China Polymetallic

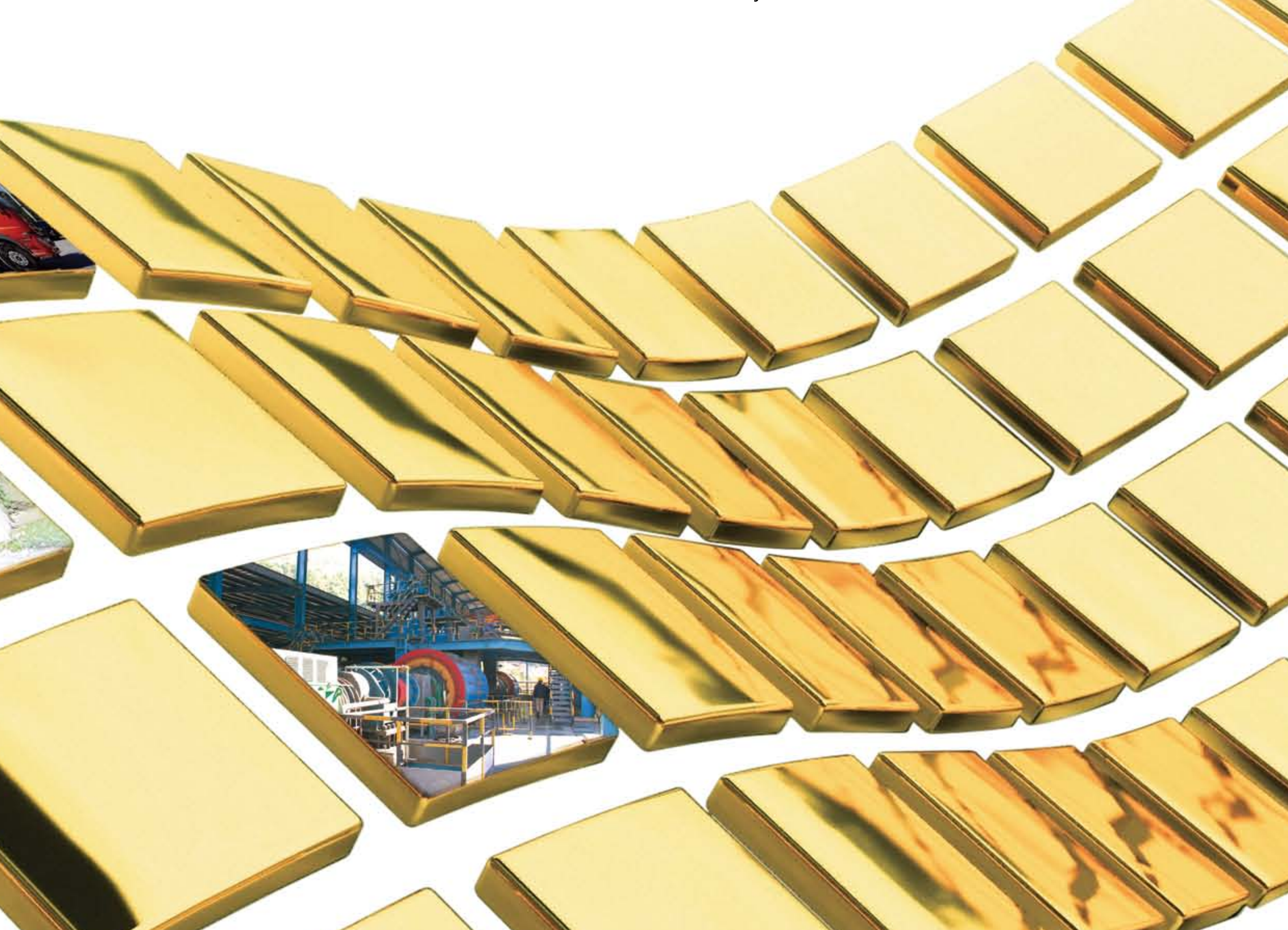
MINING LIMITED 中國多金屬礦業有限公司

2013 ANNUAL REPORT

(Incorporated in the Cayman Islands with limited liability)

Stock Code:2133

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 non-ferrous metals Pure Mining Company listed on the Hong Kong Stock Exchange. With a high quality asset portfolio in ramp-up, the Company continues to develop and explore large and high-grade reserves. With all its 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 made an active exploration plan of the lead-zinc-silver Dazhupeng Mine and has secured exclusive long-term, low-cost raw ore supply from the Lushan Mine, a tungsten-tin mine. We will further leverage our unique position as a leading Chinese mining company and close proximity to our key customers to meet the demand for silver, lead and zinc while maximizing returns for our shareholders.

Corporate Information

As at 13 March 2014

Directors

Executive Director
Mr. Ran Xiaochuan *(Chairman)*

Non-Executive Directors
Mr. Andrew Joseph Dawber
Mr. Lee Kenneth Jue

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

Safety, Health and Environment Committee*

Mr. Lee Kenneth Jue *(Chairman)*
Mr. Ran Xiaochuan

Strategy Committee

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

Company Secretary

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

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

* The Safety, Health and Environment Committee was established on 2 July 2013.

Corporate Information

As at 13 March 2014

Head Office

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

Principal Place of Business in Hong Kong

Unit 4712, 47/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

Auditors

Ernst & Young

Legal Advisers

As to Hong Kong Law

Brandt Chan & Partners in association with
SNR Denton HK LLP

As to PRC Law

Commerce & Finance Law Offices

As to Cayman Law

Conyers Dill & Pearman

Investor Relations Contact

Tel: +852 2180 7577
Unit 4712, 47/F
The Center
99 Queen's Road Central
Hong Kong

Principal Bankers

Agricultural Bank of China
China Merchants Bank
Citibank

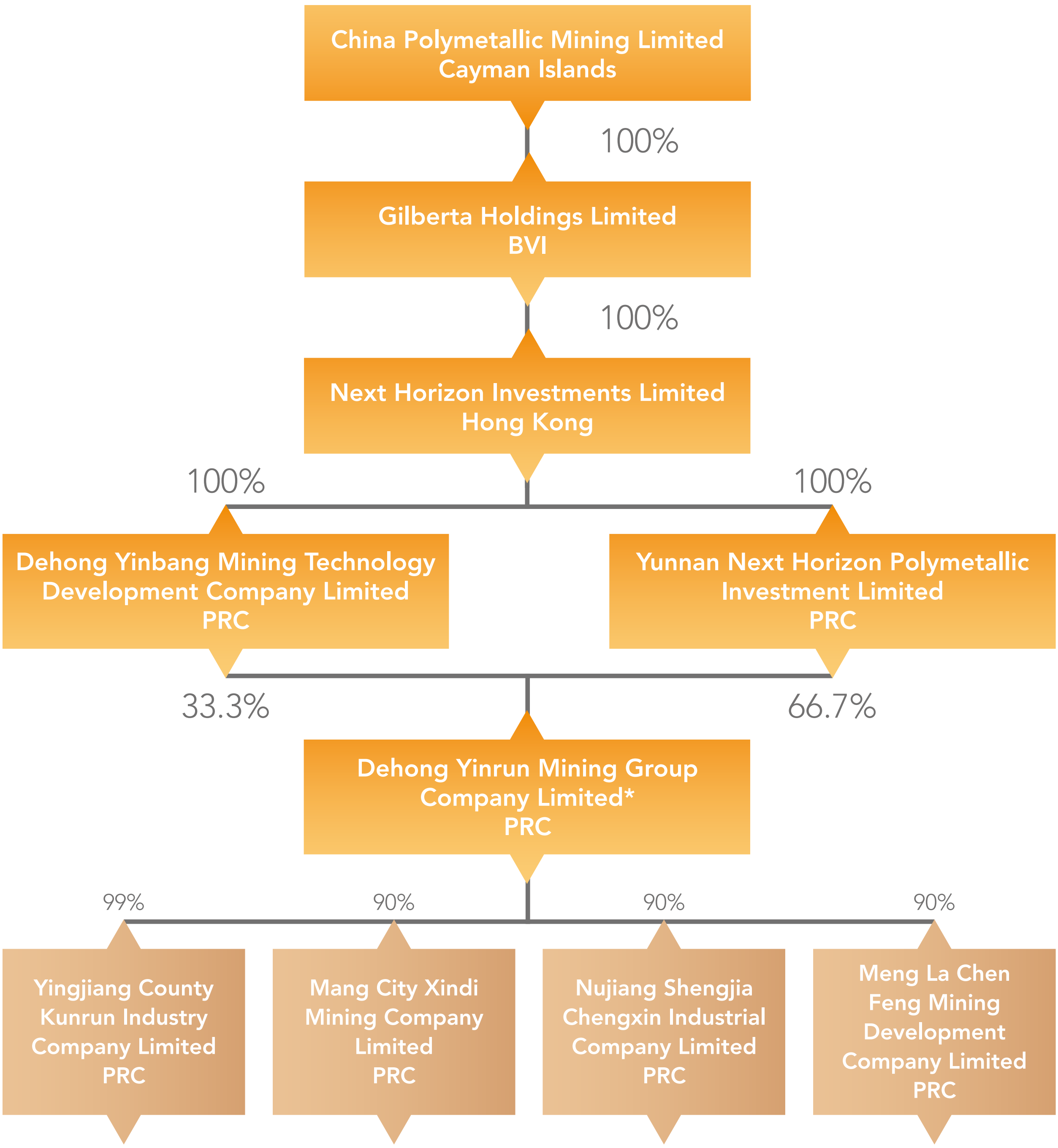
Stock Code

2133

Website Address

www.chinapolymetallic.com

Corporate Structure



* Formerly known as Dehong Yinrun Mining Technology Development Company Limited

Financial Highlights

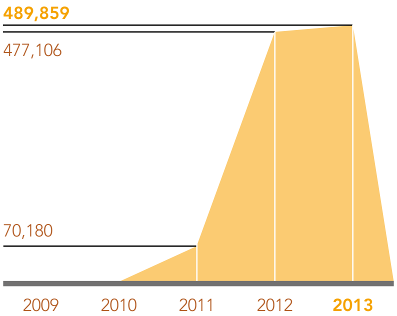
The Group's summary of published results for the period from 23 April 2009 (date of the business combination of our Group under common control) to 31 December 2009 and the years ended 31 December 2010, 2011, 2012 and 2013, and the figures of assets, liabilities and non-controlling interests as at 31 December 2009, 2010, 2011, 2012 and 2013 are set out below:

Results

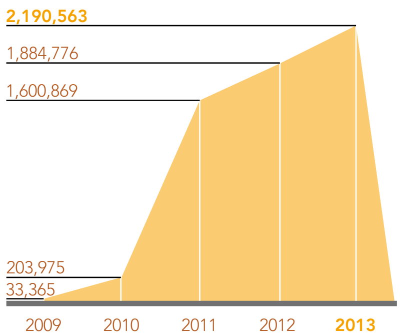
	For the year ended 31 December				Period from 23 April 2009 to 31 December
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**489,859**	477,106	70,180	–	–
Cost of sales	**(126,193)**	(86,912)	(16,214)	–	–
Gross profit	**363,666**	390,194	53,966	–	–
Other income and gains	**1,758**	3,534	2,760	5,576	–
Selling and distribution costs	**(997)**	(1,010)	(7)	–	–
Administrative expenses*	**(128,630)**	(120,780)	(287,457)	(11,987)	(1,939)
Other expenses	**(7,629)**	(3,793)	(2,855)	(235)	–
Financing costs	**(12,633)**	(5,047)	(382)	–	–
Profit/(loss) before tax	**215,535**	263,098	(233,975)	(6,646)	(1,939)
Income tax credit/(expenses)	**(75,640)**	(84,236)	(10,272)	1,586	435
Profit/(loss) for the year/period	**139,895**	178,862	(244,247)	(5,060)	(1,504)
Attributable to:					
The owners of the Company	**138,487**	176,984	(244,268)	(4,840)	(1,178)
Non-controlling interests	**1,408**	1,878	21	(220)	(326)
	139,895	178,862	(244,247)	(5,060)	(1,504)
Earnings/(loss) per share attributable to ordinary equity holders of the Company (RMB) — Basic and diluted	**0.07**	0.09	(0.21)	N/A	N/A

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

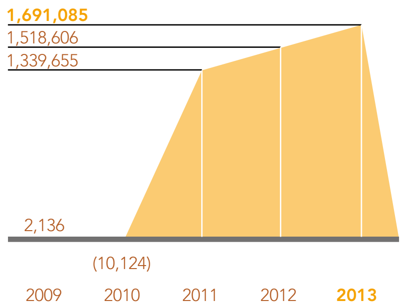
Revenue
(RMB'000)



Total Assets
(RMB'000)



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



Assets, liabilities and non-controlling interests

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**1,419,885**	1,223,924	662,890	128,723	7,815
Current assets	**770,678**	660,852	937,979	75,252	25,550
Current liabilities	**431,937**	245,468	127,706	206,279	30,969
Non-current liabilities	**15,949**	74,903	132,178	351	–
Total equity/(deficit)	**1,742,677**	1,564,405	1,340,985	(2,655)	2,396
Non-controlling interests	**51,592**	45,799	1,330	7,469	260
Equity/(deficit) attributable to the owners of the Company	**1,691,085**	1,518,606	1,339,655	(10,124)	2,136

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, China's GDP growth rate slowed down to 7.7%, and ongoing concerns over the probability of an economic hard landing and financial crisis clouded investor sentiment. Weak demand in the European Union and the US constrained export growth. Trading interests from investors and commercial market participants were dampened by an anti-inflation trend of the global economy, bottoming US interest rates, and strengthening US dollar. All these issues impacted China's domestic non-ferrous metals industry.

As part of our commitment to the strategy and deployment outlined at the time of the Group's listing, our Company strives to overcome the negative impact of external factors on production levels, despite turbulent macro-economic environment and relatively weak performance of the non-ferrous metals industry. This has been achieved at the Dakuangshan Mine, the Group's second largest mine in operation, which was fully ramped up in September 2013 with a mining and processing capacity of 600 tpd. In addition, the first phase of the new 250 tpd gravity-selection processing line at the Lushan Mine is under construction, and the pilot tests for the early stage processing achieved satisfactory results. The installation work of this processing line is expected to be completed by the second half of 2014.

Amongst all the mines in operation, with mining work extending to deeper zones of the mines, we discovered that ore bodies at the 1,200 level of the Shizishan Mine have gradually become fragmented. Meanwhile, pit drilling at the 1,150 level demonstrates that the ore bodies are also fragmented. At the 1,150 level, it is expected that ore production will be affected, resulting in a rise in mining dilution rate and a consequent reduction in feed grade. To tackle such issues, the Group has focused on exploring mining techniques and technologies for fragmented ore bodies. In addition, the Group has taken action generally to improve the number of efficient working days while reducing mining dilution and loss rates with the intention of lowering mining costs and raising quality of products.

During the Reporting Period, the Group recorded revenue of approximately RMB489.9 million and gross profit of approximately RMB363.7 million, representing a gross margin of 74.2%. The profit and comprehensive income attributable to the shareholders of the Company amounted to RMB138.5 million. During the Reporting Period, the Company paid an interim dividend of HK$0.010 per share (equivalent to approximately RMB0.008 per share) amounting to RMB15.7 million. The Board is also proposing a final dividend of HK$0.008 per share (equivalent to approximately RMB0.006 per share) amounting to RMB12.5 million. During the Reporting Period, the Group's dividend payout ratio was approximately 20% of profit and comprehensive income. The Board recognizes and is grateful for the long-term support of investors of the Company.

As a result of the considerable efforts of the management team, the Group is growing and thereby realizing the ambition of becoming a leading PRC non-ferrous metals Pure Mining Company. During the Reporting Period, the Group focused on improving its mining and processing capacity. In line with the expansion of its mining facilities and the completion of the stopes, the Group's mining capacity improved significantly. Meanwhile, we have been proactively exploring selective and appropriate acquisition opportunities to expand our resources and reserves. In addition, the Group remains focused on realizing the values of its premium assets. By boosting the production capacity of the producing mines, the Group also further enhances its sustainable profitability. The Group was awarded the "Listed Company with the Best Investment Value for 2013" in April 2013. This was jointly sponsored by a number of professional investor relations institutions in Hong Kong. This reflected the confidence of the capital markets in the Group's corporate strategies and development potential. The Group will fully leverage its unique position as a leading mining company in the PRC and its close proximity to our key customers to meet the 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, 13 March 2014

Management Discussion and Analysis

Market Review

During the Reporting Period, the economies in the US and Europe showed initial signs of improvement. It is expected that the global economic growth rate would increase to 3.6% in 2014 from 2.9% in 2013. However, uncertainties lingered causing slow economic growth, while new sources of growth remained unknown. Changes in currency policies of major powers, the trading and investment landscape, and the bulk commodity prices were also unclear. Global investors anticipate that scaling down of the US quantitative easing policies may also bring about new challenges in the capital market. As to the domestic situation, 2013 was the first year of the Chinese government's new leadership in office. The new leadership has put economic restructuring as a core task. In the short term, the central government supports a stable economic growth policy. In 2013, China's GDP growth rate slowed down to 7.7% from 7.8% in 2012.

For the non-ferrous metals industry as a whole, in the short term it is difficult to solve problems of "big in the middle but small at both ends" arising from the industrial chain in China, including metallurgic overcapacity in the non-ferrous metals industry, insufficient capacity of production in mines, and a shortage of high value-added products. During the Reporting Period, the non-ferrous metals smelting industry suffered wide spread loss, mainly as prices of non-ferrous metals gyrated at low level. On the other hand, business operations were challenged by relatively quick hike in costs related to power generation, environmental protection, and employment in China. Speaking of specific production growth, China's output of lead in 2013 decreased by 2.1% to 4,569,286.7 metric tons, whereas zinc output increased by 10.1% to 5,372,389.4 metric tons. The slower than expected economic recovery, and high inventory level caused lead prices to drop significantly. During the Reporting Period, the spot price quoted on the London Metal Exchange decreased by 5.7%. A drop in the production output of zinc minerals became a growing concern of the global market, pushing up the zinc price by 2.5%. Due to weak demand and the US Federal Reserve's tapering exercise, coupled with lower interest rate in the Eurozone, investors' interests in precious metals and base metals were reduced, and the spot price for silver quoted at the London Metal Exchange decreased by 35.8% during the Reporting Period (source: Bloomberg). During the Reporting Period, in order to improve operating cash flow, the Group focused on improving the efficiency of current mines in operation, exploring mines with stringent cost control, and speeding up the collection of receivables.

Despite challenges which the non-ferrous metals industry has been facing, there are also many development opportunities. On 25 July 2013, the Ministry of Industry and Information Technology of the PRC released a list of the first batch of enterprises with obsolete industrial production capacity to be eliminated. According to this list, lead enterprises (including recycled lead) with a smelting capacity below 807,000 tons were planned to be eliminated in 2013, so are zinc enterprises (including recycled zinc) with a smelting capacity below 146,200 tons. Among non-ferrous metals enterprises with obsolete industrial production capacity to be eliminated, the lead industry accounted for a larger proportion, and those in the zinc industry accounted for a smaller proportion. This is favorable for lead to change its oversupply situation. In the medium and long terms, the supply of base metals will be reduced, and this will help raise the price of metals and improve the profitability of this industry.

Meanwhile, China (Shanghai) Pilot Free Trade Zone was officially launched on 29 September 2013 with a series of new policies for the commodities (including non-ferrous metals) market. For example, these policies permit foreign enterprises to trade commodity futures, and explore the development of an international platform for trading bulk commodities and resource allocation, thereby introducing new opportunities to the metals market. The opening of such innovative free trade zone will benefit the import and export of non-ferrous metals as well as allow free transfer of cargos, and boost the prosperity of the commodity futures market, thereby attracting and involving more overseas investors.

In addition, following the consecutive trading of gold and silver futures, the Shanghai Futures Exchange officially launched night trading for four types of non-ferrous metals futures in December 2013, including copper, aluminum, zinc and lead. The introduction of consecutive trading hours will help broaden trading channels for non-ferrous metals, and diversify the risks of price volatility in the international market. On the other hand, it will also help change the situation where domestic non-ferrous metals enterprises enter into international trading contracts based on the pricing benchmark set by the London Metal Exchange, thus further enhancing China's international influence and bargaining power in pricing.

Looking forward, there will be a steady increase in the demand for lead in the medium term. In the PRC, the growth pace of lead demand in the medium term is expected to depend on the development of the telecommunication, the automobile and electric bicycle sectors. In 2014, a large number of automobiles and electric bicycles will enter into a replacement cycle, while the 4G license will trigger more investment from China Telecom, China Mobile, and China Unicom. As a result, it is expected that growth in lead consumption will remain at a certain level. Due to the cheap and efficient nature of lead acid batteries, effective alternative products are currently unavailable, and the demand from end users continues to enjoy a relatively huge room for growing. It is estimated that the production of lead acid batteries will increase at a higher pace, thereby projecting a favourable prospect for lead price. As to zinc, there tends to be a tight supply of zinc concentrates in the overseas market in the medium and long terms. At the global level, the supply of zinc concentrates will hopefully decline, and a reduction in the production overcapacity of zinc concentrates to support and even boost the zinc price.

Due to critical macro features, including production overcapacity in the PRC's non-ferrous metals industry, a slower than expected global economic recovery and the domestic economy change from fast-growing economy to a steady-growing one, the de-stocking process will remain. It is estimated that the price of non-ferrous metals will continue to linger at a low level. However, the PRC government has implemented a number of policies to stabilize the economic growth, by accelerating key construction projects under the Twelfth Five-Year Plan, and motivating the development of emerging industries (such as high-strength processing sector and alternative energies) and new types of urbanization. These will help spur growth in the consumption of non-ferrous metals, thus nurturing a favorable environment for the stable development of 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 Yingjiang County of Yunnan Province. Based on the results of the resources and reserves for the Shizishan Mine as at 25 October 2011 disclosed in the Competent Person's Report as set out in appendix V to the Prospectus, our Group is of the view that there are no material changes in resources and reserves estimates and the results of resources and reserves under the JORC Code as at 31 December 2013 are estimated as follows:

The Shizishan Mine — JORC Mineral Resources as at 31 December 2013
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	1,587,788	10.9	6.6	271.0	209,968	117,812	581
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	8,501,788	9.4	6.0	256.0	824,768	520,812	2,281

The Shizishan Mine — JORC Ore Reserve Estimate as at 31 December 2013

Class	Quantity (t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Proved	1,467,788	10.0	6.1	251.0	177,568	98,212	481
Probable	5,713,000	9.0	5.9	250.0	514,500	336,900	1,400
Total	7,180,788	9.3	6.0	250.0	692,068	435,112	1,881

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

Operational results of the Shizishan Mine

The following table summarises the mining and processing results during the years ended 31 December 2013 and 2012 of the Shizishan Mine operated by the Group:

	Items	Unit	2013	2012
ROM Ore	Mined	kt	**453.8**	344.3
	Effective working days	days	**227**	271
	Average output	tpd	**1,999**	1,270
	Processed	kt	**454.6**	342.7
Feed Grade	Lead	%	**6.0**	6.8
	Zinc	%	**4.6**	5.6
	Silver	g/t	**139**	145
Recovery	Lead	%	**86.2**	86.6
	Zinc	%	**86.2**	86.8
	Silver in lead concentrate	%	**77.7**	77.9
	Silver in zinc concentrate	%	**7.7**	8.4
Concentrate Grade	Lead	%	**54.7**	53.9
	Zinc	%	**46.4**	48.9
	Silver in lead concentrate	g/t	**1,145**	1,027
	Silver in zinc concentrate	g/t	**127**	122
Concentrate Tonnes	Lead-silver concentrate	t	**42,987**	37,643
	Zinc-silver concentrate	t	**38,602**	33,814
Metal Contained in Concentrate	Lead	t	**23,526**	20,282
	Zinc	t	**17,910**	16,546
	Silver in lead concentrate	kg	**49,210**	38,659
	Silver in zinc concentrate	kg	**4,887**	4,142

The Shizishan Mine reached the designed mining capacity of 2,000 tpd by the end of December 2012. The total raw ore mined in 2013 increased by 109.5 kt, representing an increase of 31.8% as compared to 2012. The production volume of lead, zinc and silver also increased by 3,244 t, 1,364 t and 11,296 kg respectively, representing an increase of 16.0%, 8.2% and 26.4% respectively as compared to 2012.

Management Discussion and Analysis

Production costs at the Shizishan Mine

In line with the growth of mining production at the Shizishan Mine, unit production costs per tonne of ore processed decreased as compared with year 2012. However, due to the decrease in average feed grade during the Reporting Period, unit production cost per tonne of concentrate increased slightly from year 2012. The comparison of the breakdown of unit production cost at the Shizishan Mine is set out in the following table:

		2013 RMB	2012 RMB	Variance RMB
Cost item				
Mining cost	(RMB/t of ore mined)	**57**	55	2
— subcontracting fee	(RMB/t of ore mined)	**57**	55	2
Processing cost	(RMB/t of ore processed)	**66**	90	(24)
— materials cost	(RMB/t of ore processed)	**25**	27	(2)
— labour	(RMB/t of ore processed)	**19**	36	(17)
— electricity and water	(RMB/t of ore processed)	**16**	15	1
— maintenance and others	(RMB/t of ore processed)	**6**	12	(6)
G&A and other costs	(RMB/t of ore processed)	**33**	61	(28)
Total operating cash cost	(RMB/t of ore processed)	**156**	206	(50)
Total operating cash cost	(RMB/t of concentrate)	**869**	988	(119)
Total production taxes and royalties	(RMB/t of ore processed)	**30**	33	(3)
Total cash cost	(RMB/t of ore processed)	**186**	239	(53)
Total cash cost	(RMB/t of concentrate)	**1,036**	1,145	(109)
Depreciation and amortization	(RMB/t of ore processed)	**84**	69	15
Total production cost	(RMB/t of ore processed)	**270**	308	(38)
Total production cost	(RMB/t of concentrate)	**1,504**	1,478	26

Capital expenditure of the Shizishan Mine

During the Reporting Period, the tunnel development project of the 1,200 level and the 1,150 level of the Shizhishan Mine were completed with a total length of 2,852.6 meters. The cross-sectional area of the developed tunnels was 17 to 21 square meters, the length of the exploration and cutting engineering was 6,247.4 meters and the cross-sectional area of the exploration and cutting tunnels was 4 to 16 square meters. In addition, the main transport corridors, ventilation, power supply, water supply and drainage, and pedestrian tunnels of the supportive tunnel development projects and a series of other engineering work such as the routes for ore removal, undercutting engineering, service ventilation raise, slice tunnels, routes for exploration and drilling routing were also completed. In 2013, the exploration and mining work in the Shizhishan Mine were mainly concentrated in stopes No. 1 to No. 8 of the 1,200 level and stopes No. 9 to No. 11 of No. V ore body in the newly-built 1,200 level. Meanwhile, tunnels and stopes to the north panels of No. I ore body and No. II ore body at the 1,150 level were also under construction. According to the mining progress, a mobile filling system was built in the 1,250 adit of the Shizhishan Mine during the Reporting Period. This system is to be used to fill the mined area at the 1,200 level and the 1,150 level.

Capital expenditures of the Shizishan Mine in 2013 and 2012 are indicated below:

	2013 **RMB million**	2012 RMB million
Mining	**168.0**	106.8
Mining infrastructure	**168.0**	105.9
Mining right and exploration	**–**	0.9
Processing	**4.1**	52.1
Processing factory and equipment	**1.4**	42.5
Tailing storage facilities	**2.7**	9.6
Prepaid land lease payment and buildings	**–**	0.8
Total	**172.1**	159.7

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 for eight years, from 9 March 2012 to 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 estimated indicated and inferred lead-zinc resources of the Dakuangshan Mine as at 31 December 2013 are as follows:

The Dakuangshan Mine — Chinese Standard Mineral Resources as at 31 December 2013

	Metal Resources			**Grade**		
	Lead (kt)	**Zinc (kt)**	**Silver (t)**	**Lead (%)**	**Zinc (%)**	**Silver (g/t)**
Indicated+Inferred	117.2	226.7	215.0	2.69	5.20	54.16

Management Discussion and Analysis

Operational results of the Dakuangshan Mine

The following table summarises the mining and processing results during the years ended 31 December 2013 and 2012 of the Dakuangshan Mine operated by the Group:

	Items	Unit	2013	2012
ROM Ore	Mined	kt	**95.2**	5.3
	Effective working days	days	**240**	25
	Average output	tpd	**397**	212
	Processed	kt	**82.7**	5.1
Feed Grade	Lead	%	**1.4**	1.4
	Zinc	%	**2.7**	2.6
	Silver	g/t	**23**	23
Recovery	Lead	%	**80.5**	80.3
	Zinc	%	**81.3**	80.2
	Silver in lead concentrate	%	**66.5**	70.9
	Silver in zinc concentrate	%	**6.5**	9.8
Concentrate Grade	Lead	%	**54.7**	56.4
	Zinc	%	**44.6**	45.2
	Silver in lead concentrate	g/t	**757**	788
	Silver in zinc concentrate	g/t	**30**	49
Concentrate Tonnes	Lead-silver concentrate	t	**1,646**	103
	Zinc-silver concentrate	t	**4,084**	231
Metal Contained in Concentrate	Lead	t	**900**	58
	Zinc	t	**1,820**	104
	Silver in lead concentrate	kg	**1,246**	82
	Silver in zinc concentrate	kg	**122**	11

The Dakuangshan Mine commenced commercial production in December 2012. The designed mining and processing capacity is 600 tpd. However, due to the construction of power network infrastructure by the local government, the Dakuangshan Mine was unable to operate at full production during the first half of 2013. Upon completion of the construction work, the Dakuangshan Mine has ramped-up to full capacity since September 2013.

Given the above reasons, the volume of the raw ore mined and processed in 2013 were approximately 95.2 kt and 82.7 kt respectively, and the average daily volume of raw ore mined and processed were approximately 397 t and 345 t respectively.

Production costs at the Dakuangshan Mine

The breakdown of unit production cost at the Dakuangshan Mine in 2013 is set out in the following table:

		2013 RMB
Cost item		
Mining cost	(RMB/t of ore mined)	**69**
— subcontracting fee	(RMB/t of ore mined)	**69**
Processing cost	(RMB/t of ore processed)	**67**
— materials cost	(RMB/t of ore processed)	**15**
— labour	(RMB/t of ore processed)	**25**
— electricity and water	(RMB/t of ore processed)	**23**
— maintenance and others	(RMB/t of ore processed)	**4**
G&A and other costs	(RMB/t of ore processed)	**59**
Total operating cash cost	(RMB/t of ore processed)	**195**
Total operating cash cost	(RMB/t of concentrate)	**2,814**
Total production taxes and royalties	(RMB/t of ore processed)	**37**
Total cash cost	(RMB/t of ore processed)	**232**
Total cash cost	(RMB/t of concentrate)	**3,348**
Depreciation and amortization	(RMB/t of ore processed)	**165**
Total production cost	(RMB/t of ore processed)	**397**
Total production cost	(RMB/t of concentrate)	**5,730**

Management Discussion and Analysis

Capital expenditure of the Dakuangshan Mine

During the Reporting Period, the tunnel construction with a cross-sectional area of 2.5 to 6 square meters at the 1,520 level, the 1,620 level, the 1,680 level and the 1,710 level were completed in the Dakuangshan Mine, with the length of the tunnel construction and the depth of the pit drilling being 1,814.6 meters and 4,817.7 meters respectively. In addition, the power system of the processing plant was upgraded and restructured, and the construction of new tailing storage facilities and the central experiment and laboratory office was completed.

Capital expenditures of the Dakuangshan Mine in 2013 and 2012 are indicated below:

	2013 RMB million	2012 RMB million
Mining	**8.0**	70.3
Mining infrastructure	**3.5**	56.9
Mining right and exploration	**4.5**	13.4
Processing	**16.9**	16.5
Processing factory and equipment	**2.8**	11.8
Tailing storage facilities	**14.1**	4.7
Prepaid land lease payment and buildings	**12.5**	8.1
Total	**37.4**	94.9

Other Mines

Liziping Mine

The Liziping Mine, owned by our Group, is a lead-zinc-silver polymetallic mine located approximately 700 km away from the Group's Shizishan Mine in Yunnan Province. The exploration permit covers an area of 18.29 sq. km. and has a valid term from 29 December 2010 to 29 December 2012. The Liziping Company received the renewed exploration permit which is valid for two years until 14 March 2015 on 14 March 2013. 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 of the Liziping Mine, an area of approximately four sq. km. was 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

Note: As at 31 December 2013, the Group is of the view that there are no material changes in resources and reserves estimates.

During the Reporting Period, further exploration work was mainly carried out in the first mining area of the Lizhiping Mine, where the tunnel construction with a total length of 945.0 meters and a total cross-sectional area of five square meters, 13 exploration drill holes with a total depth of 5,944.73 meters and the relevant supportive exploration analysis and research work were completed in the first mining area. During the Reporting Period, the total expenditures of the Liziping Mine were RMB9.7 million (2012: RMB39.6 million).

Currently, the Company is applying for the mining permit pertaining to the first mining area which is approximately four sq. km. and will be conducting detailed exploration work in the remaining areas. At the current stage, we expect mining permit for the first mining area to be received in the second half of 2014.

Menghu Mine

The Menghu Mine, owned by our Group, is a lead-zinc polymetallic mine located in Meng La County, Yunnan Province. The mining permit of the Menghu Mine covers an area of 0.4 sq. km. and is valid for five years until 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

Note: As at 31 December 2013, the Group is of the view that there are no material changes in resources and reserves estimates.

During the Reporting Period, the Menghu Company spent RMB2.6 million (2012: RMB6.4 million) on exploration activities, including remaining payment for the exploration activities carried out in 2012 and issuance of the exploration report. In addition, the Menghu Company spent RMB5.6 million on the construction of mining infrastructure including tunnel construction of 1,261.0 meters and building ancillary services along the tunnel, and the output of raw ore during the construction of mining infrastructure was approximately 2,418 t. After deduction of the sale proceeds of approximately RMB4.8 million generated during the construction, net expenditures on the construction of mining infrastructure were approximately RMB0.8 million (2012: RMB3.6 million).

Dazhupeng Mine

The Dazhupeng Mine, owned by our Group, is a lead-zinc-silver polymetallic mine with exploration permit valid for three years until April 2014. During the Reporting Period, the Group carried out small-to-medium scale geological survey and sediment sample tests in respect of a mining area with 18.64 sq.km., in which a series of exploration works were carried out, including large-scale geological survey, geochemical exploration and sampling on a focus area of five sq.km.. The Group collected 612 samples in total in this exploration work and spent approximately RMB0.5 million in aggregate.

Management Discussion and Analysis

Lushan Mine

The Lushan Mine, owned by the Xiangcaopo Mining, is a tungsten-tin polymetallic mine. We entered into an exclusive ore supply agreement with the Xiangcaopo Mining and its owner, Mr. Li Jincheng, on 31 December 2010. Currently, the Xiangcaopo Mining is applying for the mining permit, which is expected to be obtained by the second half of 2014, and by that time the Xiangcaopo Mining will start to provide tungsten-tin raw ores to us. Subject to the time schedule for obtaining the mining permit and initial mining result, we are planning to build a new gravity-selection processing line to process the ore from the Xiangcaopo Mining. The gravity-selection processing line will be constructed in several phases. Pilot tests for the early stage processing achieved satisfactory results and the construction work for the first phase of the 250 tpd new gravity-selection processing line is expected to be completed by the second half of 2014. After fine-tuning of the first phase mining and processing, we will gradually build up capacity. We expect the Lushan Mine to start contributing profit to the Group by the fourth quarter of 2014.

During the Reporting Period, a capital expenditure of RMB5.5 million (2012: RMB14.4 million) was incurred in relation to the processing line of the Lushan Mine.

Financial Review

Revenue

The Group's revenue was approximately RMB489.9 million in 2013, primarily through the sales of lead-silver concentrates and zinc-silver concentrates. The sales volume of lead-silver concentrates and zinc-silver concentrates were 40,766 t and 43,237 t respectively. As compared to approximately RMB477.1 million in 2012, the revenue increased by approximately RMB12.8 million or approximately 2.7%. The increase in revenue was due to an increase in mining and processing output of the Shizishan Mine and the Dakuangshan Mine, which outweighed the decrease in the average selling price of lead-silver concentrates and zinc-silver concentrates as a result of the decrease in the prevailing market price of lead, zinc and silver.

Cost of sales

Cost of sales was approximately RMB126.2 million in 2013, mainly comprising mining subcontracting fees, ancillary material costs, utilities, depreciation and amortization and resource taxes. As compared to approximately RMB86.9 million in 2012, cost of sales increased by RMB39.3 million or 45.2%. This was primarily due to the increase in sales volume and the increase in average unit cost as a result of higher mining dilution rate caused by the fragmented ore bodies at the 1,200 level of the Shizishan Mine.

Gross profit and gross profit margin

Gross profit was approximately RMB363.7 million in 2013, representing a decrease of 6.8% or approximately RMB26.5 million from approximately RMB390.2 million in 2012. Gross profit margin decreased from 81.8% in 2012 to 74.2% in 2013. The decrease in gross profit margin was due to the decrease in average selling price of lead-silver concentrates and zinc-silver concentrates and the increase in average unit cost of sales of lead-silver concentrates and zinc-silver concentrates.

Other income and gains

Other income and gains were approximately RMB1.8 million in 2013, compared to approximately RMB3.5 million in 2012, representing a decrease of approximately RMB1.7 million or approximately 48.6%. This was primarily due to a decrease in bank interest income of RMB1.0 million and sales of spare parts of RMB0.7 million respectively.

Administrative expenses

Administrative expenses were approximately RMB128.6 million in 2013, primarily comprising managerial staff costs, professional consulting fees, depreciation, office administrative fees and other expenses, compared to approximately RMB120.8 million in 2012, representing an increase of approximately RMB7.8 million or approximately 6.5%.

This increase was primarily due to (i) an increase in share option expenses of RMB41.1 million mainly related to the 2013 Granted Options; and (ii) expense recognized for Award Shares granted to Mr. He of RMB6.6 million. The increase was partially offset by (i) the decrease in professional fees of RMB35.9 million primarily in relation to public relations service fees; and (ii) the decrease in other miscellaneous expenses of RMB4.0 million, such as entertainment expenses and office expenses etc, as the Group carried out strict cost control measures.

Other expenses

Other expenses were approximately RMB7.6 million, compared to approximately RMB3.8 million in 2012, representing an increase of approximately RMB3.8 million. This was primarily due to (i) the provision for impairment in the mining right to the Menghu Mine of RMB3.2 million; (ii) an increase in bank consultation fees of RMB1.3 million; (iii) exploration costs of RMB0.9 million on a target mine without satisfactory result; and (iv) loss arising from disposal of certain machinery of RMB0.6 million. The increase was partially offset by the decrease in foreign exchange losses of RMB2.3 million arising from bank balances denominated in HK$ and US$ which were affected by the appreciation of RMB against HK$ and US$.

Finance costs

Finance costs were approximately RMB12.6 million in 2013, compared to approximately RMB5.0 million in 2012, representing an increase of RMB7.6 million. This was primarily due to (i) increase in interest expenses of RMB4.9 million arising from the interest-bearing bank loan granted by Agricultural Bank of China for the development of the Shizishan Mine, which has ceased capitalization as the relevant construction works at the Shizishan Mine were substantially completed in the second half of 2012; and (ii) interest expenses of RMB2.7 million arising from a one-year interest-bearing bank loan granted by China Merchants Bank on 29 March 2013.

Income tax expenses

Income tax expenses were approximately RMB75.6 million in 2013, compared to the income tax expenses of approximately RMB84.2 million in 2012, representing a decrease of approximately RMB8.6 million or approximately 10.2%, which was in line with the decrease in the taxable profit generated by PRC subsidiaries of the Group.

Final dividend

The Board proposed payment of a final dividend of HK$0.008 per share (equivalent to approximately RMB0.006 per share) for the Reporting Period (2012: Nil). The proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company on Wednesday, 9 July 2014. The proposed final dividend will be paid out from the Company's share premium account.

Management Discussion and Analysis

Liquidity and capital resources

The following table sets out the information in relation to our Group's consolidated statement of cash flows during the years ended 2013 and 2012:

	2013 RMB'000	2012 RMB'000
Net cash flow generated from/(used in) operating activities	**455,084**	(6,474)
Net cash flow used in investing activities	**(169,360)**	(568,389)
Net cash flow from/(used in) financing activities	**34,745**	(26,097)
Net increase/(decrease) in cash and cash equivalents	**320,469**	(600,960)

Net cash flow generated from/(used in) operating activities

During the Reporting Period, the net cash flow generated from operating activities was RMB455.1 million, which primarily included: (i) profit before tax of RMB215.5 million; (ii) a decrease in trade receivables of RMB151.1 million; (iii) an increase in other payables and accruals of RMB67.0 million; (iv) interest expenses from bank loans of RMB11.6 million; and (v) certain non-cash expenses such as share option expenses of RMB49.1 million, Award Shares of RMB6.6 million, depreciation of RMB44.0 million, amortization of mining rights of RMB11.8 million and impairment of intangible assets of RMB3.2 million. Cash generated from operating activities was partially offset by (i) an increase in inventories of RMB8.4 million; (ii) an increase in prepayment, deposits and other receivables of RMB29.6 million mainly arising from interest free loans paid to Mr. Li Jincheng, the owner of the Lushan Mine, for the construction of the Lushan Mine; (iii) a decrease in trade payables of RMB5.4 million; and (iv) payment of income tax amounted to RMB64.2 million.

Net cash flow used in investing activities

During the Reporting Period, the net cash flow used in investing activities was RMB169.4 million, representing a decrease of RMB399.0 million as compared to approximately RMB568.4 million in 2012. It primarily included (i) purchase of property, plant and equipment in connection with the construction of mining and processing facilities aggregated to RMB198.9 million and an office building located in Dehong Prefecture, Yunnan Province of RMB12.5 million; and (ii) expenditures in relation to exploration and evaluation assets aggregated to RMB17.4 million. Cash used in investing activities was partially offset by the decrease in time deposit of RMB60.0 million with an original maturity of six months.

Net cash flow from/(used in) financing activities

During the Reporting Period, the Company obtained a new bank loan of RMB50.0 million from China Merchants Bank with period from 29 March 2013 to 29 March 2014, and a new bank loan of RMB50.0 million from China Construction Bank with period from 19 December 2013 to 18 December 2014. The cash inflow was partially offset by (i) the repayment of bank loans from Agricultural Bank of China of RMB32.0 million; (ii) interest paid for the bank loans of RMB11.6 million; (iii) payments in respect of the repurchase of shares of the Company of RMB5.9 million; and (iv) payment of 2013 interim dividend of RMB15.7 million.

Analysis of inventories

Inventories increased by 66.4% from approximately RMB12.8 million as at 31 December 2012 to approximately RMB21.3 million as at 31 December 2013, primarily due to the increase in the Group's production volume.

Analysis of trade receivables

Trade receivables decreased from approximately RMB279.0 million as at 31 December 2012 to approximately RMB127.9 million as at 31 December 2013, primarily due to the Group's enhanced management on collection of trade receivables in order to improve operating cash inflow in 2013.

Analysis of trade and other payables

The Group's trade and other payables increased by RMB42.7 million, from approximately RMB111.0 million as at 31 December 2012 to approximately RMB153.7 million as at 31 December 2013, primarily due to an increase in payables for value added tax and mining resource compensation fees aggregated to RMB66.8 million as a result of revenue generated during the Reporting Period. The increase was partially offset by (i) a decrease in payables in relation to asset exploration and evaluation of RMB14.3 million; (ii) a decrease in payables to the non-controlling shareholder of the Dakuangshan Company of RMB4.4 million; and (iii) a decrease in trade payables of RMB5.4 million due to the settlement with suppliers.

Analysis of net current assets position

The Group's net current assets position decreased by RMB76.7 million from approximately RMB415.4 million as at 31 December 2012 to approximately RMB338.7 million as at 31 December 2013, primarily due to (i) the increase in one-year interest-bearing bank loans aggregated to RMB100.0 million; (ii) the increase in interest-bearing bank loan granted by Agricultural Bank of China to be repayable within one year of RMB28.0 million; (iii) the increase in trade and other payables of RMB42.7 million and the decrease in trade receivables of RMB151.1 million as discussed above; and (iv) the increase in tax payable of RMB15.7 million. The above-mentioned increase was partially offset by the increase in cash and cash equivalents of RMB260.4 million primarily due to operating cash inflows.

Borrowings

The Group's borrowings increased from approximately RMB120.0 million as at 31 December 2012 to approximately RMB188.0 million as at 31 December 2013, primarily due to the new bank loans of RMB100.0 million obtained during the Reporting Period, and this was partially offset by the repayment of bank loan from Agricultural Bank of China of RMB32.0 million.

Contingent liabilities

As at 31 December 2013, we did not have any material contingent liabilities or guarantees.

Foreign currency risk

Our 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). In addition, we did not carry out any activities to hedge the foreign currency risk in 2013.

Management Discussion and Analysis

Interest rate risk

Our revenue and operating cash flow shall not be affected significantly by the interest rate in the market. Other than cash and cash equivalents, we do not have any material interest-bearing assets. We manage the interest rate exposure arising from our interest-bearing loans through the use of fixed interest rates. We have not used any interest rate swaps to hedge its exposure to interest rate risk.

Contractual obligations

As at 31 December 2013, our contractual obligations amounted to approximately RMB39.5 million, decreased by RMB12.1 million as compared to approximately RMB51.6 million as at 31 December 2012, primarily due to further payment in relation to exploration activities at the Liziping Mine, the Menghu Mine and the Dakuangshan Mine.

During the Reporting Period, the Group entered into some new agreements in relation to the mining infrastructure and processing plants, and renewed the mining subcontracting contract of the Dakuangshan Mine with a term of one year from October 2013 to October 2014. The mining subcontracting contract of the Shizishan Mine had an initial term of three years from September 2011 to September 2014. The details of the foresaid new contracts and their commitments are as follows:

		Contract amount RMB'000	**Commitment amount** RMB'000
Mining infrastructure	(a)	42,252	–
Processing plant	(b)	26,527	20,781
		68,779	20,781

(a) During the Reporting Period, the Group entered into an agreement for the construction of filling system of the Shizishan Mine, which is used to fill the mined area. The total contract amount was RMB42,252,000, and as at 31 December 2013 there was no commitment in relation to this project.

(b) During the Reporting Period, the Group entered into an agreement for the construction of the gravity-selection processing line at the Lushan Mine. The total contract amount was RMB25,456,000, and as at 31 December 2013 commitment in relation to it was RMB20,110,000.

During the Reporting Period, the Group also entered into several agreements for the construction of processing plants of the Shizishan Mine and the Dakuangshan Mine with aggregate contract amount of RMB1,071,000, and as at 31 December 2013 commitment in relation to them was RMB671,000.

Capital expenditure

The capital expenditures of the Group mainly include the amount spent on acquisition and construction of property, plant and equipment and intangible assets. The amount of capital expenditure of the Group in 2013 was RMB229.4 million (2012: RMB508.4 million).

Financial instruments

During the Reporting Period and the year ended 31 December 2012, we 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 loans, net of cash and bank balances and it excludes liabilities incurred for working capital purpose. Equity includes equity attributable to the owners of the Company and non-controlling interests. As at 31 December 2013, our Group's cash and cash equivalents exceeded the total interest-bearing bank loans. As such, no gearing ratio as at 31 December 2013 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 2013) RMB million**
Financing activities relating to investments in acquired mines	485.4	**375.5**
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	**20.7**
Total	809.1	**541.8**

Employee and remuneration policy

As at 31 December 2013, the Group had a total of 367 full time employees, including 76 management and administrative staff, 192 production staff and 99 operations support staff. In 2013, staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB89.6 million representing an increase of RMB47.4 million or 112.3% as compared to RMB42.2 million in 2012. This was primarily due to the increase in share option expenses of RMB41.1 million and Award Shares of RMB6.6 million. 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 its Directors and employees, providing incentives and rewards to eligible participants with reference to their contribution.

Occupational health and safety

As at the date of this annual report, no accidents relating to the personal injury or property damage were reported to our management and we were not subject to any claims arising from any material accidents involving personal injury or property damage in 2013 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 in 2013 and as at the date of this annual report.

Environmental protection and land rehabilitation

No environmental claims, lawsuits, penalties or administrative sanctions were reported to our management and we are of the view that we were in compliance with all relevant PRC laws and regulations regarding environmental protection and land rehabilitation in all material respects in 2013 and as at the date of this annual report. As at 31 December 2013, the Group has accrued RMB14.2 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 non-ferrous metals Pure Mining Company in the PRC through improving our own operations and making selective acquisitions. To achieve our goal, the Company plans to implement the following strategies:

Enhance the operational capacity of the group and formulate a reasonable plan for the future development of mines

Structural adjustment was the main focus of the Chinese economy in 2013. As the central government supported policies underpinning a steady economic growth, China's GDP growth rate slowed down to 7.7%. The slower than expected recovery led to high inventory level within the industry. As a result, the price of primary metals decreased in 2013. Under the tightening macro-economy and industry economy, the Group will shift focus to its own operation and strive to enhance its operational capacity and efficiency.

A mining and processing capacity of 2,000 tpd has been maintained throughout the year at the Shizishan Mine. The ventilation of each mining zone in the 1,200 level, coupled with the cut-through of service raises, has been achieved after continuing engineering construction, which establishes the foundation for sustained, stable and safe production.

The grid structuring has been completed as planned at the Dakuangshan Mine with a single-line production capacity of 300 tpd in the first half of 2013, and the new tailings storage facility has been established ahead of schedule. A trial operation with a dual-line full production capacity of 600 tpd was commenced on August 3, and reached its planned production capacity in September 2013.

In accordance with the plans of the Group, obtaining the mining rights of the first mining area of approximately four sq.km. at the Liziping Mine is on schedule. We are now at the stage of reporting the reserve estimates for filing and formulating the development and utilization plans. Immediately after the Company obtains the mining and production permit, which is expected in the second half of 2014, the Group will commence the mining project and the construction work associated with processing 1,000 tpd. The construction period is estimated to last for nine to twelve months. After that, the mining and processing capacity of the Group is anticipated to increase significantly.

To ensure safe production at the Menghu Mine, tunneling rectification has been implemented and is now in progress. It is expected that a small-scale mineral extraction will be achieved after May 2014.

We believe that control of, or access to high-quality non-ferrous metals resources and reserves is essential to the long-term sustainable development of our businesses and that increasing our resources and reserves by exploration is the most cost-efficient way to add value for our shareholders. We plan to take full advantage of the significant exploration potential of existing mines to increase our resources and reserves. The Company has conducted geophysical and geochemical exploration activities across the Dazhupeng Mine, preliminarily identified the target zone based on the prospecting results, and is now carrying out the geographical survey. At the Liziping Mine, the Company will conduct the detailed work for the remaining zone (approximately 14.29 sq.km.). In addition, molybdenum ore bodies have been preliminarily defined at the Dakuangshan Mine and relevant deployment and implementation work is under way to exploit fully the molybdenum ore bodies in 2014 by combining the exploration and mining methods. Meanwhile, the Company has plans in hand to explore such resources as copper on the belts connecting our mining zones and to understand the anticline structure of the Dakuangshan Mine. Furthermore, as part of our exclusive raw ore supply agreement with the Lushan Mine, we will also provide assistance to the Xiangcaopo Mining for exploration of the Lushan Mine.

The Group proactively conducted the application procedures of relevant licenses for the acquired mines in 2013. As at 14 March 2013, a renewed exploration license with a valid term of two years was obtained for the Liziping Mine.

Selectively integrate local resources

As a non-ferrous metals resources integrator designated by the local government of Yunnan Province, the Group will also consider selectively acquiring premium non-ferrous metals resources in the adjacent areas and to integrate the resources of local mines in Yingjiang County where the flagship mine of the Group, the Shizishan Mine, is located, if there are appropriate opportunities.

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 assessment criteria which include, but are not limited to, the following attributes: (i) significant mineral resources, reserves and mining life; (ii) 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, roads and cooperation from the residents from 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.

Management Discussion and Analysis

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 innovation in our mining and processing activities. We also plan to utilise information technology to assist in the continuous monitoring and optimization 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 in identifying and exploring new mines with significant potential;

- improving our mining methods and technologies to minimise mining dilution rate and loss rate, lower mining costs and enhance mining safety and environmental protection;

- optimizing our processing technologies to improve recovery rates of processed ores, lower processing cost and enhance product quality.

Strengthen relationships with customers 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 provides 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 make efforts on expanding the geographical reach of our customer base beyond Yunnan Province.

Directors and Senior Management's Profile

As at 13 March 2014

Executive Director

Mr. Ran Xiaochuan, Executive Director, Chairman

Mr. Ran Xiaochuan, aged 49, 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.

Directors and Senior Management's Profile
As at 13 March 2014

Non-Executive Directors

Mr. Andrew Joseph Dawber, Non-Executive Director
Mr. Andrew Joseph Dawber, aged 52, 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 25 years of senior management experience in corporate advisory and international investment banking. He has a wealth of experience in connection with debt and equity projects in both frontier and established markets. He has undertaken more than 100 capital markets transactions including initial public offerings and secondary fund raisings and has acted as an advisor to a range of public companies in the mining sector including those making and being in receipt of takeover offers and merger proposals. Mr. Dawber began his career at Robert Fleming and Co. where he developed the corporate brokage business including covered warrants and derivative activity in London and Hong Kong based upon gold and other precious metals. He subsequently became the Head of North Europe Equity Capital Markets at Société Générale and led the mining related activities, developing projects and financings in South Africa, Zimbabwe, Namibia, Myanmar and Asia generally as well as certain projects in North America and Europe. Following senior roles at the leading independent London based stockbroking firms Collins Stewart and Numis Securities Limited in 2007, he was employed as the Head of Investment Banking Origination and Global Head of Equity Capital Markets at Kaupthing Bank before establishing and subsequently in 2012 selling the core business of his own Mayfair-based advisory firm. He established the advisory platform at Salamanca Group following the completion of this sale. In addition to his direct advisory work, Mr. Dawber set up The PFI Infrastructure Company PLC in 2004, the first infrastructure company to achieve a public market presence in London. This business developed a dedicated portfolio of social infrastructure assets and subsequently accepted a recommended offer from a consortium, comprising Barclays Capital, Société Générale and 3i. Original IPO investors achieved a 34% investment return rate on their investment. Mr. Dawber subsequently undertook work within the infrastructure sector in several other markets including India. Mr. Dawber is a graduate of London University and a Chartered Accountant. He also won a first prize from the Chartered Insurance Institute and is a registered representative of the Financial Conduct Authority in the UK.

Mr. Lee Kenneth Jue, Non-Executive Director
Mr. Lee Kenneth Jue, aged 46, 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.

Independent Non-Executive Directors

Mr. Christopher Michael Casey, Independent Non-Executive Director

Mr. Christopher Michael Casey, aged 59, 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 and the Chairman of their Audit Committee, a Non-Executive Director of Blackrock North American Income Trust PLC 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 62, was appointed as an Independent Non-Executive Director on 24 November 2011. Mr. Hayden has over 35 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 62, 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 at 13 March 2014

Senior Management

Li Tao, Chief Financial Officer

Mr. Li Tao, aged 39, 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 five 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 51, 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 25 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.

Lei Dejun, Chief Operating Officer

Mr. Lei Dejun, aged 36, was appointed as the Chief Operating Officer of the Group since April 2012. Mr. Lei has since been 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 15 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).

Directors and Senior Management's Profile

As at 13 March 2014

Company Secretary

Ms. Ho Siu Pik, aged 49, is the 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 joint company secretary of China Molybdenum Company Limited (HKSE stock code: 3993), SITC International Holdings Company Limited (HKSE stock code: 1308) and Yashili International Holdings Limited (HKSE stock code: 1230), and the company secretary of Natural Beauty Bio-Technology Limited (HKSE stock code: 0157) and Sun Art Retail Group Limited (HKSE stock code: 6808).

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 at 31 December 2013 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 67 of this annual report.

An interim dividend of HK$0.010 per share (equivalent to approximately RMB0.008 per share) was paid during the Reporting Period. The Board proposed payment of a final dividend of HK$0.008 per share (equivalent to approximately RMB0.006 per share) for the Reporting Period. The proposed final dividend has been incorporated in the financial statements as a reduction in share premium within the equity section of the statement of financial position.

Property, Plant and Equipment

Addition to the property, plant and equipment of the companies under the Group was approximately RMB192.7 million for the Reporting Period. Details of the movements during the Reporting Period in the Group's property, plant and equipment 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 for the Reporting Period are set out in note 26 to the consolidated financial statements in this annual report.

Reserves

Details of the movements in the reserves of the Group for the Reporting Period are set out in the consolidated statement of changes in equity on page 70 of this annual report.

Distributable Reserves

As at 31 December 2013, according to the Articles of Association, the reserves of the Company distributable to the shareholders were RMB1,320.5 million.

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

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

Use of the Proceeds from IPO

Details of use of proceeds are set out in the management discussion and analysis on page 25 of this annual report.

Financial Highlights

A summary of the results for the period from 23 April 2009 to 31 December 2009 and the years ended 31 December 2010 to 2013 and the assets, liabilities and non-controlling interests of the Group as at 31 December 2009, 2010, 2011, 2012 and 2013 are set out in page 6 and page 7 of this annual report.

Loans and Borrowings

Details of the loans and borrowings of the Group are set out in note 24 to the consolidated financial statements in this annual report.

Charitable Donations

The total charitable donations of the Group for the Reporting Period were RMB0.5 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 years ended 31 December 2013 and 2012, sales to the Group's five largest customers accounted for 96.1% and 100% of the Group's total revenue respectively, with sales to the largest customer accounting for 69.6% and 47.1% of the Group's total revenue respectively.

For the years ended 31 December 2013 and 2012, purchases attributable to the Group's five largest subcontractors and suppliers were 90.1% and 78.8% of the Group's total purchases respectively, with purchases from the largest subcontractor accounting for 46.8% and 38.0% 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.

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 (appointed on 29 August 2013)
Mr. Lee Kenneth Jue

Independent Non-Executive Directors
Mr. Christopher Michael Casey
Mr. William Beckwith Hayden
Mr. Miu Edward Kwok Chi

In accordance with article 83(3) of the Articles of Association, Mr. Andrew Joseph Dawber, who was appointed by the Board as Director of the Company in 2013, shall retire from office as Director at the forthcoming AGM and, being eligible, offers himself to be re-elected and re-appointed at the AGM.

In accordance with article 84 of the Articles of Association, two Directors including Mr. Christopher Michael Casey and Mr. Miu Edward Kwok Chi will retire at the forthcoming AGM and, being eligible, offer themselves 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 28 August 2013, the Nomination and Remuneration Committee approved an increase to the remuneration of Mr. Lee Kenneth Jue, the Non-Executive Director. Mr. Lee's remuneration was increased to HK$350,000 per annum with effect from 1 September 2013.

On 25 February 2014, Mr. Christopher Michael Casey, an Independent Non-Executive Director, was appointed as a Non-Executive Director of Latchways plc (LSE listed, stock code: LTC) and the Chairman of their Audit Committee.

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, each Executive Director and Non-Executive Director of the Company has entered into a service contract with the Company with an initial term of three years except Mr. Andrew Joseph Dawber and Mr. Lee Kenneth Jue whose service contract has a term of one year, subject to renewal. Each of the Independent Non-Executive Director also has entered into an appointment letter with the Company for a term of three years. 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).

Remuneration of the Directors and the Senior Management

The remuneration of the Directors and the senior management is based on their position, responsibility and performance and the results of the Group.

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 the 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)	**2013**	2012
Below 1,000,000	**–**	6
1,000,000 – 2,000,000	**–**	1
2,000,000 – 3,000,000	**1**	–
4,000,000 – 5,000,000	**2**	–

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 Directors and the senior management is supervised by the Nomination and Remuneration Committee of the Company.

Details of the share option scheme are set out under the section "Share Options Scheme" in this annual report and note 27 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

As at 31 December 2013, the interests and short positions of the Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

(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
Ji (Jerry) He (note 2) (appointed as Chief Executive Officer on 1 June 2013 and resigned on 21 February 2014)	Beneficial owner	67,012,938	3.37

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 at 31 December 2013:

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.

Notes:

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(b) of the SFO.

2. Refer to the announcements of the Company dated 29 May 2013, 17 June 2013 and the circular dated 18 July 2013 in relation to the allotment and issuance of the shares to Mr. Ji (Jerry) He ("Mr. He"). Under the terms of Mr. He's service agreement, his entitlement to those Award Shares and severance shares has lapsed upon his resignation on 21 February 2014. Please refer to the announcement of the Company dated 23 February 2014 for more details.

Save as disclosed above, as at 31 December 2013, so far as is known to any Directors or Chief Executives of the Company, none of the Directors or Chief Executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

Share Option Scheme

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

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, 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, 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 date of the annual general meeting held on 11 June 2013.

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 annual general meeting held on 11 June 2013 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 at 31 December 2013, no share option has been exercised and 31,621,620 share options are exercisable under the Share Option Scheme.

Details of the Share Option Scheme are set out in note 27(b) to the financial statements.

Report of Directors

Movement of share options during the Reporting Period:

			Number of Share Options			
Name	Date of Grant	Granted	Outstanding at 1/1/2013	Exercised	Cancelled/ Lapsed	Outstanding at 31/12/2013
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
Li Tao	16/1/2013 (b)	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)	143,237,838	–	–	12,600,000 (d)	130,637,838

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

(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	See (1) below

(1) Exercise price is to be determined by the Board in compliance with the Listing Rules and with reference to the prevailing market price on the second anniversary of 16 January 2013 (the "Grant Date") for Tranche three, but in any case must be at least HK$1.70 which is the higher of: (i) the closing price of the shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheet on the Grant Date; and (ii) the average closing price of the shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the Grant Date.

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

(d) 12,600,000 share options granted to one of the employees lapsed immediately upon termination of his employment during the Reporting Period.

Director's Interests in Competing Businesses

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

Interests of Substantial Shareholders and Other Persons in Shares and Underlying Shares

As at 31 December 2013, 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
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	294,747,027(L)	14.82

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Bellamy Martin James	Interest of corporation controlled by the substantial shareholder	263,077,703(L)	13.22
Challenger Mining 8 Limited	Beneficial owner	263,077,703(L)	13.22
Kedar Sharon Rahamin	Interest of corporation controlled by the substantial shareholder	263,077,703(L)	13.22
He Jinbi	Interest of corporation controlled by the substantial shareholder	156,149,000(L)	7.85
He Xin	Interest of child under 18	156,149,000(L)	7.85
Zhang Chunling	Interest of spouse	156,149,000(L)	7.85
西安邁科金屬國際集團有限公司	Interest of corporation controlled by the substantial shareholder	156,149,000(L)	7.85
裕明國際有限公司	Beneficial owner	156,149,000(L)	7.85
邁科投資控股有限公司	Interest of corporation controlled by the substantial shareholder	156,149,000(L)	7.85
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

Report of Directors

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(a) and s.318(b) 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 SFO and their respective interests duplicate the interests held by The Ran Family, Silver Lion, Hover Wealth Limited and Magic Delight Limited.

Other than as disclosed above, as at 31 December 2013, the Directors have not been notified by any person (other than the Directors or Chief Executives of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

Management Contracts

Other than the service 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.

Non-exempt Continuing Connected Transactions

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

Pre-emptive Rights

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

Model Code for Securities Transactions

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

Having made specific enquiry, the Company confirmed that all members of the Board complied with the Model Code throughout the Reporting Period. Senior managers, executives and staff who, because of their offices in the Company, are likely to possess inside information, have been requested to comply with the provision of the Model Code. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Closure of Register of Members

To determine the entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Wednesday, 25 June 2014 to Friday, 27 June 2014 (both days inclusive), during which period no share transfers of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 24 June 2014.

The proposed final dividend is subject to shareholders' approval at the AGM. For determining the entitlement to the proposed final dividend for the Reporting Period, the register of members of the Company will be closed from Monday, 7 July 2014 to Wednesday, 9 July 2014 (both days inclusive), during which period no share transfers of the Company will be registered. In order to qualify for the final dividend, 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 Friday, 4 July 2014.

Purchase, Sale or Redemption of the Company's Listed Securities

During the Reporting Period, the Company repurchased a total of 6,029,000 ordinary shares of the Company at an aggregate purchase price of HK$7,450,140 on the Hong Kong Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest (HK$)	Price per ordinary share Lowest (HK$)	Aggregate consideration paid (excluding expenses) (HK$)
January 2013	22,000	1.55	1.55	34,100
March 2013	188,000	1.37	1.34	254,580
April 2013	5,345,000	1.32	1.13	6,667,950
May 2013	308,000	1.10	1.07	336,090
July 2013	166,000	0.98	0.94	157,420

Report of Directors

All the repurchased ordinary shares were cancelled before 31 December 2013. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the Reporting Period.

Connected Transactions

Details of the Group's connected transactions during the Reporting Period are included in note 32 to the consolidated financial statements in this annual report.

Sufficiency of the Public Float

Based on the publicly available information 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 auditor 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 auditor of the Company.

On behalf of the Board
Ran Xiaochuan
Chairman

Hong Kong, 13 March 2014

Corporate Governance Report

Chairman's Introduction

Dear Shareholders,

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

We have sought to manage the affairs of the Company not by merely following regimented rules, but by promoting open and transparent discussion, fostering a constructive approach to embrace challenges across the Group.

The Company's long-term success is dependent upon the diversity, dedication and commitment of all our people. We have during the year refreshed the Board with appointments that have secured deeper industry experience and wider geographic coverage. These are both key elements of an effective Board of our Group, given the technical complexity of our operations. The current composition of the Board continues to provide, in my view, an appropriate and diversified balance of skills, experience and knowledge of the Group's business.

We announced that Mr. Zhu Xiaolin had stepped down as the Chief Executive Officer and as an Executive Director on 7 September 2012. As a transitional measure, Mr. Li Tao, the Chief Financial Officer, was appointed as Acting Chief Executive Officer. In the meantime, a rigorous and comprehensive CEO search process which comprised both an examination of internal candidates and an external search was started. The Nomination and Remuneration Committee finally identified and assessed one internal candidate and a number of external candidates. At the conclusion of this CEO search process, the Board was unanimously agreed that Mr. Ji (Jerry) He had the right skills for the next stage of the Group's evolution. In May 2013, we announced that Mr. Ji (Jerry) He had been appointed as Chief Executive Officer with effect from 1 June 2013. Regrettably, Mr. He has left the Group and resigned all his offices and titles on 21 February 2014 to pursue his other business interests which was announced on 23 February 2014. The Board is currently in the process of identifying a suitable and qualified Chief Executive Officer to fill the vacancy left by Mr. He.

We have further made good progress on health and safety both in terms of safe working practices and the reporting of performance. During the year, a Safety, Health and Environment Committee was established on 2 July 2013 to oversee the safety, health and environmental policies and activities of the Group.

I continue to be pleased with the progress the Company has made. We continually seek to ensure that best practice is maintained. Effective governance is integral to our strategy and decision-making processes for the benefit of our shareholders.

Ran Xiaochuan
Chairman

13 March 2014

Corporate Governance Report

Corporate Governance Practices

The board of directors of the Company firmly 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 the highest corporate governance standards 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 the code provisions as set out in the CG Code. Where there is any deviation, appropriate explanation is provided below.

Rule 3.21 of the Listing Rules requires the Audit Committee to comprise a minimum of three members with Non-Executive Directors only, Independent Non-Executive Directors in majority and at least one member whom is an Independent Non-Executive Director with appropriate professional qualifications or accounting or related financial management expertise. Following the resignation of Mr. Shi Xiangdong as a Non-Executive Director of the Company on 14 September 2013, the number of Audit Committee members fell below the minimum number of three. Yet, the Board took swift remedial action to increase the number upward to three in two months with the admission of a Non-Executive Director, Mr. Andrew Joseph Dawber, to fill the vacancy on 21 November 2013.

Rule A.5.1 of the CG Code stipulates that a nomination committee should comprise a majority of Independent Non-Executive Directors. Following the retirement of Mr. Keith Wayne Abell, Mr. Richard Wingate Edward Charlton and Mr. Maarten Albert Kelder as Independent Non-Executive Directors at the conclusion of the annual general meeting of the Company held on 11 June 2013, the number of the Nomination and Remuneration Committee members reduced from five to two, comprising only one Executive Director and one Independent Non-Executive Director. The Board took swift remedial action to bring back the situation to the compliance level in about two months on 28 August 2013 with the admission of two Independent Non-Executive Directors, viz, Mr. Miu Edward Kwok Chi and Mr. Christopher Michael Casey and a Non-Executive Director, viz, Mr. Lee Kenneth Jue, as Committee members.

Model Code for Securities Transactions

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

Having made specific enquiry with each Board member, all Directors have confirmed their full compliance with the required standards set out in the Model Code throughout the Reporting Period. Details of the shareholding interests held by the Directors as at 31 December 2013 are set out on page 39 of this annual report.

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

Board of Directors

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

Composition

The Board currently comprises six members, consisting of one Executive Director, two Non-Executive Directors and three Independent Non-Executive Directors. An updated list of directors of the Company and their respective role and function has been maintained on the website of each of the Hong Kong Stock Exchange and the Company. Biographical details of the Board Members and senior management are set out in the "Directors and Senior Management's Profile" section on pages 29 to 34 of this annual report.

During the Reporting Period and up to the date of the corporate governance report, there have been a number of changes in the Board:

- Mr. Huang Wei and Mr. Wang Fahai retired as Executive Directors at the conclusion of the annual general meeting of the Company held on 11 June 2013;
- Mr. Keith Wayne Abell, Mr. Richard Wingate Edward Charlton and Mr. Maarten Albert Kelder retired as Independent Non-Executive Directors at the conclusion of the annual general meeting of the Company held on 11 June 2013;
- Mr. Wu Wei and Mr. Zhao Shaohua resigned as Executive Directors on 29 August 2013;
- Mr. Ji (Jerry) He was appointed as an Executive Director on 29 August 2013;
- Mr. Andrew Joseph Dawber was appointed as a Non-Executive Director on 29 August 2013;
- Mr. Shi Xiangdong resigned as a Non-Executive Director on 14 September 2013; and
- Mr. Ji (Jerry) He resigned as an Executive Director and the Chief Executive Officer on 21 February 2014.

Chairman and Chief Executive Officer

During the Reporting Period, the posts of Chairman and Chief Executive Officer are distinct and separate.

The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. With support from the Executive and Non-Executive Directors, the Board Secretary and the Company Secretary, the Chairman seeks to ensure that all Directors are properly informed of issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman promotes a culture of openness, encourages the Directors to make a full and active contribution to the Board's affairs so as to contribute to the Board's functions and encourages the Directors with different views to voice their opinions.

The Chief Executive Officer is responsible for overall strategic planning, business development and daily management and operations generally. He has delegated sufficient authority for the operation and management of the Group's business to the other senior management members, who are in charge of the daily management of the Group.

Throughout the Reporting Period, the positions of the Chairman of the Board and the Chief Executive Officer were held by separate individuals. Mr. Ran Xiaochuan has been appointed to hold the office of the Chairman of the Board since the Listing Date. Prior to Mr. Ji (Jerry) He's appointment as the Chief Executive Officer on 1 June 2013, Mr. Li Tao, our Chief Financial Officer, had been Acting Chief Executive Officer since September 2012. On 21 February 2014, Mr. He resigned from the Company to pursue other business interests. In order to ensure that the Company continues to operate smoothly and effectively, prior to a new permanent Chief Executive Officer being appointed, the Board decided that, Mr. Ran shall 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. However, these arrangements are subject to the condition that key decisions impacting the core strategies of the Company such as significant investments or divestitures, financing, etc. shall be unconditionally reserved to the Board with a view to ensuring that sound corporate governance principles are followed.

Non-Executive Directors

The Non-Executive Directors bring a wide range of business and financial expertise, experience and independent judgment to the Board. Except for the Safety, Health and Environment Committee, all board committees consist of at least two Non-Executive Directors (including Independent Non-Executive Directors) who have made significant contribution of their skills and expertise to these committees. Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all Non-Executive Directors make various contributions to the effective direction of the Company.

The term of office of all the current Non-Executive Directors (including the Independent Non-Executive Directors) has been fixed for a specific term of three years (except for Mr. Andrew Joseph Dawber and Mr. Lee Kenneth Jue, who are engaged on service agreements for a term of one year). They are subject to retirement by rotation and re-election at the Company's annual general meeting at least once every three years in accordance with the 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 from each of the Independent Non-Executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Nomination and Remuneration Committee has, as part of its duties set out in its terms of reference, reviewed these confirmations and assessed the independence of the Independent Non-Executive Directors. The Committee is of the view that all Independent Non-Executive Directors are independent.

Role of the Board

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

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

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

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

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

Continuous Professional Development of Directors

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

Every newly appointed Director will receive 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 Company Secretary also provides the Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time.

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

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

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

Corporate Governance Report

During the Reporting Period, the current Members of the Board received training in the following areas:

Name of Directors	Induction Training*	Board Briefings on Company's Businesses/ Site Visits	Reading Regulatory Updates and/ or Attending Relevant Training Sessions
Executive Director			
Ran Xiaochuan	N/A	√	√
Non-Executive Directors			
Andrew Joseph Dawber	√	√	√
Lee Kenneth Jue	N/A	√	√
Independent Non-Executive Directors			
Christopher Michael Casey	N/A	√	√
William Beckwith Hayden	N/A	√	√
Miu Edward Kwok Chi	N/A	√	√

* Applicable to new Directors who were appointed in 2013.

Board Meetings

The Board meets on a regular basis and met formally on four occasions during 2013 to discuss the overall strategy as well as the operations and financial performance of the Group. In addition, other matters such as 2013 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 Company Secretary and the Board Secretary and were circulated to all Directors to enable them to include other matters in the agenda. Agenda accompanying board papers were sent to all Directors at least three days before the date of the Board meeting.

Minutes of Board meetings were prepared by the Company Secretary and the Board Secretary with details of decisions reached, any concerns raised and dissenting views expressed. The draft minutes were sent to all Directors within a reasonable time after each meeting for their comment. The approval procedure is that the Board formally adopts the draft minutes at the subsequent physical meeting. If the Members of the Board have any comment on the draft minutes, they will discuss it at that meeting and the draft minutes will be revised in the form as agreed before being formally signed by the chairman of that meeting as true and correct record. The final version of Board minutes are kept by the Company Secretary 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 Board Secretary or other executives as and when required.

Attendance Record of Directors and Committee Members

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

Name of Directors	Board	Audit Committee	Nomination and Remuneration Committee	Safety, Health and Environment Committee	Strategy Committee	General Meeting
	Number of Meetings Attended/ Eligible to Attend for the Reporting Period					
Executive Directors						
Ran Xiaochuan	4/4	–	2/2	1/1	2/2	2/3
Ji (Jerry) He[1]	1/1	–	–	–	–	1/1
Huang Wei[2]	0/1	–	–	–	0/1	0/1
Wang Fahai[3]	1/1	–	–	–	–	0/1
Wu Wei[4]	3/3	–	–	1/1	–	1/2
Zhao Shaohua[5]	3/3	–	–	–	–	0/2
Non-Executive Directors						
Andrew Joseph Dawber[6]	1/1	–	–	–	–	0/1
Lee Kenneth Jue[7]	4/4	–	1/1	1/1	–	1/3
Shi Xiangdong[8]	3/3	2/2	–	–	2/2	2/2
Independent Non-Executive Directors						
Keith Wayne Abell[9]	1/1	1/1	1/1	–	–	0/1
Christopher Michael Casey[10]	4/4	2/2	–	–	–	2/3
Richard Wingate Edward Charlton[11]	1/1	–	1/1	–	1/1	0/1
William Beckwith Hayden	4/4	–	2/2	–	2/2	1/3
Maarten Albert Kelder[12]	1/1	–	1/1	–	–	1/1
Miu Edward Kwok Chi[13]	4/4	2/2	1/1	–	2/2	2/3

Notes:

1. Appointed as Executive Director on 29 August 2013 and resigned on 21 February 2014. One Board meeting and one general meeting were held after his appointment. No Nomination and Remuneration Committee meeting, Strategy Committee meeting and Safety, Health and Environment Committee meeting has been held since his admission as member on 29 August 2013.

2. Retired on 11 June 2013. One Board meeting, one Strategy Committee meeting and one general meeting were held before his retirement.

Corporate Governance Report

3. Retired on 11 June 2013. One Board meeting and one general meeting were held before his retirement.

4. Resigned on 29 August 2013. Three Board meetings, one Safety, Health and Environment Committee meeting and two general meetings were held before his resignation.

5. Resigned on 29 August 2013. Three Board meetings and two general meetings were held before his resignation.

6. Appointed as Non-Executive Director on 29 August 2013. One Board meeting and one general meeting were held after his appointment. No Audit Committee meeting has been held since his admission as member on 21 November 2013.

7. Appointed as a member of the Nomination and Remuneration Committee on 2 July 2013. One Nomination and Remuneration Committee meeting was held after his appointment.

8. Resigned on 14 September 2013. Three Board meetings, two Audit Committee meetings, two Strategy Committee meetings and two general meetings were held before his resignation.

9. Retired on 11 June 2013. One Board meeting, one Audit Committee meeting, one Nomination and Remuneration Committee meeting and one general meeting were held before his retirement.

10. Appointed as a member of the Nomination and Remuneration Committee on 28 August 2013. No Nomination and Remuneration Committee meeting has been held since his admission.

11. Retired on 11 June 2013. One Board meeting, one Nomination and Remuneration Committee meeting, one Strategy Committee meeting and one general meeting were held before his retirement.

12. Retired on 11 June 2013. One Board meeting, one Nomination and Remuneration Committee meeting and one general meeting were held before his retirement.

13. Appointed as chairman of the Nomination and Remuneration Committee on 2 July 2013. One Nomination and Remuneration Committee meeting was held after his appointment.

Apart from regular Board meetings, the Chairman held a meeting with the Non-Executive Directors (including Independent Non-Executive Directors) in December 2013 without the presence of Executive Directors.

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[1]

Members: Mr. Andrew Joseph Dawber[2] (appointed on 21 November 2013)
Mr. Miu Edward Kwok Chi[1]
Mr. Keith Wayne Abell[1] (ceased on 11 June 2013)
Mr. Shi Xiangdong[2] (resigned on 14 September 2013)

Notes:

1. Independent Non-Executive Director

2. Non-Executive Director

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, the internal control procedures and risk management system, the 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 auditor

i. reviewed the scope of work and appointment of the external auditor;

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

iii. reviewed the external auditor's fee proposal for the 2013 audit;

iv. held private sessions with Head of the Internal Audit Department and external auditor without the presence of management and Executive Directors;

Review of financial information of the Company

v. reviewed the annual financial results and reports for the year ended 31 December 2012 and the interim financial results and the report for the six months ended 30 June 2013 and recommended those statements for the Board's approval;

vi. reviewed the management letter, tax issues, compliance and salient features of the 2012 annual accounts and 2013 interim accounts, as presented by the external auditor;

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

vii. reviewed the 2013 annual accounting and financial reporting issues;

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

ix. reviewed internal control and risk management framework;

x. reviewed the report on the internal control system of the Group presented by the external auditor;

xi. reviewed the effectiveness of Internal Audit Department; and

xii. reviewed the whistle-blowing framework.

Representatives of the external auditor, the Acting Chief Executive Officer/Chief Executive Officer, 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 55 under the section "Attendance Record of Directors and Committee Members".

Nomination and Remuneration Committee

Chairman: Mr. Miu Edward Kwok Chi[1] (appointed on 2 July 2013)
Mr. Maarten Albert Kelder[1] (ceased on 11 June 2013)

Members: Mr. Ji (Jerry) He[2] (appointed on 29 August 2013 and ceased on 21 February 2014)
Mr. Lee Kenneth Jue[3] (appointed on 2 July 2013)
Mr. Christopher Michael Casey[1] (appointed on 28 August 2013)
Mr. William Beckwith Hayden[1]
Mr. Ran Xiaochuan[2] (ceased on 28 August 2013)
Mr. Keith Wayne Abell[1] (ceased on 11 June 2013)
Mr. Richard Wingate Edward Charlton[1] (ceased on 11 June 2013)

Notes:

1. Independent Non-Executive Director
2. Executive Director
3. Non-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 Directors as well as reviewing and making recommendation to the Board on the Company's policy and structure for remuneration of the Directors and the senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

To comply with the new provisions in the CG Code on board diversity which became effective on 1 September 2013, the Board took steps to adopt the Board Diversity Policy ("the Policy") in August 2013. In assessing the Board composition, the Nomination and Remuneration Committee 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. The Nomination and Remuneration Committee will discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates to become members of the Board, the Nomination and Remuneration Committee will consider the Policy, though Board appointments will continue to be made on merit basis. The Nomination and Remuneration Committee will review the Policy on a regular basis to ensure its effectiveness.

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

i. searched for the replacement of Chief Executive Officer;

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

iii. reviewed the performance of the Executive Directors;

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

v. reviewed the composition of the Committee;

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

vii. recommendation to the Board for the purpose of the annual general meeting held on 11 June 2013 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.

The attendance record of each Committee Member is shown on page 55 under the section "Attendance Record of Directors and Committee Members".

The remuneration of 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 amounts paid to each Director for 2013 are set out in note 8 to the financial statements.

Safety, Health and Environment Committee

Chairman: Mr. Lee Kenneth Jue[2]

Members: Mr. Ran Xiaochuan[1]
Mr. Ji (Jerry) He[1] (appointed on 29 August 2013 and ceased on 21 February 2014)
Mr. Wu Wei[1] (ceased on 29 August 2013)

Notes:

1. Executive Director

2. Non-Executive Director

The Safety, Health and Environment Committee was established by the Board on 2 July 2013 to oversee the safety, health and environment policies and activities of the Company.

During the Reporting Period, the Safety, Health and Environment Committee held one meeting to review the employees' safety and health, and environment matters of the Company, identify related parameters for management reporting, and assess compliance by the Group with applicable PRC legislations.

The attendance record of each Committee Member is shown on page 55 under the section "Attendance Record of Directors and Committee Members".

Strategy Committee

Chairman:	Mr. Ji (Jerry) He[2] (appointed on 29 August 2013 and ceased on 21 February 2014) Mr. Ran Xiaochuan[2] (appointed on 2 July 2013 and ceased on 29 August 2013) Mr. Richard Wingate Edward Charlton[1] (ceased on 11 June 2013) Mr. Miu Edward Kwok Chi[1] (appointed on 12 March 2014)
Members:	Mr. Ran Xiaochuan[2] Mr. William Beckwith Hayden[1] Mr. Huang Wei[2] (ceased on 11 June 2013) Mr. Shi Xiangdong[3] (ceased on 14 September 2013)

Notes:

1. Independent Non-Executive Director
2. Executive Director
3. 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 to discuss the general corporate strategy of the Company.

The attendance record of each Committee Member is shown on page 55 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 apply appropriate accounting policies that are consistently adopted and make 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 about their reporting responsibilities on the financial statements of the Company and the Group is set out in the independent auditors' report of this annual report.

Remuneration of External Auditor

For the Reporting Period, the Group's external auditor, 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 RMB2.9 million respectively.

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

Internal Control

The Board is responsible for the system of 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.

Corporate Governance Report

An Internal Audit Department has been established to conduct audits 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.

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

Company Secretary

Ms. Ho Siu Pik was appointed as the Company Secretary of the Company on 24 November 2011. Ms. Ho is a director of corporate services division of Tricor Services Limited, an external corporate service provider company in Hong Kong. Ms. Nina Zhan, the Board Secretary and Investor Relations Director, is key contact in the Company for Ms. Ho in relation to any corporate secretarial matters of the Company. During the Reporting Period, Ms. Ho undertook over 15 hours of relevant professional training to update her skills and knowledge. The biographical information of Ms. Ho is 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 Proposals 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 4712, 47/F, The Center, 99 Queen's Road Central, Hong Kong or at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

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

Putting Forward Enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Investor Relations Director at the Company's principal place of business in Hong Kong at Unit 4712, 47/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 2013, the Company has not made any changes to its memorandum and Articles of Association.

Relationship with Investors

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

The Board also recognises that the information on business performance, business strategies and future outlook should be made available to the public through appropriate channels on a regular basis and in a timely manner. After the public announcements of annual and interim results are made, the Group also holds investors and analysts' briefings and media briefings in Hong Kong. Senior management team including the Chief Executive Officer, 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. The Investor Relations Department also arranged annual site visit for investors to understand the current production status of the mines and business development opportunities, thereby increasing their knowledge of our operations. Our Investor Relations Department is also responsible for answering investors' enquiries on a timely basis. Should investors have any enquiries, please send email to 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.

Corporate Governance Report

The Group's annual general meeting and two extraordinary general meetings in 2013 further provide the platform and opportunity for our shareholders to exchange views 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 2014 AGM will be held on 27 June 2014. 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 67 to 132, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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.

Independent Auditors' Report

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.

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 2013, 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

13 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Revenue	4	**489,859**	477,106
Cost of sales		**(126,193)**	(86,912)
Gross profit		**363,666**	390,194
Other income	5	**1,758**	3,534
Selling and distribution expenses		**(997)**	(1,010)
Administrative expenses		**(128,630)**	(120,780)
Other expenses		**(7,629)**	(3,793)
Finance costs	6	**(12,633)**	(5,047)
PROFIT BEFORE TAX	7	**215,535**	263,098
Income tax expense	9	**(75,640)**	(84,236)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**139,895**	178,862
Attributable to:			
Owners of the Company	10	**138,487**	176,984
Non-controlling interests		**1,408**	1,878
		139,895	178,862
Earnings per share attributable to ordinary equity holders of the Company:			
— Basic and diluted	11	**RMB0.07**	RMB0.09

Details of the dividends paid and proposed for the Reporting Period are disclosed in note 29 to the financial statements.

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**578,043**	430,146
Intangible assets	13	**620,298**	632,262
Prepaid land lease payments	14	**12,587**	12,857
Payments in advance	15	**30,947**	11,883
Prepayment and deposits	20	**161,805**	124,884
Deferred tax assets	17	**16,205**	11,892
Total non-current assets		**1,419,885**	1,223,924
CURRENT ASSETS			
Inventories	18	**21,271**	12,838
Trade receivables	19	**127,929**	279,013
Prepayments, deposits and other receivables	20	**34,064**	41,994
Cash and cash equivalents	21	**587,414**	327,007
Total current assets		**770,678**	660,852
CURRENT LIABILITIES			
Trade payables	22	**8,340**	13,695
Other payables and accruals	23	**145,399**	97,311
Tax payable		**90,198**	74,462
Interest-bearing bank loans	24	**188,000**	60,000
Total current liabilities		**431,937**	245,468
NET CURRENT ASSETS		**338,741**	415,384
Total assets less current liabilities		**1,758,626**	1,639,308
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	24	**–**	60,000
Provision for rehabilitation	25	**15,949**	14,903
Total non-current liabilities		**15,949**	74,903
Net assets		**1,742,677**	1,564,405

	Notes	2013 RMB'000	2012 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	26	**17**	17
Treasury shares	26	**–**	(126)
Reserves	28	**1,678,559**	1,518,715
Proposed final dividend	29	**12,509**	–
		1,691,085	1,518,606
Non-controlling interests		**51,592**	45,799
Total equity		**1,742,677**	1,564,405

Ran Xiaochuan
Director

Miu Edward Kwok Chi
Director

Consolidated Statement of Changes In Equity

Year ended 31 December 2013

	Attributable to owners of the Company												
	Issued capital RMB'000 note 26	Share premium account RMB'000 note 28(a)	Treasury shares RMB'000 note 26	Reserve funds RMB'000 note 28(b)	Safety fund surplus reserve RMB'000 note 28(c)	Capital contribution reserve RMB'000 note 27(a) & note 28(d)	Share option reserve RMB'000 note 27(b) & note 28(e)	Difference arising from changes in non-controlling interests RMB'000	Retained profits/ (accumulated losses) RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
1 January 2012	17	1,360,660	–	2,321	–	233,000	379	(4,115)	(252,607)	–	1,339,655	1,330	1,340,985
Repurchase of shares	–	(5,890)	(126)	–	–	–	–	–	–	–	(6,016)	–	(6,016)
Transfer from/(to) reserves	–	–	–	26,531	–	–	–	–	(26,531)	–	–	–	–
Establishment for safety fund surplus reserve	–	–	–	–	3,572	–	–	–	(3,572)	–	–	–	–
Utilisation of safety fund surplus reserve	–	–	–	–	(695)	–	–	–	695	–	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	42,591	42,591
Equity-settled share option arrangement	–	–	–	–	–	–	7,983	–	–	–	7,983	–	7,983
Total comprehensive income for the year	–	–	–	–	–	–	–	–	176,984	–	176,984	1,878	178,862
At 31 December 2012 and 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 (note 29)	–	(15,734)	–	–	–	–	–	–	–	–	(15,734)	–	(15,734)
Proposed final 2013 dividend (note 29)	–	(12,509)	–	–	–	–	–	–	–	12,509	–	–	–
Transfer from/(to) reserves	–	–	–	263	–	–	–	–	(263)	–	–	–	–
Establishment for 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 (note 16)	–	–	–	–	–	–	–	–	–	–	–	4,385	4,385
Equity-settled share-based payments:													
Share option expense	–	–	–	–	–	–	49,082	–	–	–	49,082	–	49,082
Award Shares (as defined in note 2.4)	–	–	–	–	–	6,578	–	–	–	–	6,578	–	6,578
Total comprehensive income for the year	–	–	–	–	–	–	–	–	138,487	–	138,487	1,408	139,895
At 31 December 2013	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

* These reserve accounts comprise the consolidated reserves of RMB1,678,559,000 (2012: RMB1,518,715,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**215,535**	263,098
Adjustments for:			
Finance costs	6	**12,633**	5,047
Unrealised foreign exchange loss	7	**62**	2,344
Bank interest income	5	**(1,700)**	(2,732)
Equity-settled share-based payments:			
Award Shares	27(a)	**6,578**	–
Share option expense	27(b)	**49,082**	7,983
Depreciation	12	**44,040**	28,321
Impairment of intangible assets	7	**3,222**	–
Loss on disposal of items of property, plant and equipment	7	**662**	–
Amortisation of intangible assets	13	**11,836**	3,476
Amortisation of prepaid land lease payments	14	**270**	269
		342,220	307,806
Decrease/(increase) in trade receivables		**151,084**	(258,709)
Increase in inventories		**(8,433)**	(6,768)
Increase in prepayments, deposits, and other receivables		**(29,571)**	(68,307)
Increase/(decrease) in trade payables		**(5,355)**	9,172
Increase in other payables and accruals		**67,076**	37,643
Cash generated from operations		**517,021**	20,837
Interest received		**2,280**	2,152
Income tax paid		**(64,217)**	(29,463)
Net cash flows from/(used in) operating activities		**455,084**	(6,474)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(212,045)**	(208,175)
Decrease/(increase) in time deposits with original maturity of over three months	21	**60,000**	(60,000)
Proceeds from disposal of items of property, plant and equipment		**59**	–
Payments in advance in respect of prepaid land lease payments		**–**	(8,098)
Acquisition of subsidiaries		**–**	(219,418)
Expenditures on exploration and evaluation assets		**(17,374)**	(72,698)
Net cash flows used in investing activities		**(169,360)**	(568,389)

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(11,587)**	(10,081)
Repurchase of shares		**(5,934)**	(6,016)
Proceeds from bank loans		**100,000**	–
Repayment of bank loans		**(32,000)**	(10,000)
Interim dividends paid	29	**(15,734)**	–
Net cash flows from/(used in) financing activities		**34,745**	(26,097)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**320,469**	(600,960)
Cash and cash equivalents at beginning of year		**267,007**	870,311
Effect of foreign exchange rate changes		**(62)**	(2,344)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**587,414**	267,007
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	21	**587,414**	327,007
Time deposits with original maturity of over three months		**–**	(60,000)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**587,414**	267,007

Statement of Financial Position

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Deposit	20	**427**	–
Investments in subsidiaries	16	**1,151,317**	1,233,838
Total non-current assets		**1,151,744**	1,233,838
CURRENT ASSETS			
Prepayments and deposits	20	**929**	7,752
Cash and cash equivalents	21	**1,125**	2,885
Total current assets		**2,054**	10,637
CURRENT LIABILITIES			
Due to subsidiaries	16	**645**	6,474
Other payables and accruals	23	**2,214**	5,570
Total current liabilities		**2,859**	12,044
NET CURRENT LIABILITIES		**(805)**	(1,407)
NET ASSETS		**1,150,939**	1,232,431
EQUITY			
Issued capital	26	**17**	17
Treasury shares	26	**–**	(126)
Reserves	28	**1,138,413**	1,232,540
Proposed final dividend	29	**12,509**	–
Total equity		**1,150,939**	1,232,431

Ran Xiaochuan
Director

Miu Edward Kwok Chi
Director

Notes to Financial Statements
31 December 2013

1. Corporate Information

The Company 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 4712, 47/F, The Center, 99 Queen's Road Central, Hong Kong.

During the Reporting Period, the Company and its subsidiaries were 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 British Virgin Islands, 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 Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the 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 of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

2.2 Changes in Accounting Policies and Disclosures

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

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
IAS 19 (Revised)	*Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of IFRS issued in May 2012

The adoption of the new and revised IFRS has had no significant financial effect on these financial statements.

2.3 Issued but not yet Effective IFRS

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

IFRS 9	*Financial Instruments*[3]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[3]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — *Investment Entities*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRS issued in December 2013[4]
Annual Improvements 2010–2013 Cycle	Amendments to a number of IFRS issued in December 2013[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRIC 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016

Notes to Financial Statements

31 December 2013

2.3 Issued but not yet Effective IFRS (continued)

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

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In November 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed by the IASB in November 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for applicable now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

2.3 Issued but not yet Effective IFRS (continued)

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 amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.4 Summary of Significant Accounting Policies

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.

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 by 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.

Notes to Financial Statements

31 December 2013

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

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.

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 disposed operation 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.

2.4 Summary of Significant Accounting Policies (continued)

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

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.

Notes to Financial Statements
31 December 2013

2.4 Summary of Significant Accounting Policies (continued)

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.

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

2.4 Summary of Significant Accounting Policies (continued)

Related parties (continued)

(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).

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.

Notes to Financial Statements

31 December 2013

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

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

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

Intangible assets

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

2.4 Summary of Significant Accounting Policies (continued)

Intangible assets (continued)

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;

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

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

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

Notes to Financial Statements

31 December 2013

2.4 Summary of Significant Accounting Policies (continued)

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

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.

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.

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

Notes to Financial Statements

31 December 2013

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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.

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.

2.4 Summary of Significant Accounting Policies (continued)

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.

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.

Notes to Financial Statements
31 December 2013

2.4 Summary of Significant Accounting Policies (continued)

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

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

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

Current tax assets and liabilities for the current and prior periods 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.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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

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

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition

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

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

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

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

Borrowing costs

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

Dividends

Final dividends 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 to 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 Executive) 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 27 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 2013

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 are capped to HK$1,250 per month since 1 June 2012 (previously HK$1,000 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.

3. Significant Accounting Estimates (continued)

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 Reporting Period.

(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 2013 was RMB90,198,000 (2012: RMB74,462,000).

(c) Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. 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 2013 was RMB578,043,000 (2012: RMB430,146,000).

(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 2013 was RMB16,205,000 (2012: RMB11,892,000). Further details are contained in note 17 to the financial statements.

Notes to Financial Statements

31 December 2013

3. Significant Accounting Estimates (continued)

Estimation uncertainty (continued)

(e) Mine reserves

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

(f) Exploration and evaluation assets

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

(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 (7.98% as at 31 December 2013) 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 2013 was RMB15,949,000 (2012: RMB14,903,000).

(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 2013 was RMB21,271,000 (2012: RMB12,838,000).

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, China. 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:

	2013		2012	
	RMB'000	**%**	RMB'000	%
Lead-silver concentrates	**347,537**	**70.9**	354,742	74.4
Zinc-silver concentrates	**142,322**	**29.1**	122,364	25.6
	489,859	**100**	477,106	100.0

Geographical information

All external revenue of the Group during each of the two years ended 31 December 2013 and 2012 was attributable to customers established in the PRC, the place of domicile of the Group's operating entities. The Group's non-current assets are all located in the PRC.

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:

	2013	2012
	RMB'000	RMB'000
Customer A	**340,776**	224,616
Customer B	**74,964**	192,179
Customer C	*****	47,249

* Less than 10% of total revenue

Notes to Financial Statements

31 December 2013

5. Other Income

An analysis of other income is as follows:

	2013 RMB'000	2012 RMB'000
Sale of spare parts	**–**	700
Bank interest income	**1,700**	2,732
Government grants*	**–**	102
Others	**58**	–
	1,758	3,534

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

6. Finance Costs

	Note	2013 RMB'000	2012 RMB'000
Interest on bank loans wholly repayable within five years		**11,587**	10,081
Unwinding of a discount	25	**1,046**	969
		12,633	11,050
Less: interest capitalised to property, plant and equipment		**–**	(6,003)
		12,633	5,047

7. Profit before Tax

The Group's profit before tax was arrived at after charging:

	Notes	**2013 RMB'000**	2012 RMB'000
Cost of inventories sold		**126,193**	86,912
Staff costs (including Directors' and Chief Executive's remuneration (note 8)):			
Wages and salaries		**32,697**	33,121
Equity-settled share-based payments:			
Award Shares	27(a)	**6,578**	–
Share option expense	27(b)	**49,082**	7,983
Pension scheme contributions			
— defined contribution fund		**1,280**	1,042
Housing fund			
— defined contribution fund		**–**	27
		89,637	42,173
Depreciation of items of property, plant and equipment	12	**44,040**	28,321
Amortisation of intangible assets ^	13	**11,836**	3,476
Amortisation of prepaid land lease payments ^	14	**270**	269
Depreciation and amortisation		**56,146**	32,066
Auditors' remuneration		**4,400**	3,915
Foreign exchange losses		**62**	2,344
Operating lease rentals in respect of:			
— motor vehicles		**443**	612
— office building		**1,555**	1,490
Impairment of intangible assets	13(b)	**3,222**	–
Loss on disposal of items of property, plant and equipment		**662**	–

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

Notes to Financial Statements

31 December 2013

8. Directors' and Chief Executive's Remuneration and Five Highest Paid Employees

Directors' and the Chief Executive's remuneration for the Reporting Period, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013 RMB'000	2012 RMB'000
Fees	**3,568**	3,971
Other emoluments:		
Salaries, allowances and benefits in kind	**5,317**	7,257
Equity-settled share-based payments:		
Award Shares	**6,578**	–
Share option expense	**18,310**	7,983
Pension scheme contributions		
— defined contribution fund	**42**	41
	30,247	15,281
	33,815	19,252

During the Reporting Period, the new Chief Executive, Mr. He was granted shares in respect of his service to the Group, further details of which are set out in note 27(a) to the financial statements. During the Reporting Period and year ended 31 December 2012, 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 27(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 the amount included in the financial statements for the Reporting Period and year ended 31 December 2012 are included in the above Directors' and Chief Executive's remuneration disclosures.

8. Directors' and Chief Executive's 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
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(i)	**466**	**–**	**1,272**	**1,738**
Mr. Keith Wayne Abell(i)	**466**	**–**	**1,272**	**1,738**
Mr. Maarten Albert Kelder(i)	**466**	**–**	**1,272**	**1,738**
	3,249	**–**	**5,959**	**9,208**

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
2012				
Mr. Christopher Michael Casey	645	–	1,330	1,975
Mr. William Beckwith Hayden	643	–	1,331	1,974
Mr. Miu Edward Kwok Chi	632	–	1,331	1,963
Mr. Richard Wingate Edward Charlton	645	–	1,330	1,975
Mr. Keith Wayne Abell	632	–	1,330	1,962
Mr. Maarten Albert Kelder	632	–	1,331	1,963
	3,829	–	7,983	11,812

(i) Mr. Richard Wingate Edward Charlton, Mr. Keith Wayne Abell and Mr. Maarten Albert Kelder failed to be re-elected as the Company's Independent Non-Executive Directors on 11 June 2013.

Notes to Financial Statements

31 December 2013

8. Directors' and Chief Executive's Remuneration and Five Highest Paid Employees (continued)

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Equity-settled Award Shares RMB'000	Total RMB'000
2013						
Executive Directors						
Mr. Ran Xiaochuan	–	890	9	594	–	1,493
Mr. He[i]	–	1,435	9	–	6,578	8,022
Mr. Huang Wei[ii]	–	330	–	2,375	–	2,705
Mr. Wang Fahai[ii]	–	180	–	891	–	1,071
Mr. Wu Wei[iii]	–	336	7	2,375	–	2,718
Mr. Zhao Shaohua[iii]	–	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[iv]	–	1,054	–	–	–	1,054
Mr. Andrew Joseph Dawber[v]	93	–	–	–	–	93
	319	1,054	–	–	–	1,373
Acting Chief Executive						
Mr. Li Tao[i]	–	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 Executive's Remuneration and Five Highest Paid Employees (continued)

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Equity-settled Award Shares RMB'000	Total RMB'000
2012						
Executive Directors						
Mr. Ran Xiaochuan	–	1,706	10	–	–	1,716
Mr. Zhu Xiaolin	–	1,174	7	–	–	1,181
Mr. Huang Wei	–	550	–	–	–	550
Mr. Wang Fahai	–	300	–	–	–	300
Mr. Wu Wei	–	542	7	–	–	549
Mr. Zhao Shaohua	–	504	7	–	–	511
	–	4,776	31	–	–	4,807
Non-Executive Director						
Mr. Lee Kenneth Jue	142	–	–	–	–	142
Mr. Shi Xiangdong	–	1,500	–	–	–	1,500
	142	1,500	–	–	–	1,642
Acting Chief Executive						
Mr. Li Tao	–	981	10	–	–	991
	–	981	10	–	–	991
	142	7,257	41	–	–	7,440

Notes to Financial Statements

31 December 2013

8. Directors' and Chief Executive's Remuneration and Five Highest Paid Employees (continued)

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

(i) Mr. He was appointed as the Company's Chief Executive Officer on 1 June 2013 and Mr. Li Tao resigned as the Company's Acting Chief Executive Officer since then. Mr. He was appointed as the Company's Executive Director on 29 August 2013 and resigned as the Company's Chief Executive Officer and Executive Director on 21 February 2014.

(ii) Mr. Huang Wei and Mr. Wang Fahai retired as the Company's Executive Directors at the conclusion of the annual general meeting of the Company held on 11 June 2013.

(iii) Mr. Wu Wei and Mr. Zhao Shaohua resigned as the Company's Executive Directors on 29 August 2013.

(iv) Mr. Shi Xiangdong resigned as the Company's Non-Executive Director on 14 September 2013.

(v) Mr. Andrew Joseph Dawber was appointed as the Company's Non-Executive Director on 29 August 2013.

There was no arrangement under which a Director or the Chief Executive waived or agreed to waive any remuneration during the Reporting Period (2012: Nil).

(c) Five highest paid employees

The five highest paid employees during the Reporting Period included one Director and the then Acting Chief Executive (2012: five Directors), details of whose remuneration are set out above. Details of the remuneration of the remaining three highest paid employees who are neither a Director nor the Chief Executive of the Company for the Reporting Period (2012: Nil) are as follows:

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

8. Directors' and Chief Executive's Remuneration and Five Highest Paid Employees (continued)

(c) Five highest paid employees (continued)

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

9. Income Tax

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

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

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

The major components of income tax expense were as follows:

	2013 RMB'000	2012 RMB'000
Current — Mainland China		
charge for the year	**79,953**	92,308
Deferred (note 17)	**(4,313)**	(8,072)
Total tax charge for the year	**75,640**	84,236

Notes to Financial Statements

31 December 2013

9. Income Tax (continued)

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

	2013 RMB'000	2012 RMB'000
Profit before tax	**215,535**	263,098
Add: disallowed expenses incurred by the Company*	**115,484**	75,325
Profit before tax generated by Hong Kong and PRC subsidiaries	**331,019**	338,423
Tax at the respective statutory tax rates:		
— PRC subsidiaries, at 25%	**73,247**	81,318
— Hong Kong subsidiary, at 16.5%	**6,275**	2,170
Income not subject to tax	**(6,396)**	(2,439)
Tax losses not recognised	**121**	263
Expenses not deductible for tax	**1,996**	1,719
Withholding income tax of 7% on the interest income of the Hong Kong subsidiary from PRC subsidiaries	**397**	1,205
Income tax expense	**75,640**	84,236

* Expenses incurred by the Company during the Reporting Period mainly consist of equity-settled share option expenses, equity-settled share based payment expenses, consultancy service fees and foreign exchange losses incurred by the Company (2012: professional fees relating to roadshow activities, consultancy service fees and foreign exchange losses). 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 RMB115,484,000 (2012: RMB75,325,000) which has been dealt with in the financial statements of the Company (note 28).

11. Earnings per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic earnings per share amounts for the Reporting Period and the year ended 31 December 2012 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 1,990,526,168 and 1,999,159,375 in issue during the Reporting Period and the year ended 31 December 2012, as adjusted to reflect the repurchase of shares during the Reporting Period and the year ended 31 December 2012 (note 26).

No adjustment has been made to the basic earnings per share amounts presented for the Reporting Period and the year ended 31 December 2012 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 Reporting Period and the year ended 31 December 2012.

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 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**
31 December 2012							
Cost:							
At 1 January 2012	16,940	179,151	2,114	3,701	41,864	73,700	317,470
Additions	568	14,599	2,459	5,279	66,337	28,529	117,771
Acquisition of subsidiaries	–	620	–	–	28,731	–	29,351
Transferred from CIP	16,350	68,830	–	–	–	(85,180)	–
At 31 December 2012	33,858	263,200	4,573	8,980	136,932	17,049	464,592
Accumulated depreciation:							
At 1 January 2012	866	2,680	384	505	1,690	–	6,125
Provided for the year	1,709	10,963	1,033	1,880	12,736	–	28,321
At 31 December 2012	2,575	13,643	1,417	2,385	14,426	–	34,446
Net carrying amount:							
At 1 January 2012	16,074	176,471	1,730	3,196	40,174	73,700	311,345
At 31 December 2012	31,283	249,557	3,156	6,595	122,506	17,049	430,146

12. Property, Plant and Equipment (continued)

(a) As at 31 December 2013, 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 RMB8,944,000 (2012: RMB12,352,000). The Group's plant can only be sold, transferred or mortgaged when the relevant BOCs have been obtained.

(b) As at 31 December 2013, the Group's plant with a net carrying amount of approximately RMB8,944,000 (2012: RMB10,450,000) 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 2013, the Group's building, plant and machinery with a net carrying amount of RMB125,525,000 (2012: not applicable) were pledged to secure certain bank loans granted to the Group (note 24(b)).

Notes to Financial Statements

31 December 2013

13. Intangible Assets

Group

	Mining rights RMB'000	Exploration and evaluation assets RMB'000	Total RMB'000
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**
31 December 2012			
Cost at 1 January 2012, net of accumulated amortisation	72,549	3,244	75,793
Acquisition of subsidiaries	256,739	205,910	462,649
Additions	64,654	33,440	98,094
Amortisation provided during the year	(4,274)	–	(4,274)
At 31 December 2012	389,668	242,594	632,262
Analysed as:			
Cost	394,635	242,594	637,229
Accumulated amortisation	(4,967)	–	(4,967)
Net carrying amount	389,668	242,594	632,262

13. Intangible Assets (continued)

(a) As at 31 December 2013, the mining right to the Shizishan Mine with a net carrying amount of RMB65,270,000 (2012: RMB69,408,000) was pledged to secure the Group's bank loans (note 24(a)).

(b) An impairment loss of RMB3,222,000 (2012: Nil) was recognised during the Reporting Period to write down the carrying amount of the mining right to the Menghu Mine to its recoverable amount due to the decrease in the prevailing market price of lead and zinc metals at the end of 2013. The recoverable amount was determined with reference to the best information available to reflect the value-in-use of the mining right to the Menghu Mine.

14. Prepaid Land Lease Payments

	Group	
	2013	2012
	RMB'000	RMB'000
Carrying amount at 1 January	**13,127**	13,396
Recognised during the year	**(270)**	(269)
Carrying amount at 31 December	**12,857**	13,127
Current portion included in prepayments, deposits and other receivables (note 20)	**(270)**	(270)
Non-current portion	**12,587**	12,857

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 2013, leasehold land with a net carrying amount of approximately RMB10,254,000 (2012: not applicable) was pledged to secure certain bank loans granted to the Group (note 24(b)).

15. Payments in Advance

	Group	
	2013	2012
	RMB'000	RMB'000
In respect of the purchase of:		
Prepaid land lease payments	**11,883**	11,883
Property, plant and equipment	**19,064**	–
	30,947	11,883

Notes to Financial Statements

31 December 2013

16. Investments in Subsidiaries

	Company 2013 RMB'000	2012 RMB'000
Unlisted investment in Gilberta Holdings Limited ("Gilberta"), at cost *	**–**	–
Advances to subsidiaries	**1,151,317**	1,233,838
	1,151,317	1,233,838

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

As at 31 December 2013, except for the advances of RMB42,000 to Dehong Yinrun which are denominated in RMB, the remaining amounts due from 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.

16. Investments in Subsidiaries (continued)

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

Name	Place and date of incorporation/ registration and business	Nominal value of 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
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(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	Mainland China 15 May 2007	RMB20,000,000	90.0	Mining, ore processing and sale of lead-zinc ore products
Menghu Company	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 2013, 99% of the equity interests in Kunrun (2012: not applicable) was pledged to secure the Group's bank loans (note 24(b)).

(iv) Pursuant to the shareholders' resolution of Dakuangshan Company dated 2 May 2013, the registered capital of Dakuangshan Company was increased from RMB45,000,000 to RMB85,000,000. The capital injection was satisfied by way of the capitalisation of payables to shareholders of Dakuangshan Company, namely Dehong Yinrun, Mr. Xi Wanli, Mr. Xi Xiaolong and Ms. Gao Qunzhen. Dehong Yinrun, Mr. Xi Wanli, Mr. Xi Xiaolong and Ms. Gao Qunzhen made the capital injection amounted to RMB39,460,000, RMB3,509,000, RMB438,000 and RMB438,000, respectively, in proportion of their equity interests held in Dakuangshan Company of 90%, 8%, 1% and 1%, respectively. The difference between the capital injection of RMB43,845,000 and the increase in the registered and paid-up capital of RMB40,000,000 was credited to the share premium account of Dakuangshan Company.

Notes to Financial Statements

31 December 2013

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 2012	–	980	435	695	96	1,614	3,820
Deferred tax credited/ (charged) to profit or loss during the year (note 9)	588	3,012	4,375	(67)	242	(78)	8,072
At 31 December 2012 and 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	**1,270**	**3,074**	**8,429**	**560**	**600**	**2,272**	**16,025**

At 31 December 2013, the Group had tax losses arising in Hong Kong of RMB2,683,000 (2012: RMB1,944,000) 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 2014, 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 2013, 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 RMB423,610,000 (2012: RMB217,153,000).

18. Inventories

	Group	
	2013	2012
	RMB'000	RMB'000
Raw materials	**7,090**	4,601
Spare parts and consumables	**3,427**	3,986
Finished goods	**10,754**	4,251
	21,271	12,838

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	
	2013	2012
	RMB'000	RMB'000
Within 3 months	**127,929**	232,028
3 to 6 months	**–**	46,985
	127,929	279,013

The Group continued to extend the credit term granted to its existing customers from one month to three months 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.

Notes to Financial Statements

31 December 2013

19. Trade Receivables (continued)

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

	Group	
	2013	2012
	RMB'000	RMB'000
Neither past due nor impaired	**127,929**	232,028
Less than 3 months past due	**–**	46,985
	127,929	279,013

In the opinion of the Directors, no provision for impairment is necessary in respect of these balances as they are not past due and there has not been a significant change in credit quality of these debtors.

20. Prepayments, Deposits and Other Receivables

Group

	Notes	**2013 RMB'000**	2012 RMB'000
Current portion:			
Prepayments in respect of:			
— purchase of inventories	(a)	**22,962**	30,696
— professional fees		**634**	7,285
— prepaid land lease payments to be amortised within one year	14	**270**	270
— bank loan guarantee fee	(b)	**1,275**	–
— others		**1,475**	1,088
Deposits in respect of:			
— preliminary survey for certain lead and zinc mines	(c)	**2,121**	–
— bank loan guarantee	(b)	**4,250**	–
— others		**478**	451
Staff advances		**599**	1,624
Interest receivable for time deposits with original maturity of three to six months		**–**	580
		34,064	41,994
Non-current portion:			
Prepayment in respect of purchase of inventories	(a)	**159,908**	123,714
Deposits in respect of:			
— environmental rehabilitation		**1,170**	1,170
— others		**727**	–
		161,805	124,884
		195,869	166,878

20. Prepayments, Deposits and Other Receivables (continued)

Company

	2013 RMB'000	2012 RMB'000
Current portion:		
Prepayments in respect of:		
— professional fees	**634**	7,285
— others	**2**	467
Office rental deposit	**293**	–
	929	7,752
Non-current portion:		
Office rental deposit	**427**	–
	1,356	7,752

Notes:

(a) The balance mainly represents prepayments of RMB182,723,000 (2012: RMB154,135,000) made to the 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 the 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 the Xiangcaopo Mining to the Group as security for the future delivery of the ores.

(b) The Group obtained a one-year bank loan from China Construction Bank ("CCB") on 19 December 2013, which is guaranteed by Yunnan Honghao Finance Guarantee Co., Ltd., an independent third party (the "Guarantor"). Pursuant to the bank loan guarantee agreement entered into between the Group, CCB and Guarantor, the Guarantor provides guarantee service for the abovementioned loan covering one year starting from 19 December 2013 at a fee of RMB1,275,000. The Group also made a deposit of RMB4,250,000 to the Guarantor for the bank loan guarantee provided to the Group, which is expected to be refunded when the guarantee expires on 18 December 2014 (note 24(b)).

(c) 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.

Notes to Financial Statements

31 December 2013

21. Cash and Cash Equivalents

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**587,414**	197,007	**1,125**	2,885
Time deposits with original maturity of				
— 3 months	**–**	70,000	**–**	–
— 6 months	**–**	60,000	**–**	–
Cash and cash equivalents	**587,414**	327,007	**1,125**	2,885

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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**586,274**	323,631	**62**	162
HK$	**1,079**	2,733	**1,063**	2,723
US$	**61**	643	**–**	–
	587,414	327,007	**1,125**	2,885

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. Time deposits are made for periods of three months and six months, and earn interest at the respective time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

22. 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	
	2013	2012
	RMB'000	RMB'000
Within 1 month	**1,472**	2,234
1 to 2 months	**1,112**	1,541
2 to 3 months	**823**	1,101
Over 3 months	**4,933**	8,819
	8,340	13,695

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

23. Other Payables and Accruals

Group

	2013	2012
	RMB'000	RMB'000
Payables relating to:		
Exploration and evaluation assets	**12,150**	26,430
Property, plant and equipment	**12,527**	12,874
Professional fees	**5,375**	4,080
Tax other than income tax	**88,488**	30,928
Payroll and welfare	**141**	116
Mining resource compensation fees	**18,709**	9,466
Mining resource usage fees	**913**	913
Non-controlling shareholder of Dakuangshan Company	**–**	4,385
Others	**1,432**	490
	139,735	89,682
Accruals	**5,664**	7,629
	145,399	97,311

Notes to Financial Statements

31 December 2013

23. Other Payables and Accruals (continued)

Company

	2013 RMB'000	2012 RMB'000
Payables relating to:		
Professional fees	**721**	4,203
Payroll and welfare	**–**	6
	721	4,209
Accruals	**1,493**	1,361
	2,214	5,570

24. Interest-Bearing Bank Loans

		Group	
	Notes	2013 RMB'000	2012 RMB'000
Bank loans:			
Secured	(a)	**88,000**	120,000
Secured and guaranteed	(b)	**100,000**	–
		188,000	120,000
Bank loans repayable:			
Within one year		**188,000**	60,000
In the second year		**–**	60,000
		188,000	120,000
Current portion		**(188,000)**	(60,000)
Non-current portion		**–**	60,000

Notes:

(a) As at 31 December 2013, the bank loans of RMB88,000,000 (2012: RMB120,000,000) were secured by the mortgage over the Group's mining right to the Shizishan Mine with a net carrying amount of RMB65,270,000 (2012: RMB69,408,000) (note 13). The bank loans bear an interest rate of 7.38% (2012: ranging from 7.38% to 7.98%) per annum.

24. Interest-Bearing Bank Loans (continued)

Notes: (continued)

(b) The secured and guaranteed bank loans bear interest rates ranging from 6.0% to 7.20% (2012: not applicable) per annum. The bank loans were guaranteed and secured by:

	Bank loans amount	
	2013	2012
	RMB'000	RMB'000
Guaranteed by:		
Mr. Ran Xiaochuan (note 32(a))	**50,000**	–
Jointly guaranteed by Mr. Ran Xiaochuan and the Guarantor (note 20(b) & note 32(a))	**50,000**	–
	100,000	–
Secured by:		
99% of the equity interests in Kunrun	**50,000**	–

	Net book amount	
	2013	2012
	RMB'000	RMB'000
Secured by:		
Property, plant and equipment (note 12(c))	**125,525**	–
Prepaid land lease payments (note 14)	**10,254**	–

Management has assessed that the fair values of the above interest-bearing bank 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 observable inputs (Level 2).

25. Provision for Rehabilitation

	Group	
	2013	2012
	RMB'000	RMB'000
At beginning of year	**14,903**	12,178
Additions	**–**	1,756
Unwinding of a discount (note 6)	**1,046**	969
At end of year	**15,949**	14,903

Notes to Financial Statements

31 December 2013

26. SHARE CAPITAL

Shares

	2013 RMB'000	2012 RMB'000
Authorised:		
38,000,000,000 (2012: 38,000,000,000) ordinary shares of HK$0.00001 each	**342**	342
Issued and fully paid:		
1,988,765,000 (2012: 1,994,894,000) ordinary shares of HK$0.00001 each	**17**	17

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$1.55 per share. All of the shares repurchased during the Reporting Period, together with 100,000 treasury shares as at 31 December 2012 were cancelled during the Reporting Period. The issued capital of the Company's shares was reduced by the par value of the cancelled shares and the premium paid thereon has been charged to the share premium account of the Company accordingly.

The repurchase of the Company's shares during the Reporting Period was pursuant to the repurchase mandate granted by the shareholders to the Directors at the annual general meeting of the Company held on 12 June 2012 and 11 June 2013.

27. 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").

Subject to the Service Agreement, the Company shall allot and issue certain shares in the Company ("Award Shares") to Mr. He, the Chief Executive Officer of the Company, 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. The first tranche will be allotted and issued unconditionally forthwith on the date of the completion of 18 continuous months of service, the second tranche will be allotted and issued at the completion of two continuous years of service at the earliest, conditional upon the fulfillment of certain performance conditions and the third tranche will be allotted and issued at the completion of three continuous years of service at the earliest, conditional upon the fulfilment of certain performance conditions. Particulars of the Award Shares were set out in the Company's circular to shareholders dated 18 July 2013.

27. Share-Based Payment Transactions (continued)

(a) Award Shares (continued)

The fair value of the 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 Reporting Period in relation to the Award Shares with a corresponding amount credited to the capital contribution reserve (note 28(d)).

(b) Share option scheme

The Company has adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants including executives or officers (including Executive, Non-Executive and Independent Non-Executive Directors) or employees (whether full time or part time) of any member of the Group and any person whom the Board considers, in 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.

Notes to Financial Statements
31 December 2013

27. Share-Based Payment Transactions (continued)

(b) Share option scheme (continued)

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.

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 2013	(a)	**2.22**	**42,162,162**
Granted during the year	(b)	***	**157,837,838**
Forfeited during the year	(c)	***	**(12,600,000)**
As at 31 December 2013			**187,400,000**

Notes:

(a) The share options outstanding as at 1 January 2013 represented share options granted by the Company on 14 December 2011 at the exercise price of HK$2.22 per share.

(b) On 16 January 2013, a total of 157,837,838 share options were granted to certain eligible participants of the Company in respect of their services to the Group in the forthcoming year (the "2013 Granted Options") under the Share Option Scheme.

(c) The share options granted to an eligible participant under the 2013 Granted Options were forfeited following his resignation during the Reporting Period.

27. 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 2013 and 31 December 2012 are as follows:

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		

2012

Number of options	Exercise price per share* HK$	Exercise period
10,540,536	2.22	From 14 December 2012 to 13 December 2016
10,540,542	2.22	From 14 December 2013 to 13 December 2016
10,540,542	2.22	From 14 December 2014 to 13 December 2016
10,540,542	2.22	From 14 December 2015 to 13 December 2016
42,162,162		

* 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 exercisable immediately 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 tranche is to be determined with reference to the prevailing market prices on the second anniversary of the grant date of the 2013 Granted Options, but in any case must be at least HK$1.70 per share. For details, please refer to the Company's announcements dated 16 January 2013 and 16 January 2014.

Notes to Financial Statements

31 December 2013

27. Share-Based Payment Transactions (continued)

(b) Share option scheme (continued)

The Group has 31,621,620 share options exercisable as at 31 December 2013. (2012: 10,540,536).

The fair value of the 2013 Granted Options granted during the Reporting Period was HK$74,139,000 (equivalent to approximately RMB60,004,000) or HK$0.51 each (equivalent to approximately RMB0.41 each) (2012: not applicable). The Group recognised a share option expense of HK$60,572,000 (equivalent to approximately RMB49,082,000) during the Reporting Period (2012: HK$9,797,000, equivalent to approximately RMB7,983,000).

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

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

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 187,400,000 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 187,400,000 additional ordinary shares of the Company and additional share capital of HK$1,874 and share premium of at least HK$340,502,450 (before issue expenses).

At the date of approval of these financial statements, the Company had 187,400,000 share options outstanding under the Share Option Scheme, which represented approximately 9.4% of the Company's shares in issue as at that date.

28. 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 Yunan 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 2013

28. Reserves (continued)

Group (continued)

(d) Capital contribution reserve

The Group recognised an expense of RMB6,578,000 for the Reporting Period in relation to the Award Shares with a corresponding amount credited to the capital contribution reserve (note 27(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 2012		1,360,660	233,000	379	(288,267)	1,305,772
Repurchase of shares		(5,890)	–	–	–	(5,890)
Equity-settled share option arrangement	27(b)	–	–	7,983	–	7,983
Total comprehensive loss for the year		–	–	–	(75,325)	(75,325)
At 31 December 2012 and 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	27(b)	–	–	49,082	–	49,082
Award Shares	27(a)	–	6,578	–	–	6,578
Total comprehensive loss for the year		–	–	–	(115,484)	(115,484)
At 31 December 2013		**1,320,467**	**239,578**	**57,444**	**(479,076)**	**1,138,413**

29. Dividends

	RMB'000
Interim — HK1 cent (2012: Nil) per ordinary share	
Proposed during the year	15,734
Paid during the year	(15,734)
Dividends payable as at 31 December 2013	–

The interim dividend is funded through the cancellation of an amount standing to the credit of the share premium account of the Company. The proposed interim dividend for the Reporting Period was approved by the Company's shareholders at an extraordinary general meeting held on 24 October 2013.

At a meeting of the Directors held on 13 March 2014, the Board proposed a final dividend of HK$0.008 per share (equivalent to approximately RMB0.006 per share) out of the Company's share premium account amounting to RMB12,509,000 for the Reporting Period (2012: Nil). The proposed final dividend for the Reporting Period is subject to the approval of the shareholders at the 2014 AGM and is included in the proposed final dividend within equity of the statement of financial position.

30. Commitments

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

	2013 **RMB'000**	2012 RMB'000
Contracted, but not provided for:		
— Exploration and evaluation assets	**10,735**	27,573
— Property, plant and equipment	**28,799**	23,993
	39,534	51,566
Authorised, but not contracted for:		
— Property, plant and equipment	**78,525**	138,735
— Exploration and evaluation assets	**6,922**	254,820
	85,447	393,555
	124,981	445,121

Notes to Financial Statements

31 December 2013

31. Contingent Liabilities

At the end of the Reporting Period, neither the Group nor the Company had any significant contingent liabilities.

32. Related Party Transactions

(a) During the Reporting Period, the Group had the following material transaction with its related party:

	2013 RMB'000	2012 RMB'000
Bank loan guaranteed by Mr. Ran Xiaochuan	**100,000**	–

The bank loan was guaranteed by Mr. Ran Xiaochuan, the Company's Executive Director, for nil consideration (note 24(b)).

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

Details of Directors' and the Chief Executive's emoluments, which is also the emoluments of the Group's key management are included in note 8 to the financial statements.

33. Financial Risk Management Objectives and Policies

The financial assets of the Group mainly include cash and bank balances 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 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.

33. Financial Risk Management Objectives and Policies (continued)

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. The Board regularly reviews these risks and they are summarised below:

Credit risk

Substantial amounts of the Group's cash and cash equivalents are held in major reputable financial institutions located in Mainland China 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 an extended 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.

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 2013				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years 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**

33. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

	31 December 2012				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years RMB'000	Total RMB'000
Other payables	16,392	42,246	–	–	58,638
Trade payables	11,461	2,234	–	–	13,695
Interest-bearing bank loans	–	–	69,156	61,535	130,691
	27,853	44,480	69,156	61,535	203,024

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits and interest-bearing bank loans. The interest rates and terms of repayment of interest-bearing borrowings are disclosed in note 24 to the financial statements. The Group manages its interest rate exposure arising from its interest-bearing bank 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 deposit and interest-bearing bank loans approximate to their fair values based on the prevailing borrowing rates available for deposit 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.

33. Financial Risk Management Objectives and Policies (continued)

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.

34. 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 2013 (2012: Not applicable). The agreement provided the Group conditional rights to set off that are enforceable and exercisable only in the event of default which is 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	139,870	(11,941)	127,929
Trade payables	(20,281)	11,941	(8,340)

Notes to Financial Statements

31 December 2013

35. Pledge of Assets

Details of the Group's bank loans which are secured by the assets of the Group are included in note 24 to the financial statements.

36. Event after the Reporting Period

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. Award Shares lapsed upon Mr. He's resignation on 21 February 2014.

37. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board on 13 March 2014.

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 27 June 2014
"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 32 of the Laws of Hong Kong), as amended from time to time before 3 March 2014
"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 to which the Dakuangshan Company owns the mining right
"Dazhupeng Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, China, 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

"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 Date"	14 December 2011
"Listing Rules"	Rules Governing the Listing of Securities on the 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, China, 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
"ore reserve(s)" or "reserve(s)"	the economically mineable part of a measured and/or indicated mineral resource, as defined by the JORC Code. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are subdivided, in order of increasing geological confidence, into probable reserves and proved reserves

Glossary

"Pb"	the chemical symbol for lead
"Prospectus"	the prospectus of the Company dated 2 December 2011 issued in connection with the IPO
"Pure Mining Company"	the mining company which only conducts upstream operations in exploration, mining and primary processing of mineral resources with no downstream operations in smelting, refining and others
"Reporting Period"	the year ended 31 December 2013
"RMB"	the lawful currency of the PRC
"Shizishan Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, China, 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
"Twelfth Five-Year Plan"	the Communist Party of China Central Committee's proposal on formulating the 12th five-year programme (from year 2011 to 2015) on National Economic and Social Development
"US"	the United States of America
"US$"	United States dollar(s), the lawful currency of the United States
"Xiangcaopo Mining"	Yunnan Xiangcaopo Mining Co., Ltd, a limited liability company in China, 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