86 million tonnes, down by 5.3% over the same period of last year. The decrease was primarily attributable to the weak downstream demand for lead. At the same time some smelters reducing output to increase maintenance and respond to additional environmental inspections. During the Reporting Period, the opening and closing prices of silver quoted on the Shanghai Gold Exchange were RMB3,420 per kilogram and RMB3,210 per kilogram respectively, with the highest and lowest prices of RMB3,898 per kilogram and RMB3,128 per kilogram respectively, down by 19.8%. The price trend of silver was downward.

With opportunities and challenges coexisting, there were still chances for further development of the non-ferrous metals industry. On 28 March 2015, the National Development and Reform Commission, the Ministry of Foreign Affairs and the Ministry of Commerce jointly announced the "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road (《推動共建絲綢之路經濟帶和21世紀海上絲綢之路的願景與行動》)", in which the non-ferrous metals industry was suggested to leverage the "One Belt One Road (一帶一路)" strategy to expedite the process of "going out (走出去)", exploit low grade mines, enhance application technology of non-ferrous metals and attain breakthrough in resource and environment constraints.

Chinese President Xi Jinping suggested at the "China's Central Economic Work Conference" that China should strengthen structural reform of the supply side to increase quality and efficiency while moderately expanding demand so as to provide impetus for sustainable economic growth. In the long-term, the implementation of reform from both supply and demand sides will help rectify the supply and demand imbalance in bulk commodities such as non-ferrous metals.

## OPERATING MINE — SHIZISHAN MINE

### Mineral resources and reserves of the Shizishan Mine

The Shizishan Mine is a large-scale, high-grade lead-zinc-silver underground polymetallic mine located at Yingjiang County of Yunnan Province. Based on the results of the resources and reserves for the Shizishan Mine as at 25 October 2011 disclosed in the Competent Person's Report as set out in appendix V to the Prospectus, our Group is of the view that there are no material changes in resources and reserves estimated, and the results of resources and reserves under the JORC Code as at 31 December 2015 were estimated below:

**The Shizishan Mine — JORC Mineral Resources as at 31 December 2015**

*Mineral Resource at 0.5% Pb Cut Off*

| Class | Quantity (t) | Pb (%) | Zn (%) | Ag (g/t) | Pb metal (t) | Zn metal (t) | Ag metal (t) |
|---|---|---|---|---|---|---|---|
| Measured | 1,218,560 | 10.9 | 6.6 | 271.0 | 194,044 | 104,506 | 546 |
| Indicated | 6,398,000 | 9.0 | 5.9 | 250.0 | 575,200 | 378,500 | 1,600 |
| Inferred | 516,000 | 7.7 | 4.8 | 247.0 | 39,600 | 24,500 | 100 |
| Total | 8,132,560 | 9.4 | 6.0 | 256.0 | 808,844 | 507,506 | 2,246 |

**The Shizishan Mine — JORC Ore Reserves Estimates as at 31 December 2015**

| Class | Quantity (t) | Pb (%) | Zn (%) | Ag (g/t) | Pb metal (t) | Zn metal (t) | Ag metal (t) |
|---|---|---|---|---|---|---|---|
| Proved | 1,098,560 | 10.0 | 6.1 | 251.0 | 161,644 | 84,906 | 446 |
| Probable | 5,713,000 | 9.0 | 5.9 | 250.0 | 514,500 | 336,900 | 1,400 |
| Total | 6,811,560 | 9.3 | 5.9 | 250.0 | 676,144 | 421,806 | 1,846 |

Note: Figures reported are rounded up which may result in small tabulation errors.

### Operational results of the Shizishan Mine

The following table summarises the mining and processing results during the Reporting Period and 2014 of the Shizishan Mine operated by the Group:

| | Items | Unit | 2015 | 2014 |
|---|---|---|---|---|
| ROM Ore | Mined | kt | **100.4** | 268.8 |
| | Effective working days | days | **72** | 135 |
| | Average output | tpd | **1,394** | 1,991 |
| | Processed | kt | **87.2** | 269.4 |
| Feed Grade | Lead | % | **5.2** | 4.0 |
| | Zinc | % | **4.3** | 3.3 |
| | Silver | g/t | **118** | 86 |
| Recovery | Lead | % | **81.2** | 79.6 |
| | Zinc | % | **81.8** | 79.8 |
| | Silver in lead concentrate | % | **81.1** | 72.3 |
| | Silver in zinc concentrate | % | **6.2** | 6.4 |
| Concentrate Grade | Lead | % | **54.5** | 55.0 |
| | Zinc | % | **45.5** | 45.1 |
| | Silver in lead concentrate | g/t | **1,240** | 1,073 |
| | Silver in zinc concentrate | g/t | **94** | 93 |
| Concentrate Tonnes | Lead-silver concentrate | t | **6,756** | 15,516 |
| | Zinc-silver concentrate | t | **6,791** | 15,899 |
| Metal Contained in Concentrate | Lead | t | **3,679** | 8,541 |
| | Zinc | t | **3,087** | 7,170 |
| | Silver in lead concentrate | kg | **8,380** | 16,654 |
| | Silver in zinc concentrate | kg | **616** | 1,477 |

The designed mining and processing capacity of the Shizishan Mine is 2,000 tpd. During the Reporting Period, with the exploration and mining work shifting to the 1,150 level, ore bodies remained fragmented but were a bit better than those at the 1,200 level. Meanwhile, the decrease in dilution rate promoted the overall grade of the raw ores.

Meanwhile, due to the strengthened safety inspections by local authorities as well as the substantial increase in volume of water flowing through the tunnels at the 1,150 level resulting from the consecutive heavy rain during the rainy season, which was substantially heavier than that in previous years, the production volume of the Shizishan Mine started to decrease in August 2015, and its production was suspended in September 2015. As a result, there has been a significant decrease in the volume mined.

As a result of the aforementioned factors, the total raw ore mined during the Reporting Period decreased by 168.4 kt to 100.4 kt, representing a drop of 62.6% as compared to 2014. The production volume of lead, zinc and silver also decreased by 4,862 t, 4,083 t and 8,274 kg respectively, representing a decline of 56.9%, 56.9% and 49.7% respectively as compared to 2014.

The Shizishan Mine, which is located in the vicinity of the Binlang River, has a type of deposit with a medium-to-upper degree of complicated hydrogeological conditions such that water can penetrate directly through its roof and floor. In the area where the Shizishan Mine is located there were unusually long periods of rain during the 2015 rainy season. Furthermore, there were a number of intense, torrential rain storms in a short period of time, resulting in rock falls in some of our tunnels. As vast amounts of rainwater penetrated into the ground, the old mining area and the new mining area became full of water. Huge amount of groundwater flooded into the mine from the damaged areas and cracks and accumulated in the lowest pit at the 1,150 level of the tunnels, where the air pressure was relatively low. The tunnels' maximum water reserves reached 16,000 cubic meters. As facilities related to the supply of water, electricity and gases were covered with groundwater, the safety protection systems were seriously damaged.

Affected by the huge amount of water, the production volume of the mine started to decrease in August, and its production was suspended in September 2015.

In order to minimize the damage on the mine caused by the floods and resume production as soon as possible, one 75 Kilo Watts ("KW") submersible pump, one 37KW submersible pump and six 20KW submersible pumps were used to pump the water out from the mine non-stop for 24 hours daily during the three months from 7 September to 4 December 2015.

The pits and tunnels damaged by the floods at the Shizishan Mine have been dredged and reinforced. Following comprehensive safety inspections and evaluations conducted by the safety department of the Company, the production of the mine gradually resumed in late December 2015.

### Production costs of the Shizishan Mine

The comparative figures of unit production cost of the Shizishan Mine are shown as follows:

| Cost items | | 2015 RMB | 2014 RMB | Variance RMB |
|---|---|---|---|---|
| **Mining cost** | (RMB/t of ore mined) | **68** | 58 | 10 |
| — subcontracting fee | (RMB/t of ore mined) | **68** | 58 | 10 |
| **Processing cost** | (RMB/t of ore processed) | **65** | 63 | 2 |
| — materials cost | (RMB/t of ore processed) | **26** | 24 | 2 |
| — labour | (RMB/t of ore processed) | **20** | 20 | 0 |
| — electricity and water | (RMB/t of ore processed) | **10** | 12 | -2 |
| — maintenance and others | (RMB/t of ore processed) | **9** | 7 | 2 |
| **Administrative and other costs** | (RMB/t of ore processed) | **25** | 3 | 22 |
| **Production taxes and royalties** | (RMB/t of ore processed) | **30** | 43 | -13 |
| **Total cash cost** | (RMB/t of ore processed) | **188** | 167 | 21 |
| **Total cash cost** | (RMB/t of concentrate) | **1,210** | 1,432 | –222 |
| **Depreciation and amortization** | (RMB/t of ore processed) | **192** | 111 | 81 |
| **Total production cost** | (RMB/t of ore processed) | **380** | 278 | 102 |
| **Total production cost** | (RMB/t of concentrate) | **2,446** | 2,383 | 63 |

Compared to 2014, unit production cost per tonne of ore processed increased by RMB102 or approximately 36.7% during the Reporting Period, primarily due to the increase in labour cost of ore mined per tonne, the increase in administrative and other costs, the amortization of land fill expense of RMB2.44 million and the decrease in volume of ore mined. The decrease in volume of ore mined and the amortization of land fill expense led to the substantial increase in amounts of depreciation and amortization attributable to the ore mined per tonne. Such increase was offset by the decrease in production tax and royalties and the decrease in electricity and water tariff. The increase in administrative and other costs was due to the electricity tariff refund of RMB5.60 million in 2014.

Unit production cost per tonne of concentrate increased by RMB63 or 2.6%, smaller than the increase of unit production cost per tonne of ore mined, mainly because the increase in average feed grade led to an increase in concentrate output from ore mined.

### Capital expenditure of the Shizishan Mine

The exploration and mining works of the Shizishan Mine during the Reporting Period is shown as follows:

(1) the tunnel construction project of the 1,200 level and 1,150 level was completed. The full length and cross-sectional area of the constructed tunnel was 2,234.2 meters and 13.1–17.37 square meters, respectively. The construction of the main transport corridors, ventilation, power supply, water supply and drainage, and pedestrian tunnels of the supportive tunnel construction project was also completed;

(2) the exploration and cutting engineering of the 1,200 level and 1,150 level spanning 5,121.8 meters was completed as scheduled. The cross-sectional area of the tunnel explored and cut was 4–13.1 square meters. A series of other engineering works, such as the routes for ore removal, undercutting engineering, service ventilation raise, slice tunnels, and routes for exploration and drilling routing was also completed; and

(3) a filling system was in progress at the 1,250 adit and will be used to fill the mined area at the 1,200 level and 1,150 level.

Capital expenditure of the Shizishan Mine during the Reporting Period and 2014 is shown below:

| | 2015 RMB million | 2014 RMB million |
|---|---|---|
| **Mining** | **29.77** | 93.0 |
| Mining infrastructure | **29.77** | 93.0 |
| **Processing** | **0.33** | 0.8 |
| Processing plant and equipment | **0.27** | 0.6 |
| Tailing storage facilities | **0.06** | 0.2 |
| **Total** | **30.1** | 93.8 |

## OPERATING MINE — DAKUANGSHAN MINE

### Mineral resources and reserves of the Dakuangshan Mine

The Dakuangshan Mine is a lead-zinc-silver polymetallic mine located approximately 100 km away from the Shizishan Mine. The mining permit of the Dakuangshan Mine covers an area of 1.56 sq. km. and is valid through 9 March 2020. Based on the geologist report issued by the Sichuan Province Geological Group dated 11 April 2012, the Group is of the view that there are no material changes in resources and reserves estimates, and the indicated and inferred lead-zinc resources of the Dakuangshan Mine as at 31 December 2015 are estimated in accordance with the Chinese Standard as follows:

**The Dakuangshan Mine — Chinese Standard Mineral Resources as at 31 December 2015**

| | Metal Resources | | | Grade | | |
|---|---|---|---|---|---|---|
| | Lead (kt) | Zinc (kt) | Silver (t) | Lead (%) | Zinc (%) | Silver (g/t) |
| Indicated+Inferred | 115.8 | 223.7 | 213.1 | 2.69 | 5.20 | 54.16 |

**Operational results of the Dakuangshan Mine**

The following table summarises the mining and processing results during the Reporting Period and 2014 of the Dakuangshan Mine operated by the Group:

| | Items | Unit | 2015 | 2014 |
|---|---|---|---|---|
| ROM Ore | Mined | kt | 67.2 | 63.4 |
| | Effective working days | days | 149 | 148 |
| | Average output | tpd | 451 | 428 |
| | Processed | kt | 67.8 | 74.5 |
| Feed Grade | Lead | % | 1.4 | 1.2 |
| | Zinc | % | 2.6 | 2.3 |
| | Silver | g/t | 21 | 20 |
| Recovery | Lead | % | 81.1 | 80.5 |
| | Zinc | % | 81.0 | 81.7 |
| | Silver in lead concentrate | % | 69.4 | 67.7 |
| | Silver in zinc concentrate | % | 4.7 | 4.7 |
| Concentrate Grade | Lead | % | 50.4 | 52.8 |
| | Zinc | % | 45.4 | 44.3 |
| | Silver in lead concentrate | g/t | 667 | 752 |
| | Silver in zinc concentrate | g/t | 22 | 22 |
| Concentrate Tonnes | Lead-silver concentrate | t | 1,516 | 1,315 |
| | Zinc-silver concentrate | t | 3,191 | 3,206 |
| Metal Contained in Concentrate | Lead | t | 764 | 694 |
| | Zinc | t | 1,450 | 1,421 |
| | Silver in lead concentrate | kg | 1,012 | 989 |
| | Silver in zinc concentrate | kg | 69 | 69 |

The Dakuangshan Mine has reached the designed mining and processing capacity of 600 tpd since September 2013. However, it was unable to operate at full capacity during the Reporting Period, primarily due to (i) the safety inspections and rectification by local authorities of Yunnan Province; and (ii) the failure for part of the exploration and mining works to meet the schedule, resulting in the failure of production at full capacity.

As a result of the aforementioned factors, the total raw ore mined during the Reporting Period increased by 3.8 kt to 67.2 kt, representing an increase of 6.0% as compared to 2014. The total raw ore processed decreased by 6.7 kt to 67.8 kt, representing a drop of 9.9% as compared to 2014. The production volume of lead, zinc and silver increased by 70 t, 29 t and 23 kg respectively, representing an increase of 10.1%, 2.0% and 2.3%, respectively as compared to 2014.

### Production costs of the Dakuangshan Mine

The comparative figures of unit production cost of the Dakuangshan Mine are shown as follows:

| Cost items | | 2015 RMB | 2014 RMB | Variance RMB |
|---|---|---|---|---|
| **Mining cost** | (RMB/t of ore mined) | 66 | 67 | -1 |
| — subcontracting fee | (RMB/t of ore mined) | 66 | 67 | -1 |
| **Processing cost** | (RMB/t of ore processed) | 85 | 95 | -10 |
| — materials cost | (RMB/t of ore processed) | 17 | 17 | 0 |
| — labour | (RMB/t of ore processed) | 30 | 26 | 4 |
| — electricity and water | (RMB/t of ore processed) | 30 | 25 | 5 |
| — maintenance and others | (RMB/t of ore processed) | 8 | 27 | -19 |
| **Administrative and other costs** | (RMB/t of ore processed) | 31 | 54 | -23 |
| **Production taxes and royalties** | (RMB/t of ore processed) | 30 | 40 | -10 |
| **Total cash cost** | (RMB/t of ore processed) | 212 | 255 | -43 |
| **Total cash cost** | (RMB/t of concentrate) | 3,054 | 4,201 | –1,147 |
| **Depreciation and amortization** | (RMB/t of ore processed) | 150 | 177 | -27 |
| **Total production cost** | (RMB/t of ore processed) | 362 | 432 | -70 |
| **Total production cost** | (RMB/t of concentrate) | 5,214 | 7,117 | –1,903 |

Compared to 2014, unit production cost per tonne of ore processed decreased by RMB70 or approximately 16.2% during the Reporting Period, primarily due to the decrease in depreciation and amortization cost coupled with the decrease in cash cost.

Unit production cost per tonne of concentrate decreased by RMB1,903 or 15.4%, less than the decrease of unit production cost per tonne of ore processed, due to the increase in average feed grade led to an increase in concentrate output from ore processing.

### Capital expenditure of the Dakuangshan Mine

During the Reporting Period, the exploration and mining works of the Dakuangshan Mine was as follows:

(1) the tunnel construction project of the 1,680 pit, 1,680 level, 1,620 pit, 1,570 level, 1,520 pit and 1,470 level was completed. The full length and cross-sectional area of the constructed tunnel was 734.67 meters and 4.4 square meters. The construction of main transport corridors, ventilation, power supply, water supply and drainage, and pedestrian tunnels of the supportive tunnel construction project was also completed;

(2) the exploration and cutting engineering of the 1,680 pit, 1,680 level, 1,620 pit, 1,570 level, 1,520 pit, 1,520 level and 1,470 level spanning 1,433.32 meters was completed as scheduled. The cross-sectional area of the tunnel explored and cut was 2.52 square meters. A series of other engineering works, such as the routes for ore removal, undercutting engineering, service ventilation raise, slice tunnels, and routes for exploration and drilling routing was also completed; and

(3) the exploration was mainly carried out in the 1,520 level and 1,470 level. The logging work for the extended raw ore body was commenced for comprehensive geological research and analysis.

Capital expenditure of the Dakuangshan Mine during the Reporting Period and 2014 is shown below:

| | 2015<br>RMB million | 2014<br>RMB million |
|---|---|---|
| **Mining** | 2.66 | 4.1 |
| Mining infrastructure | 0.58 | 3.9 |
| Mining rights and exploration | 2.08 | 0.2 |
| **Processing** | 1.27 | 3.6 |
| Processing plant and equipment | 0.28 | 2.3 |
| Tailing storage facilities | 0.99 | 1.3 |
| **Building** | – | 0.2 |
| **Total** | 3.93 | 7.9 |

## OTHER MINES

### Liziping Mine

The Liziping Mine, owned by the Group, is a lead-zinc-silver polymetallic mine located at Lanping County of Yunnan Province and approximately 700 km away from the Shizishan Mine. The renewal procedures of the exploration permit of the Liziping Mine were completed on 9 October 2015, and the new exploration permit covers an area of 13.87 square kilometers and is valid until 9 October 2017. Currently, the mining permit pertaining to the first mining area of approximately 4 square kilometers is still undergoing application process and its geological report is being finalized.

The Liziping Company engaged the Northwest Sichuan Geological Survey Team of the Sichuan Bureau of Geological Exploration of Mineral Resources (四川省地質礦產勘查開發局川西北地質隊), an independent third party exploration entity, to conduct exploration at the Liziping Mine in July 2011. Prior to the acquisition, an area of approximately 4 square kilometers had been explored and a geologist report based on such exploration activities was issued on 12 May 2012. A summary of the estimated resources in accordance with the Chinese Standard in the aforesaid report is as follows:

| | Metal Resources | | | | Grade | | | |
|---|---|---|---|---|---|---|---|---|
| | Lead (kt) | Zinc (kt) | Copper (kt) | Silver (t) | Lead (%) | Zinc (%) | Copper (kt) | Silver (g/t) |
| Indicated | 23.1 | 41.5 | 7.7 | 120.56 | 3.81 | 4.83 | 0.99 | 123.4 |
| Inferred | 73.5 | 99.8 | 18.5 | 276.7 | 12.45 | 2.9 | 0.78 | 278.78 |

During the Reporting Period, for the purpose of preparation of the formal geological reports, the Liziping Mine mainly carried out in-depth explorations, tunnel explorations and geological data compilation and supplement for field catalog (including small volumetric weight test, etc.). During the same period, the total capital expenditure of the Liziping Mine amounted to RMB25.7 million (2014: RMB25.4 million). As at 31 December 2015, the Group is of the view that there are no material changes in resources and reserves estimates of the Liziping Mine.

### Menghu Mine

The Menghu Mine, owned by the Group, is a lead-zinc polymetallic mine located at Mengla County of Yunnan Province. The renewal procedures of the mining permit of the Menghu Mine were completed on 31 July 2015, and the new mining permit covers an area of 0.4 square kilometers and is valid until 31 July 2019.

The Menghu Company engaged the Regional Geologic Survey Team of the Sichuan Bureau of Geological Exploration of Mineral Resources (四川省地質礦產勘查開發局區域地質調查隊), an independent third party exploration entity, to conduct exploration at the Menghu Mine in March 2012. A report in respect of the geological exploration conducted at the Menghu Mine was issued on 30 November 2012. A summary of the estimated resources in accordance with the Chinese Standard in the aforesaid report is as follows:

| | Metal Resources | | Grade | |
|---|---|---|---|---|
| | Lead (kt) | Zinc (kt) | Lead (%) | Zinc (%) |
| Indicated and inferred | 32.2 | 18.5 | 13.8 | 7.8 |

During the Reporting Period, the Menghu Mine completed the level tunnel excavation of 83.9 meters in total and a cross-sectional area of 2.88 square meters; the vertical shaft excavation (for No.2 ore body) of 45.7 meters and a cross-sectional area of 4.4 square meters; the incline shaft excavation of 32.5 meters and a cross-sectional area of 5.0 square meters. Meanwhile, the development of No. 2 ore body was initiated but made slow progress at its preliminary phase due to the application for the renewal of the mining permit. It is currently being advanced in an orderly way. During the Reporting Period, the Menghu Mine incurred capital expenditure of RMB0.5 million (2014: RMB1.1 million). As at 31 December 2015, the Group is of the view that there are no material changes in resources and reserves estimates of the Menghu Mine.

### Aung Jiujia Mine

The Aung Jiujia Mine, owned by the Group is a lead-zinc mine located at Depanbing Village, Ruian County, Shan State, Myanmar (緬甸撣邦省瑞安縣德攀丙村). The mining permit of the Aung Jiujia Mine, which was obtained on 29 March 2015, covers an area of 0.2 square kilometers and is valid until 28 March 2016. The application for the renewal of the mining permit was submitted on 28 December 2015.

The Aung Jiujia Mine is owned by Harbor Star which engaged a qualified geological survey team based in China, an independent third party exploration entity, to conduct exploration at the Aung Jiujia Mine in June 2014. A report in respect of the geological exploration conducted at the Aung Jiujia Mine was issued in April 2015. A summary of the estimated resources in accordance with the Chinese Standard in the aforesaid report is as follows:

| | | Metal Resources | | Grade | |
|---|---|---|---|---|---|
| | Quantity (kt) | Lead (kt) | Zinc (kt) | Lead (%) | Zinc (%) |
| Indicated | 2,307 | 328.3 | 63.9 | 14.2 | 2.8 |
| Inferred | 3,004.2 | 393 | 77.4 | 13.1 | 2.6 |

During the Reporting Period, the Aung Jiujia Mine did not incur any material capital expenditure.

### Dazhupeng Mine

The Dazhupeng Mine, owned by the Group, is a lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province. The exploration permit of the Dazhupeng Mine was due for renewal in April 2014. Currently, the Group is carrying out the supplementary works required for the completion of exploration permit renewal, which is expected to be completed in three months.

During the Reporting Period, minor geological work was conducted at the Dazhupeng Mine for the supplementary information required for the renewal of exploration permit. During the Reporting Period, the Dazhupeng Mine did not incur any material capital expenditure (2014: no material capital expenditure was incurred).

### Lushan Mine

The Lushan Mine, owned by Xiangcaopo Mining, is a tungsten-tin polymetallic mine. The Group entered into an exclusive ore supply agreement with the Xiangcaopo Mining and its owner, Mr. Li Jincheng on 31 December 2010. Currently, Xiangcaopo Mining is applying for the mining permit. Since tungsten-tin is one of the key resources in China, the approval process for the required mining permit from relevant departments has become increasingly stringent. Therefore, the mining rights application is still in slow progress with no substantive progression despite the significant effort that has been made by Xiangcaopo Mining. Given this, the Group suspended the construction of gravity-selection processing lines to cut down on capital expenditure. The construction will be resumed when progress of the mining permit application is made.

During the Reporting Period, Xiangcaopo Mining performed routine inspections and maintenance for the tunnels of the Lushan Mine, and engaged various geological professionals to conduct research and demonstration on the metallogenic regularities of tungsten-tin in mining areas in order to prepare for the subsequent exploration, mining and development work. During the Reporting Period, the Lushan Mine did not incur any material capital expenditure (2014: no material capital expenditure was incurred).

## FINANCIAL REVIEW

### Revenue

During the Reporting Period, the Group’s revenue was approximately RMB92.5 million (2014: RMB187.5 million), primarily from the sale of lead-silver concentrate and zinc-silver concentrate. Sales volume of lead-silver concentrate and zinc-silver concentrate for the Reporting Period was 8,046 t and 9,962 t, respectively (2014: 15,198 t and 19,162 t, respectively).

As compared to 2014, revenue decreased by RMB95.0 million or approximately 50.7%, which was mainly due to the decrease in sales volume of lead-silver concentrate and zinc-silver concentrate of 47.1% and 48.0%, respectively, and the decrease in product prices as disclosed in this annual report. The decrease in sales volume was due to the lower raw ore output resulting from the flood over the 1,115 level at the Shizishan Mine and the strengthened safety inspections by local authorities.

### Cost of sales

During the Reporting Period, cost of sales was approximately RMB56.6 million (2014: RMB90.3 million), mainly comprising mining subcontracting fees, ancillary material costs, utilities, depreciation and amortization and resources taxes. As compared to 2014, cost of sales decreased by RMB33.7 million or 37.3%, primarily due to the decrease in sales volume.

### Gross profit and gross profit margin

As a result of the aforementioned, gross profit for the Reporting Period decreased by approximately RMB61.3 million or 63.1%, from RMB97.2 million in 2014 to RMB35.9 million in 2015. Gross profit margin decreased from 51.8% in 2014 to 38.8% in 2015, primarily due to the decrease in the average selling price of lead-zinc-silver concentrate.

### Other income and gains

During the Reporting Period, other income and gains were approximately RMB19.1 million (2014: RMB18.3 million), primarily comprising (i) interest income from structured deposits of RMB7.7 million; (ii) dividend income from available-for-sale investments of RMB8.8 million; and (iii) bank interest income of RMB2.5 million. Compared to the year ended 31 December 2014, other income and gains mainly comprised (i) interest income from structured deposits of RMB7.0 million; (ii) refund from previous years' electricity tariff of RMB5.6 million; (iii) reversal of impairment on the mining right to the Menghu Mine of RMB3.2 million; and (iv) bank interest income of RMB2.1 million.

### Administrative expenses

During the Reporting Period, administrative expenses were approximately RMB49.2 million (2014: RMB49.0 million), primarily comprising managerial staff costs, professional consulting fees, depreciation, office administrative expenses, mining resource compensation fees and other expenses.

Compared to 2014, administrative expenses increased by approximately RMB0.2 million or 0.4%, primarily due to (i) an increase in professional fees of RMB6.4 million arising from the consultation service rendered in relation to financing strategies; and (ii) an increase in plant suspension expenses of RMB6.9 million due to the production suspension at the Shizishan Mine from September 2015 to December 2015. The increase is partially offset by (i) a decrease in staff costs by RMB4.1 million mainly due to the decrease in average headcount of administrative staff; (ii) a decrease in equity-settled share-based payments of RMB3.5 million primarily due to resignation of certain employees under the share option scheme; (iii) a decrease in mineral resource compensation fees and stamp duties aggregated to RMB3.2 million; and (iv) a decrease in travelling expenses, administrative expenses, entertainment expense and office rental expenses aggregated to RMB3.3 million.

### Other expenses

During the Reporting Period, other expenses were approximately RMB34,000 (2014: RMB2.9 million). The decrease of RMB2.9 million was primarily attributable to (i) bank loan guarantee fee paid by the Group in 2014 of RMB1.3 million, government surcharges and donation paid by the Group in 2014 aggregated to RMB1.0 million. No such expenses were incurred during the Reporting Period; and (ii) a decrease in foreign exchange loss of RMB0.4 million.

### Finance costs

During the Reporting Period, finance costs were approximately RMB52.6 million (2014: RMB41.0 million). As compared to 2014, finance costs increased by RMB11.6 million, primarily due to the increase in other loans.

### Income tax credit/(expense)

During the Reporting Period, income tax credit were approximately RMB31.9 million (2014: income tax expense of RMB9.4 million). There was no income tax during the Reporting Period due to the loss before tax recorded by the Group's operating subsidiaries.

### Final dividend

At a meeting of the Board held on 2 February 2016, the Board resolved not to recommend the payment of any final dividend for the Reporting Period to the Shareholders (2014: Nil).

**Significant investments, acquisitions and disposals of subsidiaries, associates, and joint ventures and future plans for material investments of capital assets**

During the Reporting Period, Next Horizon, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with a vendor, an independent third party, on 24 December 2015 for the acquisition of a 90% equity interest in Harbor Star, at a consideration of RMB125,000,000. Harbor Star owns the mineral mining permit and the mining right to the Aung Jiujia Mine located in Myanmar. Completion of the Agreement shall take place on the fifth business day after the conditions set out in the Agreement have been fulfilled (or waived, as the case may be) or such other date as the vendor and Next Horizon may agree in writing. Please refer to the announcement of the Company dated 24 December 2015 for details. The conditions set out in the Agreement were fulfilled on 28 December 2015.

Save as the aforementioned, there were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period. Save as disclosed in this annual report, there was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this annual report.

**Liquidity and capital resources**

The following table sets out the information in relation to the Group's consolidated statement of cash flows during the Reporting Period and for the year ended 31 December 2014:

| | **2015**<br>**RMB'000** | 2014<br>RMB'000 |
|---|---|---|
| Net cash flow generated from operating activities | **54,156** | 76,164 |
| Net cash flow from/(used in) investing activities | **358,576** | (623,358) |
| Net cash flow from/(used in) financing activities | **(521,508)** | 741,382 |
| Net increase/(decrease) in cash and cash equivalents | **(108,776)** | 194,188 |

**Net cash flow generated from operating activities**

During the Reporting Period, the net cash flow generated from operating activities was RMB54.2 million, which primarily included: (i) an increase in other payables and accruals of RMB35.3 million; (ii) a decrease in trade receivables of RMB12.4 million; and (iii) RMB23.6 million primarily adjusted by loss before tax of RMB127.4 million, which was deducted by dividend income from available-for-sale investments, interest income from structured deposits and bank interest income aggregated to RMB19.0 million, and added back by non-cash expenses including impairment, depreciation and amortisation aggregated to RMB119.5 million and interest expenses from bank and other loans of RMB51.1 million. Cash generated from operating activities was partially offset by (i) an increase in prepayments, deposits, and other receivables in relation to operating activities of RMB10.8 million; and (ii) an increase in inventory of RMB3.8 million.

**Net cash flow from investing activities**

During the Reporting Period, the net cash flow from investing activities was approximately RMB358.6 million, which primarily included (i) the recovery of structured deposits of RMB302.0 million and related interest income of RMB7.7 million; and (ii) the recovery of available-for-sale investments of RMB200.0 million and related dividend income of RMB8.8 million. Cash generated from investing activities was offset by (i) the consideration of RMB100.0 million paid for the acquisition of a 90% equity interest in Harbor Star; (ii) the construction costs of RMB32.5 million incurred in relation to the mining infrastructures at the Shizishan Mine and the Dakuangshan Mine and the Menghu Mine; and (iii) an expenditure of RMB27.7 million incurred in relation to the exploration and evaluation conducted at the Liziping Mine.

### Net cash flow used in financing activities

During the Reporting Period, the net cash flow used in financing activities was approximately RMB521.5 million, which primarily included (i) repayment of bank and other loans of RMB1,016.5 million; and (ii) payment of interests arising from bank and other loans of RMB60.6 million. Such cash outflow was partially offset by the bank and other loans granted by Ping An Bank aggregated to RMB555.8 million.

### Inventories

Inventories increased slightly by RMB3.8 million from approximately RMB23.1 million as at 31 December 2014 to approximately RMB26.9 million as at 31 December 2015, primarily due to an increase in raw materials amounted to RMB4.6 million, partially offset by a decrease in lead and zinc concentrates and spare parts consumed for production amounted to RMB0.8 million.

### Trade receivables

Trade receivables decreased from approximately RMB108.0 million as at 31 December 2014 to approximately RMB66.2 million as at 31 December 2015, primarily due to the decrease in sales volume and an impairment provision in relation to overdue trade receivables of RMB29.4 million during the Reporting Period.

### Payment in advance, prepayment, deposits and other receivables

The Group's payment in advance, prepayment, deposits and other receivables decreased by RMB30.1 million from RMB312.7 million as at 31 December 2014 to RMB282.6 million as at 31 December 2015, primarily due to (i) a decrease in prepayment for the mining infrastructures at the Shizishan Mine of RMB41.0 million; and (ii) a decrease in deposit in respect of bank loan guarantee of RMB4.2 million. The decrease is partially offset by (i) an increase in prepayment for professional fees of RMB6.4 million arising from the consultation service rendered in relation to financing strategies; and (ii) an increase in good-faith deposits for conducting a preliminary survey of certain lead and zinc mines located in Myanmar of RMB8.0 million.

### Trade and other payables

The Group's trade and other payables increased by RMB45.8 million from approximately RMB163.2 million as at 31 December 2014 to approximately RMB209.0 million as at 31 December 2015, primarily due to (i) an increase in advance from customers of RMB16.2 million; (ii) an increase in payables in relation to acquisition of a 90% equity interest in Harbor Star of RMB25.0 million; and (iii) an increase in value-added tax payable and additional charges by relevant government authorities arising from the sale of lead-silver concentrate and zinc-silver concentrate and the mining resource compensation fees aggregated to RMB12.0 million. The increase is partially offset by the decrease in interest payables of RMB10.8 million.

### Net current assets position

The Group's net current assets position increased by RMB85.8 million from approximately RMB194.2 million as at 31 December 2014 to approximately RMB280.0 million as at 31 December 2015, primarily due to (i) a decrease in short-term bank and other loans of RMB765.5 million; and (ii) an increase in prepayments, deposits and other receivables and inventories aggregated to RMB14.1 million. These factors were partially offset by (i) the recovery of available-for-sale investments and structured deposits of RMB200.0 million and RMB302.0 million, respectively; (ii) a decrease in cash and cash equivalent of RMB108.2 million; (iii) a decrease in trade receivables of RMB41.8 million; and (iv) an increase in other payables and accruals of RMB46.4 million.

### Borrowings

The Group's bank and other loans decreased from approximately RMB966.5 million as at 31 December 2014 to approximately RMB505.8 million as at 31 December 2015, primarily due to the repayment of loans to Ping An Bank aggregated to RMB1,016.5 million. Such decrease was partially offset by drawdowns on loan facilities in Ping An Bank aggregated to RMB555.8 million.

### Contingent liabilities

As at 31 December 2015, the Group did not have any outstanding material contingent liabilities or guarantees.

### Foreign currency risk

The Group's principal businesses are located in Mainland China and most of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except a small portion of the net proceeds from the IPO are denominated in HK$ and US$.

As RMB is not freely convertible, we are subject to the risk of possible actions taken by the Chinese government. Such actions may have an adverse effect on our net assets, gains and any dividends declared (if such dividends shall be converted to foreign currency). The Group did not carry out any activities to hedge the foreign currency risk during the Reporting Period.

### Interest rate risk

The Group's revenue and operating cash flow shall not be affected significantly by the interest rate in the market. Other than cash and cash equivalents and interest-bearing bank and other loans, the Group does not have any material interest-bearing assets. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

### Charge on assets

Save as disclosed in this annual report, none of the Group's assets was pledged as at 31 December 2015.

### Contractual obligations

As at 31 December 2015, the Group's contractual obligations amounted to approximately RMB33.5 million, decreased by RMB2.3 million as compared to approximately RMB35.8 million as at 31 December 2014, primarily due to further payment in relation to the exploration activities conducted at the Liziping Mine, the Menghu Mine and the Dakuangshan Mine.

### Capital expenditure

During the Reporting Period, the capital expenditure of the Group mainly represented the consideration for acquisition of Harbor Star, the construction expenditure of property, plant and equipment and intangible assets. The aggregated amount of capital expenditure of the Group during the Reporting Period was RMB160.2 million.

### Financial instruments

During the Reporting Period, the Group did not have any outstanding hedge contracts or financial derivative instruments.

### Gearing ratio

Gearing ratio is calculated by net debt divided by total equity plus net debt. Net debt refers to the interest-bearing bank and other loans, net of cash and bank balances, excluding liabilities incurred for working capital purpose. Equity includes equity attributable to the owners of the Company and non-controlling interests. As at 31 December 2015, the Group's cash and cash equivalents exceeded the total interest-bearing bank loans, so no gearing ratio was presented (2014: 10%).

### Use of net proceeds from the initial public offering

| | Net proceeds from the IPO | |
|---|---|---|
| | Available for use<br>RMB million | Utilised (up to 31 December 2015)<br>RMB million |
| Financing activities related to the investments in acquired mines | 485.4 | 426 |
| Financing activities conducted for increasing the mining capacity and expanding tailing storage facilities at the Shizishan Mine | 145.6 | 145.6 |
| Financing activities related to the Dazhupeng Mine and the Lushan Mine | 178.1 | 37 |
| Total | 809.1 | 608.6 |

### Employee and remuneration policy

As at 31 December 2015, the Group had a total of 177 full-time employees, including 55 management and administrative staff, 91 production staff and 31 operations support staff. During the Reporting Period, staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB18.8 million, representing a decrease of RMB14.2 million or 43.0% as compared to the staff costs of RMB33.0 million in 2014. This was primarily due to the decrease in equity-settled share-based payment expenses of RMB3.5 million, and the decrease in headcount. Based on individual performance, a competitive remuneration package, which includes salaries, medical insurance, discretionary bonuses, other benefits as well as state-managed retirement benefit schemes for employees in the PRC, is offered to retain elite employees. The Group has also adopted a share option scheme for Directors and employees, providing incentives and rewards to eligible participants commensurate with their contribution. The dedication and hard work of the Group's staff during the Reporting period are generally appreciated and recognized.

## OCCUPATIONAL HEALTH AND SAFETY

As at the date of this annual report, no accidents related to serious injuries or death or property damage were reported to our management. Furthermore, during the Reporting Period, we were not subject to any claims arising from any material accidents involving personal injuries or death or property damage that had a material adverse effect on our business, financial condition or results of operation. We were in compliance with all relevant PRC laws and regulations regarding occupational health and safety in all material respects during the Reporting Period and as at the date of this annual report.

## ENVIRONMENTAL PROTECTION AND LAND REHABILITATION

No environmental claims, lawsuits, penalties or administrative sanctions were reported to our management. We are of the view that we were in compliance with all relevant PRC laws and regulations, in particular the Regulation on Land Reclamation (《土地復墾條例》), the Provisions on the Protection of the Geologic Environment of Mines (《礦山地質環境保護規定》) and the Law of the People's Republic of China on Water and Soil Conservation (《中華人民共和國水土保持法》), regarding environmental protection and land rehabilitation in all material respects during the Reporting Period and as at the date of this annual report. The Group has also adopted and implemented the environmental policies on a standard which is not less stringent than the prevailing environmental laws and regulations of the PRC. As at 31 December 2015, the Group has accrued RMB16.5 million, RMB0.8 million and RMB1.0 million for the rehabilitation of the Shizishan Mine, the Dakuangshan Mine and the Menghu Mine, respectively.

## EVENT AFTER THE REPORTING PERIOD

On 24 December 2015, Next Horizon entered into a sale and purchase agreement with a vendor (being an individual) in relation to, among other things, the acquisition of 90% equity interests in Harbor Star and the mining licence of Harbor Star was successfully renewed and the transaction was legally completed on 8 March 2016. Details of the transaction were set out in the announcements of the Company dated 24 December 2015 and 8 March 2016, respectively.

## STRATEGY

The Group seeks to build a large-scale, profitable polymetallic mining company that maximizes the return to shareholders, provides a rewarding environment for employees and places maximum focus on health, safety and environmental issues.

Acquisitions may form part of the growth strategy and the Company is seeking to identify high quality resource projects capable of profitable future development.

The Company also seeks to continue to enhance the quality and effectiveness of its operations and the management and control systems operated within the business.

## CORPORATE VISION:

To leap into the world with our foothold in Yunnan and become the most respected mining enterprise in China.

To build up our brand and become the most famous and trustworthy international mining enterprise.

## ENTERPRISE MISSION:

To maximize the shareholders' values and employees' values.

## OUR CORE VALUE:

To create values and win respects; people-oriented, team winning culture, integrity and pragmatic, pursuit of excellence.

# ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

This report, which has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules, is mainly about the Company's performance in 2015 in terms of corporate social liability and governance. This report comprises all the lead, zinc and silver mining businesses engaged by the Company and its subsidiaries.

Contact us: China Polymetallic Mining Limited
Address: Unit 6312, 63/F, The Center, 99 Queen's Road Central, Central, Hong Kong
Tel: (852) 2180-7577
Fax: (852) 2180-7580
E-mail: cpm@chinapolymetallic.com
Website: http://www.chinapolymetallic.com

## MANAGEMENT'S STATEMENT

For most enterprises, health, safety and environmental risk ("HSE risk") is neither easily understood nor effectively controlled. In the areas such as environmental protection, human rights, labor standards, environmental standards and sustainable development, enterprises' exposure to such social risks is significant. Under most circumstances, HSE risk refers to an enterprise's change in action due to the pressure imposed by various related interested parties when they identify any possibility of loss.

**Mr. Ran Xiaochuan**
*Executive Director of China Polymetallic Mining Limited*

Employees are the most invaluable wealth. China Polymetallic values the Group's relationship with its employees and strives to continuously enhance the Group's performance in terms of safety. Adhering to the guidance of "safety and prevention come first together with integrated treatment and the participation of the entire staff", the Company will enhance the system and mechanism of occupational health and safety on an ongoing basis so as to try its best to provide its employees with comprehensive protection measures and minimize their exposure to any kind of potential health and safety risks.

**Mr. Lei Dejun**
*Executive Director and Chief Operating Officer of China Polymetallic Mining Limited*

Work safety is never insignificant or enough. Based on such cornerstone, let us take the Company's development and survival as well as the concept of scientific development as our missions to eliminate any 1% of carelessness, fluke or contingency by raising our awareness of prevention and complying with the laws and regulations as well as being mutually supervised. Let us try our endeavor to build a safe, harmonious, motivated and energetic mining team.

**Mr. Guo Zhonglin**
*Chief Technical Officer of China Polymetallic Mining Limited*

## ABOUT CHINA POLYMETALLIC

### Building an Excellent Team

**Dehong Yinrun Mining Group Company Limited**

Dehong Yinrun Mining Group Company Limited, a wholly-owned subsidiary of China Polymetallic Mining Limited, was incorporated in Dehong Prefecture of Yunnan in 2010. It is the largest foreign-invested enterprise under second-investment in Dehong Prefecture with registered capital of RMB800 million. Dehong Yinrun Mining Group Company Limited is responsible for the operation and management of the mines at Yunnan region where China Polymetallic Mining Limited is located, and owns 5 wholly-owned or holding subsidiaries including Yingjiang County Kunrun Industry Company Limited and Mang City Xindi Mining Company Limited.

### Yingjiang County Kunrun Industry Company Limited

Yingjiang County Kunrun Industry Company Limited ("Kunrun Company") was incorporated in 2009. Kunrun Company is a mining company which principally engages in the business of mining and processing of lead-zinc silver ore. Kunrun Company possesses two mining assets, namely the Shizishan Mine and the Dazhupeng Mine, among which the Shizishan Mine was put into operation and became fully operational by the end of 2012.

The Shizishan Mine, a lead-zinc silver mine operated by Kunrun Company, is the core asset of China Polymetallic. It is a large high-grade underground mine located in Yingjiang County, Yunnan Province, with a mining area of 3.2 square kilometers.

In 2015, the Shizishan Mine successfully maintained its smooth production and operation under the impacts of various objective adverse factors. The safety and health of all staff were safeguarded amid earthquakes and the flood seasons.

### Mang City Xindi Mining Company Limited

Mang City Xindi Mining Company Limited was established in 2001 with registered capital of RMB85 million. Xindi Mining was accredited as the "Leading Enterprise of Production Safety in Dehong Prefecture" in several occasions, and continued to maintain a safe and environment-friendly working environment in 2015.

### Nujiang Shengjia Chengxin Industrial Company Limited

Nujiang Shengjia Chengxin Industrial Company Limited was established in 2007 with registered capital of RMB20 million. Shengjia Chengxin is a mining company which engages in the business of mining, processing and sales of mineral products, focusing on integration, development and management of mines.

Shengjia Chengxin owns the Liziping Mine, a lead-zinc polymetallic mine located in the Sanjiang metallogenic belt (三江成礦帶) and adjacent to the Lanping lead-zinc Mine (蘭坪鉛鋅礦) in Yunnan Province, the largest lead-zinc mine in Asia. The Liziping Mine is currently in the stage of geological exploration, with an explored mining area of only 4 square kilometers. The exploration for the remaining mining area of 9.67 square kilometers is under progress. Based on the currently completed exploration, it is estimated that the Liziping Mine will possess a promising mining potential and hopefully become another large, high-grade and resourceful lead-zinc polymetallic mine similar to the Shizishan Mine. During the geological exploration conducted in 2015, no problem related to safety and environmental protection was found, meaning good safety and environmental protection condition was maintained.

### Meng La Chen Feng Mining Development Company Limited

Meng La Chen Feng Mining Development Company Limited was established in 2008 with registered capital of RMB5 million. Chen Feng Company is a mining company which engages in the business of mining, processing and sales of mineral products.

Chen Feng Company owns the Menghu Mine, a lead-zinc polymetallic mine. The Menghu Mine is a high-grade lead-zinc oxide mine with huge potential reserves.

In 2015, a satisfactory environmental protection was maintained throughout the ongoing exploration process.

### Work Mechanism

In 2015, Dehong Yinrun strived to minimize the number of accidents and casualties by focusing on enhanced worksite management for production safety. According to the national grading standard for accidents, the Group successfully eradicated the occurrence of accidents. In 2015, better performance was attained as no casualties or material injuries were resulted within the members of the Group, with only 2 minor injuries.

The Group noted that the majority of accidents occurred during mining work, and therefore great emphasis was put on the safety of mining in the course of promoting production safety. The Group monitored the enhancement of internal management of relevant enterprises and improved the management and control of the safety for mining work by sharing the experience of implementing working safety measures.

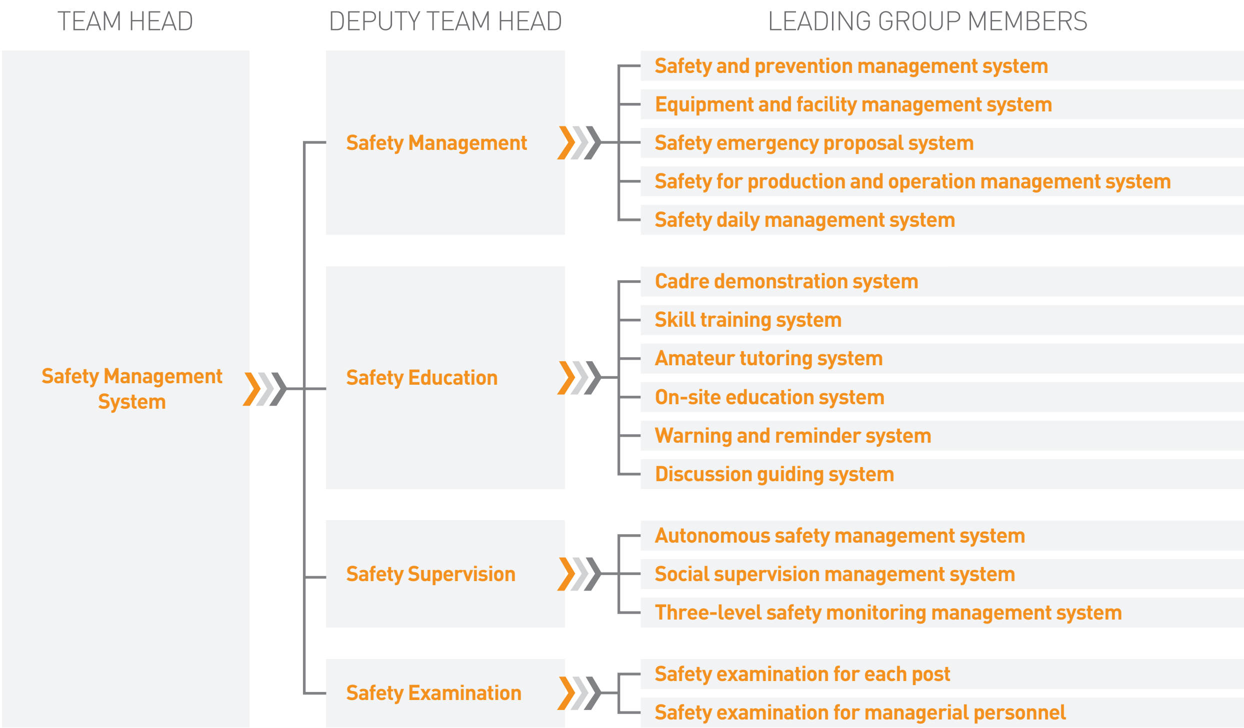
The Group set up 19 safety and environmental protection management measures to gradually optimise the development of systems. The measure of "Two Duties for One Post" for managerial personnel was carried out and the responsibility mechanism was thoroughly implemented, so as to effectively prevent accidents and eradicate the hidden peril of mining production.

### Specialised Safety Management Organisations

The members of the Group established the Production Safety Committee and the Occupational Health Committee respectively, and set up a safety management organization system and emergency rescue teams. Relevant emergency rescue proposal was formulated and key sources of danger in the mines (e.g. stopes, tailings ponds and explosive magazines) were monitored in order to have a comprehensive control over hidden perils within the mines and eradicate accidents.

A safety management fund of more than RMB2 million per annum is utilized for installing production safety facilities in the mines, providing the staff with protective equipment and body check, improving working environments and implementing preventive measures against occupational diseases.

The safety management was strengthened by carrying out daily checks, monthly major inspections, quarterly special examinations and holiday routine checks to rectify the potential accidents and perils effectively.




### Management of contracting

The Group reinforced the management for mining operation contracting by hiring qualified mining companies to conduct mining work. The Contracting Safety Management Agreement was signed to have a timely understanding of contracting teams and clarify the safety responsibilities. Stringent on-site inspections were also carried out.

### Emergency Management

A comprehensive safety and emergency system was set up. Various emergency rescue proposals were formulated and relevant rescue teams were established. The Group also organized and launched emergency drillings and relevant promotions. The three-level standardised facilities and the “Six Major Systems” for underground mines were built upon reviewing by and filing to the production safety supervision and management departments of all levels, and in turn laid a solid foundation for accident prevention.

### Working Environment

Requisite personnel protection equipment, facilities for safety and health and effective management measures can ensure production safety. Enhanced working environment safety and annual occupational health checks for the staff are the effective measures to prevent occupational diseases.

### Operational Management Measures

Banners for safety, environmental protection and occupational hygiene were posted in working places to remind practitioners to be aware of safety, environmental protection and prevention against occupational diseases from time to time.

In order to prevent any serious injuries and death as well as to minimize the risks of exposure to minor incidents, leaders manage the mines by going into the mines to act as foremen, and workers at processing factories are closely supervised, while 24 hours shift working schedule is implemented for the personnel in charge of the security at the tailings storage facilities and regular safety education and training is arranged for relevant personnel.

The Company has established a comprehensive system for safety and environmental protection management, which requires the Group, its subsidiaries, departments and divisions to conduct safety inspections at least once every month, twice every month, once every week and once every day respectively, so as to timely eliminate any hidden safety problems.

In 2015, the subsidiaries of the Group accomplished its preset targets of production safety and management. There were 2 minor injuries while no pollution, death or serious injuries related incidents at all during the year. As there were less than two incidents among any thousand minor incidents involving more than one thousand people and no incidents were left unreported, targets related to production liability were accomplished.

### Operation and Management with Information Technologies

When there is any incident occurred, information about the locations of downhole operation workers can be totally grasped through the "personnel's locations and communication" system, as a result, downhole operation workers can be evacuated timely and safely, achieving an effective urgent rescue.

The safety management of tailings storage facilities is fully controlled so as to eliminate any hidden problems and avoid any material incidents. Leveraging on the application of information technologies to the Company's management, any hidden safety problems can be controlled in an earlier, more comprehensive and efficient way, thus incidents can be avoided.

### Environmental Protection

The Group has complied with the applicable laws and regulations related to environmental protection and taken necessary environmental protection measures such as carefully implementing the deposit system on the restoration and treatment of the mine environment implemented in the PRC, strictly executing the "three simultaneous" system for environmental protection, preparing as well as implementing the plans for protecting, treating and restoring the mine environment. During the production period, no major geological disasters have occurred at the mines.

### Development and Training

China Polymetallic cherishes every staff and believes that its staff will continue to grow with the Group's business expansion. The staff has been provided with customized, systematic and forward-looking training so as to reveal their potentials for the Group's sustainable development.

In 2015, the Group organized a number of internal and external trainings with 30 training hours in total and a total of 1,024 participants from different corporate hierarchical levels. The training mainly covered areas such as corporate organizational strategies and corporate cultures, employees' basic occupational skills, employees' business knowledge, management skills and leadership enhancement, induction training, re-designation training, "three levels" education and other types of specializing training. All of the staff have been trained. In light of the Group's continuing development and in order to ensure the continuing enhancement of the team quality, the Company will provide more training to its staff as well as to review and improve the training courses continuously so as to accommodate the needs for business operation and staff.

### Labor Standards

China Polymetallic strictly complies with the laws and regulations of the PRC and no child or forced labor is engaged in any of the Group's business. During the Reporting Period, the Group was not aware of any of such cases being reported.

### Corporate Cultural Activities

China Polymetallic strives to develop a noble and highly efficient corporate culture while adhering to the philosophy of "people oriented" and the primary theme of "safe production" so as to create a good environment for both production and living.

### Sustainable Development

China Polymetallic has established water return systems at its processing factories. Thanks to the water return systems, the limited water resources have been used effectively, which safeguards the water resources for production and living as well as reduces the production cost and creates the biggest benefit for the local community in return.

### Building a Beautiful Community Together

With an aim to create a good environment for business development, China Polymetallic values the communication between its subsidiaries and local governmental departments. The Company has joined the local village committee in the discussion and research of environmental construction, reconstructed approach channels for local villagers and safeguarded the development of local agricultural production so as to build a harmonious society even with such insignificant effort.

The Company was conducting environmental protection activities such as trees planting.

Adhering to its philosophy of "Founding with integrity and developing in harmony", the Company firstly emphasizes on the coordination and adjustment with relevant entities including local governments and villages when constructing a harmonious community. Secondly, the Company reinforces its foundation of harmony by being actively cooperative as it has always been in the past years so as to develop excellent standardized, humanized and characteristic enterprises.

## EXECUTIVE DIRECTORS

**Mr. Ran Xiaochuan, Executive Director**

Mr. Ran Xiaochuan, aged 51, had been the Chairman and an executive Director since 8 June 2011 until his re-designation as a non-executive Director on 25 August 2015. He has then been re-designated as an executive Director on 18 September 2015. Mr. Ran has years of mining and exploration experience, and over 20 years of experience in general corporate management. Prior to joining the Group, Mr. Ran worked as the sales chief in the Foreign Trade Bureau of Cangxi County of Sichuan Province (四川省蒼溪縣外貿局) from 1982 to 1987, during which time he was responsible for the sales of domestic agricultural product to overseas purchasers. Between 1988 and 1997, Mr. Ran worked for Zhuhai Haiyuan Trading Company (珠海海元經貿公司) as its general manager and was responsible for sales and marketing. Between 1998 to 2004, Mr. Ran worked as a general manager, and was responsible for marketing, daily operations and management at Chongqing Jianxing Company Limited (重慶建興有限公司), which is principally engaged in residential and commercial real estate development, highways and tunnel construction and management. Between 2005 and 2008, Mr. Ran worked at Sichuan Henglu Industrial Company Limited (四川恒路實業有限公司), a company principally engaged in the construction and consulting industries, as its general manager and was responsible for the general operation of the company.

**Mr. Lei Dejun, Executive Director, Chief Operating Officer**

Mr. Lei Dejun, aged 37, was appointed as the Chief Operating Officer of the Group since April 2012 and was appointed as an executive Director on 18 September 2015. Mr. Lei has since been responsible for the overall production and development of polymetallic projects and the monitoring of the development of Dakuangshan project and has participated in parts of management of the Shizishan mine project since September 2013. Mr. Lei was appointed as the president of Dehong Yinrun Mining Group Company Limited, a subsidiary of the Company, in April 2015, where he was fully responsible for daily operation and management of each of the Group's mining entities. Mr. Lei graduated with an associate degree from Kunming Metallurgy College in 1998. Mr. Lei has about 17 years of experience in the production management and operation of mines. Prior to joining the Group, Mr. Lei worked as a technician, deputy director of the production department and technical section chief of factory at Huize Lead-Zinc Mine of Yunnan Chihong Zinc&Germanium Co., Ltd. (雲南馳宏鋅鍺股份有限公司) from July 1998 to July 2004 where he was responsible for factory production, costing, human resources, technique and equipment management. From August 2004 to May 2009, Mr. Lei worked as the director of the production department and deputy factory director for Yunnan Chihong Zinc&Germanium Co., Ltd. where he was responsible for the management of large scale metallurgical production and operation of factories. From May 2009 to March 2012, Mr. Lei worked for Yunnan Chihong Zinc&Germanium Co., Ltd. as the Deputy Director of the production management department and supervising engineer responsible for planning statistics, production process and technological projects. Mr. Lei completed research on lead-zinc vulcanized minerals and large scale oxidized minerals flotation processes (鉛鋅硫化礦物夾帶大比例氧化礦物浮選技術研究) with a leading role. Mr. Lei completed trial research on extracting copper sulphate through the direct leaching of copper slag (銅渣直接浸出生產硫酸銅試驗研究).

## NON-EXECUTIVE DIRECTORS

**Mr. Andrew Joseph Dawber, Non-Executive Director**

Mr. Andrew Joseph Dawber, aged 54, was appointed as a non-executive Director on 29 August 2013. Mr. Dawber, is the Head of Advisory for Salamanca Capital Advisory Limited and draws on over 27 years of senior management experience in corporate advisory and international investment banking. He has a wealth of experience in connection with debt and equity projects in both frontier and established markets. He has undertaken more than 100 capital markets transactions including initial public offerings and secondary fund raisings and has acted as an advisor to a range of public companies in the mining sector including those making and being in receipt of takeover offers and merger proposals. Mr. Dawber began his career at Robert Fleming and Co. where he developed the corporate brokage business including covered warrants and derivative activity in London and Hong Kong based upon gold and other precious metals. He subsequently became the Head of North Europe Equity Capital Markets at Société Générale and led the mining related activities, developing projects and financings in South Africa, Zimbabwe, Namibia, Myanmar and Asia generally as well as certain projects in North America and Europe. Following senior roles at the leading independent London based stockbroking firms Collins Stewart and Numis Securities Limited in 2007, he was employed as the Head of Investment Banking Origination and Global Head of Equity Capital Markets at Kaupthing Bank before establishing and subsequently in 2012 selling the core business of his own Mayfair-based advisory firm. He established the advisory platform at Salamanca Group following the completion of this sale. In addition to his direct advisory work, Mr. Dawber set up The PFI Infrastructure Company PLC in 2004, the first infrastructure company to achieve a public market presence in London. This business developed a dedicated portfolio of social infrastructure assets and subsequently accepted a recommended offer from a consortium, comprising Barclays Capital, Société Générale and 3i. Original IPO investors achieved a 34% investment return rate on their investment. Mr. Dawber subsequently undertook work within the infrastructure sector in several other markets including India. Mr. Dawber is a graduate of London University and a Chartered Accountant. He also won a first prize from the Chartered Insurance Institute and is a registered representative of the Financial Conduct Authority in the UK.

**Mr. Lee Kenneth Jue, Non-Executive Director**

Mr. Lee Kenneth Jue, aged 47, was appointed as a Non-Executive Director on 15 April 2012. Mr. Lee is a Partner at SAIF Partners, which is one of the largest and most successful growth venture capital funds focused on China. Mr. Lee has more than 20 years of experience across private equity investment, corporate finance, and business development in China. Before joining SAIF Partners in 2007, Mr. Lee served as the chief financial officer of Topsec Holdings Limited from 2006 to 2007. From 2004 to 2005, he worked as a principal at RimAsia Capital Partners. Prior to RimAsia Capital Partners, Mr. Lee served in various positions at Delta Associates, the exclusive advisor to Asia Equity Infrastructure Fund, CNK Telecommunications Limited, H&Q Asia Pacific, and Salomon Brothers Inc. in New York. Currently, he is a Non-Executive Director on the boards of Sinovac Biotech Ltd. (NASDAQ-GM: SVA), Yayi International Inc. (OTC: YYIN) and China Hanking Holdings Limited (HKSE stock code: 3788) and a board director for four other private Chinese companies backed by the funds of SAIF Partners. Mr. Lee is a graduate of Amherst College in Massachusetts, USA.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Christopher Michael Casey, Independent Non-Executive Director, Interim Non-Executive Chairman**

Mr. Christopher Michael Casey, aged 61, was appointed as an independent non-executive Director on 24 November 2011, and was appointed as Interim Non-Executive Chairman on 18 September 2015. Mr. Casey has over 30 years of experience in public practice as an auditor and more latterly as a consultant advising companies on acquisitions, disposals and refinancing. Mr. Casey obtained a Bachelor of Arts degree in Politics, Philosophy and Economics from Oxford University in November 1977, and has been a fellow of the Institute of Chartered Accountants in England and Wales since January 1992. In 1977, Mr. Casey joined Peat Marwick & Mitchell which was a predecessor firm of KPMG, currently one of the "Big Four" accounting and auditing firms, and was admitted to the partnership of KPMG in 1992 and practiced as an Audit Partner. Mr. Casey retired from KPMG in 2010 and is currently a senior advisor to Alvarez & Marsal, a Non-Executive Director of TR European Growth Trust PLC (LSE listed, stock code: TRG) and the Chairman of their Audit Committee, a Non-Executive Director of Blackrock North American Income Trust PLC (LSE listed, stock code: BRNA) and the Chairman of their Audit Committee as well as being a freelance consultant to some private company boards. He was a Non-Executive Director of Latchways plc (a Company which was delisted from the LSE on 16 October 2015), and the Chairman of their Audit Committee from February 2014 to October 2015.

**Mr. William Beckwith Hayden, Independent Non-Executive Director**

Mr. William Beckwith Hayden, aged 64, was appointed as an independent non-executive Director on 24 November 2011. Mr. Hayden has over 37 years of experience in the mineral exploration industry, much of which has been in Africa and the Asia-Pacific region. Mr. Hayden obtained an Associate of Arts degree from the College of the Sequoias in California, U.S.A. in June 1973, and obtained a Bachelor of Science degree from Sierra Nevada College in the U.S.A. in June 1974, majoring in geology. Mr. Hayden currently serves on the board of directors of various companies, including Globe Metals & Mining Ltd. (ASX listed, stock code: GBE.AX), NovaCopper Inc. (NYSE-MKT,TSX:NCQ) and Condoto Platinum NL (ASX listed, stock code: CPD.AX), all of which are companies involved in mineral exploration. Apart from the above directorships, Mr. Hayden is also a director of Ivanhoe Mines Ltd. (TSX listed, stock code: IVP.TO), a Canadian company that Mr. Hayden helped form in 1991, which has assembled extensive mineral projects in South Africa, and the Democratic Republic of Congo.

**Mr. Miu Edward Kwok Chi, Independent Non-Executive Director**

Mr. Miu Edward Kwok Chi, aged 64, was appointed as an independent non-executive Director on 24 November 2011. Mr. Miu has more than 30 years of experience in managing diverse finance, operational and business development activities in North America, Asia Pacific and Europe. Mr. Miu received a Bachelor of Science degree (magna cum laude) in Accounting from Seton Hall University in New Jersey, U.S. in May 1976 and a MBA in Finance and International Business from New York University in New York in May 1979. Mr. Miu has held various positions related to financial and operation management in different listed companies, including the Chief Financial Officer of Eldorado Gold Corp., a listed company on the New York Stock Exchange (stock code: EGO), Toronto Stock Exchange (stock code: ELD) and Australian Stock Exchange (stock code: EAU) from December 2009 to May 2011, the former Chief Financial Officer of Sino Gold Mining Limited from January 2009 until December 2009 when it was acquired by Eldorado Gold Corp. Mr. Miu was the Chief Financial Officer for the Asia Pacific region based in Shanghai for Modine Manufacturing Company from 2005 to 2008, a multinational US-based company listed on New York Stock Exchange (stock code: MOD), and Director of Finance for Alcoa Inc. Asia Pacific Regional Head Office in Beijing from 2002 to 2005. Mr. Miu held various senior positions with TRW Inc. in the U.S., Europe, and Asia Pacific for 25 years prior to joining Alcoa Inc in a variety of industries including automotive, electronic, aerospace, information services, and manufacturing.

## SENIOR MANAGEMENT

**Guo Zhonglin, Chief Technical Officer**

Mr. Guo Zhonglin, aged 53, has been the technical advisor of the lead-zinc-silver mine of the Shizishan Mine in Yinjiang County since 2010 and was appointed as the Chief Technical Officer of the Group in 2011. Since his appointment as Chief Technical Officer, Mr. Guo has been responsible for the technical guidance, technical supervision and technical management in respect of the mining and safety of each mine owned by the Group. Mr. Guo graduated from Kunming University of Science and Technology (昆明理工大學) with a master degree in mining engineering in 1986. He has over 27 years of working experience in mining and the safety of mines. Prior to joining the Group, he was a professor in the Faculty of Land Resource Engineering in Kunming University of Science and Technology from 1986 to 2000, and had served in various positions such as the head of teaching research office, head of department and chairman of the Labour Union. In that period of time he was responsible for the teaching and administration of two programmes, namely, Mining Engineering and Safety Engineering, as well as the guiding of postgraduates and served as a lecturer of both major professional courses for undergraduates and professional courses for postgraduates. Between 2000 and 2009, he was a professor of the Research Institute of Energy Conservation and Safety Technology of Mines at Kunming University of Science and Technology where he engaged in technical research of the mining of metal and nonmetal mines and safety engineering, and had completed over 20 research programmes. Meanwhile, he was the chief project engineer for Ruixinyuan Mining Company Limited in Binchuan County, Dali Prefecture, Yunnan Province in respect of the iron-gold mine at its Baixiang plant where he was responsible for the guidance and management of underground mining production and technology.

**Huang Zhonghua, Vice President**

Mr. Huang Zhonghua, aged 66, was appointed as a Vice President of the Company on 13 February 2015. Mr. Huang is primarily responsible for the mineral exploration, mining management and safety production management within the Group. Mr. Huang worked in the Mineral Exploration Team for Geophysics and Chemistry under the Jiangsu Bureau of Coal Geology (江蘇省地質局地球物理與化學探礦大隊) from 1976 to 1988 before joining the Group. He was engaged in the research on exploration methodology of polymetallic mines during that period and in charge of various crucial research projects and has received provincial outstanding technology awards and exceptional technological achievement awards from various geology departments. From 1989 to 2009, Mr. Huang worked in the Mineral Development and Management Department under the Department of Land and Resources of Jiangsu Province and was responsible for the approval of provincial mining rights, review of mining designs, and review and approval of valuation reports of mineral property rights. He participated in the evaluation for hundreds of geological exploration designs, geological exploration reports, reports of mineral reserves and mining feasibility reports. During the aforesaid period, Mr. Huang participated in the review and modification of the Mineral Resources Law of the People's Republic of China (中華人民共和國礦產資源法) before its submission to the Legislative Affairs Office of the State Council, and drafted and published a set of documents regarding the approval, transfers and management of local mineral property rights, compensation system on mineral property rights as well as normative documents. From 2010 to 2011, Mr. Huang worked in the international mineral department of China Kingho Energy Group Co., Ltd., where he took full charge of its coal exploration project, and was also responsible for the organisation and confirmation of the exploration designs, methodologies and measurements for its iron ore project. He successfully completed professional exploration reports for the two projects and provided valuable advice to the company. From 2012 to 2014, Mr. Huang was appointed as the senior consultant for Nanjing Panjing Mining Company Limited, where he performed work duties on behalf of the chairman. In 1996, Mr. Huang was accredited as a senior engineer for geophysical and chemical exploration. He was also appointed as a national mineral inspector in 1997. Mr. Huang graduated from the Third Flight Academy of the People's Liberation Army Air Force (formerly known as 錦州市空字018部隊第三航空學院) in 1969, and subsequently graduated from Changchun College of Geology in 1976.

## COMPANY SECRETARY

Ms. Chan Wai Ling, aged 48, was appointed as our company secretary on 2 February 2016. She is responsible for corporate secretarial duties and corporate governance matters in relation to the Company. She is a director of Corporate Services of Tricor Services Limited, and has more than 20 years of experience in the corporate secretarial field. Prior to joining Tricor Group, she worked for PricewaterhouseCoopers in Hong Kong from March 1996 to January 2003, and was a manager of corporate services from July 2000 to January 2003. Ms. Chan holds an Honours Bachelor's degree in Accountancy from City University of Hong Kong and a Bachelor of Laws degree from the University of London. She is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries (HKICS) and The Institute of Chartered Secretaries and Administrators (ICSA) in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKICS. Ms. Chan is currently the joint company secretary of IMAX CHINA HOLDING INC. (HKSE Stock Code: 1970) and SITC International Holdings Company Limited (HKSE Stock Code: 1308).

# REPORT OF DIRECTORS

The Directors are pleased to present this report and the audited consolidated financial statements of the Group for the Reporting Period.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The principal activities of its major subsidiaries are focused on the exploration, pure mining and preliminary processing of non-ferrous metals mineral resources, mainly including lead, zinc and silver, as well as the sales of non-ferrous metals concentrates in China and Southeast Asia.

During the Reporting Period, the Group's principal activities expanded from China to Myanmar. Other than this development, there were no significant charges in the nature of business of the Group.

Details of the major subsidiaries of the Company as at 31 December 2015 are set out in note 1 to the consolidated financial statements in this annual report.

Details of the activities during the Reporting Period as required by Schedule 5 to the Companies Ordinance, including a description of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business, and the Group's environmental policies and performance, as well as compliance with relevant laws and regulations which have a significant impact on the Company, are set out under the sections "Management Discussion and Analysis" on pages 10 to 26 and Environment, Social and Governance Report on pages 27 to 33 of this annual report respectively.

Particulars of important events affecting the Company that have occurred since the end of the financial year 2015, if any, can also be found in the abovementioned sections and the Notes to the Financial Statements. The outlook of the Company's business is discussed throughout this annual report including in the Chairman's Statement from pages 8 to 9 of this annual report. An account of the Company's relationships with its key stakeholders is included in the Interests of Substantial Shareholders and other persons in Shares and Underlying Shares from pages 46 to 48 of this annual report.

## RESULTS AND PROFIT DISTRIBUTION

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 68 of this annual report.

The Board did not recommend the payment of an Interim dividend nor a final dividend for the Reporting Period.

## PROPERTY, PLANT, AND EQUIPMENT

Addition to the property, plant and equipment of the Group was approximately RMB73.8 million for the Reporting Period. Details of the movements in the Group's property, plant and equipment during the Reporting Period are set out in note 12 to the consolidated financial statements in this annual report.

## SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the Reporting Period are set out in note 27 to the consolidated financial statements in this annual report.

## RESERVES

Details of the movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 71 of this annual report.

## DISTRIBUTABLE RESERVES

As at 31 December 2015, according to the Articles of Association, the reserves of the Company distributable to the shareholders were RMB1,314.9 million.

Under the Companies Law of the Cayman Islands and subject to the provisions of the Articles of Association, the share premium account is distributable to the shareholders, provided that immediately following the proposed distribution of a dividend, the Company can pay its debts as they fall due in the ordinary course of business. The share premium account can also be distributed by paid-up bonus shares.

The distributable dividend of the Company is limited by its distributable reserves presented in the Chinese statutory financial statement prepared in accordance with the Generally Accepted Accounting Principles of the PRC. Such distributable profits are different from those presented in the financial statement prepared by the Company in accordance with IFRS.

## USE OF THE PROCEEDS FROM IPO

Details of use of proceeds are set out under the section "Management Discussion and Analysis" on page 25 of this annual report.

## FINANCIAL HIGHLIGHTS

A summary of the results for the years ended 31 December 2011 to 2015 and the assets, liabilities and non-controlling interests of the Group as at 31 December 2011, 2012, 2013, 2014 and 2015 are set out on page 6 to page 7 of this annual report.

## LOANS AND BORROWINGS

Details of the loans and borrowings of the Group are set out in note 25 to the consolidated financial statements in this annual report.

## CHARITABLE DONATIONS

The total charitable donations of the Group during the Reporting Period were nil.

## TAX

During the Reporting Period, the Company's PRC subsidiaries are liable to PRC corporate income tax at the rate of 25% on the taxable profits in accordance with the PRC income tax rules and regulations. The relevant details are set out in note 9 to the consolidated financial statements in this annual report.

## MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period and the year ended 31 December 2014, sales to the Group's five largest customers accounted for 98.8% and 98.6% of the Group's total revenue, respectively, with sales to the largest customer accounting for 39.5% and 57.5% of the Group's total revenue, respectively.

For the Reporting Period and the year ended 31 December 2014, purchases attributable to the Group's five largest suppliers were 97.4% and 90.5% of the Group's total purchases, respectively, with purchases from the largest supplier accounting for 57.5% and 67.3%, respectively.

To the best knowledge of the Directors, none of the Directors or any of their associates (as defined in the Listing Rules) or shareholders that owned more than 5% of the Company's share capital, had any direct or indirect interest in the five largest customers or suppliers of the Group during the Reporting Period.

## PERMITTED INDEMNITY

Pursuant to the Company's Articles of Association, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in the execution of his office or otherwise in relation thereto.

The Company has taken out insurance policies against the liability and costs associated with defending any proceeding.

## DIRECTORS

The Directors during the Reporting Period were as follows:

### Executive Directors

Mr. Ran Xiaochuan *(re-designated as non-executive Director and resigned as Chairman with effect from 25 August 2015, further re-designated as executive Director with effect from 18 September 2015)*
Mr. Lei Dejun *(appointed as executive Director with effect from 18 September 2015)*
Dr. Yin Bo *(appointed as executive Director and Chairman with effect from 19 August 2015 and 25 August 2015 respectively, and resigned as executive Director and Chairman with effect from 18 September 2015)*
Dr. Li Chang Zhen *(appointed as executive Director and Chief Executive Officer with effect from 19 August 2015 and 25 August 2015, and resigned as executive Director and Chief Executive Officer with effect from 18 September 2015)*

### Non-Executive Directors

Mr. Andrew Joseph Dawber
Mr. Lee Kenneth Jue
Mr. Hu Shuo *(appointed as non-executive Director with effect from 10 February 2015, and resigned as non-executive Director with effect from 18 September 2015)*

### Independent Non-Executive Directors

Mr. Christopher Michael Casey *(interim Non-Executive Chairman) (appointed as Interim Non-executive Chairman with effect from 18 September 2015)*
Mr. William Beckwith Hayden
Mr. Miu Edward Kwok Chi

In accordance with article 84 of the Articles of Association, two Directors, namely, Mr. William Beckwith Hayden and Mr. Christopher Michael Casey will retire at the forthcoming AGM, and being eligible, offer themselves to be re-elected and re-appointed at the AGM.

Pursuant to article 83(3) of the Articles of Association, Mr. Lei Dejun, who was appointed by the Board as an executive Director with effect from 18 September 2015, shall retire from office at the forthcoming AGM and, being eligible, offer himself to be re-elected and re-appointed at the AGM.

## SECRETARY

Ms. Chan Wai Ling *(appointed as company secretary with effect from 2 February 2016)*
Ms. Ho Siu Pik *(re-designated from joint company secretary to company secretary with effect from 4 September 2015 and resigned as company secretary with effect from 2 February 2016)*
Ms. Xiaoxiao (Nina) Zhan *(resigned as joint company secretary with effect from 4 September 2015)*

## AUTHORISED REPRESENTATIVES

Mr. Ran Xiaochuan
Ms. Chan Wai Ling *(appointed as an authorised representative with effect from 2 February 2016)*
Ms. Ho Siu Pik *(resigned as an authorised representative with effect from 2 February 2016)*

## DISCLOSURE OF INFORMATION OF DIRECTOR PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

On 18 September 2015, the Nomination and Remuneration Committee approved the remuneration of each of Mr. Ran Xiaochuan and Mr. Lei Dejun, both being executive Directors, of RMB80,000 per annum with effect from 18 September 2015. Mr. Lei Dejun is also entitled to receive a salary of RMB800,000 per annum for acting as the Chief Operating Officer of the Group.

Saved as disclosed above, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## THE BIOGRAPHY OF THE DIRECTORS AND THE SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out in the Directors and senior management's profile from page 34 to page 37 of this annual report.

## SERVICE AGREEMENTS OR APPOINTMENT LETTERS OF THE DIRECTORS

In accordance with the requirements of the Articles of Association, each executive Director and non-executive Director has entered into a service agreement or an appointment letter with the Company with a term of one year, subject to renewal. All Directors, at the expiry of their service, can be re-appointed or re-elected pursuant to the Articles of Association. None of the Directors proposed for re-election at the forthcoming AGM has entered into any service agreement or an appointment letter with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## REMUNERATION POLICY

The remuneration policy of the Group is based on the performance, experience and competence of its staff and market comparables. The remuneration package includes salaries, medical insurance, discretionary bonuses in connection with the performance of the Group, other benefits as well as state-managed retirement benefit schemes for employees in the PRC.

The remuneration package of the Directors and the senior management is based on their contribution to the performance of the Group. The Company has adopted a share option scheme under which the Directors and the senior management are eligible participants. The remuneration policy of the Executive Director and the senior management is supervised by the Nomination and Remuneration Committee of the Company.

Details of the Directors' remuneration are set out in note 8 to the consolidated financial statements in this annual report. The remuneration of the senior management, except Ms. Ho Siu Pik, the previous company secretary (resigned on 2 February 2016), who is an external service provider, fell within the following bands:

| Remuneration band (RMB) | Number of Individual(s) 2015 | 2014 |
|---|---|---|
| Below 1,000,000 | 2 | 1 |
| 1,000,000–2,000,000 | – | 3 |
| 2,000,000–3,000,000 | – | – |
| 4,000,000–5,000,000 | – | – |

Details of the share option scheme are set out under the section "Share Options Scheme" in this annual report and note 28 to the consolidated financial statements.

## INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors of the Company has presented an annual confirmation letter to confirm their compliance with the independence requirement under Rule 3.13 of the Listing Rules. The Company believes that all the independent non-Executive directors of the Company are independent in accordance with the guidelines set out in the Listing Rules.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Hong Kong 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) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

### Long positions in share options granted by the Company

Number of share options held by the Directors and chief executives of the Company as at 31 December 2015:

| Name of Director/chief executive | Number of options held | Number of underlying Shares |
|---|---|---|
| Christopher Michael Casey | 7,027,027 | 7,027,027 |
| William Beckwith Hayden | 7,027,027 | 7,027,027 |
| Miu Edward Kwok Chi | 7,027,027 | 7,027,027 |
| Lei Dejun | 8,000,000 | 8,000,000 |

The details of share options held by the Directors and chief executives of the Company are disclosed under the section headed "Share Option Scheme" of this annual report.

Save as disclosed above, as at 31 December 2015, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

## SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "Share Option Scheme") on 24 November 2011 which came into operation unconditionally on the Listing Date.

### 1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive for Qualified Participants (defined below) to work with commitment towards enhancing the value of the Company and its shares for the benefit of shareholders of the Company and to retain and attract working partners whose contributions are beneficial to the growth and development of the Company.

### 2. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

The Board may at its discretion grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries and suppliers, customers, consultants, agents and advisers who, at the absolute discretion of the Board, have contributed or will contribute to the Group (collectively "Qualified Participants").

### 3. Maximum number of shares

As approved by the shareholders of the Company at the annual general meeting held on 11 June 2013 ("2013 AGM"), the total number of shares in respect of which options may be granted under the Share Option Scheme was refreshed and increased to 99,461,950 shares which is equivalent to 5% of the shares of the Company in issue as at the 2013 AGM.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not, in aggregate, exceed 299,461,950 shares, being 15.06% of the total issued shares of the Company as at the date of this annual report. As at the date of this Annual Report, 200,000,000 option shares which may be issued upon exercise of the options under the Share Option Scheme have been granted already. As at 31 December 2015, no share option has been exercised and 94,731,081 share options are exercisable under the Share Option Scheme.

Notwithstanding anything to the contrary in the Share Option Scheme, the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other scheme of the Company must not in aggregate exceed 30% of the shares in issue from time to time.

4. **Maximum entitlement of each participant**

Unless approved by our shareholders in general meeting in the manner prescribed by the Listing Rules, the Board shall not grant options to any Qualified Participant (the "Grantee") if the acceptance of those options would result in the total number of shares issued and to be issued to that Grantee on exercise of his/her options during any 12-month period exceeding 1% of the total shares then in issue.

5. **Offer period and amount payable for options**

The offer shall remain open for acceptance for a period of 14 business days from the date on which it is made provided that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the termination of the Share Option Scheme.

An option shall be deemed to have been granted to (subject to certain restrictions in the Share Option Scheme), and accepted by, the Grantee and to have taken effect upon the issue of an option certificate after the duplicate offer letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance as set out above.

6. **Minimum period for which an option must be held before it can be exercised**

There is no general requirement that an option must be held for any minimum period before it can be exercised. The period during which an option may be exercised in accordance with the terms of the Share Option Scheme shall be the period of time to be notified by the Board to each Grantee, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the date on which the option is offered (the "Offer Date").

7. **Basis of determining the exercise price**

The exercise price shall be determined by the Directors, but in any event shall be at least the highest of (i) the closing price per share as stated in the Hong Kong Stock Exchange's daily quotations sheets on the Offer Date; (ii) the average closing price per share as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the shares.

8. **Remaining life of the Share Option Scheme**

The Share Option Scheme is valid and effective for a period of 10 years from the Listing Date ("Scheme Period"), after which time no further option will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects.

Details of the Share Option Scheme are set out in note 28 to the financial statements.

Movement of share options during the Reporting Period:

| | | | Number of Share Options | | | |
|---|---|---|---|---|---|---|
| Name | Date of Grant | Granted | Outstanding at 1/1/2015 | Exercised | Cancelled/ Lapsed | Outstanding at 31/12/2015 |
| **Directors/Chief Executive** | | | | | | |
| Christopher Michael Casey | 14/12/2011 (a) | 7,027,027 | 7,027,027 | – | – | 7,027,027 |
| William Beckwith Hayden | 14/12/2011 (a) | 7,027,027 | 7,027,027 | – | – | 7,027,027 |
| Miu Edward Kwok Chi | 14/12/2011 (a) | 7,027,027 | 7,027,027 | – | – | 7,027,027 |
| Ran Xiaochuan | 16/1/2013 (b) | 2,000,000 | 2,000,000 | – | 2,000,000 (d) | – |
| Lei Dejun | 16/1/2013 (b) | 8,000,000 | 8,000,000 | – | – | 8,000,000 |
| Li Tao | 16/1/2013 (b) | 12,600,000 | 12,600,000 | – | 12,600,000 (d) | – |
| **Other Grantees** | | | | | | |
| Aggregate of other grantees | 14/12/2011 (a) | 21,081,081 (c) | 21,081,081 | – | – | 21,081,081 |
| | 16/1/2013 (b) | 95,037,838 | 95,037,838 | – | 32,945,946 (e) | 62,091,892 |

Notes:

**(a) Particulars of share options granted in 2011:**

| Date of Grant | Tranche | Vesting Period | Exercise Period | Exercise Price Per Share HK$ |
|---|---|---|---|---|
| 14/12/2011 | 1 | 14/12/2011–13/12/2012 | 14/12/2012–13/12/2016 | 2.22 |
| 14/12/2011 | 2 | 14/12/2011–13/12/2013 | 14/12/2013–13/12/2016 | 2.22 |
| 14/12/2011 | 3 | 14/12/2011–13/12/2014 | 14/12/2014–13/12/2016 | 2.22 |
| 14/12/2011 | 4 | 14/12/2011–13/12/2015 | 14/12/2015–13/12/2016 | 2.22 |

**(b) Particulars of the 2013 Granted Options:**

| Date of Grant | Tranche | Vesting Period | Exercise Period | Exercise Price Per Share HK$ |
|---|---|---|---|---|
| 16/1/2013 | 1 | 16/1/2013–15/1/2014 | 16/1/2014–15/1/2018 | 1.70 |
| 16/1/2013 | 2 | 16/1/2013–15/1/2015 | 16/1/2015–15/1/2018 | 1.70 |
| 16/1/2013 | 3 | 16/1/2013–15/1/2016 | 16/1/2016–15/1/2018 | 1.70 |

**(c)** Share options of three of our ex-Directors become immediately vested and exercisable upon their retirement on 11 June 2013.

**(d)** The 2,000,000 share options granted to Mr. Ran Xiaochuan have been lapsed in October 2015. The 12,600,000 share options granted to Mr. Li Tao have been lapsed in August following his resignation as the Chief Financial Officer of the Company.

**(e)** 32,945,946 share options granted to several employees lapsed immediately upon their resignations during the Reporting Period.

## DIRECTORS' INTERESTS IN COMPETITIVE BUSINESSES

The Directors are of the view that none of the Directors has competed, or is likely to compete, either directly or indirectly, with our businesses, nor have they caused any harm to any interests owned by the Company during the Reporting Period.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company.

| Name of Shareholder | Capacity | Number of ordinary shares held | Approximate percentage of shareholding % |
|---|---|---|---|
| CITIC Dameng Investments Limited (note 2) | Beneficial owner | 592,775,421(L) | 29.81 |
| CITIC Dameng Holdings Limited (note 2) | Interest of corporation controlled by the substantial shareholder | 592,775,421(L) | 29.81 |
| Apexhill Investments Limited (note 2) | Interest of corporation controlled by the substantial shareholder | 592,775,421(L) | 29.81 |
| CITIC United Asia Investments Limited (note 2) | Interest of corporation controlled by the substantial shareholder | 592,775,421(L) | 29.81 |
| Highkeen Resources Limited (note 2) | Interest of corporation controlled by the substantial shareholder | 592,775,421(L) | 29.81 |
| Group Smart Resources Limited (note 2) | Interest of corporation controlled by the substantial shareholder | 592,775,421(L) | 29.81 |
| Starbest Venture Limited (note 2) | Interest of corporation controlled by the substantial shareholder | 592,775,421(L) | 29.81 |
| CITIC Resources Holdings Limited (note 2) | Interest of corporation controlled by the substantial shareholder | 592,775,421(L) | 29.81 |
| Keentech Group Limited (note 2) | Interest of corporation controlled by the substantial shareholder | 592,775,421(L) | 29.81 |
| CITIC Projects Management (HK) Limited (note 2) | Interest of corporation controlled by the substantial shareholder | 592,775,421(L) | 29.81 |

| Name of Shareholder | Capacity | Number of ordinary shares held | Approximate percentage of shareholding % |
|---|---|---|---|
| CITIC Corporation Limited (note 2) | Interest of corporation controlled by the substantial shareholder | 592,775,421(L) | 29.81 |
| CITIC Limited (note 2) | Interest of corporation controlled by the substantial shareholder | 592,775,421(L) | 29.81 |
| Yin Qiu Ping | Beneficial owner | 302,460,664(L) | 15.21 |
| Bellamy Martin James (note 3) | Interest of corporation controlled by the substantial shareholder | 112,422,147(L) | 5.65 |
| Challenger Mining 8 Limited (note 3) | Beneficial owner | 112,422,147(L) | 5.65 |
| Kedar ShaRon Rahamin (note 3) | Interest of corporation controlled by the substantial shareholder | 112,422,147(L) | 5.65 |
| He Jinbi (note 4) | Interest of corporation controlled by the substantial shareholder | 156,149,000(L) | 7.85 |
| Zhang Chunling (note 4) | Interest of spouse | 156,149,000(L) | 7.85 |
| Xi'an Maike Metal International Group Co., Ltd (西安邁科金屬國際集團有限公司) (note 4) | Interest of corporation controlled by the substantial shareholder | 156,149,000(L) | 7.85 |
| Triway International Limited (裕明國際有限公司) (note 4) | Beneficial owner | 156,149,000(L) | 7.85 |
| Maike Investment Holding Co., Ltd (邁科投資控股有限公司) (note 4) | Interest of corporation controlled by the substantial shareholder | 156,149,000(L) | 7.85 |
| Blue Andiamo GP Limited (note 5) | Interest of corporation controlled by the substantial shareholder | 126,277,297(L) | 6.35 |
| Salamanca Group Holdings Limited (note 5) | Interest of corporation controlled by the substantial shareholder | 126,277,297(L) | 6.35 |
| Deutsche Bank Aktiengesellschaft | Beneficial owner and custodian corporation/approved lending agent | 113,369,731(L) | 5.70 |

| Name of Shareholder | Capacity | Number of ordinary shares held | Approximate percentage of shareholding % |
|---|---|---|---|
| SAIF IV GP Capital Ltd. (note 6) | Interest of corporation controlled by the substantial shareholder | 105,243,000(L) | 5.29 |
| SAIF IV GP LP (note 6) | Interest of corporation controlled by the substantial shareholder | 105,243,000(L) | 5.29 |
| SAIF Partners IV L.P. (note 6) | Beneficial owner | 105,243,000(L) | 5.29 |
| Yan Andrew Y. (note 6) | Interest of corporation controlled by the substantial shareholder | 105,243,000(L) | 5.29 |

Notes:

1. The letter "L" denotes the person's long position in such shares.

2. The entire issued share capital of CITIC Dameng Investments Limited is held by CITIC Dameng Holdings Limited, which is in turn 9.35% owned by Apexhill Investments Limited and 35.43% owned by Highkeen Resources Limited. Apexhill Investments Limited is wholly owned by CITIC United Asia Investments Limited, which is in turn wholly owned by CITIC Projects Management (HK) Limited. Highkeen Resources Limited is wholly owned by Group Smart Resources Limited, which is in turn wholly owned by Starbest Venture Limited. The entire issued share capital of Starbest Venture Limited is held by CITIC Resources Holdings Limited. 49.5% of the issued share capital of CITIC Resources Holdings Limited is held by Keentech Group Limited, which is in turn wholly owned by CITIC Projects Management (HK) Limited. CITIC Projects Management (HK) Limited is wholly owned by CITIC Corporation Limited, which is in turn wholly owned by CITIC Limited.

3. Challenger Mining 8 Limited is 50% owned by Mr. Bellamy Martin James and 50% owned by Mr. Kedar ShaRon Rahamin. Therefore, each of Mr. Bellamy Martin James and Mr. Kedar ShaRon Rahamin is deemed to be interested in all the shares of the Company held by Challenger Mining 8 Limited under the SFO.

4. Triway International Limited is wholly owned by Xi'an Maike Metal International Group Co., Ltd, and Xi'an Maike Metal International Group Co., Ltd is 49.40% owned by Maike Investment Holding Co., Ltd and Maike Investment Holding Co., Ltd is 95% owned by Mr. He Jinbi. Therefore, each of Mr. He Jinbi, Maike Investment Holding Co., Ltd and Xi'an Maike Metal International Group Co., Ltd is deemed to be interested in all the shares of the Company held by Triway International Limited. Ms. Zhang Chunling is the spouse of Mr. He Jinbi and therefore, Ms. Zhang Chunling is deemed to be interested in all the shares of the Company in which Mr. He Jinbi was interested or deemed to be interested under the SFO.

5. The entire issued share capital of Blue Andiamo GP Limited is held by Salamanca Group Holdings Limited. 25,255,459 Shares are registered in the name of CMS 2 Limited Partnership, which is wholly owned by CM Silver 2 Limited. 55,246,318 Shares are registered in the name of F.S.B.S. Limited Partnership, which is wholly owned by Five Stars B.S. Limited. 45,775,520 Shares are registered in the name of RD 8 Limited Partnership, which is wholly owned by Red Dragon 8 Limited. CM Silver 2 Limited, Five Stars B.S. Limited and Red Dragon 8 Limited are wholly owned by Blue Andiamo GP Limited.

6. SAIF Partners IV L.P. is wholly owned by SAIF IV GP, L.P., which is in turn wholly owned by SAIF IV GP Capital Ltd.. SAIF IV GP Capital Ltd. is wholly owned by Mr. Andrew Y. Yan.

Save as disclosed above, as at 31 December 2015, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

## MANAGEMENT CONTRACTS

Other than the service agreements or appointment letters of the Directors, the Company has not entered into any contract with any individuals, firms or corporate entities to manage or regulate the whole or any substantial part of any business of the Company.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor any connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which a controlling shareholder of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party at any time during the Reporting Period.

## CONTRACTS OF SIGNIFICANCE

Save as the Agreement entered into between Next Horizon and the vendor in relation to the acquisition of a 90% equity interest in Harbor Star, no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder of the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

So far as the Directors and chief executives are aware, no non-exempt continuing connected transactions were entered into by the Group during the Reporting Period.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry with all Directors, the Company confirmed that all members of the Board complied with the Model Code throughout the Reporting Period.

The Company has also established the "Employees Written Guidelines" on terms no less exacting than the Model Code for securities transactions by employees who are likely to possess inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company throughout the Reporting Period.

## CLOSURE OF REGISTER OF MEMBERS

To determine the entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Wednesday, 25 May 2016 to Friday, 27 May 2016 (both days inclusive), during which period no share transfers of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 24 May 2016.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## CONNECTED TRANSACTIONS

Details of the Group's connected transactions during the Reporting Period are included in note 34 to the consolidated financial statements in this annual report.

## SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available and to the best knowledge, information and belief of the Directors, the Directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules throughout the Reporting Period.

## AUDITORS

The Company has appointed Ernst & Young as the auditors of the Company for the Reporting Period. A resolution will be proposed for approval by shareholders at the forthcoming AGM to re-appoint Ernst & Young as the auditors of the Company.

On behalf of the Board
**Christopher Michael Casey**
*Chairman*

Hong Kong, 2 February 2016

# CORPORATE GOVERNANCE REPORT

## CHAIRMAN'S INTRODUCTION

**Dear Shareholders,**

Good governance is essential for the long-term success of the Group. I am pleased to introduce our Corporate Governance Report, which sets out how our Board and its committees conduct their operations in accordance with internationally accepted principles of good corporate governance.

The Company experienced several changes to its Board composition during the Reporting Period. On 25 August 2015, Dr. Yin Bo succeeded Mr. Ran Xiaochuan, who was, on the same day, re-designated from executive Director to non-executive Director, as Chairman, and the position of Chief Executive Officer was filled by Dr. Li Chang Zhen.

Due to other business engagements, both Dr. Yin Bo and Dr. Li Chang Zhen tendered their resignation as Chairman and Chief Executive Officer respectively on 18 September 2015. Following the resignation of Dr. Yin Bo as the Chairman, I have become the Interim Non-Executive Chairman pursuant to the resolution passed unanimously by the Board on 18 September 2015.

Whilst assuming the role of Chairman of the Board, I am not involved with the day-to-day operation of the Company and my independence as an independent non-executive Director remains intact. Meanwhile, Mr. Ran Xiaochuan has been re-designated from non-executive Director to executive Director with effect from 18 September 2015 to ensure the smooth running of the day-to-day operation of the Company.

The Board has been focusing on ensuring the continued stability of the Company and that it works effectively under my leadership. Building a strong management team remains our top priority. Critical to this is appointing a suitable and qualified candidate as the Chief Executive Officer and I look forward to working with the Board to make an appointment when our process is complete. One of the most important aspects of my role is to foster visibility between the Board and the management, leading them to work as a team. I also encourage open and honest debate and ensure the Board performs effectively and is accountable to shareholders.

I am pleased to say that during these challenging times, the corporate governance framework of the Company has proven its ability to deal with difficult circumstances, providing us with sound procedures and enabling us to take decisive action.

I continue to be pleased with the progress the Company has made. We continually seek to ensure the best corporate governance practice is maintained.

**Christopher Michael Casey**
*Chairman*

2 February 2016

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance is fundamental to ensuring that the Company is well managed in the interests of all of its shareholders.

The Board has committed to maintaining high corporate governance practices and procedures to safeguard the interests of shareholders and to enhance corporate value and accountability of the Group. The Board reviews and improves the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective board to optimize return for the shareholders.

In view of the recent amendments to the CG Code effective for the accounting period beginning on 1 January 2016, the Company has adopted a revised terms of reference of the Audit Committee on 16 October 2015 in order to comply with certain changes relating to the risk management and internal control section of the CG Code.

The Company has applied the principles as set out in the CG Code. In the opinion of the Directors, throughout the Reporting Period, the Company has complied with all the applicable code provisions as set out in the CG Code, save for the deviation from Code Provisions A.2.1 and E.1.2 of the CG Code with explanation described in the paragraphs headed "Board of Directors — Chairman and Chief Executive Officer" and "Board of Directors — Attendance Records of Directors and Committee Members" respectively below in this section.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors.

Having made specific enquiry with each Board member, all Directors have confirmed their full compliance with the required standards set out in the Model Code throughout the Reporting Period. Details of the shareholding interests held by the Directors as at 31 December 2015 are set out on page 42 of this annual report.

The Company has also established written guidelines on terms no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to possess inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company throughout the Reporting Period.

## BOARD OF DIRECTORS

An effective board is one that facilitates efficient discharge of the duties imposed by law on the directors and adds value in the context of the Company's particular circumstances. This requires the board to be structured in such a way that it has a proper understanding of, and competence to deal with, the current and emerging issues of the business; and can effectively review and challenge the performance of the management while exercising independent judgment.

### Composition

The Board structure is governed by the Articles of Association and the Listing Rules. The Board has adopted a board diversity policy (the "Policy") in 2013 to comply with the code provision on board diversity. Under the Policy, the Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In determining an optimum composition of the Board, the Company will take into account various aspects set out in the Policy, including but not limited to gender, age, race, cultural and educational background, communication styles, interpersonal skills, functional expertise, problem solving skills, professional qualifications, knowledge and industry and regional experience and other qualities of the members of the Board. Currently there are seven directors. An updated list of directors of the Company and their respective roles and functions is available on the website of each of the Hong Kong Stock Exchange and the Company and the same is also set out in the "Corporate Information" on page 3 of this annual report. Biographical details of the Board members and the senior management are set out in the "Directors and Senior Management's Profile" section on pages 34 to 37 of this annual report. The Board considers that the current board composition is diverse and meets the criteria of the Policy. The Board will continue to review the board diversity from time to time to ensure that the Policy is complied with.

### Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer of the Company were combined and vested in Mr. Ran Xiaochuan until 25 August 2015. Such deviation is deemed appropriate as Mr. Ran Xiaochuan had no special power which was different from that of other Directors in the decision-making of the Board. Mr. Ran Xiaochuan was vested with the responsibilities to act as a bridge for communication between the Board and the management. He was also entrusted with the responsibilities to lead and oversee the implementation of the Company's long and short term plans in accordance with its strategy while ensuring that all major decisions were made in consultation with the Board members, relevant Board committees or senior management of the Group. Yet, Mr. Ran Xiaochuan's dominance was counterbalanced by the Board which was vested with the special responsibility for governance issues.

Mr. Ran Xiaochuan was replaced by Dr. Yin Bo and Dr. Li Chang Zhen as Chairman and Chief Executive Officer of the Company respectively from 25 August 2015 to 18 September 2015, during which the Company complied with Code Provision A.2.1 of the CG Code.

Mr. Christopher Michael Casey was appointed as the Interim Non-Executive Chairman on 18 September 2015. Ever since Mr. Christopher Michael Casey has taken up the position, he has not been involved in the day-to-day operation of the Company and his independence as an independent non-executive Director remains intact. Mr. Christopher Michael Casey oversees the internal control and corporate governance compliance of the Company. Mr. Christopher Michael Casey also promotes and encourages visibility of the Board to ensure in-depth communication internally and externally is achieved.

Throughout the Reporting Period, three independent non-executive Directors of the Company offered strong and independent advices. All decisions have reflected the consensus of the Board. Whilst the position of Chief Executive Officer remains vacant, the day-to-day operations of the Company are overseen by Mr. Ran Xiaochuan and Mr. Lei Dejun, both the executive Directors. Such arrangement is deemed appropriate because both Mr. Ran Xiaochuan and Mr. Lei Dejun have accumulated extensive experience in the mining industry and the Company's long-term business strategies and plans can be implemented effectively. The Company will continue to use its best endeavors to identify a suitable and qualified candidate to fill the vacancy of the Chief Executive Officer as soon as practicable.

### Non-Executive Directors

The non-executive Directors bring a wide range of business and financial expertise, experience and independent judgment to the Board. While the Audit Committee comprises non-executive Directors only, all other Board committees comprise at least two non-executive Directors (including independent non-executive Directors) who have made significant contribution of their skills and expertise to these committees. Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive Directors (including independent non-executive Directors) make various contributions to the effective direction of the Company.

The appointment contracts of all the current non-executive Directors (including the independent non-executive Directors) were renewed in the second half of 2015 with a specific term of one year, subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with its Articles of Association.

### Independent Non-Executive Directors

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation of independence from all Independent Non-Executive Directors in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Nomination and Remuneration Committee has, as part of its duties set out in its terms of reference, reviewed these confirmations and assessed the independence of the independent non-executive Directors. The Committee is of the view that all independent non-executive Directors are independent.

### Role of the Board

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and the senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

### Continuous Professional Development of Directors

Directors keep abreast of responsibilities as Directors of the Company and of the conduct, business activities and development of the Company.

The company secretary provides the Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time.

In addition, all Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Company has arranged training programmes as part of the continuous professional development for the Directors to develop and refresh their knowledge and skills.

A summary of training received by the Directors for the Reporting Period according to the records provided by the Directors is as follows:

| | Type of Continuous Professional Development | |
|---|---|---|
| Name of Directors | Reading on corporate governance, regulatory updates development and other relevant topics | Attending relevant training sessions |
| **Executive Directors** | | |
| Ran Xiaochuan | ✔ | ✔ |
| Lei Dejun | ✔ | ✔ |
| **Non-Executive Directors** | | |
| Andrew Joseph Dawber | ✔ | ✔ |
| Lee Kenneth Jue | ✔ | ✔ |
| **Independent Non-Executive Directors** | | |
| Christopher Michael Casey | ✔ | ✔ |
| William Beckwith Hayden | ✔ | ✔ |
| Miu Edward Kwok Chi | ✔ | ✔ |

### Board Meetings

The Board meets on a regular basis and met formally on seven occasions during 2015 to discuss the overall strategy as well as the operations and financial performance of the Group. In addition, other matters such as 2015 budget and forecast, shareholders' analysis and investors' feedback, change of Directors, corporate governance, corporate risk management, safety governance, and the internal control system, were discussed.

The Directors participated in person or through electronic means of communication. Notice of not less than 14 days was given to the Directors for each of these meetings. Draft agenda for Board meetings were prepared by the joint company secretaries/company secretary and were circulated to all Directors to enable them to include other matters in the agenda. Agenda accompanying board papers were sent to all Directors at least three days before the date of the Board meeting.

Minutes of Board meetings were prepared by the joint company secretaries/company secretary with details of decisions reached, any concerns raised and dissenting views expressed. The draft minutes were sent to all Directors within a reasonable time after each meeting for their comment. The approval procedure is that the Board formally adopts the draft minutes at the subsequent physical meeting. If the members of the Board have any comment on the draft minutes, they will discuss it at that meeting and the draft minutes will be revised in the form as agreed before being formally signed by the chairman of that meeting as true and correct record. The finalized and signed Board minutes are kept by the joint company secretaries/company secretary and copies thereof were sent to the Directors for information and record.

In addition, Directors participated in the consideration and approval of routine and operational matters of the Company by way of circulating written resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information or notification from the joint company secretaries/company secretary or other executives as and when required.

### Attendance Record of Directors and Committee Members

Directors of the Company play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion. The attendance record of each of the Directors for the Board meetings, the board committees meetings and the general meetings held during the Reporting Period is set out in the table below:

| | Number of Meetings Attended/Eligible to attend for the Reporting Period | | | | | |
|---|---|---|---|---|---|---|
| Name of Directors | Board Meeting | Audit Committee Meeting | Nomination and Remuneration Committee | Safety, Health and Environment Committee | Strategy Committee | General Meeting |
| **Executive Directors** | | | | | | |
| Ran Xiaochuan[1] | 7/7 | – | 2/2 | 3/3 | 3/4 | 0/1 |
| Lei Dejun[2] | 2/2 | – | – | – | – | – |
| Yin Bo[3] | 1/1 | – | – | – | – | – |
| Li Chang Zhen[4] | 1/1 | – | – | – | – | – |
| **Non-Executive Directors** | | | | | | |
| Andrew Joseph Dawber[5] | 7/7 | 3/3 | – | – | 3/3 | 0/1 |
| Lee Kenneth Jue | 7/7 | – | 3/3 | 3/3 | – | 0/1 |
| Hu Shuo[6] | 4/4 | – | – | – | 1/1 | 0/1 |
| **Independent Non-Executive Directors** | | | | | | |
| Christopher Michael Casey | 7/7 | 3/3 | – | – | – | 0/1 |
| William Beckwith Hayden | 7/7 | – | 3/3 | 3/3 | 4/4 | 0/1 |
| Miu Edward Kwok Chi | 7/7 | 3/3 | 3/3 | – | 4/4 | 1/1 |

Notes:

1. Re-designated as a non-executive Director and resigned as a member of the Nomination and Remuneration Committee on 25 August 2015, further re-designated as an executive Director on 18 September 2015. Two Nomination and Remuneration Committee meetings were held prior to his resignation.

2. Appointed as an executive Director and a member of the Safety, Health and Environment Committee on 18 September 2015 and 16 October 2015 respectively. Two board meetings and no general meeting was held subsequent to his appointment as an Executive Director. No Safety, Health and Environment Committee meeting has been held subsequent to his appointment.

3. Appointed as an executive Director on 19 August 2015. Appointed as the chairman of the Safety, Health and Environment Committee and a member of the Nomination and Remuneration Committee on 25 August 2015. He relinquished all his positions held in the Company on 18 September 2015. During his appointments, one board meeting was held and no Safety, Health and Environment Committee, Nomination and Remuneration Committee or general meeting was held.

4. Appointed as an Executive Director on 19 August 2015. Appointed as the chairman of the Strategy Committee and a member of the Safety, Health and Environment Committee on 25 August 2015. He relinquished all his positions held in the Company on 18 September 2015. During his appointments, one board meeting was held and no Strategy Committee, Safety, Health and Environment Committee or general meeting was held.

5. Appointed as a member of the Strategy Committee on 30 March 2015 and chairman of the Strategy Committee on 18 September 2015. Three Strategy Committee meetings were held subsequent to his admission to the committee.

6. Appointed as a Non-Executive Director on 10 February 2015 and a member of the Strategy Committee on 30 March 2015. Relinquished his directorship and membership on 18 September 2015. During his appointments, four Board meetings and one Strategy Committee meeting were held.

At the 2015 annual general meeting of the Company, Mr. Ran Xiaochuan, the then Chairman, along with all other Directors, save as Mr. Miu Edward Kwok Chi, were absent due to a scheduling programme. Ms. Xiaoxiao (Nina) Zhan, the then joint company secretary, Board Secretary and Investor Relations Director of the Company, chaired the annual general meeting whilst Mr. Miu, the then chairman of the Nomination and Remuneration Committee and a member of the Audit Committee, attended the annual general meeting via telephone conference.

The Board noticed that Code Provision E.1.2 of the CG Code provided that the Chairman of the Board should attend the annual general meeting such that the absence of the then Chairman was in contravention of same. However, Ms. Zhan had extensive knowledge of the Company and was available to answer questions at the 2015 annual general meeting. The Company considers that the presence of Ms. Zhan and Mr. Miu was sufficient for (i) answering questions from; and (ii) effective communication with shareholders present at the 2015 annual general meeting.

### Board Committees

The Board has established four committees, namely, the Audit Committee, Nomination and Remuneration Committee, Safety, Health and Environment Committee and Strategy Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of all the Board committees are posted on the Company's website and are available to shareholders upon request. In compliance with the Listing Rules, the terms of reference of the Audit Committee and the Nomination and Remuneration Committee are also available on the Hong Kong Stock Exchange's website.

### Audit Committee

| | |
|---|---|
| **Chairman:** | Mr. Christopher Michael Casey, Independent Non-Executive Director |
| **Members:** | Mr. Andrew Joseph Dawber, Non-Executive Director<br>Mr. Miu Edward Kwok Chi, Independent Non-Executive Director |

The primary functions of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control procedures and systems, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Reporting Period, the Audit Committee held three meetings and performed the following activities:

**Relationship with the Company's auditors**

a. reviewed the scope of work and appointment of the external auditors;

b. reviewed and monitored the independence and objectivity of the external auditors and the effectiveness of the audit process in accordance with applicable standard;

c. reviewed the external auditors' fee proposal for the 2015 audit;

d. held private sessions with Head of the Internal Audit Department and external auditors without the presence of the management and the Executive Director;

**Review of financial information of the Company**

e. reviewed the audited annual financial statements for the year ended 31 December 2014 and the unaudited interim financial statements for the six months ended 30 June 2015 and recommended those statements for the Board's approval;

f. reviewed the management letter, tax issues, compliance and salient features of the 2014 annual accounts and 2015 interim accounts, as presented by the external auditors;

**Oversight of the Company's financial reporting system and internal control procedures**

g. reviewed the 2015 annual accounting and financial reporting issues; satisfied itself that the external auditors were in agreement with the accounting treatment and judgement proposed by management on the significant accounting items;

h. reviewed the detailed analysis presented by management on the significant accounting issues that would impact the 2015 financial results;

i. reviewed the half-yearly report of the Internal Audit Department;

j. reviewed internal control system and risk management framework;

k. reviewed the report on the internal control system of the Group presented by the external auditors;

l. reviewed the effectiveness of Internal Audit Department; received a report on the progress of the internal audit plan for 2015 and discussed in detail the more significant items identified for management attention and results of matters that the internal audit team had been asked to investigate, requesting an update at the next meeting;

m. reviewed the whistle-blowing framework; and

n. reviewed and revised its terms of reference with a view to including the oversight and risk management and internal control responsibilities.

Representatives of the external auditors, the Chief Financial Officer/Deputy Chief Financial Officer and the Head of the Internal Audit Department attended all those meetings for reporting and answering questions about their work.

The attendance record of each Committee Member is shown on page 57 under the section "Attendance Record of Directors and Committee Members".

### Nomination and Remuneration Committee

**Chairman:** Mr. Miu Edward Kwok Chi, Independent Non-Executive Director

**Members:** Mr. Lee Kenneth Jue, Non-Executive Director
Mr. Christopher Michael Casey, Independent Non-Executive Director
Mr. William Beckwith Hayden, Independent Non-Executive Director
Mr. Ran Xiaochuan (ceased to be a member on 25 August 2015), Executive Director
Dr. Yin Bo (appointed as a member on 25 August 2015 and ceased to be a member and resigned on 18 September 2015), Executive Director

The primary functions of the Nomination and Remuneration Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board on the appointment or re-appointment of the Directors as well as reviewing and making recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

During the Reporting Period, the Nomination and Remuneration Committee held three meetings and performed the following activities:

a. continued the process of Chief Executive Officer search;

b. reviewed and made recommendation to the Board on the remuneration policy and structure of the Company;

c. reviewed the performance of the Executive Directors;

d. reviewed the remuneration packages of the Executive Directors and the senior management;

e. conducted an annual review of the size, structure and composition of the Board;

f. made a recommendation to the Board for the purpose of the 2015 annual general meeting regarding the re-appointment of Directors who stood for re-election at the annual general meeting and the independence of the Independent Non-Executive Directors who stood for re-election at the annual general meeting;

g. considered the biographies of the candidates for appointment as Directors;

h. considered the appointment of Directors as Chairman and Chief Executive Officer;

i. reviewed the objectives set for implementing the Board Diversity Policy as well as the composition and diversity of the Board; and

j. reviewed its terms of reference.

The attendance record of each Committee Member is shown on page 57 under the section "Attendance Record of Directors and Committee Members".

The remuneration of the Directors and the senior management is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual performance.

The remuneration of each Director and the senior management for 2015 are set out in note 8 to the financial statements on pages 100 to 103 of this annual report.

### Safety, Health and Environment Committee

**Chairman:** Mr. Ran Xiaochuan (appointed as its chairman on 18 September 2015), Executive Director

**Members:**
Mr. Lei Dejun (appointed as a member on 16 October 2015), Executive Director
Mr. Lee Kenneth Jue (ceased to be its chairman on 25 August 2015), Non-Executive Director
Mr. William Beckwith Hayden, Independent Non-Executive Director
Dr. Yin Bo (appointed as its chairman on 25 August 2015, ceased to be its chairman and resigned on 18 September 2015), Executive Director
Dr. Li Chang Zhen (appointed as a member on 25 August 2015 and ceased to be a member and resigned on 18 September 2015), Executive Director

The primary function of the Safety, Health and Environment Committee is to oversee the safety, health and environment policies and activities of the Company.

During the Reporting Period, the Safety, Health and Environment Committee held three meetings and performed the following activities:

a. reviewed the occupational safety, health and environmental issues of the mines of the Company;

b. reviewed the employees' safety, health and environment matters;

c. assessed compliance by the Group with applicable legislations;

d. discussed and decided to adopt the code provision on Environmental, Social and Governance reporting requirement within this annual report;

e. reviewed the composition of the Committee; and

f. reviewed its terms of reference.

The Safety, Health and Environment Committee considered that the Company complied with all applicable occupational health and safety statutory and regulatory requirements in all material respects throughout the Reporting Period.

The attendance record of each Committee Member is shown on page 57 under the section "Attendance Record of Directors and Committee Members".

### Strategy Committee

**Chairman:** Mr. Andrew Joseph Dawber (appointed as a member on 30 March 2015 and further appointed as its chairman on 18 September 2015), Non-Executive Director

**Members:** Mr. Miu Edward Kwok Chi (ceased to be its chairman on 25 August 2015), Independent Non-Executive Director
Mr. Ran Xiaochuan, Executive Director
Mr. William Beckwith Hayden, Independent Non-Executive Director
Dr. Li Chang Zhen (appointed as its chairman on 25 August 2015 and ceased to be its chairman and resigned on 18 September 2015), Executive Director
Mr. Hu Shuo (appointed as a member on 30 March 2015 and ceased to be a member and resigned on 18 September 2015), Non-Executive Director

The primary functions of the Strategy Committee are to review and formulate the long-term development strategy of the Group.

During the Reporting Period, the Strategy Committee held four meetings and performed the following activities:

a. reviewed the composition of the Committee and selected its chairman;

b. considered potential investment opportunities;

c. discussed the general corporate strategy of the Company; and

d. reviewed and revised its terms of reference with regard to the authority under the Company's current authorisation scheme.

The attendance record of each Committee Member is shown on page 57 under the section "Attendance Record of Directors and Committee Members".

### Corporate Governance Functions

The Board is responsible for performing the functions set out in the Code Provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and the senior management, the Company's policies and practices in compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

### Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period. The Directors consider that in preparing financial statements, the Group ensures to meet statutory requirements and applies appropriate accounting policies that are consistently adopted and makes judgments and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

The Directors are responsible for ensuring that proper accounting records are kept so that the Group could prepare financial statements in accordance with statutory requirements and the Group's accounting policies. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities within the Group.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company regarding their reporting responsibilities on the financial statements of the Company and the Group is set out in the Independent Auditors' Report on pages 66 and 67 of this annual report.

## REMUNERATION OF EXTERNAL AUDITORS

During the Reporting Period, the Group's external auditors, Ernst & Young, provided interim review and annual audit services to the Group, and the total fees paid/payable in respect of interim review and annual audit services were RMB1.5 million and RMB3.0 million respectively.

The Audit Committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditors. Such appointments, re-appointments and removals are subject to the approval of the Board and by shareholders at the general meetings of the Company.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for risk management and internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorized use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

During the Reporting Period, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Company.

An Internal Audit Department has been established to conduct risk management and internal audit of the Company and its subsidiaries, jointly controlled entities and associated companies. The Internal Audit Department performs risk-based audits to review the effectiveness of the Group's material internal controls so as to provide assurance that key businesses and operational risks are identified and managed. The work carried out by the Internal Audit Department will ensure the risk management and internal controls are carried out appropriately and functioning as intended. The Internal Audit Department reports to the Board with its findings and makes recommendations to improve the internal control of the Group.

The Audit Committee also receives reports from the Internal Audit Department and takes such reports into consideration when it makes recommendations to the Board for the approval of the interim or annual results of the Group.

## COMPANY SECRETARY

On 4 September 2015, Ms. Nina (Xiaoxiao) Zhan, who was a full time employee of the Company, has ceased to be a joint company secretary and following her cessation, Ms. Ho Siu Pik ("Ms. Ho"), who is a director of corporate services division of Tricor Services Limited, an external corporate service provider company in Hong Kong, became the sole company secretary of the Company. Upon cessation of Ms. Nina (Xiaoxiao) Zhan to be a joint company secretary, Mr. Ran Xiaochuan, an executive Director, became the key contact in the Company for Ms. Ho in relation to any corporate secretarial matters of the Company.

According to Rule 3.29 of the Listing Rules, Ms. Ho has confirmed that she has taken no less than 15 hours of professional training to update her skills and knowledge during the Reporting Period.

On 2 February 2016, Ms. Ho resigned as the company secretary of the Company and following her resignation, Ms. Chan Wai Ling ("Ms. Chan"), who is a director of corporate services division Tricor Services Limited, external service provider, has been appointed by the Board as its company secretary with effect from 2 February 2016. Ms. Chan's primary contact person in the Company in relation to any corporate secretarial matter of the Company is still Mr. Ran Xiaochuan.

## SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. Except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules. Poll results will be posted on the websites of the Company and the Hong Kong Stock Exchange after each general meeting.

### Putting Forward Proposals at General Meeting

Pursuant to Article 58 of the Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more shareholders holding not less than one-tenth of the issued share capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board and to put forward proposals specified in such requisition either via personal delivery or mail (attention: Board of Directors), at the Company's principal place of business at Unit 6312, 63/F, The Center, 99 Queen's Road Central, Hong Kong or at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

For the avoidance of doubt, the requisition must include the business to be transacted at the required extraordinary general meeting and must be signed by the shareholder concerned. If the requisition is confirmed as proper and valid, an extraordinary general meeting shall be held within two months after the deposit of such requisition subject to the requirements of the relevant Articles of Association and the Listing Rules. In case an extraordinary general meeting could not be convened upon the request, the Company will inform the shareholder accordingly. Shareholders' information may be disclosed as required by law.

If within 21 days of such deposit the Board fails to proceed to convene such a meeting, the requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Putting Forward Enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Investor Relations Department at the Company's principal place of business in Hong Kong at Unit 6312, 63/F, The Center, 99 Queen's Road Central, Hong Kong, by post, or by email to ir@chinapolymetallic.com.

For the avoidance of doubt, shareholder(s) must deposit/send the original duly signed written enquiries or concerns (as the case may be) to the Company's aforesaid address and provide his/her/their full name and contact details in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Note: The Company will not normally deal with verbal or anonymous enquiries.

### Constitutional Documents

During the Reporting Period, the Company has not made any changes to its Memorandum and Articles of Association.

## RELATIONSHIP WITH INVESTORS

The Board recognises that effective and timely communication with the Company's investors plays a crucial role in maintaining existing investors' confidence and attracting new investors, so the Group continuously places great importance on proactive communication with its existing and potential shareholders and investors. The primary communication channel between the Company and its shareholders is the publication of annual reports and interim reports, announcements, circulars and notices to shareholders.

The Board also recognises that the information on business performance, business strategies and future outlook should be made available to the public through appropriate channels on a regular basis and in a timely manner. After the public announcements of annual and interim results are made, the Group also holds investors and analysts' briefings and media briefings in Hong Kong. Senior management team including the Chief Financial Officer, Chief Operating Officer, and Chief Technology Officer will analyze the results of the Group during the Reporting Period, elaborate on the Group's business development and address any questions and concerns from investors and media community. The Group's results announcement, after it is published on the website of the Hong Kong Stock Exchange, will also be posted on the Company's website in due time.

The Group's Investor Relations Department has maintained close communication with shareholders and investors through email, conference call, one-on-one meetings, and non-deal roadshow, to ensure that investors and shareholders have received the Company's updates in a fair and timely manner and to facilitate their investment decision-making. Our Investor Relations Department is also responsible for answering investors' enquiries on a timely basis. The Group welcomes all investors to continue to give their opinions and suggestions to the Group. Please feel free to contact our Investor Relations Department at ir@chinapolymetallic.com. The investors may also check our Investor Relations website at http://chinapolymetallic.todayir.com/html/ir_overview.php where the Group's announcements, financial information, stock quotes, analyst coverage, investment highlights and other information are posted.

The Company's annual general meeting in 2015 further provided a platform and opportunity for our shareholders to exchange view with the Company. The chairmen of the Audit Committee, Nomination and Remuneration Committee and Strategy Committee, or in their absence, other members of these committees, were available to answer questions at the shareholder's meetings. The 2016 AGM will be held on 27 May 2016. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

# INDEPENDENT AUDITORS' REPORT

**Ernst & Young**
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Tel : +852 2846 9888
Fax : +852 2868 4432
www.ey.com

安永會計師事務所
香港中環添美道1號
中信大廈22樓

電話 :+852 2846 9888
傳真 :+852 2868 4432

**Independent auditors' report**
**To the shareholders of China Polymetallic Mining Limited**
*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of China Polymetallic Mining Limited (the "Company") and its subsidiaries set out on pages 68 to 132, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITORS' REPORT

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Ernst & Young**
*Certified Public Accountants*
Hong Kong

2 February 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2015*

| | Notes | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **REVENUE** | 4 | **92,509** | 187,466 |
| Cost of sales | | **(56,569)** | (90,308) |
| **Gross profit** | | **35,940** | 97,158 |
| Other income and gains | 5 | **19,127** | 18,270 |
| Selling and distribution expenses | | **(953)** | (1,246) |
| Administrative expenses | | **(42,766)** | (49,027) |
| Impairment loss on property, plant and equipment | 12 | **(6,205)** | – |
| Impairment loss on intangible assets | 13 | **(44,146)** | – |
| Impairment loss on trade receivables | 18 | **(29,380)** | – |
| Other expenses | | **(34)** | (2,944) |
| Finance costs | 6 | **(59,029)** | (41,015) |
| **PROFIT/(LOSS) BEFORE TAX** | 7 | **(127,446)** | 21,196 |
| Income tax credit/(expense) | 9 | **31,887** | (9,441) |
| **PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR** | | **(95,559)** | 11,755 |
| Attributable to: | | | |
| Owners of the Company | | **(94,084)** | 12,264 |
| Non-controlling interests | | **(1,475)** | (509) |
| | | **(95,559)** | 11,755 |
| Earnings/(loss) per share attributable to ordinary equity holders of the Company: | | | |
| — Basic and diluted | 11 | **RMB(0.047)** | RMB0.006 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2015*

| | Notes | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 12 | 629,288 | 592,785 |
| Intangible assets | 13 | 739,991 | 629,316 |
| Prepaid land lease payments | 14 | 12,047 | 12,317 |
| Payments in advance | 15 | 47,691 | 88,707 |
| Prepayments and deposits | 19 | 215,635 | 215,092 |
| Deferred tax assets | 16 | 55,878 | 23,991 |
| **Total non-current assets** | | 1,700,530 | 1,562,208 |
| **CURRENT ASSETS** | | | |
| Inventories | 17 | 26,940 | 23,096 |
| Trade receivables | 18 | 66,197 | 107,974 |
| Prepayments, deposits and other receivables | 19 | 19,256 | 9,008 |
| Available-for-sale investments | 20 | – | 200,000 |
| Structured deposits | 21 | – | 302,021 |
| Cash and cash equivalents | 22 | 672,738 | 781,558 |
| **Total current assets** | | 785,131 | 1,423,657 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 23 | 9,349 | 9,976 |
| Other payables and accruals | 24 | 199,640 | 153,268 |
| Tax payable | | 95,132 | 99,549 |
| Dividend payable | 10 | – | 153 |
| Interest-bearing bank and other loans | 25 | 200,984 | 966,485 |
| **Total current liabilities** | | 505,105 | 1,229,431 |
| **NET CURRENT ASSETS** | | 280,026 | 194,226 |
| **Total assets less current liabilities** | | 1,980,556 | 1,756,434 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing other loans | 25 | 304,859 | – |
| Provision for rehabilitation | 26 | 18,297 | 17,078 |
| **Total non-current liabilities** | | 323,156 | 17,078 |
| **Net assets** | | 1,657,400 | 1,739,356 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2015*

| | Notes | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | *27* | **17** | 17 |
| Reserves | *29* | **1,593,686** | 1,688,256 |
| | | **1,593,703** | 1,688,273 |
| **Non-controlling interests** | | **63,697** | 51,083 |
| **Total equity** | | **1,657,400** | 1,739,356 |

**Ran Xiaochuan**
*Director*

**Lei Dejun**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*Year ended 31 December 2015*

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 note 27 | Share premium account RMB'000 note 29(a) | Reserve funds RMB'000 note 29(b) | Safety fund surplus reserve RMB'000 note 29(c) | Capital contribution reserve RMB'000 note 28(a) & note 29(d) | Share option reserve RMB'000 note 28(b) & note 29(e) | Difference arising from changes in non-controlling interests RMB'000 | (Accumulated losses)/ retained profits RMB'000 | Proposed final dividend RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| 1 January 2014 | 17 | 1,320,467 | 29,115 | 7,371 | 239,578 | 57,444 | (4,115) | 28,699 | 12,509 | 1,691,085 | 51,592 | 1,742,677 |
| Interim 2014 dividend declared | – | (5,525) | – | – | – | – | – | – | – | (5,525) | – | (5,525) |
| Final 2013 dividend declared | – | – | – | – | – | – | – | – | (12,509) | (12,509) | – | (12,509) |
| Establishment of safety fund surplus reserve | – | – | – | 3,322 | – | – | – | (3,322) | – | – | – | – |
| Utilisation of safety fund surplus reserve | – | – | – | (1,855) | – | – | – | 1,855 | – | – | – | – |
| Equity-settled share-based payments: | | | | | | | | | | | | |
| Forfeit of Award Shares (as defined in note 28(a)) | – | – | – | – | (6,578) | – | – | – | – | (6,578) | – | (6,578) |
| Share option expense | – | – | – | – | – | 9,536 | – | – | – | 9,536 | – | 9,536 |
| Total comprehensive income for the year | – | – | – | – | – | – | – | 12,264 | – | 12,264 | (509) | 11,755 |
| At 31 December 2014 and 1 January 2015 | 17 | 1,314,942* | 29,115* | 8,838* | 233,000* | 66,980* | (4,115)* | 39,496* | – | 1,688,273 | 51,083 | 1,739,356 |
| Acquisition a subsidiary *(note 31)* | – | – | – | – | – | – | – | – | – | – | 13,889 | 13,889 |
| Capital injection from non-controlling shareholders of a subsidiary | – | – | – | – | – | – | – | – | – | – | 200 | 200 |
| Equity-settled share option arrangement | – | – | – | – | – | (486) | – | – | – | (486) | – | (486) |
| Provide for safety fund surplus reserve | – | – | – | 1,262 | – | – | – | (1,262) | – | – | – | – |
| Utilisation of safety fund surplus reserve | – | – | – | (881) | – | – | – | 881 | – | – | – | – |
| Total comprehensive loss for the year | – | – | – | – | – | – | – | (94,084) | – | (94,084) | (1,475) | (95,559) |
| At 31 December 2015 | 17 | 1,314,942* | 29,115* | 9,219* | 233,000* | 66,494* | (4,115)* | (54,969)* | – | 1,593,703 | 63,697 | 1,657,400 |

* These reserve accounts comprise the consolidated reserves of RMB1,593,686 (2014: RMB1,688,256,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

*Year ended 31 December 2015*

| | Notes | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit/(loss) before tax | | **(127,446)** | 21,196 |
| Adjustments for: | | | |
| Finance costs | | **57,545** | 39,507 |
| Unrealised foreign exchange loss | | **44** | 175 |
| Bank interest income | *5* | **(2,526)** | (2,073) |
| Interest income from structured deposits | *5* | **(7,650)** | (7,021) |
| Dividend income from available-for-sale investments | *5* | **(8,785)** | – |
| Equity-settled share-based payments: | | | |
| Award Shares | | **–** | (6,578) |
| Share option expense | *28(b)* | **(486)** | 9,536 |
| Depreciation | *12* | **32,289** | 36,105 |
| Impairment losses recognised/(reversed) | *7* | **79,731** | (3,222) |
| Gain on disposal of items of property, plant and equipment | *5* | **(157)** | – |
| Amortisation of intangible assets | *13* | **7,157** | 8,334 |
| Amortisation of prepaid land lease payments | *14* | **270** | 270 |
| | | **29,986** | 96,229 |
| Decrease in trade receivables | | **12,397** | 19,955 |
| Increase in inventories | | **(3,844)** | (1,825) |
| Increase in prepayments, deposits, and other receivables | | **(4,391)** | (28,231) |
| Increase/(decrease) in trade payables | | **(627)** | 1,636 |
| Increase/(decrease) in other payables and accruals | | **35,326** | (5,797) |
| Cash generated from operations | | **68,847** | 81,967 |
| Interest received | | **2,526** | 2,073 |
| Income tax paid | | **(4,417)** | (7,876) |
| Net cash flows from operating activities | | **66,956** | 76,164 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of items of property, plant and equipment | | **(32,500)** | (102,596) |
| Decrease/(increase) in structured deposits | *21* | **302,021** | (295,000) |
| Decrease/(increase) in available-for-sale investments | *20* | **200,000** | (200,000) |
| Interest income from structured deposits | *5* | **7,650** | – |
| Dividend income from available-for-sale investments | *5* | **8,785** | – |
| Proceeds from disposal of items of property, plant and equipment | | **352** | – |
| Acquisition of a subsidiary | *31* | **(100,000)** | – |
| Expenditures on exploration and evaluation assets | | **(27,732)** | (25,762) |
| Net cash flows from/(used in) investing activities | | **358,576** | (623,358) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*Year ended 31 December 2015*

| | Notes | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Interest paid | | **(60,552)** | (17,639) |
| Proceeds from bank and other loans | | **555,843** | 966,485 |
| Repayment of bank and other loans | | **(1,016,485)** | (188,000) |
| Consultation fees paid on financing | | **(12,800)** | – |
| Service charges paid on financing activities | | **(161)** | (1,452) |
| Dividends paid | | **(153)** | (18,012) |
| Net cash flows from/(used in) financing activities | | **(534,308)** | 741,382 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **(108,776)** | 194,188 |
| Cash and cash equivalents at beginning of year | | **781,558** | 587,414 |
| Effect of foreign exchange rate changes | | **(44)** | (44) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | *22* | **672,738** | 781,558 |

*31 December 2015*

## 1. CORPORATE AND GROUP INFORMATION

China Polymetallic Mining Limited is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is Unit 6312, 63/F, The Center, 99 Queen's Road Central, Hong Kong.

During the Reporting Period, the Group was principally engaged in mining, ore processing and the sale of lead-silver concentrates and zinc-silver concentrates. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

In the opinion of the Directors, the Company does not have an immediate holding company or ultimate holding company. CITIC Dameng Investments Limited, a company incorporated in the BVI, is in a position to exercise significant influence over the Company.

**Information about subsidiaries**

Particulars of the Company's subsidiaries are as follows:

| Name | Place and date of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity interests attributable to the Company % | Principal activities |
|---|---|---|---|---|
| *Directly held:* | | | | |
| Gilberta Holdings Limited | British Virgin Islands 3 November 2009 | US$1.00 | 100.0 | Investment holding |
| *Indirectly held:* | | | | |
| Next Horizon | Hong Kong 3 November 2009 | HK$1.00 | 100.0 | Investment holding |
| Yunnan Next Horizon Polymetallic Investment Limited ("Yunnan Next Horizon")[(i)] | Mainland China 17 April 2012 | RMB600,000,000 | 100.0 | Sale of ore products |
| Dehong Yinbang Mining Technology Development Company Limited ("Dehong Yinbang")[(i)] | Mainland China 23 December 2009 | US$48,500,000 | 100.0 | Sale of ore products |
| Dehong Yinrun Mining Group Company Limited ("Dehong Yinrun")[(ii)] | Mainland China 7 January 2010 | RMB800,000,000 | 100.0 | Sale of ore products |
| Kunrun[(iii)] | Mainland China 7 January 2010 | RMB56,000,000 | 99.0 | Mining, ore processing and sale of lead-zinc-silver ore products |

*31 December 2015*

## 1. CORPORATE AND GROUP INFORMATION (continued)

**Information about subsidiaries (continued)**

| Name | Place and date of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity interests attributable to the Company % | Principal activities |
|---|---|---|---|---|
| *Indirectly held: (continued)* | | | | |
| Dakuangshan Company[(iv)] | Mainland China 12 February 2007 | RMB85,000,000 | 90.0 | Mining, ore processing and sale of lead-zinc ore products |
| Liziping Company[(v)] | Mainland China 15 May 2007 | RMB20,000,000 | 90.0 | Mining, ore processing and sale of lead-zinc ore products |
| Menghu Company[(vi)] | Mainland China 4 June 2008 | RMB3,000,000 | 90.0 | Mining and sale of lead-zinc ore products |
| Harbor Star | Myanmar 11 June 2014 | MMK500,000,000 | 90.0 | Mining and sale of lead-zinc ore products |

(i) Yunnan Next Horizon and Dehong Yinbang are registered as wholly-foreign-owned enterprises under PRC law.

(ii) Dehong Yinrun, formerly known as Dehong Yinrun Mining Technology Development Company Limited, is registered as a foreign investment enterprise under PRC law.

(iii) As at 31 December 2015, 99% of the equity interests in Kunrun (2014: 99%) were pledged to secure the Group's other loans (note 25(e)).

(iv) As at 31 December 2015, 90% of the equity interests in Dakuangshan Company (2014: 90%) were pledged to secure the Group's other loans (note 25(e)).

(v) As at 31 December 2015, 90% of the equity interests in Liziping Company (2014: 90%) were pledged to secure the Group's other loans (note 25(e)).

(vi) As at 31 December 2015, 90% of the equity interests in Menghu Company (2014: 90%) were pledged to secure the Group's other loans (note 25(e)).

During the Reporting Period, the Group acquired Harbor Star from an independent third party. Further details of this acquisition are included in note 31 to the financial statements.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs. They have been prepared under the historical cost convention. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to IAS 19 | *Defined Benefit Plans: Employee Contributions* |
| *Annual Improvements 2010–2012 Cycle* | Amendments to a number of IFRSs |
| *Annual Improvements 2011–2013 Cycle* | Amendments to a number of IFRSs |

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the Reporting Period. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| IFRS 9 | *Financial Instruments*[3] |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | *Investment Entities: Applying the Consolidation Exception*[6] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1] |
| Amendments to IFRS 11 | *Accounting for Acquisitions of Interests in Joint Operations*[1] |
| IFRS 14 | *Regulatory Deferral Accounts*[5] |
| IFRS 15 | *Revenue from Contracts with Customers*[3] |
| IFRS 16 | *Leases*[4] |
| Amendments to IAS 1 | *Disclosure Initiative*[1] |
| Amendments to IAS 7 | *Disclosure Initiative*[2] |
| Amendments to IAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses*[2] |
| Amendments to IAS 16 and IAS 38 | *Clarification of Acceptable Methods of Depreciation and Amortisation*[1] |
| Amendments to IAS 16 and IAS 41 | *Agriculture: Bearer Plants*[1] |
| Amendments to IAS 27 | *Equity Method in Separate Financial Statements*[1] |
| *Annual Improvements 2012–2014 Cycle* | Amendments to a number of IFRSs[1] |

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
6 No mandatory effective date yet determined

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

In January 2016, the IASB issued IFRS 16 which requires lessees to recognise assets and liabilities for most leases. Under the new standard, a lease is a contract, or part of a contract, that conveys the right to use an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset if, throughout the period of use, the customer has the right to obtain substantially all of the economic benefits from the use of the identified asset and direct the use of the identified asset. Lessees are required to initially recognise a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the identified asset for the lease term. Subsequently, lessees accrete the lease liability to reflect interest and reduce the liability to reflect lease payments made. The related right-of-use asset is depreciated in accordance with the depreciation requirements of IAS 16 *Property, Plant and Equipment*. For lessors, there is little change to the existing accounting in IAS 17 *Leases*. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 1 include narrow-focus improvement in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that the entities have flexibility as to the order in which they present the notes to the financial statements; and

(iv) that the share of other comprehensive income of associate and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those item that will or will not be subsequently reclassified to profit or loss.

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

In January 2016 the IASB published Amendments to IAS 7. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments are not expected to have any significant impact on the financial statements or performance of the Group upon adoption on 1 January 2017.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Business combinations and goodwill (continued)**

Goodwill is initially measured at cost, being the excess of the aggregate of the (a) consideration transferred, (b) the amount recognised for non-controlling interests; and (c) any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

**Merger accounting for business combinations under common control**

The consolidated financial statements include the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling parties.

**Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Related parties**

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group which it is a part, provides key management personnel services to the Group or to the parent of the Group.

**Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment and depreciation (continued)

Depreciation of items of property, plant and equipment, other than mining infrastructure, is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

| | |
|---|---|
| Buildings | 20–30 years |
| Plant and machinery | 5–15 years |
| Office equipment | 3–5 years |
| Motor vehicles | 4–6 years |

Depreciation of mining infrastructure is calculated using the unit-of-production ("UOP") method to write off the cost of the assets in proportion to the extraction of the proved and probable mineral reserves. The estimated useful lives of the mining infrastructure ranging from 5 years to 12.5 years are determined in accordance with the production plans of the entity concerned and the proved and probable reserves of mines using the UOP method.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowing funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

### Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licences, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the UOP method. Mining rights are written off to profit or loss if the mining property is abandoned.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Intangible assets (continued)**

**Exploration rights and assets**

Exploration rights are stated at cost less accumulated amortisation and any impairment losses, and exploration assets are stated at cost less any impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and deferred amortisation and depreciation charges in respect of assets consumed during the exploration activities.

Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances indicate that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. An impairment test is performed if any of the following indicators is present:

(a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

(b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

(c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or

(d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs of disposal and their value in use. For the purpose of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to either mining infrastructure or mining rights and depreciated/amortised using the UOP method based on the proved and probable mineral reserves. Exploration and evaluation assets are written off to profit or loss if the exploration property is abandoned.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

### Investments and other financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

#### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Other income" in profit or loss. The loss arising from impairment is recognised in profit or loss in "Finance costs" for loans and in "Other expenses" for receivables.

#### Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets (continued)

**Available-for-sale financial investments (continued)**

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss and other comprehensive income in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss and other comprehensive income in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss and other comprehensive income as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance amount. If a write-off is later recovered, the recovery is credited to "Other expenses" in profit or loss.

### Financial liabilities

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing bank loans.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial liabilities (continued)

**Subsequent measurement**

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing bank loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in profit or loss.

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of fixed and variable overhead costs, including depreciation and amortisation incurred in converting materials into finished goods, based on the normal production capacity. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Finance costs" in profit or loss.

Provisions for the Group's obligations for rehabilitation are based on estimates of the required expenditure at the mines in accordance with the rules and regulations of the People's Republic of China (the "PRC"). The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining infrastructure.

Over time, the discounted liability is increased for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within "Finance costs" in profit or loss. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), will be recognised as additions or charges to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal instalments.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the Directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared. In the event that the interim dividends are paid out of the share premium account, shareholders' approval at an extraordinary general meeting is needed. When these interim dividends have been approved by the shareholders and declared, they are recognised as a liability.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

### Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Subject to shareholders' agreement, the Company may also allot and issue certain new shares in the Company for the purpose of providing incentives for specific employees to remain with the Group and to motivate them to strive for the further development and expansion of the Group. Employees (including Directors and chief executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using valuation techniques that are appropriate in the circumstances, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Share-based payments (continued)**

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**Other employee benefits**

**Pension schemes**

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in Mainland China. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions are charged to profit or loss as they become payable in accordance with the rules of the defined contribution retirement benefit plans.

In addition to the above, the Group also participates in a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. The Company's contributions have been capped to HK$1,500 per month since 1 June 2014 (previously HK$1,250 per month) for each of its employees in Hong Kong and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independent administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

**Housing fund**

Contributions to an accommodation fund administered by the Public Accumulation Funds Administration Centre in Mainland China are charged to profit or loss.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements require management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these significant assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

**(a) Impairment of receivables**

Impairment of receivables is made based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgements. An estimate for doubtful debts is made when collection of the full amount under the invoice is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying amount of receivables and thus the impairment loss in the period in which such estimate is changed. The impairment provision for trade receivables as at 31 December 2015 was RMB29,380,000 (2014: Nil). Further details are given in note 18 to the financial statements.

**(b) PRC corporate income tax ("PRC CIT")**

The Group's operating subsidiaries in Mainland China are subject to PRC CIT. As a result of the fact that certain matters relating to CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision of CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provision in the period in which the final outcome is determined. The carrying amount of PRC CIT payable at 31 December 2015 was RMB95,132,000 (2014: RMB99,549,000).

**(c) Useful lives of property, plant and equipment**

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and changes in mine resources. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record an impairment provision for technically obsolete assets that have been abandoned. The carrying amount of property, plant and equipment at 31 December 2015 was RMB629,288,000 (2014: RMB592,785,000).

*31 December 2015*

## 3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

**Estimation uncertainty (continued)**

**(d) Deferred tax assets**

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets at 31 December 2015 was RMB55,878,000 (2014: RMB23,991,000). Further details are given in note 16 to the financial statements.

**(e) Mine reserves**

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimates of proved and probable mine reserves also change. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the amortisation rate calculated using the UOP method. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

**(f) Exploration and evaluation assets**

The application of the Group's accounting policy for exploration and evaluation assets requires judgement in determining whether it is likely that future economic benefits will result either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of mine reserves is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact on the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

**Estimation uncertainty (continued)**

**(g) Provision for rehabilitation**

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which are discounted at a rate reflecting the term and nature of the obligation (7.68% as at 31 December 2015) to their present value. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in the discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. The carrying amount of provision for rehabilitation at 31 December 2015 was RMB18,297,000 (2014: RMB17,078,000).

**(h) Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. Management reassesses these estimates at the end of each reporting period. The carrying amount of inventories at 31 December 2015 was RMB26,940,000 (2014: RMB23,096,000).

**(i) Impairment of non-current assets (other than goodwill)**

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Definite life non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The impairment provisions for property, plant and equipment and intangible assets as at 31 December 2015 were RMB6,205,000 (2014: Nil) and RMB44,146,000 (2014: Nil), respectively. Further details, including a sensitivity analysis of key assumption, are given in notes 12 and note 13 to the financial statements.

## 4. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue represents the net invoiced value of goods sold, net of various types of government surcharges.

The Group's revenue and contribution to profit were mainly derived from its sale of lead-silver concentrates and zinc-silver concentrates, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource allocation and performance assessment.

*31 December 2015*

## 4. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

**Entity-wide disclosures**

**Information about products**

The following table sets forth the total revenue from external customers by product and the percentage of total revenue by product during the Reporting Period:

| | 2015 RMB'000 | 2015 % | 2014 RMB'000 | 2014 % |
|---|---|---|---|---|
| Lead-silver concentrates | 60,832 | 65.8 | 119,453 | 63.7 |
| Zinc-silver concentrates | 31,677 | 34.2 | 68,013 | 36.3 |
| | 92,509 | 100.0 | 187,466 | 100.0 |

**Geographical information**

(a) *Revenue from external customers*

All external revenue of the Group during each of the two years ended 31 December 2015 and 2014 was attributable to customers established in Mainland China, the place of domicile of the Group's operating entities.

(b) *Non-current assets*

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Mainland China | 1,505,763 | 1,538,217 |
| Myanmar | 138,889 | – |
| | 1,644,652 | 1,538,217 |

**Information about major customers**

Revenue from major customers, which individually amounted to 10% or more of the total revenue, is set out below:

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Customer A | 36,526 | 107,778 |
| Customer B | 34,459 | 35,554 |
| Customer C | 11,374 | 33,992 |

*31 December 2015*

## 5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Dividend income from available-for-sale investments | 8,785 | – |
| Interest income from structured deposits | 7,650 | 7,021 |
| Bank interest income | 2,526 | 2,073 |
| Refund of prior years' electricity expense | – | 5,645 |
| Reversal of impairment on intangible assets | – | 3,222 |
| Government grants* | – | 300 |
| Gain on disposal of items of property, plant and equipment | 157 | – |
| Others | 9 | 9 |
| | 19,127 | 18,270 |

* There are no unfulfilled conditions or contingencies relating to these grants.

## 6. FINANCE COSTS

| | *Note* | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| Interest on bank and other loans | | 49,765 | 36,926 |
| Consultation fees in respect of financing | | 6,400 | – |
| Service charges paid on financing activities | | 161 | 1,452 |
| Interest on discounted bills receivable | | 1,484 | 1,508 |
| Unwinding of a discount | *26* | 1,219 | 1,129 |
| | | 59,029 | 41,015 |

*31 December 2015*

## 7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax was arrived at after charging/(crediting):

| | Notes | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| Cost of inventories sold | | **56,569** | 90,308 |
| Staff costs (including Directors' and chief executives' remuneration *(note 8)*): | | | |
| Wages and salaries | | **18,550** | 29,224 |
| Equity-settled share-based payments: | | | |
| Award Shares | | **–** | (6,578) |
| Share option expense | *28(b)* | **(486)** | 9,536 |
| Pension scheme contributions | | | |
| — Defined contribution fund | | **781** | 843 |
| | | **18,845** | 33,025 |
| Depreciation of items of property, plant and equipment | *12* | **32,289** | 36,105 |
| Amortisation of intangible assets ^ | *13* | **7,157** | 8,334 |
| Amortisation of prepaid land lease payments ^ | *14* | **270** | 270 |
| Depreciation and amortisation | | **39,716** | 44,709 |
| Impairment losses recognised/(reversed) on: | | | |
| Property, plant and equipment | *12* | **6,205** | – |
| Intangible assets | *13* | **44,146** | (3,222) |
| Trade receivables | *18* | **29,380** | – |
| Total impairment losses recognised/(reversed) | | **79,731** | (3,222) |
| Auditors' remuneration | | **4,500** | 4,500 |
| Operating lease rentals | | **1,286** | 1,528 |
| Foreign exchange losses | | **29** | 433 |

^ The amortisation of intangible assets and prepaid land lease payments for the current year and the prior year is included in "Cost of sales" in profit or loss.

## 8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' and chief executives' remuneration for the Reporting Period, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "HKSE"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Fees | **3,314** | 2,504 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **1,661** | 2,047 |
| Equity-settled share-based payments: | | |
| Award Shares | **–** | (6,578) |
| Share option expense | **145** | 2,014 |
| Pension scheme contributions | | |
| — Defined contribution fund | **24** | 22 |
| | **1,830** | (2,495) |
| | **5,144** | 9 |

During the years ended 31 December 2014 and 2015, certain Directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 28(b) to the financial statements. The fair value of the shares and such options, which are recognised in profit or loss over the vesting period, was determined as at the date of grant, and was reversed in profit or loss at the date of forfeiture, and the amounts included in the financial statements for the current year and the prior year were included in the above Directors' and chief executives' remuneration disclosures.

## 8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

### (a) Independent non-executive Directors

The fees and other emoluments paid to independent non-executive Directors during the Reporting Period were as follows:

| | Fees | Salaries, allowances and benefits in kind | Equity–settled share option expense | Total |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **2015** | | | | |
| Mr. Christopher Michael Casey | **722** | **–** | **166** | **888** |
| Mr. William Beckwith Hayden | **629** | **–** | **166** | **795** |
| Mr. Miu Edward Kwok Chi | **628** | **–** | **166** | **794** |
| | **1,979** | **–** | **498** | **2,477** |
| **2014** | | | | |
| Mr. Christopher Michael Casey | 619 | – | 391 | 1,010 |
| Mr. William Beckwith Hayden | 615 | – | 391 | 1,006 |
| Mr. Miu Edward Kwok Chi | 614 | – | 391 | 1,005 |
| | 1,848 | – | 1,173 | 3,021 |

*31 December 2015*

## 8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

### (b) Executive Directors, non-executive Directors and the chief executives

| | Fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Pension scheme contributions RMB'000 | Equity-settled share option expense RMB'000 | Equity-settled Award Shares RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| Executive Directors | | | | | | |
| Mr. Ran Xiaochuan[i] | 23 | 693 | 7 | 55 | – | 778 |
| Mr. Lei Dejun[ii] | 23 | 381 | 10 | 236 | – | 650 |
| Mr. Li Chang Zhen[iii] | 120 | – | – | – | – | 120 |
| Mr. Yin Bo[iii] | 27 | – | – | – | – | 27 |
| | 193 | 1,074 | 17 | 291 | – | 1,575 |
| Non-executive Directors | | | | | | |
| Mr. Lee Kenneth Jue | 439 | – | – | – | – | 439 |
| Mr. Andrew Joseph Dawber | 439 | – | – | – | – | 439 |
| Mr. Hu Shuo[iv] | 264 | – | – | – | – | 264 |
| Mr. Ran Xiaochuan[i] | – | 63 | 1 | 4 | – | 68 |
| | 1,142 | 63 | 1 | 4 | – | 1,210 |
| Chief financial officer | | | | | | |
| Mr. Li Tao[v] | – | 524 | 6 | (648) | – | (118) |
| | – | 524 | 6 | (648) | – | (118) |
| | 1,335 | 1,661 | 24 | (353) | – | 2,667 |
| **2014** | | | | | | |
| Executive Directors | | | | | | |
| Mr. Ran Xiaochuan | – | 890 | 10 | 115 | – | 1,015 |
| Mr. Ji He | – | 370 | 2 | – | (6,578) | (6,206) |
| | – | 1,260 | 12 | 115 | (6,578) | (5,191) |
| Non-executive Directors | | | | | | |
| Mr. Lee Kenneth Jue | 328 | – | – | – | – | 328 |
| Mr. Andrew Joseph Dawber | 328 | – | – | – | – | 328 |
| | 656 | – | – | – | – | 656 |
| Chief financial officer | | | | | | |
| Mr. Li Tao | – | 787 | 10 | 726 | – | 1,523 |
| | – | 787 | 10 | 726 | – | 1,523 |
| | 656 | 2,047 | 22 | 841 | (6,578) | (3,012) |

## 8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

### (b) Executive directors, non-executive directors and the chief executives (continued)

(i) Mr. Ran Xiaochuan resigned as the Company's executive Director and was appointed as the Company's non-executive Director on 25 August 2015. He resigned as the Company's non-executive Director and was appointed as the Company's executive Director on 18 September 2015.

(ii) Mr. Lei Dejun was appointed as the Company's executive Director on 18 September 2015.

(iii) Mr. Li Chang Zhen and Mr. Yin Bo were appointed as the Company's executive Directors on 19 August 2015 and resigned as the Company's executive Directors on 18 September 2015.

(iv) Mr. Hu Shuo was appointed as the Company's non-executive Director on 10 February 2015 and resigned as the Company's non-executive Director on 18 September 2015.

(v) Mr. Li Tao resigned as the Company's chief financial officer on 25 August 2015.

There was no arrangement under which a Director or a chief executive waived or agreed to waive any remuneration during the Reporting Period (2014: Nil).

### (c) Five highest paid employees

The five highest paid employees during the Reporting Period included four Directors (2014: one Director and the chief financial officer), details of whose remuneration are set out above. Details of the remuneration for the Reporting Period of the remaining one (2014: three) highest paid employee who is neither a Director nor a chief executive of the Company, are as follows:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | 480 | 2,086 |
| Pension scheme contributions | – | 27 |
| Equity-settled share option expense | 430 | 1,588 |
| | 910 | 3,701 |

The number of non-Director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

| | Number of employees | |
|---|---|---|
| | 2015 | 2014 |
| Nil to HK$1,000,000 | – | 1 |
| HK$1,000,001 to HK$2,000,000 | 1 | 1 |
| HK$2,000,001 to HK$3,000,000 | – | 1 |
| | 1 | 3 |

## 9. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profit derived from or earned in Hong Kong during the Reporting Period.

Pursuant to the income tax rules and regulations in the PRC, the Group's subsidiaries located in Mainland China are liable to PRC corporate income tax at a rate of 25% on the assessable profits generated for the Reporting Period.

The major components of income tax expense were as follows:

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Current — Mainland China | | |
| Charge for the year | **–** | 17,227 |
| Deferred *(note 16)* | **(31,887)** | (7,786) |
| Total tax credit/(charge) for the year | **(31,887)** | 9,441 |

A reconciliation of the income tax expense applicable to profit before tax at the statutory rates is as follows:

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Profit/(loss) before tax | **(127,446)** | 21,196 |
| Add: disallowed expenses/(gains) incurred by the Company* | **(57,274)** | 9,843 |
| Profit/(loss) before tax generated by Hong Kong and PRC subsidiaries | **(184,720)** | 31,039 |
| Tax at the respective statutory tax rates: | | |
| — PRC subsidiaries, at 25% | **(33,238)** | 5,866 |
| — Hong Kong subsidiary, at 16.5% | **(8,541)** | 1,250 |
| Income not subject to tax | **8,534** | (1,362) |
| Tax losses not recognised | **7** | 112 |
| Expenses not deductible for tax | **1,351** | 1,158 |
| Withholding income tax of 7% on the interest income of the Hong Kong subsidiary from PRC subsidiaries | **–** | 797 |
| Write-off of deferred tax assets recognised in previous years | **–** | 1,620 |
| Income tax credit/(expense) | **(31,887)** | 9,441 |

* Expenses incurred by the Company during each of the two years ended 31 December 2015 and 2014 mainly consisted of equity-settled share based payments, consultancy service fees and foreign exchange differences incurred by the Company. These expenses are not expected to be tax deductible.

## 10. DIVIDENDS

### (a) Dividend attributable to the Reporting Period

At a meeting of the Directors held on 25 August 2015, the Directors of the Company resolved not to pay interim dividends to shareholders (2014 interim dividend: RMB5,525,000).

At a meeting of the Directors held on 2 February 2016, the Directors of the Company resolved not to propose payment of a final dividend to shareholders (2014 final dividend: Nil).

**(b)** Dividends attributable to the previous financial year and paid during the Reporting Period:

| | RMB'000 |
|---|---|
| Interim dividend in respect of the six months ended 30 June 2014 of HK$0.0035 per share, payable at 1 January 2015 | 153 |
| Dividend paid during the Reporting Period | (153) |
| Dividend payable at 31 December 2015 | – |

## 11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss (2014: earnings) per share amount for the Reporting Period is based on the loss (2014: profit) for the Reporting Period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,988,765,000 (2014: 1,988,765,000) in issue during the Reporting Period.

No adjustment has been made to the respective basic loss and earnings per share amounts presented for the years ended 31 December 2015 and 2014 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Company's shares during the current and the prior years.

## 12. PROPERTY, PLANT AND EQUIPMENT

| | Buildings RMB'000 | Plant and machinery RMB'000 | Office equipment RMB'000 | Motor vehicles RMB'000 | Mining infra-structure RMB'000 | Construction in progress ("CIP") RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **31 December 2015** | | | | | | | |
| **Cost:** | | | | | | | |
| At 1 January 2015 | 48,487 | 287,375 | 5,799 | 9,369 | 293,263 | 62,627 | 706,920 |
| Additions | – | 1,291 | 36 | – | 69,300 | 3,151 | 73,778 |
| Acquisition of a subsidiary *(note 31)* | – | – | 3 | – | – | 1,411 | 1,414 |
| Transferred from CIP | – | 3,146 | – | – | 41,180 | (44,326) | – |
| Disposals | – | (7) | – | (1,051) | – | – | (1,058) |
| At 31 December 2015 | 48,487 | 291,805 | 5,838 | 8,318 | 403,743 | 22,863 | 781,054 |
| **Accumulated depreciation and impairment:** | | | | | | | |
| At 1 January 2015 | 6,860 | 48,035 | 3,659 | 5,746 | 49,835 | – | 114,135 |
| Provided for the year | 2,332 | 18,534 | 975 | 1,617 | 8,831 | – | 32,289 |
| Impairment recognised for the year *(note 13(b))* | | – | 4,147 | – | 2,058 | – | 6,205 |
| Disposals | – | – | – | (863) | – | – | (863) |
| At 31 December 2015 | 9,192 | 70,716 | 4,634 | 6,500 | 60,724 | – | 151,766 |
| **Net carrying amount:** | | | | | | | |
| At 1 January 2015 | 41,627 | 239,340 | 2,140 | 3,623 | 243,428 | 62,627 | 592,785 |
| At 31 December 2015 | 39,295 | 221,089 | 1,204 | 1,818 | 343,019 | 22,863 | 629,288 |
| **31 December 2014** | | | | | | | |
| **Cost:** | | | | | | | |
| At 1 January 2014 | 48,487 | 286,232 | 5,728 | 9,369 | 244,007 | 62,250 | 656,073 |
| Additions | – | 680 | 71 | – | 49,256 | 840 | 50,847 |
| Transferred from CIP | – | 463 | – | – | – | (463) | – |
| At 31 December 2014 | 48,487 | 287,375 | 5,799 | 9,369 | 293,263 | 62,627 | 706,920 |
| **Accumulated depreciation:** | | | | | | | |
| At 1 January 2014 | 4,575 | 29,945 | 2,556 | 4,053 | 36,901 | – | 78,030 |
| Provided for the year | 2,285 | 18,090 | 1,103 | 1,693 | 12,934 | – | 36,105 |
| At 31 December 2014 | 6,860 | 48,035 | 3,659 | 5,746 | 49,835 | – | 114,135 |
| **Net carrying amount:** | | | | | | | |
| At 1 January 2014 | 43,912 | 256,287 | 3,172 | 5,316 | 207,106 | 62,250 | 578,043 |
| At 31 December 2014 | 41,627 | 239,340 | 2,140 | 3,623 | 243,428 | 62,627 | 592,785 |

*31 December 2015*

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) As at 31 December 2015, the Group was in the customary process of obtaining the relevant building ownership certificates ("BOCs") for the Group's plant with a net carrying amount of RMB8,081,000 (2014: RMB8,607,000). The Group's plant can only be sold, transferred or mortgaged when the relevant BOCs have been obtained.

(b) As at 31 December 2015, the Group's plant with a net carrying amount of approximately RMB8,081,000 (2014: RMB8,607,000) was erected on the land where the Group was still in the process of applying for the land use rights certificate.

(c) As at 31 December 2015, the Group's property, plant and machinery with a net carrying amount of RMB72,479,000 (31 December 2014: not applicable) were pledged to secure certain bank and other loans granted to the Group (note 25(b) & (e)).

## 13. INTANGIBLE ASSETS

| | **Mining rights** RMB'000 | **Exploration and evaluation assets** RMB'000 | **Total** RMB'000 |
|---|---|---|---|
| **31 December 2015** | | | |
| Cost at 1 January 2015, net of accumulated amortisation and impairment | 372,038 | 257,278 | 629,316 |
| Additions | – | 24,503 | 24,503 |
| Acquisition of a subsidiary *(note 31)* | 137,475 | – | 137,475 |
| Amortisation provided during the year | (7,157) | – | (7,157) |
| Impairment recognised for the year | (44,146) | – | (44,146) |
| At 31 December 2015 | 458,210 | 281,781 | 739,991 |
| **Analysed as:** | | | |
| Cost | 534,650 | 281,781 | 816,431 |
| Accumulated amortisation | (32,294) | – | (32,294) |
| Impairment | (44,146) | – | (44,146) |
| Net carrying amount | 458,210 | 281,781 | 739,991 |

## 13. INTANGIBLE ASSETS (continued)

| | Mining rights RMB'000 | Exploration and evaluation assets RMB'000 | Total RMB'000 |
|---|---|---|---|
| **31 December 2014** | | | |
| Cost at 1 January 2014, net of accumulated amortisation and impairment | 377,150 | 243,148 | 620,298 |
| Additions | – | 14,130 | 14,130 |
| Amortisation provided during the year | (8,334) | – | (8,334) |
| Reversal of impairment during the year | 3,222 | – | 3,222 |
| At 31 December 2014 | 372,038 | 257,278 | 629,316 |
| **Analysed as:** | | | |
| Cost | 397,175 | 257,278 | 654,453 |
| Accumulated amortisation | (25,137) | – | (25,137) |
| Net carrying amount | 372,038 | 257,278 | 629,316 |

(a) As at 31 December 2015, the Group's intangible assets with a net carrying amount of approximately RMB61,902,000 (31 December 2014: not applicable) were pledged to secure certain bank and other loans granted to the Group (note 25(b) & (e)).

(b) **Impairment**

In accordance with the Group's accounting policies, each asset or cash generate unit ("CGU") is evaluated annually at 31 December, to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

## 13. INTANGIBLE ASSETS (continued)

### (b) Impairment (continued)

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal (FVLCD) and value in use (VIU). Management has performed impairment assessment on all of the carrying amounts of the Group's property, plant and equipment and intangible assets including those relating to the Menghu Mine and the Dakuangshan Mine. For the purpose of impairment assessment, Menghu CGU (comprising the mining right to the Menghu Mine, and mining infrastructure at the Menghu Mine) and Dakuangshan CGU (comprising the mining right to the Dakuangshan Mine, Dakuangshan processing plant and mining infrastructure at the Dakuangshan Mine) are treated as two separate CGUs. The recoverable amount of Menghu CGU is estimated based on its FVLCD and the recoverable amount of Dakuangshan CGU is estimated based on its VIU, determined by discounting the future cash flows to be generated from the continuing use of these CGUs. The recoverable amounts are determined based on the calculation using cash flow projections according to financial budgets covering a five-year period approved by management with pre-tax discount rates of 19.72% and 18.68% for Menghu CGU and Dakuangshan CGU, respectively. The CGU cash flows beyond the five-year period are extrapolated using a zero growth rate until the end of the respective asset useful lives. Other key assumptions used in the estimation of value in use are as follows:

*Recoverable resources* — Economic recoverable resources represent managements' expectations at the time of completing the impairment testing, which comprise indicated resources based on reserves statements prepared by appropriate competent persons.

*Budgeted gross margins* — The basis used to determine the value assigned to the budgeted gross margins is the gross margin achieved in December 2015.

*Production volumes* — Estimated production volumes are based on the detailed lives of mine plans and take into account development plans of the mines agreed by management as part of the long-term planning process.

*Discount rate* — The discount rates used are pre-tax and reflect specific risks relating to the relevant units.

The values assigned to key assumptions are consistent with external information sources.

Based on the above-mentioned impairment assessment, the recoverable amounts of Menghu CGU and Dakuangshan CGU were RMB85,048,000 and RMB247,754,000, respectively, which were RMB21,744,000 and RMB28,607,000 lower than their respective carrying amounts of RMB106,792,000 and RMB276,361,000 as at 31 December 2015, resulting in recognition of impairment losses as follows:

**Impairment loss recognised on property, plant and equipment**

An impairment loss of RMB6,205,000 was recognised for the Reporting Period to write down the carrying amounts of the mining infrastructure at the Menghu Mine, Dakuangshan processing plant and mining infrastructure at the Dakuangshan Mine to their recoverable amounts of RMB4,855,000, RMB44,072,000 and RMB5,658,000, respectively as at 31 December 2015.

## 13. INTANGIBLE ASSETS (continued)

### (b) Impairment (continued)

**Impairment loss recognised on intangible assets**

An impairment loss of RMB44,146,000 was recognised for the Reporting Period to write down the carrying amounts of mining rights to the Menghu Mine and the Dakuangshan Mine to their recoverable amounts of RMB80,193,000, RMB198,024,000, respectively as at 31 December 2015.

In relation to Menghu CGU and Dakuangshan CGU that were impaired during the Reporting Period, any variation in the key assumptions above would either result in further impairment or lead to a reversal of impairment.

The determination of FVLCD for Menghu CGU and VIU of Dakuangshan CGU are considered to be Level 3 fair value measurements for the Reporting Period (2014: Not applicable), as they are derived from valuation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

## 14. PREPAID LAND LEASE PAYMENTS

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Carrying amount at 1 January | 12,587 | 12,857 |
| Recognised during the year | (270) | (270) |
| Carrying amount at 31 December | 12,317 | 12,587 |
| Current portion included in prepayments, deposits and other receivables *(note 19)* | (270) | (270) |
| Non-current portion | 12,047 | 12,317 |

As at 31 December 2015, the Group's prepaid land lease payments with a net carrying amount of approximately RMB12,048,000 (31 December 2014: not applicable) were pledged to secure certain bank and other loans granted to the Group (note 25(b) & (e)).

## 15. PAYMENTS IN ADVANCE

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| *In respect of the purchase of:* | | |
| Prepaid land lease payments | 11,883 | 11,883 |
| Property, plant and equipment | 25,897 | 66,913 |
| Exploration rights | 9,911 | 9,911 |
| | 47,691 | 88,707 |

## 16. DEFERRED TAX

The movements in deferred tax assets are as follows:

| | Provision for impairment RMB'000 | Accrued interest expenses RMB'000 | Losses available for offsetting against taxable profits RMB'000 | Unrealised profit from intra-group sales RMB'000 | Provision for rehabilitation RMB'000 | Excess tax depreciation over book value of fixed assets RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2014 | – | 3,074 | 9,699 | 560 | 600 | 2,272 | 16,025 |
| Deferred tax credited/(charged) to profit or loss during the year | – | 2,848 | 5,616 | (68) | 282 | (892) | 7,786 |
| At 31 December 2014 and 1 January 2015 | – | 5,922 | 15,315 | 492 | 882 | 1,380 | 23,991 |
| Deferred tax credited/(charged) to profit or loss during the year *(note 9)* | 19,933 | – | 11,794 | (68) | 305 | (77) | 31,887 |
| At 31 December 2015 | 19,933 | 5,922 | 27,109 | 424 | 1,187 | 1,303 | 55,878 |

The Group has tax losses arising in Mainland China of RMB108,436,000 (2014: RMB61,260,000) that expire in two to five years for offsetting against future taxable profits.

Deferred tax assets recognised in respect of these losses arising from subsidiaries that have been loss making in 2015 are considered probable. Based on management's profit forecast projections, taxable profits will be available against which the tax losses can be utilised within five years before the expiry of the unused tax losses.

At 31 December 2015, the Group had tax losses arising in Hong Kong of RMB3,403,000 (2014: RMB3,360,000) that are available indefinitely for offsetting against future taxable profits of its Hong Kong subsidiary in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets related to the PRC subsidiaries have been provided at the enacted corporate income tax rate of 25%.

At 31 December 2015, no deferred tax liability has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences as associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB411,718,000 (2014: RMB448,988,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

## 17. INVENTORIES

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Raw materials | **9,118** | 4,470 |
| Spare parts and consumables | **1,064** | 1,213 |
| Finished goods | **16,758** | 17,413 |
| Total current inventories | **26,940** | 23,096 |

## 18. TRADE RECEIVABLES

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Trade receivables | **95,577** | 107,974 |
| Impairment | **(29,380)** | – |
| | **66,197** | 107,974 |

An ageing analysis of the trade receivables (net of impairment) as at the end of the reporting periods, based on the invoice date, is as follows:

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Within 3 months | **3,490** | 91,165 |
| 3 to 6 months | **–** | 4,763 |
| 6 to 9 months | **55,038** | 12,046 |
| 9 to 12 months | **7,669** | – |
| | **66,197** | 107,974 |

The Group granted a credit term of three months to its existing customers and extended the credit term to its two largest customers from six months to nine months since January 2015 given the continuing unfavourable market conditions. In view of the fact that the Group sells all of its products to a small number of customers, there is a high level of concentration of credit risk. The Group seeks to maintain strict control over the settlement of its outstanding receivables and has a credit control department to minimise credit risk. The Group does not hold any collateral or other credit enhancements over trade receivables. Trade receivables are non-interest-bearing and unsecured.

## 18. TRADE RECEIVABLES (continued)

Impairment of trade receivables recognised during the Reporting Period represented a provision for individually impaired trade receivables of RMB29,380,000 (2014: Nil) with a carrying amount before provision of RMB47,930,000 (2014: Nil). The individually impaired trade receivables related to certain customers that were in financial difficulties, which the Group had stopped supplying goods, initiated discussions on repayment terms and is in the midst of monitoring their repayment schedules. Whilst the Group will continue to follow up closely on the receivable status, the recoverability of part of the receivables has specifically been affected by the weak market condition, may be delayed by a longer-than-expected period or part of the receivables may not be recoverable. As such, the Group had made an impairment provision of RMB29,380,000 for the Reporting Period. Despite such provision and longer-than-expected repayment periods, the Group will initiate necessary actions to recover these receivables in part or in full.

The ageing analysis of the trade receivables, that are neither individually nor collectively considered to be impaired, is as follows:

| | **2015** **RMB'000** | 2014 RMB'000 |
|---|---|---|
| Neither past due nor impaired | **58,528** | 91,165 |
| Less than 3 months past due | **7,669** | 6,891 |
| 3 to 6 months past due | **–** | 9,918 |
| | **66,197** | 107,974 |

As at the reporting date, except for the above-mentioned provisions, the Directors are of the opinion that no further provision for impairment is necessary in respect of receivables of RMB7,669,000 (net of impairment) which is past due but not impaired as the balances are still considered fully recoverable based on the recent credit reviews conducted by management.

## 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | Notes | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| *Current portion:* | | | |
| Prepayments in respect of: | | | |
| — purchase of inventories | | **1,094** | 611 |
| — professional fees | *(a)* | **6,529** | 30 |
| — prepaid land lease payments to be amortised within one year | *14* | **270** | 270 |
| — others | | **1,568** | 1,661 |
| Deposits in respect of: | | | |
| — preliminary survey for certain lead and zinc mines | *(b)* | **8,327** | 1,300 |
| — bank loan guarantee | *(c)* | **–** | 4,200 |
| — others | | **610** | 167 |
| Staff advances | | **858** | 769 |
| | | **19,256** | 9,008 |
| *Non-current portion:* | | | |
| Prepayment in respect of purchase of inventories | *(d)* | **214,165** | 213,200 |
| Deposits in respect of: | | | |
| — environmental rehabilitation | | **1,170** | 1,170 |
| — others | | **300** | 722 |
| | | **215,635** | 215,092 |
| | | **234,891** | 224,100 |

*Notes:*

(a) The balance as at 31 December 2015 mainly represents the professional fee of RMB6,400,000 paid to an independent third party in relation to the consultancy service on financing strategy including assistance in obtaining new bank loans and negotiating with the bank regarding renewal of loans, which covers a period from 1 January 2016 to 31 December 2016.

(b) The balances represent good-faith deposits for conducting a preliminary survey of certain lead and zinc mines located in Myanmar. The balance as at 31 December 2014 was fully collected by the Group in February 2015.

(c) The balance as at 31 December 2014 represented the deposit paid to an independent third party in relation to its guarantee service provided for a one-year bank loan from China Construction Bank on 19 December 2013, which was fully refunded to the Group in the first half of 2015.

(d) The balances represent prepayments made to Xiangcaopo Mining, an independent third party supplier for tungsten and tin ores. Mr. Li Jincheng, the sole owner of Xiangcaopo Mining, entered into an equity pledge agreement with the Group in June 2011, pursuant to which Mr. Li Jincheng pledged his entire equity interests in Xiangcaopo Mining to the Group as security for the future delivery of the ores.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

## 20. AVAILABLE-FOR-SALE INVESTMENTS

The balance as at 31 December 2014 represents investments of one-year financial products with principal of RMB200,000,000 made in Ping An Bank, Chengdu Branch ("Ping An Bank") on 2 July 2014 pledged as security for the Group's other loans, which are designated as available-for-sale equity instruments and derecognised upon maturity on 1 July 2015.

## 21. STRUCTURED DEPOSITS

The balance as at 31 December 2014 consists of two tranches of one-year structured deposits with principal aggregated to RMB295,000,000 pledged as security for the Group's other loans, which have expected annual rates of return of at least 3.05% and up to 5.0%. These structured deposits are derecognised upon maturity on 26 June 2015 and 13 August 2015, respectively.

## 22. CASH AND CASH EQUIVALENTS

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Cash and bank balances | **672,738** | 781,558 |
| Cash and cash equivalents | **672,738** | 781,558 |

At the end of the reporting period, cash and bank balances of the Group were denominated in the following currencies:

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| RMB | **672,637** | 780,955 |
| HK$ | **83** | 549 |
| US$ | **18** | 54 |
| | **672,738** | 781,558 |

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## 23. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Within 1 month | **497** | 663 |
| 1 to 2 months | **231** | 844 |
| 2 to 3 months | **281** | 318 |
| Over 3 months | **8,340** | 8,151 |
| | **9,349** | 9,976 |

Trade payables are non-interest-bearing and are normally settled on terms of 4 months to 12 months.

## 24. OTHER PAYABLES AND ACCRUALS

| | *Note* | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|---|
| Advance from customers | | **16,214** | – |
| *Payables relating to:* | | | |
| Exploration and evaluation assets | | **7,000** | 10,429 |
| Property, plant and equipment | | **8,889** | 8,627 |
| Professional fees | | **4,699** | 3,171 |
| Tax other than income tax | | **96,424** | 85,719 |
| Payroll and welfare | | **315** | 342 |
| Mining resource compensation fees | | **18,137** | 16,838 |
| Mining resource usage fees | | **913** | 913 |
| Deposits received | | **6,222** | 3,100 |
| Interest expenses | | **8,500** | 19,287 |
| Acquisition of a subsidiary | *31* | **25,000** | – |
| Others | | **2,988** | 1,579 |
| | | **195,301** | 150,005 |
| Accruals | | **4,339** | 3,263 |
| | | **199,640** | 153,268 |

## 25. INTEREST-BEARING BANK AND OTHER LOANS

| | Notes | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| Bank loans: | | | |
| Guaranteed | *(a)* | – | 50,000 |
| Secured and guaranteed | *(b)* | 100,000 | – |
| | | 100,000 | 50,000 |
| Other loans: | | | |
| Secured | *(c)* | – | 467,568 |
| Guaranteed | *(d)* | – | 349,617 |
| Secured and guaranteed | *(e)* | 405,843 | 99,300 |
| | | 405,843 | 916,485 |
| | | 505,843 | 966,485 |

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| *Bank loans repayable:* | | |
| Within one year | 100,000 | 50,000 |
| | 100,000 | 50,000 |
| *Other loans repayable:* | | |
| Within one year | 100,984 | 916,485 |
| In the second year | 304,859 | – |
| | 405,843 | 916,485 |
| | 505,843 | 966,485 |
| Balances classified as current liabilities | (200,984) | (966,485) |
| Balances classified as non-current liabilities | 304,859 | – |

## 25. INTEREST-BEARING BANK AND OTHER LOANS (continued)

*Notes:*

(a) The balance as at 31 December 2014 represented the bank loan guaranteed by Mr. Ran Xiaochuan, which was fully repaid by the Group on 11 December 2015.

(b) The balance as at 31 December 2015 consists of (i) a one-year interest-bearing bank loan granted by Ping An Bank on 7 December 2015 of RMB50,000,000, which bears interest at a fixed rate of 5.22% per annum and is guaranteed by Mr. Ran Xiaochuan (note 34(a)); and (ii) a one-year interest-bearing bank loan granted by Ping An Bank on 14 December 2015 of RMB50,000,000, which bears interest at a fixed rate of 5.22% per annum and is guaranteed by Mr. Ran Xiaochuan (note 34(a)). Such loans were withdrawn from the three-year banking facilities of RMB900,000,000 granted by Ping An Bank on 25 June 2014 (the "Banking Facilities") guaranteed by Mr. Ran Xiaochuan. In addition, the Group and Ping An Bank entered into a mortgage agreement regarding the Banking Facilities in January 2015, which is secured by:

| | **Net book amount as at 31 December 2015 RMB'000** |
|---|---|
| *Secured by:* | |
| Property, plant and equipment | 72,479 |
| Intangible assets | 61,902 |
| Prepaid land lease payments | 12,048 |

(c) The balances as at 31 December 2014 consisted of (i) an other loan borrowed from Ping An Bank by way of gold lease arrangement, with the principal of RMB189,287,000 on 27 June 2014, which was secured by the pledge of the Group's structured deposits with the net carrying amount of RMB200,000,000 and was fully repaid by the Group on 26 June 2015; (ii) an other loan borrowed from Ping An Bank by way of gold lease arrangement, with the principal of RMB188,670,000 on 4 July 2014, which was secured by the pledge of the Group's available-for-sale equity investments with the net carrying amount of RMB200,000,000 and was fully repaid by the Group on 3 July 2015; and (iii) an other loan borrowed from Ping An Bank by way of gold lease arrangement, with the principal of RMB89,611,000 on 14 August 2014, which was secured by the pledge of the Group's structured deposits with the net carrying amount of RMB95,000,000 and was fully repaid by the Group on 13 August 2015. The Group settled all the other loans mentioned above by delivery of a pre-specified quantity of gold through a forward purchase contract at a price which equalled the principal plus interest due.

(d) The balances as at 31 December 2014 consisted of (i) an other loan borrowed from Ping An Bank by way of gold lease arrangement, with the principal of RMB299,617,000 on 25 June 2014, which was guaranteed by Mr. Ran Xiaochuan and was fully repaid by the Group on 24 June 2015. The Group settled it by delivery of a pre-specified quantity of gold through a forward purchase contract at a price which equalled the principal plus interest due; and (ii) proceeds from discounted intra-group bills receivable of RMB50,000,000 guaranteed by Mr. Ran Xiaochuan.

(e) Balances as at 31 December 2015 consist of (i) an other loan borrowed from Ping An Bank by way of gold lease arrangement, with the principal of RMB100,984,000 on 29 July 2015, which bears interest at a fixed rate of 6.8% per annum with maturity date on 28 July 2016, guaranteed by Mr. Ran Xiaochuan (note 34(a)) and secured by 99% of the equity interests in Kunrun, 90% of the equity interests in Dakuangshan Company, 90% of the equity interests in Liziping Company and 90% of the equity interests in Menghu Company; and (ii) an other loan borrowed from Ping An Bank by way of gold lease arrangement, with the principal of RMB304,859,000 on 24 June 2015 withdrawn from the Banking Facilities, which is guaranteed by Mr. Ran Xiaochuan (note 34(a)) and bears interest at a fixed rate of 7.5% per annum with maturity date on 23 June 2017. The Group has undertaken to settle both the other loans mentioned above by delivery of a pre-specified quantity of gold through a forward purchase contract at a price which equals the principal plus interest due.

Management has assessed that the fair values of the Group's short-term interest-bearing bank and other loans approximate to their carrying amounts largely due to the short-term maturities of these instruments. The carrying amounts of the Group's long-term interest-bearing other loans approximate to their fair values based on the prevailing borrowing rates available for loans with similar terms and maturities during the reporting period. The fair value measurement hierarchy of the above interest-bearing bank loans requires significant observable inputs (Level 3).

## 26. PROVISION FOR REHABILITATION

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| At beginning of year | **17,078** | 15,949 |
| Unwinding of a discount *(note 6)* | **1,219** | 1,129 |
| At end of year | **18,297** | 17,078 |

## 27. SHARE CAPITAL

### Shares

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Authorised: | | |
| 38,000,000,000 (2014: 38,000,000,000) ordinary shares of HK$0.00001 each | **342** | 342 |
| Issued and fully paid: | | |
| 1,988,765,000 (2014: 1,988,765,000) ordinary shares of HK$0.00001 each | **17** | 17 |

There was no change in the authorised and issued capital of the Company during the Reporting Period.

## 28. SHARE-BASED PAYMENT TRANSACTIONS

### (a) Award Shares

The Company held an extraordinary general meeting on 9 August 2013, at which the shareholders approved the service agreement dated 28 May 2013 made between Mr. Ji He and the Company (the "Service Agreement").

Subject to the Service Agreement, the Company shall allot and issue 67,003,511 new shares in the Company ("Award Shares") to Mr. Ji He, the chief executive officer of the Company at nil consideration. Award Shares will be granted to Mr. Ji He in three tranches and each tranche represents 1% of the Company's issued shares on a fully diluted basis on the day when each tranche becomes awardable. Particulars of the Award Shares were set out in the Company's circular to shareholders dated 18 July 2013.

On 21 February 2014, Mr. Ji He resigned as an executive Director and the chief executive officer of the Company to pursue his other business interests. The Award Shares lapsed upon Mr. Ji He's resignation and the expense in relation to the Award Shares accounted for in 2013 amounting to approximately RMB6,578,000 was reversed in 2014.

## 28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### (b) Share option scheme

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants including executives or officers (including executive, non-executive and independent non-executive Directors) or employees (whether full time or part time) of any member of the Group and any persons whom the Directors consider at their sole discretion, have contributed or will contribute to the development and growth of the Group. The Share Option Scheme was approved by the Company's shareholders on 24 November 2011 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of the shareholders' approval of the Share Option Scheme (i.e., 24 November 2011). The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a Director, a chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a vesting period of one to four years and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Share Option Scheme, if earlier.

The exercise price of share options is determinable by the board of Directors, but may not be less than the highest of (i) the nominal value of shares of the Company; (ii) the average HKSE closing price of the Company's shares for the five trading days immediately preceding the date of grant of the share options; and (iii) the HKSE closing price of the Company's shares on the date of grant of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

## 28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### (b) Share option scheme (continued)

The following share options were outstanding under the Share Option Scheme during the Reporting Period:

| | *Notes* | Weighted average exercise price HK$ per share | Number of options |
|---|---|---|---|
| As at 1 January 2015 | | | |
| — share options granted to the independent non-executive Directors | *(i)* | 2.22 | 42,162,162 |
| — the 2013 Granted Options (defined in note 28(b)(i)) | *(i)* | 1.70 | 117,637,838 |
| Forfeited during the year | *(ii)* | 1.70 | (47,545,946) |
| As at 31 December 2015 | | | 112,254,054 |

*Notes:*

(i) The share options outstanding as at 1 January 2015 represented 42,162,162 share options granted by the Company on 14 December 2011 at the exercise price of HK$2.22 per share and 117,637,838 share options granted by the Company on 16 January 2013 at the exercise price of HK$1.70 to certain of the eligible participants of the Company in respect of their services to the Group in the forthcoming year (the "2013 Granted Options") under the Share Option Scheme.

(ii) The share options granted to certain eligible participants under the 2013 Granted Options were forfeited following the resignation of the participants during the Reporting Period.

The exercise prices and exercise periods of the share options outstanding as at 31 December 2015 and 31 December 2014 are as follows:

**2015**

| Number of options | Exercise price per share* HK$ | Exercise period |
|---|---|---|
| 10,540,536 | 2.22 | From 14 December 2012 to 13 December 2016 |
| 15,810,813** | 2.22 | From 11 June 2013 to 13 December 2016 |
| 5,270,271 | 2.22 | From 14 December 2013 to 13 December 2016 |
| 5,270,271 | 2.22 | From 14 December 2014 to 13 December 2016 |
| 5,270,271 | 2.22 | From 14 December 2015 to 13 December 2016 |
| 35,045,946 | 1.70 | From 16 January 2014 to 15 January 2018 |
| 17,522,973 | 1.70 | From 16 January 2015 to 15 January 2018 |
| 17,522,973 | 1.70 | From 16 January 2016 to 15 January 2018 |
| 112,254,054 | | |

## 28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### (b) Share option scheme (continued)

**2014**

| Number of options | Exercise price per share* HK$ | Exercise period |
|---|---|---|
| 10,540,536 | 2.22 | From 14 December 2012 to 13 December 2016 |
| 15,810,813** | 2.22 | From 11 June 2013 to 13 December 2016 |
| 5,270,271 | 2.22 | From 14 December 2013 to 13 December 2016 |
| 5,270,271 | 2.22 | From 14 December 2014 to 13 December 2016 |
| 5,270,271 | 2.22 | From 14 December 2015 to 13 December 2016 |
| 58,818,919 | 1.70 | From 16 January 2014 to 15 January 2018 |
| 29,409,460 | 1.70 | From 16 January 2015 to 15 January 2018 |
| 29,409,459 | 1.70 | From 16 January 2016 to 15 January 2018 |
| 159,800,000 | | |

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The share options granted to three Independent Non-Executive Directors who failed to be reappointed during the Company's 2013 annual general meeting held on 11 June 2013 become immediately exercisable according to their service agreements with the Company.

The Group had 94,731,081 share options exercisable as at 31 December 2015 (2014: 95,710,810). The Group reversed a share option expense of HK$605,000 (equivalent to approximately RMB486,000) during the Reporting Period (a share option expense recognised in 2014: HK$11,774,000, equivalent to approximately RMB9,536,000).

The fair value of equity-settled share options granted was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

| | Equity-settled share options granted on: 14 December 2011 | 16 January 2013 |
|---|---|---|
| Dividend yield (%) | 1.83 | 2.90 |
| Expected volatility (%) | 63.65 | 52.37 |
| Risk-free interest rate (%) | 0.83 | 0.38 |

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

## 28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### (b) Share option scheme (continued)

At the end of the Reporting Period, the Company had 112,254,054 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 112,254,054 additional ordinary shares of the Company and additional share capital of HK$1,123 and share premium of at least HK$212,755,093 (before issue expenses).

At the date of approval of these financial statements, the Company had 112,254,054 share options outstanding under the Share Option Scheme, which represented approximately 5.6% of the Company's shares in issue as at that date.

## 29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 5 of the financial statements.

### (a) Share premium account

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

### (b) Reserve funds

In accordance with the Company Law of the PRC and the respective articles of association of subsidiaries domiciled in Mainland China, each of the PRC subsidiaries is required to allocate 10% of its profit after tax, as determined in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP"), to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital.

As Dehong Yinbang and Yunnan Next Horizon are wholly-foreign-owned enterprises, allocation to the SSR is not required. According to the Rules for the Implementation of Foreign-funded Enterprise Law of the PRC and articles of association of Dehong Yinbang and Yunnan Next Horizon, Dehong Yinbang and Yunnan Next Horizon are required to allocate 10% of profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of their registered capital.

As Dehong Yinrun is a foreign investment enterprise, allocation to the SSR is not required. According to Dehong Yinrun's articles of association, Dehong Yinrun is required to allocate 10% of its profit after tax in accordance with PRC GAAP to the SRF.

The SSR and SRF are non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations. They can be used to offset accumulated losses or capitalised as paid-up capital.

## 29. RESERVES (continued)

### (c) Safety fund surplus reserve

Pursuant to the Notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC in February 2012, the Group is required to establish a safety fund surplus reserve based on the volume of mineral ore extracted. The safety fund can only be transferred to retained profits to offset safety related expenses as and when incurred, including expenses related to safety protection facilities and equipment improvement and maintenance as well as safety production inspection, appraisal, consultation and training.

### (d) Capital contribution reserve

The Group recognised an expense of RMB6,578,000 for the year ended 31 December 2013 in relation to Award Shares with a corresponding amount credited to the capital contribution reserve, which was reversed upon Mr. Ji He's resignation on 21 February 2014.

The Group recognised an expense of RMB233,000,000 for the year ended 31 December 2011 in relation to awarded shares to Mr. Zhu Xiaolin, the former executive Director and chief executive officer of the Company, with a corresponding amount credited to the capital contribution reserve.

### (e) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

## 31. ACQUISITION

The Group entered into a framework agreement of equity transfer on 20 April 2015 with Ms. OHN MAR WIN ("Ms. OHN"), the then owner of Harbor Star and an independent third party. Harbor Star owns a mining right to Aung Jiujia Mine, a lead-zinc mine located in Myanmar which is valid until 28 March 2016. The Group made a prepayment of RMB100,000,000 to Ms. OHN in June 2015. On 24 December 2015, the Group entered into a sale and purchase agreement (the "Agreement") with Ms. OHN, pursuant to which the Group agreed to acquire and Ms. OHN agreed to sell a 90% equity interest in Harbor Star for a total consideration of RMB125,000,000. The remaining consideration of RMB25,000,000 will be paid by the Group on the fifth business day after the change of business registration of Harbor Star is completed. The acquisition of Harbor Star was completed on 28 December 2015 when the Group has control over Harbor Star upon all the precedent conditions stated in the Agreement being fulfilled. Particulars of the acquisition of the 90% equity interests in Harbor Star were set out in the Company's announcement dated 24 December 2015.

*31 December 2015*

## 31. ACQUISITION (continued)

The acquisition of Harbor Star has been accounted for as an asset acquisition, as this entity had no attributes of a business. The identified assets and liabilities as at the acquisition date were as follows:

| | RMB'000 |
|---|---|
| Property, plant and equipment *(note 12)* | 1,414 |
| Intangible assets *(note 13)* | 137,475 |
| Non-controlling interests | (13,889) |
| Total identifiable net assets at fair value | 125,000 |
| Satisfied by: | |
| Cash | 100,000 |
| Other payables | 25,000 |
| | 125,000 |

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

| | RMB'000 |
|---|---|
| Cash consideration | 100,000 |
| Cash and bank balances acquired | – |
| Net outflow of cash and cash equivalents during the Report Period | 100,000 |

## 32. COMMITMENTS

The Group had the following capital commitments at the end of the Reporting Period:

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Contracted, but not provided for: | | |
| — Exploration and evaluation assets | **5,935** | 7,746 |
| — Property, plant and equipment | **27,578** | 28,046 |
| | **33,513** | 35,792 |
| Authorised, but not contracted for: | | |
| — Property, plant and equipment | **191,500** | 98,179 |
| — Exploration and evaluation assets | **8,600** | 22,977 |
| | **200,100** | 121,156 |
| | **233,613** | 156,948 |

*31 December 2015*

## 33. CONTINGENT LIABILITIES

At the end of the Reporting Period, neither the Group nor the Company had any significant contingent liabilities.

## 34. RELATED PARTY TRANSACTIONS

(a) During the Reporting Period, the Group had the following material transactions with its related party:

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| **Bank loan guaranteed by** | | |
| Mr. Ran Xiaochuan | 100,000 | 50,000 |
| **Other loan guaranteed by** | | |
| Mr. Ran Xiaochuan | 405,843 | 448,917 |

The bank and other loans were guaranteed by Mr. Ran Xiaochuan, the Company's executive Director, for nil consideration (note 25(b) & (e)).

(b) Compensation of key management personnel of the Group:
Details of Directors' and the chief executives' emoluments, which are also the emoluments of the Group's key management are included in note 8 to the financial statements.

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and bank balances, structured deposits, available-for-sale equity investments and trade and other receivables, which arise directly from its operations. Financial liabilities of the Group mainly include trade and other payables and interest-bearing bank and other loans.

Risk management is carried out by the finance department which is led by the Group's executive Directors. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and interest rate risk.

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. The board regularly reviews these risks and they are summarised below:

### Credit risk

Substantial amounts of the Group's cash and cash equivalents are held in major reputable financial institutions located in Mainland China, which management believes are of high credit quality. The credit risk of the Group's other financial assets, which are trade receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments before the impairment provision. The Group has no other financial assets which carry significant exposure to credit risk.

As disclosed in note 4, the Group sells all of the products to a small number of customers. As a result, it faces a high level of concentration of credit risk. The Group manages this risk by offering standardised credit terms to its customers for a credit period of three months, and up to nine months for its two largest customer during the Reporting Period. As disclosed in note 18, the Group seeks to maintain strict control over its outstanding receivables and senior management regularly reviews the overdue balances. The Group made an impairment provision of RMB29,380,000 (2014: Nil) on trade receivables due from the Group's two largest customers for the Reporting Period. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

In addition, the Group's exposure to credit risk is also influenced by the individual characteristics of each customer and default risk of the industry in which customers operate. During the Reporting Period, the Group generated its revenue from the sale of lead-silver concentrates and zinc-silver concentrates to trading companies that purchase the Group's products and resell them to smelting companies, thereby exposing the Group to the concentration of credit risk in the refined lead and zinc industry.

### Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and its own funding sources.

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk (continued)

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

| | 31 December 2015 | | | | |
|---|---|---|---|---|---|
| | On Demand RMB'000 | Less than 3 months RMB'000 | 3 to Less than 12 months RMB'000 | 1 to less than 5 years RMB'000 | Total RMB'000 |
| Other payables | 50,712 | 31,636 | – | – | 82,348 |
| Trade payables | 8,852 | 497 | – | – | 9,349 |
| Interest-bearing bank and other loans | – | 8,715 | 224,411 | 315,884 | 549,010 |
| | 59,564 | 40,848 | 224,411 | 315,884 | 640,707 |

| | 31 December 2014 | | | | |
|---|---|---|---|---|---|
| | On Demand RMB'000 | Less than 3 months RMB'000 | 3 to Less than 12 months RMB'000 | 1 to less than 5 years RMB'000 | Total RMB'000 |
| Other payables | 47,290 | 9,169 | 7,485 | – | 63,944 |
| Trade payables | 9,313 | 663 | – | – | 9,976 |
| Interest-bearing bank and other loans | – | 12,194 | 988,482 | – | 1,000,676 |
| | 56,603 | 22,026 | 995,967 | – | 1,074,596 |

### Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits, structured deposits and interest-bearing bank and other loans. The interest rates and terms of repayment of interest-bearing borrowings are disclosed in note 25 to the financial statements. The Group manages its interest rate exposure arising from its interest-bearing bank and other loans through the use of fixed rates. In addition, the Group has not used any interest rate swaps to hedge against interest rate risk.

In addition, the Group does not consider that it has any significant exposure to the risk of changes in market interest rates from its bank deposits as a reasonably possible change of 25 basis points in the interest rates would have no material impact on the Group's profit or loss during the Reporting Period.

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Fair values

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's long-term interest-bearing other loans approximate to their fair values based on the prevailing borrowing rates available for loans with similar terms and maturities during the reporting period.

The carrying amounts of the Group's other financial instruments approximated to their fair values due to the short term to maturity at the end of the reporting period.

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing capital during the Reporting Period.

## 36. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group entered into set-off arrangements in respect of its balances of trade receivables and trade payables as at 31 December 2015 of RMB3,695,000 (2014: RMB3,110,000).

Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements are set out as follows:

| | Gross amount of recognised financial assets/ (liabilities) RMB'000 | Gross amount of recognised financial liabilities set off in the statement of financial position RMB'000 | Net amounts of financial assets (liabilities)/ presented in the statement of financial position RMB'000 |
|---|---|---|---|
| **31 December 2015** | | | |
| Trade receivables | **69,892** | **(3,695)** | **66,197** |
| Trade payables | **(13,044)** | **3,695** | **(9,349)** |
| **31 December 2014** | | | |
| Trade receivables | 111,084 | (3,110) | 107,974 |
| Trade payables | (13,086) | 3,110 | (9,976) |

*31 December 2015*

## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Deposit | – | 422 |
| Investments in subsidiaries | 1,197,297 | 1,132,207 |
| **Total non-current assets** | 1,191,297 | 1,132,629 |
| **CURRENT ASSETS** | | |
| Prepayments and deposits | 707 | 602 |
| Cash and cash equivalents | 76 | 550 |
| **Total current assets** | 783 | 1,152 |
| **CURRENT LIABILITIES** | | |
| Due to subsidiaries | 6,119 | 5,640 |
| Other payables and accruals | 3,152 | 1,968 |
| Dividend payable | – | 153 |
| **Total current liabilities** | 9,271 | 7,761 |
| **NET CURRENT LIABILITIES** | (8,488) | (6,609) |
| **NET ASSETS** | 1,182,809 | 1,126,020 |
| **EQUITY** | | |
| Issued capital | 17 | 17 |
| Reserves | 1,182,792 | 1,126,003 |
| **Total equity** | 1,182,809 | 1,126,020 |

**Ran Xiaochuan**
*Director*

**Lei Dejun**
*Director*

*31 December 2015*

## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

*Note:*

The movement of the Company's reserves is as follows:

| | Notes | Share premium account RMB'000 | Capital contribution reserve RMB'000 | Share option reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| 1 January 2014 | | 1,320,467 | 239,578 | 57,444 | (479,076) | 1,138,413 |
| Interim 2014 dividend declared | | (5,525) | – | – | – | (5,525) |
| Equity-settled share-based payments: | | | | | | |
| Share option expense | | – | – | 9,536 | – | 9,536 |
| Award shares | | – | (6,578) | – | – | (6,578) |
| Total comprehensive loss for the year | | – | – | – | (9,843) | (9,843) |
| At 31 December 2014 | | | | | | |
| 1 January 2015 | | 1,314,942 | 233,000 | 66,980 | (488,919) | 1,126,003 |
| Equity-settled share-based payments: | | | | | | |
| Share option expense | *28(b)* | – | – | (486) | – | (486) |
| Total comprehensive income for the year | | – | – | – | 57,275 | 57,275 |
| At 31 December 2015 | | 1,314,942 | 233,000 | 66,494 | (431,644) | 1,182,792 |

The share option reserve comprise the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

## 38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 2 February 2016.

| | |
|---|---|
| "2013 Granted Options" | the 157,837,833 share options which were granted to certain grantees on 16 January 2013 |
| "Aung Jiujia Mine" | a lead-zinc mine to which the Harbor Star owns the mining right |
| "Ag" | the chemical symbol for silver |
| "AGM" | the annual general meeting of the Company to be held on 27 May 2016 |
| "Articles of Association" | the articles of association of the Company, conditionally adopted on 24 November 2011 and as amended from time to time |
| "Board" | the board of Directors |
| "BVI" | the British Virgin Islands |
| "CG Code" | the Corporate Governance Code contained in Appendix 14 to the Listing Rules, as amended from time to time |
| "China" or "PRC" or "Mainland China" | the People's Republic of China which, for the purpose of this annual report and unless the context suggests otherwise, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan |
| "China Polymetallic" or "the Company" or "our Company" | China Polymetallic Mining Limited (中國多金屬礦業有限公司), a limited liability company incorporated under the laws of the Cayman Islands on 30 November 2009 |
| "Chinese Standard" | the PRC classification of solid mineral resources and reserves (中國固體礦產資源／儲備分類標準) |
| "Companies Law" | the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands |
| "Companies Ordinance" | the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time |
| "Competent Person's Report" | the Competent Person's Report, dated 25 November 2011, prepared by Runge Asia Limited, trading as Minarco-MineConsult with respect to the independent technical review and assessment of the Shizishan Mine; under such report, Minarco reviewed the geological and exploration information, completed a mineral resource and ore reserve estimation in compliance with the recommendations of the JORC Code, and reviewed and commented on the appropriateness of the planned mining methods and mine design, potential production profiles, forecast operating and capital expenditure, short and long term development plans, and environmental and social setting, for the Shizishan Mine, which was disclosed as appendix V to the Prospectus |

| | |
|---|---|
| "Dakuangshan Company" | Mang City Xindi Mining Company Limited (芒市鑫地礦業有限責任公司), a subsidiary of the Company whose registered office is at Mang City, Yunnan Province, the PRC |
| "Dakuangshan Mine" | a lead-zinc-silver polymetallic mine located in Mang City, Yunnan Province, the PRC, and operated by Dakuangshan Company |
| "Dazhupeng Mine" | a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, the PRC, with respect to which we hold an exploration permit |
| "Directors" | directors of the Company or any one of them |
| "g/t" | grams per tonne |
| "Harbor Star" or "Harbor Star Company" | Harbor Star Mining Company Limited, a subsidiary of the Company whose registered office is at Ruian County, Shan State, Myanmar |
| "HK$" | Hong Kong dollar(s), the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong Stock Exchange" or "HKSE" | The Stock Exchange of Hong Kong Limited |
| "IFRS" | International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB") and the International Accounting Standards (the "IAS") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect |
| "IPO" | the initial public offering and listing of shares of the Company on the main board of the Hong Kong Stock Exchange on 14 December 2011 |
| "JORC" | the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy |
| "JORC Code" | the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy and used to determine resources and reserves, as amended from time to time |
| "kg" | kilogram(s) |
| "km" | kilometre(s), a metric unit measure of distance |
| "kt" | thousand tonnes |

| | |
|---|---|
| "Kunrun" | Yingjiang County Kunrun Industry Company Limited (盈江縣昆潤實業有限公司), a subsidiary of the Company whose registered office is at Yingjiang County, Yunnan Province, the PRC |
| "Listing" | the listing of our shares on the Hong Kong Stock Exchange |
| "Listing Date" | 14 December 2011 |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange |
| "Liziping Company" | Nujiang Shengjia Chengxin Industrial Company Ltd. (怒江州聖佳誠信實業有限公司), a subsidiary of the Company whose registered office is at Lanping County, Yunnan Province, the PRC |
| "Liziping Mine" | a lead-zinc-silver polymetallic mine to which the Liziping Company owns the exploration right |
| "Lushan Mine" | a tungsten-tin polymetallic ore mine located in Yingjiang County, Yunnan Province, the PRC, operated by Xiangcaopo Mining, an independent third party |
| "Menghu Company" | Meng La Chen Feng Mining Development Company Limited (勐腊縣宸豐礦業開發有限公司), a subsidiary of the Company whose registered office is at Mengla County, Yunnan Province, the PRC |
| "Menghu Mine" | a lead mine to which the Menghu Company owns the mining right |
| "mineral resource(s)" or "resource(s)" | a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction, as defined in the JORC Code. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into "inferred," "indicated," and "measured" categories |
| "Model Code" | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| "ore reserve(s)" or "reserve(s)" | the economically mineable part of a measured and/or indicated mineral resource, as defined by the JORC Code. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are subdivided, in order of increasing geological confidence, into probable reserves and proved reserves |

# GLOSSARY

| | |
|---|---|
| "Pb" | the chemical symbol for lead |
| "Prospectus" | the prospectus of the Company dated 2 December 2011 issued in connection with the IPO |
| "Reporting Period" | the year ended 31 December 2015 |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Shareholder(s)" | Shareholder(s) of the Company |
| "Shizishan Mine" | a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, the PRC, and operated by Kunrun |
| "sq.km." | square kilometer |
| "t" | tonne |
| "the Group" | the Company and its subsidiaries |
| "tpd" | tonnes per day |
| "US" or "United States" | the United States of America |
| "US$" or "US dollar(s)" | United States dollar(s), the lawful currency of the United States |
| "Xiangcaopo Mining" | Yunnan Xiangcaopo Mining Co., Ltd, a limited liability company in the PRC, currently wholly owned by Li Jincheng, an independent third party |
| "Zn" | the chemical symbol for zinc |

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