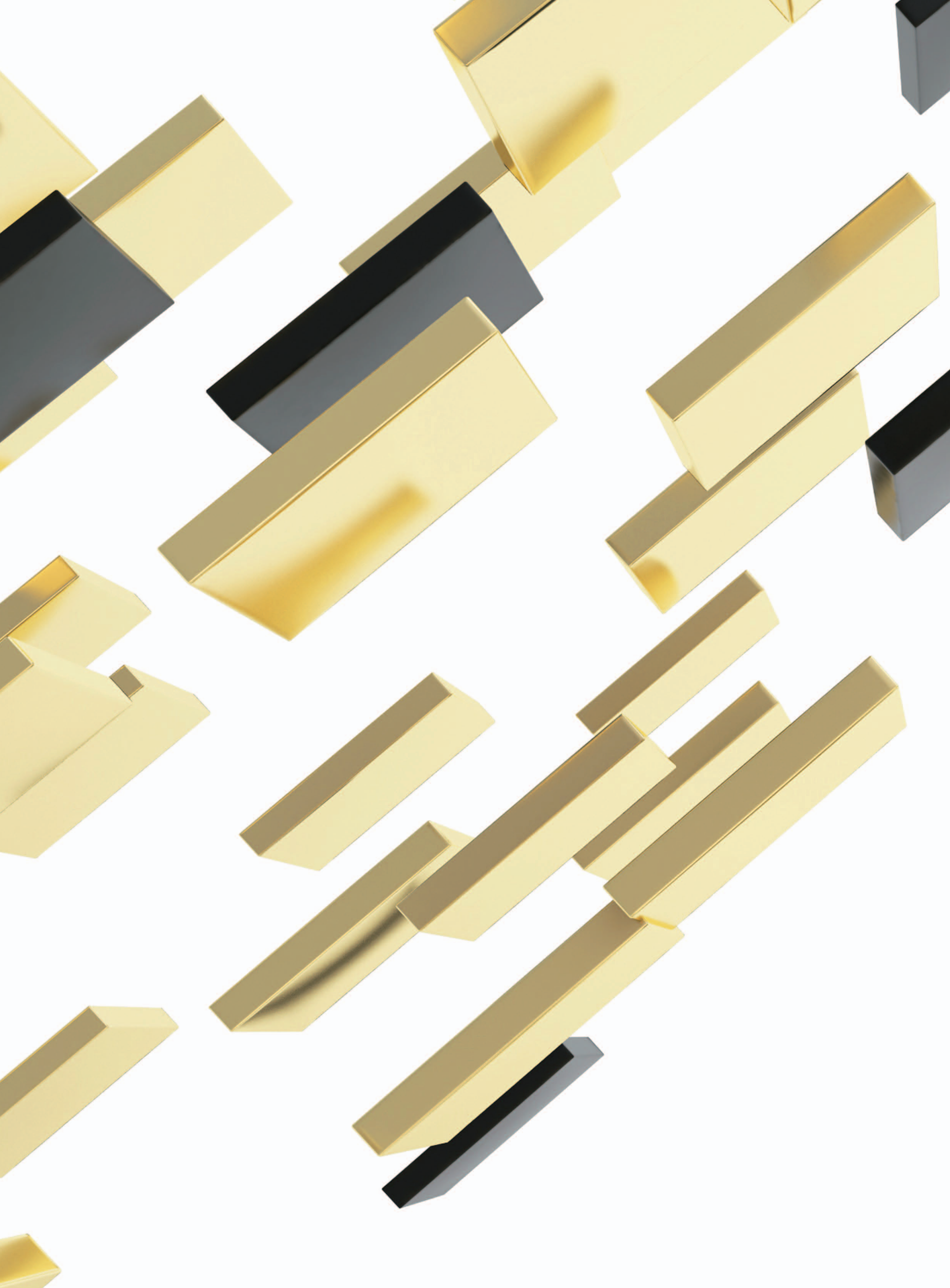
CHINA POLYMETALLIC MINING LIMITED
中國多金屬礦業有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2133

ANNUAL REPORT 2014



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 engages in mining non-ferrous metals to list on the Hong Kong Stock Exchange. With the Shizishan Mine and the Dakuangshan Mine having reached full capacity, the Company continues to develop and explore large and high-grade reserves. With all of our current operations in Yunnan Province, we own and operate 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 also explored the lead-zinc-silver Dazhupeng Mine in a proactive and orderly manner. We have also secured the long-term ore supply from the Lushan Mine, a tungsten-tin mine, at low cost and on an exclusive basis. 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 on 25 March 2015

DIRECTORS

Executive Director

Mr. Ran Xiaochuan *(Chairman)*

Non-Executive Directors

Mr. Andrew Joseph Dawber
Mr. Lee Kenneth Jue
Mr. Hu Shuo

Independent Non-Executive Directors

Mr. Christopher Michael Casey
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
Mr. Ran Xiaochuan

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

Mr. Lee Kenneth Jue *(Chairman)*
Mr. William Beckwith Hayden
Mr. Ran Xiaochuan

STRATEGY COMMITTEE

Mr. Miu Edward Kwok Chi *(Chairman)*
Mr. William Beckwith Hayden
Mr. Ran Xiaochuan

JOINT COMPANY SECRETARIES

Ms. Ho Siu Pik *(FCIS, FCS(PE))*
Ms. Nina (Xiaoxiao) Zhan

AUTHORISED REPRESENTATIVES

Mr. Ran Xiaochuan
Ms. Ho Siu Pik

REGISTERED OFFICE

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

HEAD OFFICE

22nd Floor, South Building
145 Tiantai Road
Hi-tech District
Chengdu, Sichuan Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

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

CORPORATE INFORMATION

As on 25 March 2015

AUDITORS

Ernst & Young

LEGAL ADVISERS

As to Hong Kong Law

Brandt Chan & Partners in association with
Dentons HK LLP

As to PRC Law

Commerce & Finance Law Offices

As to Cayman Islands Law

Conyers Dill & Pearman

INVESTOR RELATIONS CONTACT

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

PRINCIPAL BANKERS

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

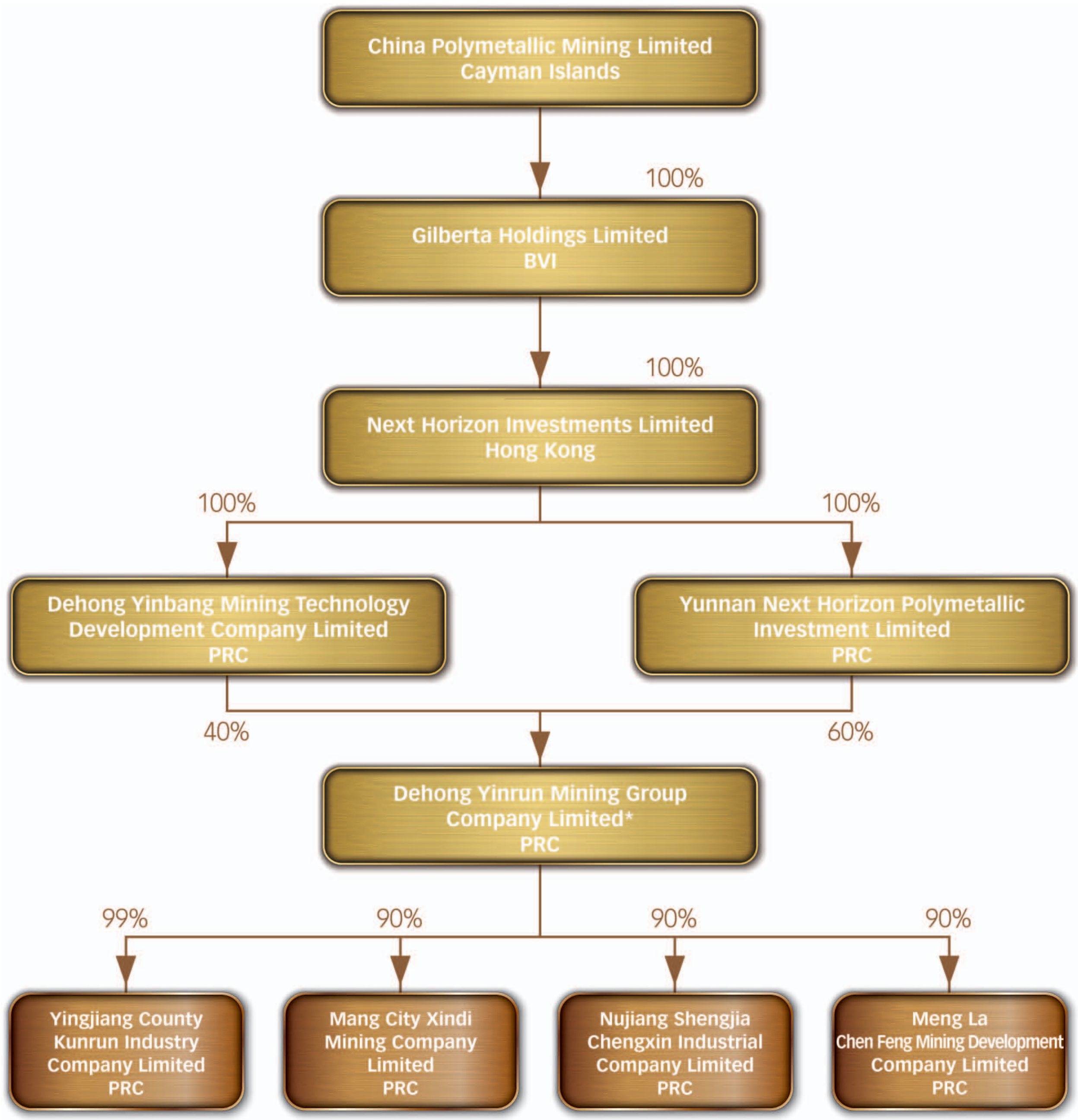
STOCK CODE

2133

WEBSITE ADDRESS

www.chinapolymetallic.com

CORPORATE STRUCTURE



* Formerly known as Dehong Yinrun Mining Technology Development Company Limited

FINANCIAL HIGHLIGHTS

The Group's summary of published results for the years ended 31 December 2010, 2011, 2012, 2013 and 2014 and the figures of assets, liabilities and non-controlling interests as on 31 December 2010, 2011, 2012, 2013 and 2014 are set out below:

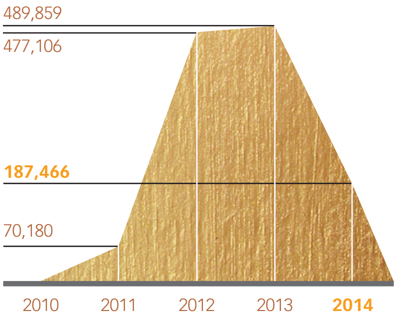
RESULTS

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**187,466**	489,859	477,106	70,180	–
Cost of sales	**(90,308)**	(126,193)	(86,912)	(16,214)	–
Gross profit	**97,158**	363,666	390,194	53,966	–
Other income and gains	**18,270**	1,758	3,534	2,760	5,576
Selling and distribution costs	**(1,246)**	(997)	(1,010)	(7)	–
Administrative expenses*	**(49,027)**	(128,630)	(120,780)	(287,457)	(11,987)
Other expenses	**(2,944)**	(7,629)	(3,793)	(2,855)	(235)
Finance costs	**(41,015)**	(12,633)	(5,047)	(382)	–
Profit/(loss) before tax	**21,196**	215,535	263,098	(233,975)	(6,646)
Income tax credit/(expenses)	**(9,441)**	(75,640)	(84,236)	(10,272)	1,586
Profit/(loss) for the year	**11,755**	139,895	178,862	(244,247)	(5,060)
Attributable to:					
The owners of the Company	**12,264**	138,487	176,984	(244,268)	(4,840)
Non-controlling interests	**(509)**	1,408	1,878	21	(220)
	11,755	139,895	178,862	(244,247)	(5,060)
Earnings/(loss) per share attributable to ordinary equity holders of the Company (RMB) — Basic and diluted	**0.006**	0.070	0.090	(0.210)	N/A

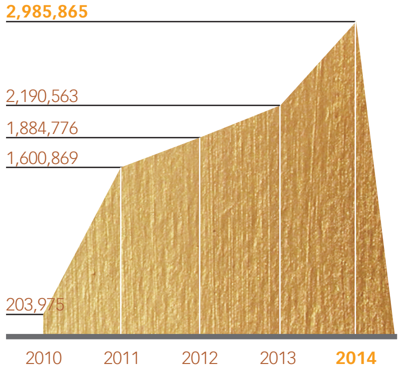
* For comparison purpose, equity-settled share-base payment of RMB233,000,000 in 2011 was included in "Administrative expenses".

FINANCIAL HIGHLIGHTS

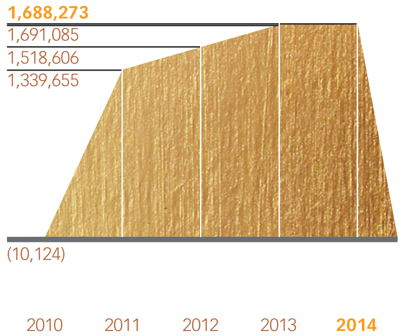
Revenue
(RMB'000)



Total Assets
(RMB'000)



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



ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As on 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Non-current assets	**1,562,208**	1,419,885	1,223,924	662,890	128,723
Current assets	**1,423,657**	770,678	660,852	937,979	75,252
Current liabilities	**1,229,431**	431,937	245,468	127,706	206,279
Non-current liabilities	**17,078**	15,949	74,903	132,178	351
Total equity/(deficit)	**1,739,356**	1,742,677	1,564,405	1,340,985	(2,655)
Non-controlling interests	**51,083**	51,592	45,799	1,330	7,469
Equity/(deficit) attributable to the owners of the Company	**1,688,273**	1,691,085	1,518,606	1,339,655	(10,124)

CHAIRMAN'S STATEMENT

"Delivering growth and creating value for our stakeholders"

DEAR SHAREHOLDERS,

I am pleased to present our annual report for the Reporting Period on behalf of the Board of China Polymetallic Mining Limited.

During the Reporting Period, in the face of significant adjustments to the global economy, instability accompanied recovery. Furthermore, the adjustments of macro policies by some countries created uncertainty at the same time that emerging economies faced new challenges. Differing currency policies of the governments of developed economies resulted in a large funds flow into the United States. China's GDP growth rate slowed to 7.4% and the increasing headwind experienced in its economic development resulted in much less predictable markets in the financial system causing investors to be increasingly conservative in managing their Chinese interests.

The excess production capacity worldwide has resulted in an imbalance between supply and demand of non-ferrous metals. In 2014, this imbalance combined with the economic slowdown in China had caused a direct and significant negative impact on the value of non-ferrous metals.

As part of our commitment to executing the strategy and deployment outlined at the time of the Group's listing, we have strived to overcome the negative impact of external factors on production levels, despite the turbulent macro-economic environment and relatively weak performance of the non-ferrous metals industry. Towards that end, we have achieved good results in effectively controlling expenditure, greatly reducing management costs and proactively optimising resource allocation. The Group has two mines in operation, namely the Shizishan Mine and the Dakuangshan Mine. During the Reporting Period, whilst working at deeper zones of the Shizishan Mine, we discovered that the grade and production volume of raw ores had decreased significantly due to greater fragmented ore bodies. To tackle such issues, the Group has focused on exploring mining methods and technologies in such situations. Simultaneously the Group has taken action to rebuild mining tunnels damaged by earthquakes and to improve the number of efficient working days by reducing mining dilution and loss rates with the intention of lowering mining costs and raising product quality. In addition, the exploration work in the Liziping

Mine, the Menghu Mine, the Dazhupeng Mine, and the Lushan Mine was conducted. Except for the Menghu Mine, the mining permits pertaining to the above mines are currently undergoing application process, and the Group has established a special task force to facilitate the progress of these applications.

During the Reporting Period, the Group recorded revenues of approximately RMB187.5 million and gross profit of approximately RMB97.2 million, representing a gross margin of 51.8%. The profits and comprehensive income attributable to the shareholders of the Group amounted to RMB12.3 million. During the Reporting Period, the Company paid an interim dividend of HK$0.0035 per share (equivalent to approximately RMB0.0028 per share) and the dividend payout ratio was 47% of profit and comprehensive income. The Board recognises and is grateful for the long-term support of the shareholders.

The management team will continue to work hard, focusing on overcoming challenges and difficulties from natural and external factors and endeavor to improve the grade of non-ferrous metals and the mining and processing capabilities of the Group by conducting research and exploring new mining methods and techniques whilst maintaining our exemplary safety record. With these efforts, the Group will grow and achieve sustainable profitability.

My heartfelt thanks and appreciations shall go to our shareholders for their confidence in and support of the strategies and development potential of the Company. In 2015, the Group will use its best efforts to actively implement every major task, to increase our revenues and profits, and to overcome development bottlenecks. As per our stated strategy, the Group will fully leverage its unique position as a leading mining company in China and its close proximity to our key customers to meet customers' demand for silver, lead and zinc, thereby maximizing returns for our shareholders.

By Order of the Board
China Polymetallic Mining Limited
Ran Xiaochuan
Chairman

Hong Kong, 25 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the Reporting Period, there were instabilities and uncertainties in the mining industry as the global economy was recovering slowly. Economists had projected that the global growth rate would drop to about 2.6% in 2014 from 3.0% in 2013. With serious structural challenges facing the world, downward pressure has remained on the prices of crude oil and some bulk commodities today. On currency and fiscal policies, the United States discontinued its quantitative easing policy, while Europe and Japan ramped up their fiscal stimulus. As currency policies of the emerging economies varied, international capital flows have differentiated and the international competition for capital investments became increasingly fierce. Against this backdrop, global investors had to meet new challenges in the capital market in 2014. From the perspective of the domestic trend, the situation facing China was still complex with favourable and adverse factors coexisting. In 2014, China's GDP growth rate slowed down to 7.4% from 7.7% in 2013, and substantial economic downward pressure remained.

The entire global non-ferrous industry remained weak in 2014. In China specifically, there was a significant drop in the non-ferrous metals market and it was challenging for investors to re-establish their confidence, given the economic sluggishness, excess production capacities and imbalances between supply and demand which could not be rectified in the short term.

China's output of lead in 2014 was 4.22 million tonnes, representing a year-on-year decrease of 5.7%, primarily due to the following two factors: firstly, the domestic primary lead producers were impacted significantly by the difficulties in the supply of lead ores. The decline of precious metal prices in 2014 resulted in a sharp drop of income for lead mines, which in turn had severely affected the production and shipments from those mines. Secondly, in 2014, as China further introduced more stringent environmental protection policy, the production of recycled lead and lead from medium- and small-sized lead mines was significantly reduced. As the increase in the US dollar index depressed lead prices coupled with China's economy deceleration, lead prices quoted on the London Metal Exchange dropped to US$2,113 per tonne from high levels. However, during the Reporting Period, China's zinc output was 5.83 million tonnes, up by 9.9% over the same period of last year, demonstrating a more encouraging trend. Zinc prices recorded new highs in recent three years and continued to perform at high levels. Prices of zinc quoted on the London Metal Exchange and the Shanghai Futures Exchange were US$2,166 to US$2,416 per tonne and US$15,870 to US$17,455 per tonne, respectively, and continues to perform at higher price ranges.

Despite challenges the non-ferrous metals industry faces, there are also many development opportunities. As an example, with the official launch of China (Shanghai) Pilot Free Trade Zone, eight international trade platforms will be established within the Zone for trading oil and natural gas, silver, non-ferrous metal and other futures, according to the Shanghai Municipal Government announced on 27 August 2014. In the same vein, on 18 September 2014, the Shanghai International Gold Trade Centre (上海國際黃金交易中心) of China (Shanghai) Pilot Free Trade Zone officially launched trading, which was of significance for further improving the capacity and integration of the gold market in China and better realizing the Renminbi's influence in the gold market. The future establishment of the international non-ferrous metals trade platform will enhance the financial market system and boost the future prosperity of the commodity market, thereby attracting more domestic and overseas investors.

MANAGEMENT DISCUSSION AND ANALYSIS

Meanwhile helpful new regulations have been proposed in the lead and zinc sector by the Ministry of Industry and Information Technology of the People's Republic of China. It is proposed that newly-built small scale lead-zinc mines shall not be granted permission if the proposed output is less than 100,000 tonnes per year. In addition a mining company adopting flotation process, must have its ore processing capacity not less than the exploration capacity of mines. This regulation will be effective in weeding out backward production enterprises while increasing metal prices and improving the profitability of the industry.

Looking into the future, with further increases in the automobile production in China, it is anticipated that lead price will rise from increasing demand for lead-acid storage battery as backup power, triggered by the development and expansion of mobile base stations. As for zinc, the slowdown in the growth of the real estate industry in 2014 was compensated for by the growth of other major consumption arising from infrastructure, automobile, vessels, power grid and other sectors. Meanwhile, the shortage of zinc metal becomes more acute, as large zinc mines around the world are being closed due to the depletion of their resources, resulting in zinc prices continuing to perform at high levels and outpacing that of other non-ferrous metals.

2015 is an important year of thoroughly intensifying the reform and the first year of managing state affairs in China. It is also the last year of comprehensively completing the Twelfth Five-Year Plan. In this year, the Chinese Government aims to focus on improving the quality and efficiency of economic development, proactively adopting the "new normal" of economic development, keeping the economy operating within a reasonable range, and striving for advancing traditional industries to middle- and high-end ones. National policies and such trends should be having a beneficial effect on boosting the growth of the consumption of non-ferrous metals, thereby offering a favourable environment for the steady development of the non-ferrous metals industry.

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 in the Yinjiang County of Yunnan Province. Based on the results of the resources and reserves for the Shizishan Mine as on 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 on 31 December 2014 were estimated below:

The Shizishan Mine — JORC Mineral Resources as on 31 December 2014

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	1,318,939	10.9	6.6	271.0	199,257	108,849	558
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	8,232,939	9.4	6.0	256.0	814,057	511,849	2,258

MANAGEMENT DISCUSSION AND ANALYSIS

The Shizishan Mine — JORC Ore Reserve Estimate as on 31 December 2014

Class	Quantity (t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Proved	1,198,939	10.0	6.1	251.0	166,857	89,249	458
Probable	5,713,000	9.0	5.9	250.0	514,500	336,900	1,400
Total	6,911,939	9.3	5.9	250.0	681,357	426,149	1,858

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 2013 of the Shizishan Mine operated by the Group:

	Items	Unit	2014	2013
ROM Ore	Mined	kt	**268.8**	453.8
	Effective working days	days	**135**	227
	Average output	tpd	**1,991**	1,999
	Processed	kt	**269.4**	454.6
Feed Grade	Lead	%	**4.0**	6.0
	Zinc	%	**3.3**	4.6
	Silver	g/t	**86**	139
Recovery	Lead	%	**79.6**	86.2
	Zinc	%	**79.8**	86.2
	Silver in lead concentrate	%	**72.3**	77.7
	Silver in zinc concentrate	%	**6.4**	7.7
Concentrate Grade	Lead	%	**55.0**	54.7
	Zinc	%	**45.1**	46.4
	Silver in lead concentrate	g/t	**1,073**	1,145
	Silver in zinc concentrate	g/t	**93**	127
Concentrate Tonnes	Lead-silver concentrate	t	**15,516**	42,987
	Zinc-silver concentrate	t	**15,899**	38,602
Metal Contained in Concentrate	Lead	t	**8,541**	23,526
	Zinc	t	**7,170**	17,910
	Silver in lead concentrate	kg	**16,654**	49,210
	Silver in zinc concentrate	kg	**1,477**	4,887

The designed mining and processing capacity of the Shizishan Mine is 2,000 tpd. During the Reporting Period, as the exploration and mining work shifted from the lower part of the 1,200 level to the upper part of the 1,150 level, ore bodies in these areas became more fragmented, resulting in higher dilution rate. This led to lower mining production volume and lower feed grade of the raw ores.

During the Reporting Period, two earthquakes with magnitudes of 5.6 and 6.1 hit Yingjiang County where the Shizishan Mine is located on 24 May 2014 and 30 May 2014, respectively. The earthquakes and their aftershocks caused damages to the tunnels of the Shizishan Mine. Progress in the mine was severely delayed due to the need to ensure safety for our workforce. Mining and production resumed gradually in June 2014 after numerous safety inspections.

As a result of the aforementioned factors, the total raw ore mined during the Reporting Period decreased by 185.0 kt to 268.8 kt, representing a drop of 40.8% as compared to 2013. The production volume of lead, zinc and silver also decreased by 14,985 t, 10,740 t and 35,966 kg, respectively, representing a decline of 63.7%, 60.0% and 66.5%, respectively as compared to 2013.

Production costs at the Shizishan Mine

The comparison of unit production cost at the Shizishan Mine is shown as follows:

Cost item		2014 RMB	2013 RMB	Variance RMB
Mining cost	(RMB/t of ore mined)	**58**	57	1
— subcontracting fee	(RMB/t of ore mined)	**58**	57	1
Processing cost	(RMB/t of ore processed)	**63**	66	(3)
— materials cost	(RMB/t of ore processed)	**24**	25	(1)
— labour	(RMB/t of ore processed)	**20**	19	1
— electricity and water	(RMB/t of ore processed)	**12**	16	(4)
— maintenance and others	(RMB/t of ore processed)	**7**	6	1
Administrative and other costs	(RMB/t of ore processed)	**3**	33	(30)
Production taxes and royalties	(RMB/t of ore processed)	**43**	30	13
Total cash cost	(RMB/t of ore processed)	**167**	186	(19)
Total cash cost	(RMB/t of concentrate)	**1,432**	1,036	396
Depreciation and amortisation	(RMB/t of ore processed)	**111**	84	27
Total production cost	(RMB/t of ore processed)	**278**	270	8
Total production cost	(RMB/t of concentrate)	**2,383**	1,504	879

MANAGEMENT DISCUSSION AND ANALYSIS

Compared to 2013, unit production cost per tonne of ore processed increased slightly by RMB8, or approximately 3.0% during the Reporting Period. Due to an electricity fee refund of RMB5.6 million, there was a significant decrease in administrative and other costs. This was offset by a decrease in the volume of ore processed, which resulted in an increase in taxes, royalties, depreciation and amortisation amount attributable to each tonne of ore processed.

Unit production cost per tonne of concentrate increased by RMB879, or 58.4%, which was greater than the increase of unit production cost per tonne of ore processed, mainly because the decrease in average feed grade led to a drop in concentrate output from ore processing.

Capital expenditure of the Shizishan Mine

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

(1) the tunnel construction project of the 1,250, the 1,200 and the 1,150 levels spanning 3,152 meters was completed as scheduled. The cross-sectional area of the constructed tunnels was 6–19 square meters. The main transport corridors, ventilation, power supply, water supply and drainage, and pedestrian tunnels of the supportive tunnel construction projects were also completed as scheduled;

(2) the exploration and cutting engineering of the 1,250, the 1,200 and the 1,150 levels spanning 2,961 meters were completed as scheduled. The cross-sectional area of the exploration and cutting tunnels was 4–16 square meters. A series of other engineering work, such as the routes for ore removal, undercutting engineering, service ventilation raise, slice tunnels, and routes for exploration and drilling routing were also completed; and

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

Capital expenditure of the Shizishan Mine during the Reporting Period and 2013 are shown below:

	2014 **RMB million**	2013 RMB million
Mining	**93.0**	168.0
Mining infrastructure	**93.0**	168.0
Processing	**0.8**	4.1
Processing factory and equipment	**0.6**	1.4
Tailing storage facilities	**0.2**	2.7
Total	**93.8**	172.1

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 in accordance with the Chinese Standard, 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 on 31 December 2014 were estimated as follows:

The Dakuangshan Mine — Chinese Standard Mineral Resources as on 31 December 2014

	Metal Resources			Grade		
	Lead (kt)	Zinc (kt)	Silver (t)	Lead (%)	Zinc (%)	Silver (g/t)
Indicated+Inferred	116.5	225.2	214.0	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 2013 of the Dakuangshan Mine operated by the Group:

	Items	Unit	2014	2013
ROM Ore	Mined	kt	**63.4**	95.2
	Effective working days	days	**148**	240
	Average output	tpd	**428**	397
	Processed	kt	**74.5**	82.7
Feed Grade	Lead	%	**1.2**	1.4
	Zinc	%	**2.3**	2.7
	Silver	g/t	**20**	23
Recovery	Lead	%	**80.5**	80.5
	Zinc	%	**81.7**	81.3
	Silver in lead concentrate	%	**67.7**	66.5
	Silver in zinc concentrate	%	**4.7**	6.5
Concentrate Grade	Lead	%	**52.8**	54.7
	Zinc	%	**44.3**	44.6
	Silver in lead concentrate	g/t	**752**	757
	Silver in zinc concentrate	g/t	**22**	30
Concentrate Tonnes	Lead-silver concentrate	t	**1,315**	1,646
	Zinc-silver concentrate	t	**3,206**	4,084
Metal Contained in Concentrate	Lead	t	**694**	900
	Zinc	t	**1,421**	1,820
	Silver in lead concentrate	kg	**989**	1,246
	Silver in zinc concentrate	kg	**69**	122

MANAGEMENT DISCUSSION AND ANALYSIS

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) Mang City had a lack of water supply to produce electricity in the dry season during the first half of 2014, such that the electric power supply was only capable of supporting one processing production line with a capacity of 300 tpd; and (ii) complications in the phasing of tunnel construction led to interruptions of mining transport and a decrease in output. The output of by-product ores also led to the decrease in feed grade.

As a result of the aforementioned factors, the total raw ore mined during the Reporting Period decreased by 31.8 kt to 63.4 kt, representing a drop of 33.4% as compared to 2013. The total raw ore processed decreased by 8.2 kt to 74.5 kt, representing a drop of 9.9% as compared to 2013. The production volume of lead, zinc and silver decreased by 206 t, 399 t and 310 kg, respectively, representing a decline of 22.9%, 21.9% and 22.7%, respectively as compared to 2013.

Production costs at the Dakuangshan Mine

The comparison of unit production cost at the Dakuangshan Mine is shown as follows:

Cost item		2014 RMB	2013 RMB	Variance RMB
Mining cost	(RMB/t of ore mined)	**67**	69	(2)
— subcontracting fee	(RMB/t of ore mined)	**67**	69	(2)
Processing cost	(RMB/t of ore processed)	**95**	67	28
— materials cost	(RMB/t of ore processed)	**17**	15	2
— labour	(RMB/t of ore processed)	**26**	25	1
— electricity and water	(RMB/t of ore processed)	**25**	23	2
— maintenance and others	(RMB/t of ore processed)	**27**	4	23
Administrative and other costs	(RMB/t of ore processed)	**54**	59	(5)
Production taxes and royalties	(RMB/t of ore processed)	**40**	37	3
Total cash cost	(RMB/t of ore processed)	**255**	232	23
Total cash cost	(RMB/t of concentrate)	**4,201**	3,348	853
Depreciation and amortisation	(RMB/t of ore processed)	**177**	165	12
Total production cost	(RMB/t of ore processed)	**432**	397	35
Total production cost	(RMB/t of concentrate)	**7,117**	5,730	1,387

Compared to 2013, unit production cost per tonne of ore processed increased by RMB35, or approximately 8.8% during the Reporting Period, primarily due to the increase in slag disposal costs of RMB2.6 million, which led to a significant increase in processing costs.

Unit production cost per tonne of concentrate increased by RMB1,387 or 24.2%, greater than the increase of unit production cost per tonne of ore processed, mainly because the decrease in average feed grade led to a drop 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 were as follows:

(1) the tunnel construction project of the 1,570 and the 1,470 levels spanning 1,300 meters was completed. The cross-sectional area of the constructed tunnels was 3.5–6.0 square meters. The ventilation and power supply of the ancillary services were also completed. The 1,570 and the 1,470 levels are beginning to extract mine successively and will gradually become the main levels for mining in 2015;

(2) the exploration and cutting engineering of the 1,620 and the 1,570 levels spanning 1,990 meters were completed as scheduled. The cross-sectional area of the exploration and cutting tunnels was 2.5–4.5 square meters. The appropriate mining compensation space and the construction of transport facilities were also completed; and

(3) the exploration work was mainly carried out in the 1,520 level. The logging work of the extension of raw ore body was commenced for comprehensive geographical research.

Capital expenditure of the Dakuangshan Mine during the Reporting Period and 2013 are shown below:

	2014 **RMB million**	2013 RMB million
Mining	**4.1**	8.0
Mining infrastructure	**3.9**	3.5
Mining rights and exploration	**0.2**	4.5
Processing	**3.6**	16.9
Processing factory and equipment	**2.3**	2.8
Tailing storage facilities	**1.3**	14.1
Building	**0.2**	12.5
Total	**7.9**	37.4

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER MINES

Liziping Mine

The Liziping Mine, owned by the Group, is a lead-zinc-silver polymetallic mine located at Lanping County, Yunnan Province, approximately 700 km away from the Shizishan Mine. The exploration permit of the Liziping Mine covers an area of 18.29 sq. km. and was valid until 14 March 2015. Currently, the mining permit pertaining to the first mining area of approximately 4 sq. km. is still undergoing application process. However, since the government departments which are responsible for mining permits adopted a more stringent approval process, which requires more detailed information to be submitted, delays are anticipated.

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 sq. km. 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 geologist reports, the Liziping Mine had mainly carried out geological data compilation and supplement for field catalog (including small volumetric weight test, etc.). During the Reporting Period, the total capital expenditure of the Liziping Mine amounted to RMB25.4 million (2013: RMB9.7 million). As on 31 December 2014, the Group was 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 in Mengla County, Yunnan Province. The mining permit of the Menghu Mine covers an area of 0.4 sq. km. and is currently valid through 2 May 2015.

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 geologist report for 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+Inferred	32.2	18.5	13.8	7.8

During the Reporting Period, the development of a total length of 340 meters and a cross-sectional area of 3 to 5 square meters was completed in the Menghu Mine and the development of No. 2 ore body has been initiated. During the Reporting Period, the Menghu Mine incurred capital expenditure of RMB1.1 million (2013: RMB3.4 million). As on 31 December 2014, the Group was of the view that there are no material changes in resources and reserves estimates of the Menghu Mine.

Dazhupeng Mine

The Dazhupeng Mine, owned by the Group, is a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province. The exploration permit of the Dazhupeng Mine was due for renewal in April 2014. Currently, the Group is carrying out the geographical works required for the exploration permit renewal.

During the Reporting Period, a small amount of trenching was carried out. Together with comprehensive geographical research works, foundation for the next exploration will be laid. During the Reporting Period, the Dazhupeng Mine did not incur any material capital expenditure (2013: RMB0.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 strategic resources in China, the approval process for the required mining permit from relevant departments has become increasingly stringent. Therefore, Xiangcaopo Mining has made no substantial progress for the mining rights application despite the significant efforts made. Given this, the Group suspended the construction of gravity-selection processing lines to cut 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 tunneling of the Lushan Mine, and invited various geological professionals to conduct research and demonstration on the metallogenic regularities of tungsten-tin in mining areas in preparation for the subsequent exploration, mining and development work. During the Reporting Period, the Lushan Mine did not incur any material capital expenditure (2013: RMB5.5 million).

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue was approximately RMB187.5 million (2013: RMB489.9 million), primarily from the sales of lead-silver concentrates and zinc-silver concentrates. Sales volume of lead-silver concentrates and zinc-silver concentrates for the Reporting Period was 15,198 t and 19,162 t, respectively (2013: 40,766 t and 43,237 t, respectively).

As compared to 2013, revenue decreased by RMB302.4 million or approximately 61.7%, which was mainly due to the decrease in sales volume of lead-silver concentrates and zinc-silver concentrates of 62.7% and 55.7%, respectively. The decrease in sales volume was resulted from the lower raw ore output from the Shizishan Mine and the earthquake disruption as explained in this annual report.

Cost of sales

During the Reporting Period, cost of sales was approximately RMB90.3 million (2013: RMB126.2 million), mainly comprising mining subcontracting fees, ancillary material costs, utilities, depreciation and amortisation and resource taxes. As compared to 2013, cost of sales decreased by RMB35.9 million or 28.4%, primarily due to the decrease in sales volume. The decrease was partially offset by the increase in average unit cost of sales of concentrates resulting from the higher mining dilution rate caused by the fragmented ore bodies of the Shizishan Mine.

Gross profit and gross profit margin

As a result of the aforementioned, gross profit for the Reporting Period decreased by approximately RMB266.5 million, or 73.3%, from RMB363.7 million in 2013 to RMB97.2 million in 2014. Gross profit margin decreased from 74.2% in 2013 to 51.8% in 2014, primarily due to the increase in average unit cost of sales of the concentrates.

Other income and gains

During the Reporting Period, other income and gains were approximately RMB18.3 million (2013: RMB1.8 million), primarily comprising (i) interest income from structured deposit of RMB7.0 million; (ii) refund of the previous years' electricity fee 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. In comparison, other income and gains of the year ended 31 December 2013 mainly comprised bank interest income of RMB1.7 million.

Administrative expenses

During the Reporting Period, administrative expenses were approximately RMB49.0 million (2013: RMB128.6 million), primarily comprising managerial staff costs, professional consulting fees, depreciation, office administrative fees, mining resource compensation fees and other expenses.

Compared to 2013, administrative expenses decreased by approximately RMB79.6 million or 61.9%, primarily due to (i) a decrease in share option expenses of RMB39.5 million; (ii) the forfeiture of award shares granted to Mr. Ji (Jerry) He ("Mr. He"), resulting in a reversal of administrative expense of RMB6.6 million; (iii) a decrease in professional fees of RMB7.4 million primarily in relation to public relation service fees; (iv) a decrease in staff costs and directors' remunerations of RMB7.3 million as a result of the decrease in number of administrative staff and directors; (v) a decrease in office administrative fees and entertainment expenses of RMB6.8 million; and (vi) a decrease in mining resource compensation fees of RMB5.6 million due to the decrease in sales of concentrates.

Other expenses

During the Reporting Period, other expenses were approximately RMB2.9 million (2013: RMB7.6 million). The decrease of RMB4.7 million was primarily attributable to the provision made by the Group in 2013 for impairment of the mining right to the Menghu Mine of RMB3.2 million, exploration costs of RMB0.9 million incurred from a target mine with no satisfactory results and loss arising from the disposal of certain machinery of RMB0.6 million. No such expenses were incurred during the Reporting Period.

Finance costs

During the Reporting Period, finance costs were approximately RMB41.0 million (2013: RMB12.6 million). As compared to 2013, finance costs increased by RMB28.4 million, primarily due to the increase in bank and other loans secured by the Group.

Income tax expense

During the Reporting Period, income tax expenses were approximately RMB9.4 million (2013: RMB75.6 million), representing a decrease of approximately RMB66.2 million or 87.6% as compared to 2013, which was due to the decrease in revenues and the taxable profit generated by the PRC subsidiaries of the Group.

Final dividend

In a meeting of the Directors held on 25 March 2015, the Directors of the Company resolved not to recommend the payment of a final dividend to shareholders (2013: RMB12,509,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Significant investments, acquisitions and disposals of subsidiaries and associated companies, and future plans for material investments of capital assets

During the Reporting Period, there were no significant investments held by the Company, nor was there any material acquisitions or disposals of subsidiaries or associated companies. Apart from those disclosed in this annual report, there was no plan authorised by the Board for other material investments or additions of capital assets as on 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 for the Reporting Period and the year ended 31 December 2013:

	2014 **RMB'000**	2013 RMB'000
Net cash flow generated from operating activities	**76,164**	455,084
Net cash flow used in investing activities	**(623,358)**	(169,360)
Net cash flow from financing activities	**741,382**	34,745
Net increase in cash and cash equivalents	**194,188**	320,469

Net cash flow generated from operating activities

During the Reporting Period, the net cash flow generated from operating activities was RMB76.2 million, which primarily included: (i) profit before tax of RMB21.2 million; (ii) interest expenses from bank and other loans of RMB39.5 million; (iii) certain non-cash expenses such as depreciation of RMB36.1 million, amortisation of mining rights of RMB8.3 million; and (iv) a decrease in trade receivables of RMB20.0 million; Cash generated from operating activities was partially offset by (i) an increase in prepayment, deposits and other receivables in relation to operating activities of RMB28.2 million; (ii) interest income from structured deposits of RMB7.0 million; (iii) payment of income tax amounted to RMB7.9 million; (iv) an increase in other payables in relation to operating activities of RMB5.8 million; and (v) reversal of impairment on the mining right of RMB3.2 million.

Net cash flow used in investing activities

During the Reporting Period, the net cash flow used in investing activities was approximately RMB623.4 million, which primarily included (i) payment for structured deposit of RMB295.0 million; (ii) payment for available-for-sale investment of RMB200.0 million; (iii) expenditures in connection with the construction of mining infrastructures at the Shizhishan Mine, the Dakuangshan Mine and the Menghu Mine of RMB102.6 million; and (iv) expenditures in relation to exploration and evaluation assets of the Liziping Mine of RMB25.8 million.

Net cash flow from financing activities

During the Reporting Period, the bank and other loans obtained by the Group from Ping An Bank aggregated to RMB966.5 million. This cash inflow was partially offset by (i) repayment of bank loans of RMB188 million; (ii) payment of interests arising from bank and other loans of RMB17.6 million; (iii) payment of service charges paid on financing activities of RMB1.5 million; and (iv) payments of dividends of RMB18.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Inventories

Inventories increased slightly by RMB1.8 million from approximately RMB21.3 million as on 31 December 2013 to approximately RMB23.1 million as on 31 December 2014, primarily due to (i) an increase in concentrates of RMB6.6 million; and (ii) a decrease in raw materials and spare parts of RMB4.8 million, which were consumed for production.

Trade receivables

Trade receivables decreased from approximately RMB127.9 million as on 31 December 2013 to approximately RMB108.0 million as on 31 December 2014, primarily due to the decrease in sales volume and gradual collection of trade receivables during the Reporting Period.

Prepayments, deposits and other receivables

The Group's prepayments, deposits and other receivables increased by RMB85.9 million, from RMB226.8 million as on 31 December 2013 to RMB312.7 million as on 31 December 2014, primarily due to (i) an increase in prepayment for mining infrastructure construction of RMB47.8 million; and (ii) an increase in interest-free loans paid to Mr. Li Jincheng, the owner of the Lushan Mine of RMB37.8 million.

Trade and other payables

The Group's trade and other payables increased by RMB9.5 million, from approximately RMB153.7 million as on 31 December 2013 to approximately RMB163.2 million as on 31 December 2014, primarily due to (i) an increase in trade payables of RMB1.7 million; (ii) an increase in interest payables of RMB19.3 million; and (iii) an increase in payables for resource tax of RMB2.7 million. The increase was partially offset by (i) a decrease in payables for value added tax and mining resource compensation fees aggregating to RMB8.8 million; (ii) a decrease in payables in relation to property, plant and equipment aggregated RMB3.9 million; and (iii) a decrease in payables in relation to assets exploration and evaluation of RMB1.7 million.

Net current assets position

The Group's net current assets position decreased by RMB144.5 million from approximately RMB338.7 million as on 31 December 2013 to approximately RMB194.2 million as on 31 December 2014, primarily due to (i) an increase in bank and other loans of RMB778.5 million; (ii) a decrease in trade receivables of RMB19.9 million; (iii) a decrease in prepayments and other receivables of RMB25.1 million; (iv) an increase in trade and other payables of RMB9.5 million; and (v) an increase in tax payables of RMB9.3 million. The above-mentioned decrease in net current assets was partially offset by (i) an increase in cash and cash equivalents of RMB194.2 million; and (ii) an increase in structured deposits and available-for-sale investment aggregated to RMB502.0 million, which was pledged as security for the Group's loan from Ping An Bank.

Borrowings

The Group's bank and other loans increased from approximately RMB188.0 million as on 31 December 2013 to approximately RMB966.5 million as on 31 December 2014, primarily due to loans aggregated to RMB966.5 million obtained from Ping An Bank, and partially offset by the repayment of bank loans of RMB88.0 million from Agricultural Bank of China, RMB50.0 million from China Merchant Bank and RMB50.0 million from China Construction Bank, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

As on 31 December 2014, the Group did not have any outstanding material contingent liabilities or guarantees.

Foreign currency risk

The Group's 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 structured deposits, the Group does not have any material interest-bearing assets. The Group manages the interest rate exposure arising from our interest-bearing loans through the use of fixed interest rates. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

Charge on assets

Other than those disclosed in this annual report, none of the Group's assets was pledged as on 31 December 2014.

Contractual obligations

As on 31 December 2014, the Group's contractual obligations amounted to approximately RMB35.8 million, decreased by RMB3.7 million as compared to approximately RMB39.5 million as on 31 December 2013, primarily due to further payment in relation to the exploration activities at the Liziping Mine, the Menghu Mine and the Dakuangshan Mine.

Capital expenditure

The capital expenditures of the Group mainly represented the amounts spent on construction of property, plant and equipment and intangible assets. The amount of capital expenditure of the Group during the Reporting Period aggregated to RMB128.4 million.

Financial instruments

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

Gearing ratio

Gearing ratio is calculated by net debt divided by total equity plus net debt. Net debt is defined as 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. The Group's gearing ratio as on 31 December 2014 was as follows:

	2014 **RMB'000**
Interest-bearing bank and other loans	**966,485**
Less: cash and cash equivalents	**(781,558)**
Net debt	**184,927**
Total equity	**1,739,356**
Total equity and net debt	**1,924,283**
Gearing ratio	**10%**

As on 31 December 2013, the Group's cash and cash equivalents exceeded the total interest-bearing bank loans, so no gearing ratio was presented.

Use of net proceeds from the initial public offering

	Net proceeds from the IPO	
	Available to utilise **RMB million**	**Utilised (up to 31 December 2014)** **RMB million**
Financing activities relating to investments in acquired mines	485.4	**405.0**
Financing ramp-up of the mining capacity and expansion of tailing storage facility of the Shizishan Mine	145.6	**145.6**
Financing activities relating to the Dazhupeng Mine and the Lushan Mine	178.1	**20.9**
Total	809.1	**571.5**

MANAGEMENT DISCUSSION AND ANALYSIS

Employee and remuneration policy

As on 31 December 2014, the Group had a total of 227 full time employees, including 45 management and administrative staff, 114 production staff and 68 operations support staff. During the Reporting Period, staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB33.0 million, representing a decrease of RMB56.6 million or 63.2% as compared to staff costs of RMB89.6 million in 2013. This was primarily due to the decrease in equity-settled share option expenses of RMB39.5 million, forfeiture of award shares resulting in a reversal of staff costs of RMB6.6 million, and 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.

OCCUPATIONAL HEALTH AND SAFETY

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

ENVIRONMENTAL PROTECTION AND LAND REHABILITATION

No environmental claims, lawsuits, penalties or administrative sanctions were reported to our management and we are of the view that we have complied with all relevant PRC laws and regulations regarding environmental protection and land rehabilitation in all material respects during the Reporting Period and as on the date of this annual report. As on 31 December 2014, the Group has accrued RMB15.3 million, RMB0.8 million and RMB0.9 million for the rehabilitation of the Shizishan Mine, the Dakuangshan Mine and the Menghu Mine, respectively.

STRATEGIES AND OUTLOOK

We aim to become a leading company which solely engages in mining non-ferrous metals in the PRC through making selective acquisitions and continuously improving on our own operations. To achieve this goal, the Group plans to implement the following strategies:

Selective Acquisitions

As a resource-based enterprise, the Group believes that control of, or access to high-quality non-ferrous metals resources and reserves is essential for the long-term sustainable development of our businesses. As a non-ferrous metals resources integrator designated by the local government of Yunnan Province, the Group will further integrate the resources of local mines in Yunnan Province, particularly those in Dehong Prefecture, in order to cement the foundation of our development. The metallogenic belt of world-class non-ferrous metals where Yunnan Province and the Southeast Asian countries in close proximity to it are the prime targeted areas of our future business expansion, as they have metallogenic potential of non-ferrous metals resources and these countries and Yunnan Province enjoy geographical proximity and cultural affinity. The Group will proactively track potential targeted mines in Southeast Asian countries and acquire those that meet our acquisition criteria should appropriate opportunities arise.

We have a dedicated team, which consists of experienced geological, mining, processing, finance and legal personnel, to identify and evaluate high-quality mineral resources for potential acquisition. The targets we focus on are non-ferrous metals mines that satisfy our selection criteria which include, but are not limited to, the following attributes: (i) significant mineral resources, reserves and mining life; (ii) acceptable grade and other quality indicators of the ores; (iii) investment cost and estimated return on investment; (iv) favorable conditions for development of mining projects, including but not limited to water, electricity, transportation and cooperation from the residents of surrounding areas; (v) minimal specific risks related to the locations of the projects such as political risk, legal risk and foreign currency risk; and (vi) ability to implement safe operating conditions and environmental standards.

Enhance the Production and Operational Capacity and the Cost Control Ability of the Group

In 2014, China's economy entered "a period of new normal" and the growth rate of gross domestic product slowed down to 7.4%, hitting a new record low in the past twenty years. Meanwhile, prices in the global major commodity markets have experienced frequent fluctuations, while those of crude oil and major metals have declined significantly. Against the backdrop of turbulent macro-economic sentiments and relatively weak performance of the non-ferrous metals sector, the core competitiveness for mining enterprises to survive and develop lies on their own efficient project development, production and operational capability as well as sound cost control ability.

At present, the Shizishan Mine and the Dakuangshan Mine owned by the Group have largely reached their respective designed production capacities and have entered a mature period of steady development. As planned, the operational focus of the Group in 2015 is the exploration of the Liziping Mine. As the land and resources department of the government has expanded the level of geologist reports (from the level of detailed investigation standards to the level of exploration) required for permitting, the application of the Group for the mining rights of the first mining area of approximately 4 sq.km. at the Liziping Mine failed to complete as scheduled. To rectify this, the Group will implement supplementary exploration in accordance with the new application standards in 2014 and the first half of 2015, upgrade the level of geologist reports for the mining area of the Liziping Mine, and use its best efforts to apply for and obtain the mining permit in 2015. It is expected that after obtaining the mining permit in the second half of 2015, the Group will commence the mining engineering and the construction work of the processing project with a designed production capacity of 1,000 tonnes per day. The relevant construction period will be 9 to 12 months. Upon completion, it is anticipated that the mining and processing capabilities of the Group will be enhanced remarkably.

Pursue Technological Innovation to Improve Operational Efficiency, Production Safety and Environmental Protection

We intend to enhance our geological research and exploration capabilities and pursue technological innovations in our mining and processing activities. We also plan to utilise information technology to assist with the continuous monitoring and optimisation of our operations. We plan to focus our research and development efforts in the following areas:

- enhancing our geological research and exploration capabilities (including technologies for deep drilling) to maximise the potential of our existing mines and assist with identifying and exploring new mines with significant potential;

MANAGEMENT DISCUSSION AND ANALYSIS

- optimising our processing technologies to improve recovery rates of processed ores, lower processing cost and enhance product quality;
- improving our mining methods and technologies to minimise mining dilution rate and loss rate, lower mining costs and enhance mining safety factor;
- adopting sophisticated mining/processing technologies to optimise working environment and reduce the pollution and damage to the environment.

Strengthen Relationships with Customers and Maintain and Expand Customer Base

We sell our concentrate products to concentrate traders and smelters, and we intend to maintain and strengthen our relationships with organisations in those sectors of the market. Our close relationships with our customers provide a significant degree of stability and visibility in demand for our products. We seek to improve credit terms and reduce credit risk, and continue to expand the geographical reach of our customer base to other provinces.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

As on 25 March 2015

EXECUTIVE DIRECTOR

Mr. Ran Xiaochuan, Executive Director, Chairman

Mr. Ran Xiaochuan, aged 50, is the Chairman of the Company and was appointed as an Executive Director on 8 June 2011. Mr. Ran has been a director of Gilberta Holdings Limited and Next Horizon Investments Limited, our subsidiaries since June 2011. 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. Ran is the father of our controlling shareholder, Mr. Ran Chenghao.

NON-EXECUTIVE DIRECTORS

Mr. Andrew Joseph Dawber, Non-Executive Director

Mr. Andrew Joseph Dawber, aged 53, 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 26 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 the first prize from the Chartered Insurance Institute and is a registered representative of the Financial Conduct Authority in the UK.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

As on 25 March 2015

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 close to 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.

Mr. Hu Shuo, Non-Executive Director

Mr. Hu Shuo, aged 39, was appointed as a Non-Executive Director on 10 February 2015. Mr. Hu is the general manager of the investment and management department of Xi'an Maike Metal International Group Co., Ltd. ("Maike") (a substantial shareholder of the Company). Mr. Hu possesses nearly 15 years of experience in corporate investment management, operation management and business development. He previously led the merger, acquisition and reorganization of the Hanzheganeng copper-gold mine project (罕哲尕能銅金礦專案), and was also involved in the acquisition of the mining rights of part of coal mines in Tete Province, Mozambique and other significant projects including the listing of China Fortune Land Development Co., Ltd. (Shanghai Stock Exchange stock code: 600340). Between 2009 and 2010, Mr. Hu accomplished his monograph titled "Financing & Listing Strategies for Mining Enterprises" (礦業企業融資與上市方略), which has been published by China Modern Economic Publishing House. Prior to joining Maike in 2014, Mr. Hu acted as the general manager of the mining investment department of China Fortune Land Deve lopment Holdings Co., Ltd. during 2011 to 2014. From 2010 to 2011, he served in the planning and investment department of China Qing Hua Energy Group Co., Ltd. as the deputy general manager. From 2007 to 2010, Mr. Hu worked in Beijing Sunshine Hengchang Construction Investment Co., Ltd. as the general manager of its strategic investment department and concurrently worked in Xinjiang Fuzang Mining Investment Co., Ltd. (新疆富藏礦業投資股份有限公司) as the general manager and director. Prior to joining Sunshine Hengchang Construction Investment Co., Ltd., Mr. Hu acted as the investment manager of Beijing Jingrongxin Investment Co., Ltd. (北京京融信投資有限公司) and the chief business representative for the East China region of Xiamen Xinguan Group Co., Ltd.. Mr. Hu graduated from Guizhou University in 2007 with a master's degree in Business Administration.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

As on 25 March 2015

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Christopher Michael Casey, Independent Non-Executive Director

Mr. Christopher Michael Casey, aged 60, was appointed as an Independent Non-Executive Director on 24 November 2011. 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, a Non-Executive Director of Latchways plc (LSE listed, stock code: LTC), and the Chairman of their Audit Committee, as well as being a freelance consultant to some private company boards.

Mr. William Beckwith Hayden, Independent Non-Executive Director

Mr. William Beckwith Hayden, aged 63, was appointed as an Independent Non-Executive Director on 24 November 2011. Mr. Hayden has over 36 years of experience in the mineral exploration industry. 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), Sunward Resources Ltd. (TSX listed, stock code: SWD.TO) 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, Zambia and the Democratic Republic of Congo.

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

Mr. Miu Edward Kwok Chi, aged 63, 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.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

As on 25 March 2015

SENIOR MANAGEMENT

Li Tao, Chief Financial Officer

Mr. Li Tao, aged 40, is the Chief Financial Officer of the Company, primarily responsible for the overall financial management and administration of the Company. Mr. Li graduated from Chongqing University (重慶大學) with a master degree in technological economics and management in June 2006. Mr. Li has over six years of experience as financial officer in various PRC and listed companies. Mr. Li worked as the group's financial analyst, management accounting manager and director of the finance office at Sichuan Chuanwei Group Co., Ltd (四川川威集團有限公司) ("Chuan Wei") from 2006 to 2008, where he was responsible for financial analysis, tax planning, and the construction of internal control systems for finance. Mr. Li also assisted Chuan Wei in various financing projects. Mr. Li worked as the Chief Financial Officer of China Vanadium Titano-Magnetite Mining Company Limited, a company listed on the Hong Kong Stock Exchange (HKSE code: 00893) from 2008 to 2009.

Guo Zhonglin, Chief Technical Officer

Mr. Guo Zhonglin, aged 52, 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 26 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.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

As on 25 March 2015

Lei Dejun, Chief Operating Officer

Mr. Lei Dejun, aged 37, was appointed as the Chief Operating Officer of the Group since April 2012. Mr. Lei is responsible for the overall production and development of polymetallic projects and the monitoring of the development of Dakuangshan project. Mr. Lei graduated with an associate degree from Kunming Metallurgy College in 1998 and he is now a part-time student pursuing a Master of Business Administration degree from Kunming University of Science and Technology. Mr. Lei has about 16 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).

Huang Zhonghua, Vice President

Mr. Huang Zhonghua, aged 65, 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.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

As on 25 March 2015

JOINT COMPANY SECRETARIES

Ms. Ho Siu Pik, aged 50, is the joint Company Secretary of the Company. Ms. Ho is a director of Corporate Services Division of Tricor Services Limited and a fellow member of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Ho has over 20 years of experience in the company secretarial area. Ms. Ho is currently the company secretary of Goodbaby International Holdings Limited (HKSE stock code: 1086), Natural Beauty Bio-Technology Limited (HKSE stock code: 0157), Sun Art Retail Group Limited (HKSE stock code: 6808) and Yashili International Holdings Ltd (HKSE stock code: 1230) and the joint company secretary of China Molybdenum Company Limited (HKSE stock code: 3993) and China Rundong Auto Group Limited (HKSE stock code: 1365).

Ms. Nina (Xiaoxiao) Zhan, aged 33, is the joint Company Secretary, Board Secretary and Investor Relations Director of the Company. Ms. Zhan is responsible for the overall coordination and communication works for the senior management and the Board on matters relating to corporate governance, business administration, legal and compliance obligations. Ms. Zhan joined the Company in April 2012 and is familiar with the Group's business and operations. She has over 6 years of experience in management and corporate communication. Ms. Zhan obtained a Bachelor's Degree in International Politics with a double major in Economics from Peking University in the PRC in June 2003 and a Master's Degree in International Political Economy from the Political Science Department of the University of Pennsylvania in the USA in December 2005.

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

The Company is an investment holding company. The 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.

There is no change in the principal activities of the Group for the Reporting Period.

Details of the major subsidiaries of the Company as on 31 December 2014 are set out in note 16 to the consolidated financial statements in 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 64 of this annual report.

An interim dividend of HK$0.0035 per share (equivalent to approximately RMB0.0028 per share) was paid during the Reporting Period. The Directors of the Company resolved not to recommend the payment of a final dividend to shareholders.

PROPERTY, PLANT, AND EQUIPMENT

Addition to the property, plant and equipment of the Group was approximately RMB50.8 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 28 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 66 of this annual report.

DISTRIBUTABLE RESERVES

As on 31 December 2014, according to the Articles of Association, the reserves of the Company distributable to the shareholders were RMB1,314.9 million.

Under the Companies Law 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.

REPORT OF DIRECTORS

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 2010 to 2014 and the assets, liabilities and non-controlling interests of the Group as on 31 December 2010, 2011, 2012, 2013 and 2014 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 26 to the consolidated financial statements in this annual report.

CHARITABLE DONATIONS

The total charitable donations of the Group during the Reporting Period were RMB0.4 million.

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 2013, sales to the Group's five largest customers accounted for 98.6% and 96.1% of the Group's total revenue, respectively, with sales to the largest customer accounting for 57.5% and 69.6% of the Group's total revenue, respectively.

For the Reporting Period and the year ended 31 December 2013, purchases attributable to the Group's five largest suppliers were 90.5% and 90.1% of the Group's total purchases, respectively, with purchases from the largest supplier accounting for 67.3% and 46.8%, 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.

REPORT OF DIRECTORS

DIRECTORS

The Directors up to the date of this Directors' report are as follows:

Executive Director

Mr. Ran Xiaochuan *(Chairman)*

Non-Executive Directors

Mr. Andrew Joseph Dawber
Mr. Lee Kenneth Jue
Mr. Hu Shuo (appointed on 10 February 2015)

Independent Non-Executive Directors

Mr. Christopher Michael Casey
Mr. William Beckwith Hayden
Mr. Miu Edward Kwok Chi

Pursuant to Article 84 of the Articles of Association, two Directors, namely, Mr. Ran Xiaochuan and Mr. Lee Kenneth Jue will retire at the forthcoming AGM, and being eligible, offer themselves to be re-elected and re-appointed at the AGM.

Besides, pursuant to Article 83(3) of the Articles of Association, Mr. Hu Shuo, who was appointed by the Board as a Non-Executive Director on 10 February 2015, shall retire from office at the forthcoming AGM and, being eligible, offer himself to be re-elected and re-appointed at the AGM.

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

On 12 December 2014, the Nomination and Remuneration Committee approved an increase to the remuneration of Mr. Christopher Michael Casey, the Independent Non-Executive Director of the Company. Mr. Casey's remuneration was increased to US$115,000 per annum with effect from 14 December 2014.

Save 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 29 to page 34 of this annual report.

SERVICE CONTRACTS OF THE DIRECTORS

In accordance with the requirements of the Articles of Association, the Executive Director has entered into a service contract with the Company with a term of three years subject to renewal. Each of the Non-Executive Directors has entered into a service contract with a term of one year, subject to renewal. Each of the Independent Non-Executive Directors has entered into a new appointment letter with the Company for a term of one year in late 2014. All Directors, at the expiry of their service, can be re-appointed or re-elected. None of the Directors proposed for re-election at the forthcoming AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

REPORT OF DIRECTORS

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 (i) Mr. Huang Zhonghua, who has been appointed as the Vice President with effect from 13 February 2015; and (ii) Ms. Ho Siu Pik, the joint Company Secretary, who is an external service provider, whose profiles are included in the Directors and Senior Management's Profile section of this annual report fell within the following bands:

	Number of Individual(s)	
Remuneration band (RMB)	**2014**	2013
Below 1,000,000	**1**	–
1,000,000–2,000,000	**3**	–
2,000,000–3,000,000	**–**	1
4,000,000–5,000,000	**–**	2

Details of the share option scheme are set out under the section "Share Options Scheme" in this annual report and note 29 to the consolidated financial statements.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the Independent Non-Executive Directors 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 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 on 31 December 2014, 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 as set out in Appendix 10 to the Listing Rules were as follows:

(i) Long positions in shares

Name of Director/ Chief Executive	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Ran Xiaochuan (note 1)	Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318 of the SFO	401,010,664	20.16

REPORT OF DIRECTORS

(ii) Long positions in share options granted by the Company

Number of share options held by the Directors and Chief Executives of the Company as on 31 December 2014:

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
Ran Xiaochuan (note 1)	2,000,000	2,000,000
Li Tao	12,600,000	12,600,000

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.

Note:

1. Mr. Ran Chenghao, Mr. Ran Xiaochuan, Hover Wealth Limited, Silver Lion and Total Flourish Limited are parties to an agreement which have the meaning ascribed to it under s.317(a) and s.318 of the SFO.

Save as disclosed above, as on 31 December 2014, 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 effect unconditionally on the Listing Date.

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.

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, are deemed to have contributed or will contribute to the Group (collectively "Qualified Participants").

Unless approved by our shareholders in general meeting in the manner prescribed by the Listing Rules, the Board shall not grant options to any 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.

The Share Option Scheme is valid and effective for a period of 10 years from the Listing Date ("Scheme Period").

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.

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 shares of the Company in issue immediately after the 2013 AGM which is the refreshment date of such scheme. 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 on 31 December 2014, no share option has been exercised and 95,710,810 share options are exercisable under the Share Option Scheme.

Details of the Share Option Scheme are set out in note 29(b) to the consolidated financial statements in this annual report.

REPORT OF DIRECTORS

Movement of share options during the Reporting Period:

Name	Date of Grant	Number of Share Options Granted	Outstanding at 1/1/2014	Exercised	Cancelled/ Lapsed	Outstanding at 31/12/2014
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
Li Tao	16/1/2013 (b)	12,600,000	12,600,000	–	–	12,600,000
Other Grantees						
Aggregate of other grantees	14/12/2011 (a)	21,081,081 (c)	21,081,081	–	–	21,081,081
	16/1/2013 (b)	130,637,838	130,637,838	–	27,600,000 (d)	103,037,838

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

REPORT OF DIRECTORS

(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) 27,600,000 share options granted to several employees lapsed immediately upon termination of their employment during the Reporting Period.

DIRECTOR'S 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 on 31 December 2014, 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 Division 2 and 3 of Part XV of the SFO 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 %
Hover Wealth Limited (notes 2 and 3)	Beneficial owner and interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318 of the SFO	516,110,664(L)	25.95
Ran Chenghao (note 2)	Beneficial owner and interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318 of the SFO	516,110,664(L)	25.95
Silver Lion (notes 2 and 3)	Beneficial owner and interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318 of the SFO	516,110,664(L)	25.95

REPORT OF DIRECTORS

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Total Flourish Limited (note 2)	Beneficial owner and interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318 of the SFO	516,110,664(L)	25.95
Cititrust (Singapore) Limited	Trustee	302,460,664(L)	15.21
Magic Delight Limited (note 3)	Interest of corporation controlled by the substantial shareholder	302,460,664(L)	15.21
Deutsche Bank Aktiengesellschaft	Beneficial owner and custodian corporation/approved lending agent	168,369,731(L)	8.47
Bellamy Martin James (note 4)	Interest of corporation controlled by the substantial shareholder	263,077,703(L)	13.22
Challenger Mining 8 Limited (note 4)	Beneficial owner	263,077,703(L)	13.22
Kedar Sharon Rahamin (note 4)	Interest of corporation controlled by the substantial shareholder	263,077,703(L)	13.22
He Jinbi (note 5)	Interest of corporation controlled by the substantial shareholder	156,149,000(L)	7.85
He Xin (note 5)	Interest of child under 18	156,149,000(L)	7.85
Zhang Chunling (note 5)	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 5)	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 5)	Beneficial owner	156,149,000(L)	7.85
Maike Investment Holding Co., Ltd (邁科投資控股有限公司) (note 5)	Interest of corporation controlled by the substantial shareholder	156,149,000(L)	7.85

REPORT OF DIRECTORS

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Blue Andiamo GP Limited	Interest of corporation controlled by the substantial shareholder	126,277,297(L)	6.35
Salamanca Group Holdings Limited	Interest of corporation controlled by the substantial shareholder	126,277,297(L)	6.35
SAIF IV GP Capital Ltd.	Interest of corporation controlled by the substantial shareholder	105,243,000(L)	5.29
SAIF IV GP LP	Interest of corporation controlled by the substantial shareholder	105,243,000(L)	5.29
SAIF Partners IV L.P.	Beneficial owner	105,243,000(L)	5.29
Yan Andrew Y.	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. Mr. Ran Chenghao, Mr. Ran Xiaochuan, Hover Wealth Limited, Silver Lion and Total Flourish Limited are parties to an agreement which have the meaning ascribed to it under s.317(1)(a) and s.318 of the SFO.

3. The entire issued share capital of Silver Lion is held by Hover Wealth Limited and Magic Delight Limited which are in turn ultimately held by the Cititrust (Singapore) Limited as the trustee of The Ran Family Trust. The Ran Family Trust is a discretionary trust established by Mr. Ran Chenghao as settlor and the Cititrust (Singapore) Limited as trustee on 18 October 2011. The beneficiaries of The Ran Family Trust including family members of Mr. Ran Chenghao are deemed to be interested in the shares held by The Ran Family Trust, Silver Lion, Hover Wealth Limited and Magic Delight Limited pursuant to Part XV of the Securities and Futures Ordinance and their respective interests duplicate the interests held by The Ran Family, Silver Lion, Hover Wealth Limited and Magic Delight Limited.

4. Challenger Mining 8 Limited is 50% owned by Mr. Bellamy Martin James and 50% owned by Mr. Kedar Sharon Rahamin, therefore, Mr. Bellamy Martin James and Mr. Kedar Sharon Rahamin are deemed to be interested in all the Shares held by Challenger Mining 8 Limited under the SFO.

5. 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, Mr. He Jinbi, Maike Investment Holding Co., Ltd and Xi'an Maike Metal International Group Co., Ltd are deemed to be interested in all the Shares 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 held by Triway International Limited under the SFO. Mr. He Xin is the child of Mr. He Jinbi and therefore, Mr. He Xin is deemed to be interested in all the Shares held by Triway International Limited under the SFO.

Other than as disclosed above, as on 31 December 2014, 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.

REPORT OF DIRECTORS

MANAGEMENT CONTRACTS

Other than the service contracts 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.

CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder of the Company was a party, or in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time 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 has 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 Tuesday, 9 June 2015 to Thursday, 11 June 2015 (both days inclusive), during which 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 Monday, 8 June 2015.

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.

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.

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.

None of the related-party transactions set out in note 34 to the consolidated financial statements in this annual report fall under the definition of "connected transaction" or "continuing connected transaction" under the Listing Rules.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available and to the best of the Directors' knowledge, information and belief on the date of this annual report, the Company has always maintained sufficient public float since the listing of the Company's shares.

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
Ran Xiaochuan
Chairman

Hong Kong, 25 March 2015

CORPORATE GOVERNANCE REPORT

CHAIRMAN'S INTRODUCTION

Dear Shareholders,

Good corporate 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.

With the departure of Mr. Ji (Jerry) He as the Chief Executive Officer on 21 February 2014, came an important change in our approach to the management of the Group. While the office of Chief Executive remains vacant, the Board of Directors asked me to act as a liaison between the senior management and the Board and, in conjunction with the Board, lead and oversee the implementation of the Company's long and short term plans in accordance with its strategy. During the year, the Board reviewed and discussed a wide range of topics. My role is to encourage open and honest debate and challenge and ensure the Board performs effectively and is accountable to the shareholders.

Ms. Nina (Xiaoxiao) Zhan, who is based in Hong Kong, has been handling corporate services relating to investors' communication and corporate information disclosure in compliance with the Listing Rules since she joined our Group as the Board Secretary and Investor Relations Director in 2012. In order to facilitate the Company in dealing with capital market and regulatory issues more efficiently, we appointed Ms. Zhan in October 2014 as a joint company secretary to discharge the duties of company secretary jointly with Ms. Ho Siu Pik, who has been our company secretary since the date of Listing.

In the hope of getting more insightful input regarding the mining industry in China, Mr. Hu Shuo was appointed as a Non-Executive Director on 10 February 2015. Mr. Hu is the general manager of the investment and management department of Xi'an Maike Metal International Group Co., Ltd., a substantial shareholder of the Company, and possesses nearly 15 years of experience in corporate investment management, operation management and business development.

I continue to be pleased with the progress the Company has been making in the face of difficult market conditions. We continually seek to ensure that the best corporate governance practice is being maintained. We shall continue our process of the CEO search and the Board refreshment. We believe that we will be able to benefit from the wisdom and experience of new blood.

Ran Xiaochuan
Chairman

25 March 2015

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.

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 provision A.2.1 of the CG Code with explanation described in the paragraph headed "Board of Directors — Chairman and Chief Executive Officer" 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 on 31 December 2014 are set out from page 39 to page 40 of this annual report.

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.

CORPORATE GOVERNANCE REPORT

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 judgments.

Composition

The Board structure is governed by the Articles of Association and the Listing Rules. The Board has adopted a board diversity 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 consisting of one Executive Director, viz Mr. Ran Xiaochuan (Chairman), three Non-Executive Directors, viz Mr. Andrew Joseph Dawber, Mr. Lee Kenneth Jue, Mr. Hu Shuo and three Independent Non-Executive Directors, viz Mr. Christopher Michael Casey, Mr. William Beckwith Hayden, Mr. Miu Edward Kwok Chi. An updated list of directors of the Company and their respective roles and functions are available on the website of each of the Hong Kong Stock Exchange and the Company. Biographical details of the Board members and the senior management are set out in the "Directors and Senior Management's Profile" section on pages 29 to 34 of this annual report. The Board considers that the current board composition is diverse and meets the criteria of the board diversity policy. The Board will review the board diversity from time to time to ensure that the board diversity policy is complied with.

Chairman and Chief Executive Officer

With the departure of Mr. He as the Chief Executive Officer on 21 February 2014, the posts of Chairman and Chief Executive Officer were combined and Mr. Ran Xiaochuan, the Chairman of the Board has also assumed the role of the Chief Executive Officer. This arrangement is in contravention of code provision A.2.1 of the CG Code. Mr. Ran has considerable knowledge of the Company's assets and his experience is very highly valued by the Board. At a challenging time for the Company, the Board decided that Mr. Ran was the best person to lead and oversee the implementation of the Company's long and short term plans in accordance with its strategy which is determined by the Board. All major decisions are made in consultation with the Board members, appropriate Board committees or senior management of the Group. Mr. Ran promotes a culture of openness and encourages the Directors to make a full and active contribution to the Board's affairs. Throughout the Reporting Period, the three Independent Non-Executive Directors of the Company offered strong and independent advice. All decisions have reflected the consensus of the Board. The board is keeping this situation under review and will separate the role of Chairman and Chief Executive when it is in the Company's best interests to do so.

Non-Executive Directors

The Non-Executive Directors bring a wide range of business and financial expertise, experience and independent judgment to the Board. All board committees consist of at least two Non-Executive Directors (including Independent Non-Executive Directors) who have made significant contributions 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 but excluding Mr. Hu Shuo who was appointed on 10 February 2015) were renewed in late 2014 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 Joint Company Secretaries 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.

CORPORATE GOVERNANCE REPORT

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.

Mr. Hu Shuo, the newly appointed Director, received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with the senior management of the Company. The Joint Company Secretaries provide 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 periodic 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 Director		
Ran Xiaochuan	√	√
Non-Executive Directors		
Andrew Joseph Dawber	√	√
Lee Kenneth Jue	√	√
Independent Non-Executive Directors		
Christopher Michael Casey	√	√
William Beckwith Hayden	√	√
Miu Edward Kwok Chi	√	√

CORPORATE GOVERNANCE REPORT

Board Meetings

The Board meets on a regular basis and met formally on four occasions during 2014 to discuss the overall strategy as well as the operations and financial performance of the Group. In addition, other matters such as 2014 budget and forecast, shareholders' analysis and investors' feedback, 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 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 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 final version of Board minutes are kept by the Joint Company Secretaries and copies 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 or other executives as and when required.

CORPORATE GOVERNANCE REPORT

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 Director						
Ran Xiaochuan[1]	4/4	–	–	2/2	2/2	1/2
Non-Executive Directors						
Andrew Joseph Dawber	4/4	2/2	–	–	–	0/2
Lee Kenneth Jue	4/4	–	2/2	2/2	–	0/2
Independent Non-Executive Directors						
Christopher Michael Casey	4/4	2/2	–	–	–	0/2
William Beckwith Hayden[2]	4/4	–	2/2	–	2/2	0/2
Miu Edward Kwok Chi	4/4	2/2	2/2	–	2/2	1/2

Notes:

1. Appointed as a member of the Nomination and Remuneration Committee on 19 August 2014. No Nomination and Remuneration Committee meeting has been held since his admission.

2. Appointed as a member of the Safety, Health and Environment Committee on 19 August 2014. No Safety, Health and Environment Committee meeting has been held since his admission.

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
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, internal control procedures and risk management system, 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 two 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 2014 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 2013 and the unaudited interim financial statements for the six months ended 30 June 2014 and recommended those statements for the Board's approval;

f. reviewed the management letter, tax issues, compliance and salient features of the 2013 annual accounts and 2014 interim accounts, as presented by the external auditors;

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

g. reviewed the 2014 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 2014 financial results;

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

j. reviewed internal control system and risk management framework;

CORPORATE GOVERNANCE REPORT

k. reviewed the effectiveness of Internal Audit Department; received a report on the progress of the internal audit plan for 2014 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;

l. reviewed the whistle-blowing framework; and

m. reviewed its terms of reference.

Representatives of the external auditors, the 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 54 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. Ran Xiaochuan (appointed on 19 August 2014), Executive Director Mr. Lee Kenneth Jue, Non-Executive Director Mr. Christopher Michael Casey, Independent Non-Executive Director Mr. William Beckwith Hayden, Independent Non-Executive Director Mr. Ji (Jerry) He (resigned on 21 February 2014), 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 two meetings and performed the following activities:

a. embarked on 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. recommendation to the Board for the purpose of the 2014 annual general meeting regarding the appointment/re-appointment of Directors who stood for election/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. reviewed the biographical information of a candidate to stand for election by shareholders in the 2014 annual general meeting;

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

i. reviewed its terms of reference.

The attendance record of each Committee Member is shown on page 54 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 to each Director and the senior management for 2014 are set out in note 8 to the financial statements on pages 98 and 99 of this annual report.

Safety, Health and Environment Committee

Chairman: Mr. Lee Kenneth Jue, Non-Executive Director

Members: Mr. Ran Xiaochuan, Executive Director
Mr. William Beckwith Hayden (appointed on 19 August 2014), Independent Non-Executive Director
Mr. Ji (Jerry) He (resigned on 21 February 2014), 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 two 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 about the code provision on Environmental, Social and Governance reporting requirement;

e. reviewed the composition of the Committee; and

f. reviewed its terms of reference.

CORPORATE GOVERNANCE REPORT

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 54 under the section "Attendance Record of Directors and Committee Members".

Strategy Committee

Chairman: Mr. Miu Edward Kwok Chi (appointed on 13 March 2014), Independent Non-Executive Director
Mr. Ji (Jerry) He (resigned on 21 February 2014), Executive Director

Members: Mr. Ran Xiaochuan, Executive Director
Mr. William Beckwith Hayden, Independent 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 two meetings and performed the following activities:

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

b. identified the potential investment opportunities

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

d. reviewed its terms of reference.

The attendance record of each Committee Member is shown on page 54 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 62 to 63 of this annual report.

REMUNERATION OF EXTERNAL AUDITORS

For 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.

INTERNAL CONTROL

The Board is responsible for 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 internal control system of the Company.

The Internal Audit Department is responsible for conducting 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 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.

CORPORATE GOVERNANCE REPORT

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.

JOINT COMPANY SECRETARIES

Ms. Nina (Xiaoxiao) Zhan is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. She reports to the Chairman and is responsible for advising the Board on governance matters. Ms. Ho Siu Pik, is a director of corporate services division of Tricor Services Limited, an external corporate service provider company in Hong Kong. Ms. Zhan is 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, both Ms. Zhan and Ms. Ho have confirmed that they have taken no less than 15 hours of professional training to update their skills and knowledge during the Reporting Period.

The biographical details of Ms. Zhan and Ms. Ho are set out in the "Directors and Senior Management's Profile" section on page 34 of this annual report.

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 Proposal at General Meeting

Pursuant to the Articles of Association (Article 58), 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/Company Secretary), 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.

CORPORATE GOVERNANCE REPORT

Putting Forward Enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Investor Relations Director 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 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 Group's annual general meeting and extraordinary general meeting in 2014 further provide the platform and opportunity for our shareholders to exchange view with the Company. The Chairman of the Board, as well as Chairmen of the Audit Committee, Nomination and Remuneration Committee, Safety, Health and Environment Committee, and Strategy Committee, or in their absence, other members of each committee, are available to answer questions at the shareholder's meetings. The 2015 AGM will be held on 11 June 2015. 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 (together, the "Group") set out on pages 64 to 132, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

25 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	4	**187,466**	489,859
Cost of sales		**(90,308)**	(126,193)
Gross profit		**97,158**	363,666
Other income and gains	5	**18,270**	1,758
Selling and distribution expenses		**(1,246)**	(997)
Administrative expenses		**(49,027)**	(128,630)
Other expenses		**(2,944)**	(7,629)
Finance costs		**(41,015)**	(12,633)
PROFIT BEFORE TAX	7	**21,196**	215,535
Income tax expense	9	**(9,441)**	(75,640)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**11,755**	139,895
Attributable to:			
Owners of the Company	10	**12,264**	138,487
Non-controlling interests		**(509)**	1,408
		11,755	139,895
Earnings per share attributable to ordinary equity holders of the Company:			
— Basic and diluted	11	**RMB0.006**	RMB0.070

Details of the dividends paid and proposed for the Reporting Period are disclosed in note 31 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**592,785**	578,043
Intangible assets	13	**629,316**	620,298
Prepaid land lease payments	14	**12,317**	12,587
Payments in advance	15	**88,707**	30,947
Prepayments and deposits	20	**215,092**	161,805
Deferred tax assets	17	**23,991**	16,205
Total non-current assets		**1,562,208**	1,419,885
CURRENT ASSETS			
Inventories	18	**23,096**	21,271
Trade receivables	19	**107,974**	127,929
Prepayments, deposits and other receivables	20	**9,008**	34,064
Available-for-sale investments	21	**200,000**	–
Structured deposits	22	**302,021**	–
Cash and cash equivalents	23	**781,558**	587,414
Total current assets		**1,423,657**	770,678
CURRENT LIABILITIES			
Trade payables	24	**9,976**	8,340
Other payables and accruals	25	**153,268**	145,399
Tax payable		**99,549**	90,198
Dividend payable	31	**153**	–
Interest-bearing bank and other loans	26	**966,485**	188,000
Total current liabilities		**1,229,431**	431,937
NET CURRENT ASSETS		**194,226**	338,741
Total assets less current liabilities		**1,756,434**	1,758,626
NON-CURRENT LIABILITIES			
Provision for rehabilitation	27	**17,078**	15,949
Total non-current liabilities		**17,078**	15,949
Net assets		**1,739,356**	1,742,677
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	**17**	17
Reserves	30	**1,688,256**	1,678,559
Proposed final dividend	31	**–**	12,509
		1,688,273	1,691,085
Non-controlling interests		**51,083**	51,592
Total equity		**1,739,356**	1,742,677

Ran Xiaochuan
Director

Miu Edward Kwok Chi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the Company												
	Share capital RMB'000 note 28	Share premium account RMB'000 note 30(a)	Treasury shares RMB'000	Reserve funds RMB'000 note 30(b)	Safety fund surplus reserve RMB'000 note 30(c)	Capital contribution reserve RMB'000 note 29(a)& note 30(d)	Share option reserve RMB'000 note 29(b)& note 30(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 2013	17	1,354,770	(126)	28,852	2,877	233,000	8,362	(4,115)	(105,031)	–	1,518,606	45,799	1,564,405
Repurchase of shares	–	(6,060)	126	–	–	–	–	–	–	–	(5,934)	–	(5,934)
Interim 2013 dividend declared	–	(15,734)	–	–	–	–	–	–	–	–	(15,734)	–	(15,734)
Proposed final 2013 dividend	–	(12,509)	–	–	–	–	–	–	–	12,509	–	–	–
Transfer from/(to) reserves	–	–	–	263	–	–	–	–	(263)	–	–	–	–
Establishment of safety fund surplus reserve	–	–	–	–	5,490	–	–	–	(5,490)	–	–	–	–
Utilisation of safety fund surplus reserve	–	–	–	–	(996)	–	–	–	996	–	–	–	–
Capital injection from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	4,385	4,385
Equity-settled share-based payments:													
Award Shares	–	–	–	–	–	6,578	–	–	–	–	6,578	–	6,578
Share option expense	–	–	–	–	–	–	49,082	–	–	–	49,082	–	49,082
Total comprehensive income for the year	–	–	–	–	–	–	–	–	138,487	–	138,487	1,408	139,895
At 31 December 2013 and 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 (note 31)	–	(5,525)	–	–	–	–	–	–	–	–	(5,525)	–	(5,525)
Final 2013 dividend declared (note 31)	–	–	–	–	–	–	–	–	–	(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 29(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	17	1,314,942*	–	29,115*	8,838*	233,000*	66,980*	(4,115)*	39,496*	–	1,688,273	51,083	1,739,356

* These reserve accounts comprise the consolidated reserves of RMB1,688,256,000 (2013: RMB1,678,559,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	**2014 RMB'000**	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**21,196**	215,535
Adjustments for:			
Finance costs		**39,507**	12,633
Unrealised foreign exchange loss		**175**	62
Bank interest income	5	**(2,073)**	(1,700)
Interest income from structured deposits	5	**(7,021)**	–
Equity-settled share-based payments:			
Award Shares	29(a)	**(6,578)**	6,578
Share option expense	29(b)	**9,536**	49,082
Depreciation	12	**36,105**	44,040
Recognition/(reversal) of impairment of intangible assets	7	**(3,222)**	3,222
Loss on disposal of items of property, plant and equipment	7	**–**	662
Amortisation of intangible assets	13	**8,334**	11,836
Amortisation of prepaid land lease payments	14	**270**	270
		96,229	342,220
Decrease in trade receivables		**19,955**	151,084
Increase in inventories		**(1,825)**	(8,433)
Increase in prepayments, deposits, and other receivables		**(28,231)**	(29,571)
Increase/(decrease) in trade payables		**1,636**	(5,355)
Increase/(decrease) in other payables and accruals		**(5,797)**	67,076
Cash generated from operations		**81,967**	517,021
Interest received		**2,073**	2,280
Income tax paid		**(7,876)**	(64,217)
Net cash flows from operating activities		**76,164**	455,084
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(102,596)**	(212,045)
Increase in structured deposits	22	**(295,000)**	–
Increase in available-for-sale investments	21	**(200,000)**	–
Decrease in time deposits with original maturity of over three months		**–**	60,000
Proceeds from disposal of items of property, plant and equipment		**–**	59
Expenditures on exploration and evaluation assets		**(25,762)**	(17,374)
Net cash flows used in investing activities		**(623,358)**	(169,360)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(17,639)**	(11,587)
Proceeds from bank and other loans		**966,485**	100,000
Service charges paid on financing activities		**(1,452)**	–
Repayment of bank loans		**(188,000)**	(32,000)
Dividends paid		**(18,012)**	(15,734)
Repurchase of shares		**–**	(5,934)
Net cash flows from financing activities		**741,382**	34,745
NET INCREASE IN CASH AND CASH EQUIVALENTS		**194,188**	320,469
Cash and cash equivalents at beginning of year		**587,414**	267,007
Effect of foreign exchange rate changes		**(44)**	(62)
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**781,558**	587,414

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Deposit	20	**422**	427
Investments in subsidiaries	16	**1,132,207**	1,151,317
Total non-current assets		**1,132,629**	1,151,744
CURRENT ASSETS			
Prepayments and deposits	20	**602**	929
Cash and cash equivalents	23	**550**	1,125
Total current assets		**1,152**	2,054
Current liabilities			
Due to subsidiaries	16	**5,640**	645
Other payables and accruals	25	**1,968**	2,214
Dividend payable	31	**153**	–
Total current liabilities		**7,761**	2,859
NET CURRENT LIABILITIES		**(6,609)**	(805)
NET ASSETS		**1,126,020**	1,150,939
Equity			
Issued capital	28	**17**	17
Reserves	30	**1,126,003**	1,138,413
Proposed final dividend	31	**–**	12,509
Total equity		**1,126,020**	1,150,939

Ran Xiaochuan
Director

Miu Edward Kwok Chi
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2014

1. CORPORATE 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. Silver Lion, a company incorporated in the BVI, is in a position to exercise significant influence over the Company.

2.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRS. These financial statements also comply with the disclosure requirements of the Companies Ordinance, which for this financial year and comparative period continued to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention. These financial statements are prepared 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 Reporting Period. 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.

2.1. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010–2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010–2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]

1 Effective from 1 July 2014

Other than explained below regarding the impact of amendments to IAS 32 and IAS 36, the adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment has had no impact on the Group as there is a legally enforceable right to set off the Group's financial assets and financial liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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*[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to IFRS 10 and IAS 28 (Revised)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 1	*Disclosure Initiative*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27 (Revised)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
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

In addition, the Companies Ordinance will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

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.

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

IFRS 15 establishes a new five-step model that will apply to 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. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

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.

Subsidiaries

A subsidiary is an entity (including a structured 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 results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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 that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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); or

(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).

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Exploration rights and assets (continued)

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.

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:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Treasury shares

Own equity instruments which are repurchased (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

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 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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 proposed by the Directors are 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. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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 and presentation 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 29 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which service conditions are fulfilled in employee benefit expense. 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.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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. There was no impairment provision for receivables during the year.

(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 2014 was RMB99,549,000 (2013: RMB90,198,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(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 2014 was RMB592,785,000 (2013: RMB578,043,000).

(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 2014 was RMB23,991,000 (2013: RMB16,205,000). Further details are contained in note 17 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(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.

(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 (7.38% as at 31 December 2014) 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 2014 was RMB17,078,000 (2013: RMB15,949,000).

(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 2014 was RMB23,096,000 (2013: RMB21,271,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2014

4. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is the Group's turnover, 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. In addition, the principal assets employed by the Group are located in Yunnan Province, the PRC. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products

The following table sets out the total revenue derived from sales to external customers by product and the percentage of total revenue by product during the Reporting Period:

	2014		2013	
	RMB'000	%	RMB'000	%
Lead-silver concentrates	**119,453**	**63.7**	347,537	70.9
Zinc-silver concentrates	**68,013**	**36.3**	142,322	29.1
	187,466	**100.0**	489,859	100.0

Geographical information

All external revenue of the Group during the Reporting Period and the year ended 31 December 2013 was attributable to customers established in Mainland China, the place of domicile of the Group's operating entities. The Group's non-current assets are all located in Mainland China.

Information about major customers

Revenue derived from each of the major customers accounting for 10% or more of the total revenue is set out below:

	2014	2013
	RMB'000	RMB'000
Customer A	**107,778**	340,776
Customer B	**35,554**	74,964
Customer C	**33,992**	*

* Less than 10% of total revenue

NOTES TO FINANCIAL STATEMENTS

31 December 2014

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2014 RMB'000	2013 RMB'000
Refund of prior years' electricity expense	**5,645**	–
Interest income from structured deposits	**7,021**	–
Reversal of impairment on intangible assets	**3,222**	–
Bank interest income	**2,073**	1,700
Government grants*	**300**	–
Others	**9**	58
	18,270	1,758

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

6. FINANCE COSTS

	Notes	2014 RMB'000	2013 RMB'000
Interest on bank and other loans wholly repayable within five years		**36,926**	11,587
Service charges paid on financing activities		**1,452**	–
Interest on discounted bills receivable		**1,508**	–
Unwinding of a discount	27	**1,129**	1,046
		41,015	12,633

NOTES TO FINANCIAL STATEMENTS

31 December 2014

7. PROFIT BEFORE TAX

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

	Notes	2014 RMB'000	2013 RMB'000
Cost of inventories sold		**90,308**	126,193
Staff costs (including Directors' and Chief Executives' remuneration (note 8)):			
Wages and salaries		**29,224**	32,697
Equity-settled share-based payments:			
Award Shares	29(a)	**(6,578)**	6,578
Share option expense	29(b)	**9,536**	49,082
Pension scheme contributions			
— Defined contribution fund		**843**	1,280
		33,025	89,637
Depreciation of items of property plant and equipment	12	**36,105**	44,040
Amortisation of intangible assets^	13	**8,334**	11,836
Amortisation of prepaid land lease payments^	14	**270**	270
Depreciation and amortisation		**44,709**	56,146
Auditors' remuneration		**4,500**	4,400
Foreign exchange losses		**433**	62
Operating lease rentals in respect of:			
— Motor vehicles		**–**	443
— Office building		**1,528**	1,555
Recognition/(reversal) of impairment of intangible assets	13(b)	**(3,222)**	3,222
Loss on disposal of items of property, plant and equipment		**–**	662

^ The amortisation of intangible assets and prepaid land lease payments 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 Listing Rules and section 78 of Schedule 11 to the Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Companies Ordinance (Cap. 32), is as follows:

	2014 **RMB'000**	2013 RMB'000
Fees	**2,504**	3,568
Other emoluments:		
Salaries, allowances and benefits in kind	**2,047**	5,317
Equity-settled share-based payments:		
Award Shares	**(6,578)**	6,578
Share option expense	**2,014**	18,310
Pension scheme contributions		
— Defined contribution fund	**22**	42
	(2,495)	30,247
	9	33,815

During the year ended 31 December 2013, Mr. He was granted shares in respect of his service to the Group, which lapsed upon his resignation on 21 February 2014, further details of which are set out in note 29(a) to the financial statements. During the years ended 31 December 2013 and 2014, 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 29(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 amount included in the financial statements for the current year and the prior year were included in the above Directors' and Chief Executives' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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 RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
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**
2013				
Mr. Christopher Michael Casey	617	–	715	1,332
Mr. William Beckwith Hayden	617	–	714	1,331
Mr. Miu Edward Kwok Chi	617	–	714	1,331
Mr. Richard Wingate Edward Charlton	466	–	1,272	1,738
Mr. Keith Wayne Abell	466	–	1,272	1,738
Mr. Maarten Albert Kelder	466	–	1,272	1,738
	3,249	–	5,959	9,208

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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 RMB'000	Equity-settled Award Shares expense RMB'000	Total RMB'000
2014						
Executive Directors						
Mr. Ran Xiaochuan	–	890	10	115	–	1,015
Mr. He[i]	–	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)

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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

(b) Executive Directors, Non-Executive Directors and the Chief Executives (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share option RMB'000	Equity-settled Award Shares expense RMB'000	Total RMB'000
2013						
Executive Directors						
Mr. Ran Xiaochuan	–	890	9	594	–	1,493
Mr. He	–	1,435	9	–	6,578	8,022
Mr. Huang Wei	–	330	–	2,375	–	2,705
Mr. Wang Fahai	–	180	–	891	–	1,071
Mr. Wu Wei	–	336	7	2,375	–	2,718
Mr. Zhao Shaohua	–	305	7	2,375	–	2,687
	–	3,476	30	8,610	6,578	18,696
Non-Executive Directors						
Mr. Lee Kenneth Jue	226	–	–	–	–	226
Mr. Shi Xiangdong	–	1,054	–	–	–	1,054
Mr. Andrew Joseph Dawber	93	–	–	–	–	93
	319	1,054	–	–	–	1,373
Chief Financial Officer						
Mr. Li Tao	–	787	10	3,741	–	4,538
	–	787	10	3,741	–	4,538
	319	5,317	42	12,351	6,578	24,607

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. He resigned as the Company's Chief Executive Officer and Executive Director on 21 February 2014.

There was no arrangement under which a Director or a Chief Executive waived or agreed to waive any remuneration during the Reporting Period (2013: Nil).

(c) Five Highest Paid Employees

The five highest paid employees during the Reporting Period included one Director and the Chief Financial Officer (2013: 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 three (2013: three) highest paid employees who are neither a Director nor a Chief Executive of the Company, are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,086**	1,204
Pension scheme contributions	**27**	7
Equity-settled share option expense	**1,588**	12,395
	3,701	13,606

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	
	2014	2013
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$3,000,000	**1**	–
HK$5,000,001 to HK$6,000,000	**–**	2
HK$6,000,001 to HK$7,000,000	**–**	1
	3	3

9. INCOME TAX

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

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:

	2014 RMB'000	2013 RMB'000
Current — Mainland China		
Charge for the year	**17,227**	79,953
Deferred (note 17)	**(7,786)**	(4,313)
Total tax charge for the year	**9,441**	75,640

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

	2014 RMB'000	2013 RMB'000
Profit before tax	**21,196**	215,535
Add: disallowed expenses incurred by the Company*	**9,843**	115,484
Profit before tax generated by Hong Kong and PRC subsidiaries	**31,039**	331,019
Tax at the respective statutory tax rates:		
— PRC subsidiaries, at 25%	**7,760**	82,755
Income not subject to tax	**(2,006)**	(9,629)
Tax losses not recognised	**112**	121
Expenses not deductible for tax	**1,158**	1,996
Withholding income tax of 7% on the interest income of the Hong Kong subsidiary from PRC subsidiaries	**797**	397
Write-off of deferred tax assets recognised in previous years	**1,620**	–
Income tax expense	**9,441**	75,640

* Expenses incurred by the Company during the Reporting Period and the year ended 31 December 2013 mainly consist of equity-settled share based payments, consultancy service fees and foreign exchange losses incurred by the Company. These expenses are not expected to be tax deductible.

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the Reporting Period includes a loss of RMB9,843,000 (2013: RMB115,484,000) which has been dealt with in the financial statements of the Company (note 30).

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share for the Reporting Period and the year ended 31 December 2013 is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,988,765,000 (2013: 1,990,526,168) in issue during the Reporting Period.

No adjustment has been made to the basic earnings per share presented for the Reporting Period and the year ended 31 December 2013 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market price for the Company's shares during the current and the prior years.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

12. PROPERTY, PLANT AND EQUIPMENT

Group

	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 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 2013							
Cost:							
At 1 January 2013	33,858	263,200	4,573	8,980	136,932	17,049	464,592
Additions	2,341	9,588	1,155	389	107,075	72,110	192,658
Disposals	–	(1,177)	–	–	–	–	(1,177)
Transferred from CIP	12,288	14,621	–	–	–	(26,909)	–
At 31 December 2013	48,487	286,232	5,728	9,369	244,007	62,250	656,073
Accumulated depreciation:							
At 1 January 2013	2,575	13,643	1,417	2,385	14,426	–	34,446
Provided for the year	2,000	16,758	1,139	1,668	22,475	–	44,040
Disposals	–	(456)	–	–	–	–	(456)
At 31 December 2013	4,575	29,945	2,556	4,053	36,901	–	78,030
Net carrying amount:							
At 1 January 2013	31,283	249,557	3,156	6,595	122,506	17,049	430,146
At 31 December 2013	43,912	256,287	3,172	5,316	207,106	62,250	578,043

12. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) As at 31 December 2014, 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 RMB8,607,000 (2013: RMB8,944,000). The Group's plant can only be sold, transferred or mortgaged when the relevant BOCs have been obtained.

(b) As at 31 December 2014, the Group's plant with a net carrying amount of approximately RMB8,607,000 (2013: RMB8,944,000) were 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 2014, no building, plant or machinery were pledged to secure certain bank loans granted to the Group (2013: RMB125,525,000) (note 26(c)).

13. INTANGIBLE ASSETS

Group

	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**
31 December 2013			
Cost at 1 January 2013, net of accumulated amortisation	389,668	242,594	632,262
Additions	2,540	554	3,094
Impairment	(3,222)	–	(3,222)
Amortisation provided during the year	(11,836)	–	(11,836)
At 31 December 2013	377,150	243,148	620,298
Analysed as:			
Cost	397,175	243,148	640,323
Impairment	(3,222)	–	(3,222)
Accumulated amortisation	(16,803)	–	(16,803)
Net carrying amount	377,150	243,148	620,298

NOTES TO FINANCIAL STATEMENTS

31 December 2014

13. INTANGIBLE ASSETS (continued)

(a) As at 31 December 2014, no mining right was pledged to secure the Group's bank loans (2013: RMB65,270,000) (note 26(a)).

(b) An impairment loss of RMB3,222,000 was reversed during the Reporting Period as the recoverable amount of the mining right to the Menghu Mine exceeded its carrying amount as at 31 December 2014. The recoverable amount was determined on the basis of the signed framework agreement in March 2015 by an independent third party to acquire the Group's equity interests in Menghu Company, which holds the mining right to the Menghu Mine.

14. PREPAID LAND LEASE PAYMENTS

	Group	
	2014	2013
	RMB'000	RMB'000
Carrying amount at 1 January	**12,857**	13,127
Recognised during the year	**(270)**	(270)
Carrying amount at 31 December	**12,587**	12,857
Current portion included in prepayments, deposits and other receivables (note 20)	**(270)**	(270)
Non-current portion	**12,317**	12,587

Prepaid land lease payments represented costs of land use rights in respect of certain leasehold land situated in Yunnan Province, the PRC, and held under medium lease terms.

As at 31 December 2014, no leasehold land (2013: RMB10,254,000) was pledged to secure certain bank loans granted to the Group (note 26(c)).

15. PAYMENTS IN ADVANCE

	2014	2013
	RMB'000	RMB'000
In respect of the purchase of:		
Prepaid land lease payments	**11,883**	11,883
Property, plant and equipment	**66,913**	19,064
Exploration rights	**9,911**	–
	88,707	30,947

NOTES TO FINANCIAL STATEMENTS

31 December 2014

16. INVESTMENTS IN SUBSIDIARIES

	Company 2014 RMB'000	2013 RMB'000
Unlisted investment in Gilberta Holdings Limited ("Gilberta"), at cost*	**–**	–
Advances to subsidiaries	**1,132,207**	1,151,317
	1,132,207	1,151,317

* The cost of the investment in Gilberta is US$1.00.

As at 31 December 2014, the amounts of advances to subsidiaries included in the investments in subsidiaries above are denominated in US$, all of which are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, these advances are considered as quasi-equity loans to subsidiaries.

The amounts due to subsidiaries as at the end of the Reporting Period included in the Company's current liabilities were unsecured, interest-free and repayable on demand or within one year.

Particulars of the Company's subsidiaries are set out below:

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	British Virgin Islands 3 November 2009	US$1.00	100.0	Investment holding
Indirectly held:				
Next Horizon Investments Limited	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

NOTES TO FINANCIAL STATEMENTS

31 December 2014

16. INVESTMENTS IN 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
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
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

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

(ii) Dehong Yinrun is registered as a foreign investment enterprise under PRC law.

(iii) As at 31 December 2014, 99% of the equity interests in Kunrun (2013: 99%) were pledged to secure the Group's bank and other loans (note 26(c) & (f)).

(iv) As at 31 December 2014, 90% of the equity interests in Dakuangshan Company (2013: not applicable) were pledged to secure the Group's other loans (note 26(f)).

(v) As at 31 December 2014, 90% of the equity interests in Liziping Company (2013: not applicable) were pledged to secure the Group's other loans (note 26(f)).

(vi) As at 31 December 2014, 90% of the equity interests in Menghu Company (2013: not applicable) were pledged to secure the Group's other loans (note 26(f)).

17. DEFERRED TAX

Group

The movements in deferred tax assets are as follows:

Deferred tax assets

	Pre-operating expenses 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 2013	588	3,992	4,810	628	338	1,536	11,892
Deferred tax credited/(charged) to profit or loss during the year (note 9)	682	(918)	3,619	(68)	262	736	4,313
At 31 December 2013 and 1 January 2014	**1,270**	**3,074**	**8,429**	**560**	**600**	**2,272**	**16,025**
Deferred tax credited/(charged) to profit or loss during the year (note 9)	**433**	**2,848**	**5,183**	**(68)**	**282**	**(892)**	**7,786**
At 31 December 2014	**1,703**	**5,922**	**13,612**	**492**	**882**	**1,380**	**23,991**

At 31 December 2014, the Group has tax losses arising in Mainland China of RMB54,448,000 (2013: RMB33,716,000) that expire in one to three 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 2014 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 2014, the Group had tax losses arising in Hong Kong of RMB3,360,000 (2013: RMB2,683,000) 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%.

According to the articles of association of Kunrun, shareholders of Kunrun have the ultimate power to decide Kunrun's dividend policy. Pursuant to the shareholders' resolution of Kunrun on 20 January 2015, the net profit of Kunrun for the Reporting Period, after appropriations to the statuary reserve fund and safety fund, would be used to operate and expand the Group's business and would not be distributed to its shareholders.

17. DEFERRED TAX (continued)

Group (continued)

Deferred tax assets (continued)

At 31 December 2014, 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 RMB 448,988,000 (2013: RMB423,610,000).

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

18. INVENTORIES

	Group	
	2014	2013
	RMB'000	RMB'000
Raw materials	**4,470**	7,090
Spare parts and consumables	**1,213**	3,427
Finished goods	**17,413**	10,754
	23,096	21,271

19. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date, is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Within 3 months	**91,165**	127,929
3 to 6 months	**4,763**	–
6 to 9 months	**12,046**	–
	107,974	127,929

The Group granted a credit term of three months to its existing customers, and up to six months for its largest customer during the Reporting Period given the 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.

19. TRADE RECEIVABLES (continued)

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

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	**91,165**	127,929
Less than 3 months past due	**6,891**	–
3 to 6 months past due	**9,918**	–
	107,974	127,929

Receivables that were past due but not impaired related to the Group's customers that have a good record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	Notes	2014 RMB'000	2013 RMB'000
Current portion:			
Prepayments in respect of:			
— purchase of inventories	(a)	**111**	22,962
— professional fees		**30**	634
— prepaid land lease payments to be amortised within one year	14	**270**	270
— bank loan guarantee fee		**–**	1,275
— others		**2,161**	1,475
Deposits in respect of:			
— preliminary survey for certain lead and zinc mines	(b)	**1,300**	2,121
— bank loan guarantee		**4,200**	4,250
— others		**167**	478
Staff advances		**769**	599
		9,008	34,064
Non-current portion:			
Prepayment in respect of purchase of inventories	(a)	**213,200**	159,908
Deposits in respect of:			
— environmental rehabilitation		**1,170**	1,170
— others		**722**	727
		215,092	161,805
		224,100	195,869

Company

	Notes	2014 RMB'000	2013 RMB'000
Current portion:			
Prepayments in respect of:			
— professional fees		**597**	634
— others		**–**	2
Office rental deposit		**5**	293
		602	929
Non-current portion:			
Office rental deposit		**422**	427
		1,024	1,356

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes:

(a) The balance mainly represents prepayments of RMB213,200,000 (2013: RMB182,723,000) made to Xiangcaopo Mining, an independent third party supplier for tungsten and tin ores, of which the delivery commenced in December 2012. 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.

(b) The balance represents a good-faith deposit for conducting a preliminary survey of certain lead and zinc mines.

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.

21. AVAILABLE-FOR-SALE INVESTMENTS

The balance represents investments of one-year financial products of RMB200,000,000 made in Ping An Bank, Chengdu Branch ("Ping An Bank") on 2 July 2014. The return rate of these financial assets ranges between 0% and 4.5 % and is based on the performance of the underlying investment portfolio including cash, money market instruments and bonds, which can be decided and adjusted by Ping An Bank at any time. Therefore, the above investments are designated as available-for-sale equity instruments. Pursuant to the underlying contracts, these financial products are principal guaranteed upon the maturity date.

As at 31 December 2014, the Group's financial products with a carrying value of RMB200,000,000 (2013: not applicable) were stated at cost because the probabilities of the various estimates within the range of the return rate cannot be reasonably assessed and used in estimating fair value and accordingly the Directors are of the opinion that their fair value cannot be measured reliably. Notwithstanding, as noted above, these financial products are principal guaranteed at RMB200,000,000 upon its maturing date.

As at 31 December 2014, the above available-for-sale investments with a carrying value of RMB200,000,000 (2013: not applicable) were pledged as security for the Group's other loans (note 26(d)).

22. STRUCTURED DEPOSITS

	2014 RMB'000
Structured deposits in licensed banks in the PRC, at amortised cost	**302,021**
	302,021

The balance consists of two tranches of one-year structured deposits with principal of RMB200,000,000 secured to other loans of RMB189,287,000 (note 26 (d)) and RMB95,000,000 secured to other loans of RMB89,611,000 (note 26 (d)), respectively. These structured deposits have terms of less than one year and have expected annual rates of return of at least 3.05% and up to 5.0%.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**781,558**	587,414	**550**	1,125
Cash and cash equivalents	**781,558**	587,414	**550**	1,125

At the end of the Reporting Period, cash and bank balances of the Group and the Company were denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**780,955**	586,274	**16**	62
HK$	**549**	1,079	**534**	1,063
US$	**54**	61	**–**	–
	781,558	587,414	**550**	1,125

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.

24. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Within 1 month	**663**	1,472
1 to 2 months	**844**	1,112
2 to 3 months	**318**	823
Over 3 months	**8,151**	4,933
	9,976	8,340

Trade payables are non-interest-bearing and are normally settled on 30-day terms.

25. OTHER PAYABLES AND ACCRUALS

Group

	2014	2013
	RMB'000	RMB'000
Payables relating to:		
Exploration and evaluation assets	**10,429**	12,150
Property, plant and equipment	**8,627**	12,527
Professional fees	**3,171**	5,375
Tax other than income tax	**85,719**	88,488
Payroll and welfare	**342**	141
Mining resource compensation fees	**16,838**	18,709
Mining resource usage fees	**913**	913
Deposits received	**3,100**	–
Interest expenses	**19,287**	–
Others	**1,579**	1,432
	150,005	139,735
Accruals	**3,263**	5,664
	153,268	145,399

NOTES TO FINANCIAL STATEMENTS

31 December 2014

25. OTHER PAYABLES AND ACCRUALS (continued)

Company

	2014 **RMB'000**	2013 RMB'000
Payables relating to:		
Professional fees	**391**	721
Payroll and welfare	**231**	–
	622	721
Accruals	**1,346**	1,493
	1,968	2,214

26. INTEREST-BEARING BANK AND OTHER LOANS

		Group	
	Notes	**2014** **RMB'000**	2013 RMB'000
Bank loans:			
Secured	(a)	**–**	88,000
Guaranteed	(b)	**50,000**	–
Secured and guaranteed	(c)	**–**	100,000
		50,000	188,000
Other loans:			
Secured	(d)	**467,568**	–
Guaranteed	(e)	**349,617**	–
Secured and guaranteed	(f)	**99,300**	–
		916,485	–
		966,485	188,000
Bank loans repayable:			
Within one year		**50,000**	188,000
Other loans repayable:			
Within one year		**916,485**	–
Current portion		**966,485**	188,000

26. INTEREST-BEARING BANK AND OTHER LOANS (continued)

Notes:

(a) The balance as at 31 December 2013 represented the bank loan secured by the mortgage over the Group's mining right to the Shizishan Mine, which was settled on 5 May 2014 upon repayment of the bank loan.

(b) The balance as at 31 December 2014 represented the bank loan guaranteed by Mr. Ran Xiaochuan (note 34(a)) and bore interest at a rate of 6.72% per annum.

(c) The balance as at 31 December 2013 represented the bank loans bearing interest at rates ranging from 6.0% to 7.2% per annum, of which RMB50,000,000 was settled on 31 March 2014 and RMB50,000,000 was settled on 18 December 2014, upon repayment of the bank loans. The secured and guaranteed bank loans were guaranteed and secured by:

	Amount of bank loans 2013 RMB'000
Guaranteed by:	
Mr. Ran Xiaochuan	50,000
Jointly guaranteed by Mr. Ran Xiaochuan and an independent third party	50,000
	100,000
Secured by:	
99% of the equity interests in Kunrun	50,000

	Net book amount 2013 RMB'000
Secured by:	
Property, plant and equipment	125,525
Prepaid land lease payments	10,254

26. INTEREST-BEARING BANK AND OTHER LOANS (continued)

(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 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 (31 December 2013: not applicable) (note 22), and bore interest at a fixed rate of 6.0% per annum. The loan is due for repayment 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 (31 December 2013: not applicable) (note 21), and bore interest at a fixed rate of 5.9% per annum. The loan is due for repayment 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 (31 December 2013: not applicable) (note 22), and bore interest at a fixed rate of 6.0% per annum . The loan is due for repayment on 13 August 2015. The Group has undertaken to settle all 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.

(e) 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 (note 34(a)), and bore interest at a fixed rate of 8.25% per annum. The loan is due for repayment on 24 June 2015. The Group has undertaken to settle it by delivery of a pre-specified quantity of gold through a forward purchase contract at a price which equals the principal plus interest due; and (ii) proceeds from discounted intra-group bills receivable of RMB50,000,000 guaranteed by Mr. Ran Xiaochuan (note 34(a)). In the opinion of the Directors, the Group has not transferred substantially all risks and rewards relating to the discounted bills receivable pursuant to the bill discount agreement entered into between Kunrun and Ping An Bank.

(f) The balances as at 31 December 2014 represented an other loan borrowed from Ping An Bank by way of gold lease arrangement, with the principal of RMB99,300,000 on 30 July 2014, which bore interest at a fixed rate of 8.50% per annum and due for repayment on 29 July 2015. The loan was 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. The Group has undertaken to settle it 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 above interest-bearing bank and other loans approximate to their carrying amounts largely due to the short term maturities of these instruments. The fair value measurement hierarchy of the above interest-bearing bank loans requires significant unobservable inputs (Level 3).

27. PROVISION FOR REHABILITATION

	Group	
	2014	2013
	RMB'000	RMB'000
At beginning of year	**15,949**	14,903
Unwinding of a discount (note 6)	**1,129**	1,046
At end of year	**17,078**	15,949

28. SHARE CAPITAL

Shares

	2014	2013
	RMB'000	RMB'000
Authorised:		
38,000,000,000 (2013: 38,000,000,000) ordinary shares of HK$0.00001 each	**342**	342
Issued and fully paid:		
1,988,765,000 (2013: 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. The Company repurchased 6,029,000 of its own shares listed on the HKSE within a price range from HK$0.94 to HK$0.95 per share during the year ended 31 December 2013.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

29. 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. He and the Company (the "Service Agreement") for acting as the Chief Executive Officer of the Company.

Subject to the Service Agreement, the Company agreed to allot and issue certain shares in the Company ("Award Shares") to Mr. He, by way of allotment and issuance of 67,003,511 new shares at nil consideration. Award Shares will be granted to Mr. 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.

The fair value of Award Shares as at the date of grant was HK$49,538,000 (equivalent to approximately RMB39,387,000) or HK$0.74 each (equivalent to approximately RMB0.59 each), determined by an external valuer using the spot price of the Company's ordinary shares as at the grant date minus the present value of the expected dividends per share during the vesting period. The following table lists the inputs to the model used:

Spot share price (HK$ per share)	0.90
Dividend payment ratio (%)	20
Discount rate (%)	3.63

The Group recognised an expense of HK$8,273,000 (equivalent to approximately RMB6,578,000) for the year ended 31 December 2013 in relation to the Award Shares with a corresponding amount credited to the capital contribution reserve.

On 21 February 2014, Mr. 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. He's resignation and the expense in relation to the Award Shares accounted for in 2013 was reversed during the Reporting Period (note 30(d)).

29. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme

The Company has adopted 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 Board considers, at its 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 the Listing 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, 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, 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

29. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme

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 2014			
— share options granted to the Independent Non-Executive Directors	(i)	**2.22**	**42,162,162**
— 2013 Granted Options (defined in note 17(b)(i))	(i)	**1.70**	**145,237,838**
Forfeited during the Reporting Period	(ii)	**1.70**	**(27,600,000)**
As at 31 December 2014			**159,800,000**

Notes:

(i) The share options outstanding as at 1 January 2014 represented share options of 42,162,162 granted by the Company on 14 December 2011 at the exercise price of HK$2.22 per share and share options of 145,237,838 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 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.

29. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme (continued)

The exercise prices and exercise periods of the share options outstanding as at 31 December 2014 and 31 December 2013 are as follows:

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		

2013

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
72,618,919	1.70	From 16 January 2014 to 15 January 2018
36,309,460	1.70	From 16 January 2015 to 15 January 2018
36,309,459	***	From 16 January 2016 to 15 January 2018
187,400,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issue, 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 exercise price of the first tranche and second tranche is HK$1.70 per share. The exercise price of the third branch per share is determined with reference to the prevailing market prices on the second anniversary of the grant date of the 2013 Granted Options (i.e., 16 January 2015), but in any case must be at least HK$1.70. For details, please refer to the Company's announcements dated 16 January 2013, 16 January 2014 and 16 January 2015.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

29. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme (continued)

The Group had 95,710,810 share options exercisable as at 31 December 2014 (2013: 31,621,620). The Group recognised a share option expense of HK$11,774,000 (equivalent to approximately RMB9,536,000) during the Reporting Period (2013: HK$60,572,000, equivalent to approximately RMB49,082,000).

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	Equity-settled share options granted on: 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 not necessarily be the actual outcome.

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

At the end of the Reporting Period, the Company had 159,800,000 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 159,800,000 additional ordinary shares of the Company and additional share capital of HK$1,598 and share premium of at least HK$293,582,726 (before issue expenses).

At the date of approval of these financial statements, the Company had 159,800,000 share options outstanding under the Share Option Scheme, which represented approximately 8.0% of the Company's shares in issue as at that date.

30. RESERVES

Group

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 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.

(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.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

30. RESERVES (continued)

Group (continued)

(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 during the Reporting Period upon Mr. He's resignation on 21 February 2014 (note 29(a)).

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.

Company

The amounts of the Company's reserves and the movements therein for the current and prior years are 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 2013		1,354,770	233,000	8,362	(363,592)	1,232,540
Repurchase of shares		(6,060)	–	–	–	(6,060)
Interim 2013 dividend declared		(15,734)	–	–	–	(15,734)
Proposed final 2013 dividend		(12,509)	–	–	–	(12,509)
Equity-settled share-based payments:						
Share option expense	29(b)	–	–	49,082	–	49,082
Award shares	29(a)	–	6,578	–	–	6,578
Total comprehensive loss for the year		–	–	–	(115,484)	(115,484)
At 31 December 2013 and 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	29(b)	–	–	9,536	–	9,536
Award shares	29(a)	–	(6,578)	–	–	(6,578)
Total comprehensive loss for the year		–	–	–	(9,843)	(9,843)
At 31 December 2014		**1,314,942**	**233,000**	**66,980**	**(488,919)**	**1,126,003**

31. DIVIDENDS

(a) Dividend attributable to the Reporting Period, declared and paid during the Reporting Period:

	RMB'000
Interim — HK0.35 cent (2013 interim: HK1 cent) per ordinary share	
Proposed during the Reporting Period	5,525
Effect of foreign exchange	(11)
Paid during the Reporting Period	(5,361)
Dividends payable as at 31 December 2014	153

The interim dividend is declared through the cancellation of an amount standing to the credit of the share premium account of the Company. The proposed interim dividend for the six months ended 30 June 2014 was approved by the Company's shareholders at an extraordinary general meeting held on 13 October 2014.

At a meeting of the Directors held on 25 March 2015, the Directors of the Company resolved not to recommend the payment of a final dividend to shareholders (2013: RMB12,509,000).

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

	RMB'000
Final dividend in respect of the financial year ended 31 December 2013 of HK0.8 cent per share (2012: Nil)	
Declared during the Reporting Period	12,509
Effect of foreign exchange	142
Dividend paid during the Reporting Period	12,651

NOTES TO FINANCIAL STATEMENTS

31 December 2014

32. COMMITMENTS

The Group had the following capital commitments at the end of the Reporting Period:

	2014 RMB'000	2013 RMB'000
Contracted, but not provided for:		
— Exploration and evaluation assets	**7,746**	10,735
— Property, plant and equipment	**28,046**	28,799
	35,792	39,534
Authorised, but not contracted for:		
— Property, plant and equipment	**98,179**	78,525
— Exploration and evaluation assets	**22,977**	6,922
	121,156	85,447
	156,948	124,981

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:

	2014 RMB'000	2013 RMB'000
Bank loan guaranteed by Mr. Ran Xiaochuan	**50,000**	100,000
Other loan guaranteed by Mr. Ran Xiaochuan	**448,917**	–

The bank and other loans were guaranteed by Mr. Ran Xiaochuan, the Company's Executive Director, for nil consideration (notes 26(b), (e) & (f)).

(b) Compensation of key management personnel of the Group:

Details of Directors' and 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.

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, structured deposits and available-for-sale equity investments are held in major reputable financial institutions located in Mainland China and Hong Kong, 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. 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 six months for its largest customer during the Reporting Period. The Group seeks to maintain strict control over its outstanding receivables and senior management regularly reviews the overdue balances. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

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 2014			
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to less than 12 months 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**

	31 December 2013			
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Total RMB'000
Other payables	30,229	20,877	–	51,106
Trade payables	6,868	1,472	–	8,340
Interest-bearing bank loans	28,662	50,858	114,304	193,824
	65,759	73,207	114,304	253,270

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 26 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.

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 cash deposits and interest-bearing bank and other loans approximated to their fair values based on the prevailing borrowing rates available for deposits and 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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 2014 (2013: RMB11,941,000).

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
Trade receivables	111,084	(3,110)	107,974
Trade payables	(13,086)	3,110	(9,976)

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 25 March 2015.

GLOSSARY

"2013 Granted Options"	the 157,837,833 share options which were granted to certain grantees on 16 January 2013
"Ag"	the chemical symbol for silver
"AGM"	the annual general meeting of the Company to be held on 11 June 2015
"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 of our Company
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code as amended from time to time contained in Appendix 14 of the Listing Rules
"China" or "PRC" or "Mainland China"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"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
"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
"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

GLOSSARY

"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 our Company or any one of them
"g/t"	grams per tonne
"Group"	the Company and its subsidiaries
"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 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

GLOSSARY

"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

GLOSSARY

"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
"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 2014
"RMB"	renminbi, the lawful currency of the PRC
"Shizishan Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, the PRC, and operated by Kunrun
"Silver Lion"	Silver Lion Investment Holdings Limited, a limited liability company incorporated in BVI with company number 1553896, whose registered office address is at PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI
"sq.km."	square kilometer
"t"	tonne
"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

This annual report is printed on environmentally friendly paper