中国多金属矿业
CHINA POLYMETALLIC MINING

China Polymetallic Mining Limited
中國多金屬礦業有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2133)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

- The Group's revenue for the Reporting Period amounted to approximately RMB92.5 million (2014: RMB187.5 million; a decrease of RMB95.0 million), and the Group's cost of sales amounted to approximately RMB56.6 million (2014: RMB90.3 million; a decrease of RMB33.7 million), representing a gross profit of approximately RMB35.9 million (2014: RMB97.2 million; a decrease of RMB61.3 million) and gross profit margin of around 38.8% (2014: 51.8%; decreased by approximately 13.0 percentage points).

- The Group's net loss for the Reporting Period was approximately RMB95.6 million (net profit for 2014: RMB11.8 million; a decrease of RMB107.4 million).

- The basic and diluted loss per share attributable to ordinary equity holders of the Company for the Reporting Period amounted to approximately RMB0.047 (the basic and diluted earnings per share attributable to ordinary equity holders of the Company for 2014: RMB0.006; a decrease of RMB0.053).

- As at 31 December 2015, the balance of cash and cash equivalents was RMB672.7 million (31 December 2014: RMB781.6 million; a decrease of RMB108.9 million).

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

The Board is pleased to announce the audited consolidated results of the Group for the Reporting Period, together with the comparative information for the year ended 31 December 2014, which have been prepared in accordance with the IFRS as below.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OF LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	**2015** **RMB'000**	2014 RMB'000
REVENUE	4	**92,509**	187,466
Cost of sales		**(56,569)**	(90,308)
Gross profit		**35,940**	97,158
Other income and gains	5	**19,127**	18,270
Selling and distribution expenses		**(953)**	(1,246)
Administrative expenses		**(42,766)**	(49,027)
Impairment loss on property, plant and equipment	6	**(6,205)**	–
Impairment loss on intangible assets	6	**(44,146)**	–
Impairment loss on trade receivables	6	**(29,380)**	–
Other expenses		**(34)**	(2,944)
Finance costs	6	**(59,029)**	(41,015)
PROFIT/(LOSS) BEFORE TAX	6	**(127,446)**	21,196
Income tax credit/(expense)	7	**31,887**	(9,441)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(95,559)**	11,755
Attributable to:			
Owners of the Company		**(94,084)**	12,264
Non-controlling interests		**(1,475)**	(509)
		(95,559)	11,755
Earnings/(loss) per share attributable to ordinary equity holders of the Company:			
— Basic and diluted	8	**RMB(0.047)**	RMB0.006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**629,288**	592,785
Intangible assets	9	**739,991**	629,316
Prepaid land lease payments	9	**12,047**	12,317
Payments in advance	10	**47,691**	88,707
Prepayments and deposits	12	**215,635**	215,092
Deferred tax assets		**55,878**	23,991
Total non-current assets		**1,700,530**	1,562,208
CURRENT ASSETS			
Inventories		**26,940**	23,096
Trade receivables	11	**66,197**	107,974
Prepayments, deposits and other receivables	12	**19,256**	9,008
Available-for-sale investments	13	**–**	200,000
Structured deposits	14	**–**	302,021
Cash and cash equivalents		**672,738**	781,558
Total current assets		**785,131**	1,423,657
CURRENT LIABILITIES			
Trade payables	15	**9,349**	9,976
Other payables and accruals		**199,640**	153,268
Tax payable		**95,132**	99,549
Dividend payable	18	**–**	153
Interest-bearing bank and other loans	16	**200,984**	966,485
Total current liabilities		**505,105**	1,229,431
NET CURRENT ASSETS		**280,026**	194,226
Total assets less current liabilities		**1,980,556**	1,756,434

	Notes	**2015** ***RMB'000***	2014 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing other loans	*16*	**304,859**	–
Provision for rehabilitation		**18,297**	17,078
Total non-current liabilities		**323,156**	17,078
Net assets		**1,657,400**	1,739,356
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**17**	17
Reserves		**1,593,686**	1,688,256
		1,593,703	1,688,273
Non-controlling interests		**63,697**	51,083
Total equity		**1,657,400**	1,739,356

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(127,446)**	21,196
Adjustments for:			
Finance costs		**57,545**	39,507
Unrealised foreign exchange loss		**44**	175
Bank interest income	*5*	**(2,526)**	(2,073)
Interest income from structured deposits	*5*	**(7,650)**	(7,021)
Dividend income from available-for-sale investments	*5*	**(8,785)**	–
Equity-settled share-based payments:			
Award Shares		**–**	(6,578)
Share option expense	*17(b)*	**(486)**	9,536
Depreciation	*9*	**32,289**	36,105
Impairment losses recognised/(reversed)	*6*	**79,731**	(3,222)
Gain on disposal of items of property, plant and equipment	*5*	**(157)**	–
Amortisation of intangible assets	*9*	**7,157**	8,334
Amortisation of prepaid land lease payments	*9*	**270**	270
		29,986	96,229
Decrease in trade receivables		**12,397**	19,955
Increase in inventories		**(3,844)**	(1,825)
Increase in prepayments, deposits, and other receivables		**(4,391)**	(28,231)
Increase/(decrease) in trade payables		**(627)**	1,636
Increase/(decrease) in other payables and accruals		**35,326**	(5,797)
Cash generated from operations		**68,847**	81,967
Interest received		**2,526**	2,073
Income tax paid		**(4,417)**	(7,876)
Net cash flows from operating activities		**66,956**	76,164

	Notes	**2015** **RMB'000**	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(32,500)**	(102,596)
Decrease/(increase) in structured deposits	*14*	**302,021**	(295,000)
Decrease/(increase) in available-for-sale investments	*13*	**200,000**	(200,000)
Interest income from structured deposits	*5*	**7,650**	–
Dividend income from available-for-sale investments	*5*	**8,785**	–
Proceeds from disposal of items of property, plant and equipment		**352**	–
Acquisition of a subsidiary	*19*	**(100,000)**	–
Expenditures on exploration and evaluation assets		**(27,732)**	(25,762)
Net cash flows from/(used in) investing activities		**358,576**	(623,358)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(60,552)**	(17,639)
Proceeds from bank and other loans		**555,843**	966,485
Repayment of bank and other loans		**(1,016,485)**	(188,000)
Consultation fees paid on financing		**(12,800)**	–
Service charges paid on financing activities		**(161)**	(1,452)
Dividends paid		**(153)**	(18,012)
Net cash flows from/(used in) financing activities		**(534,308)**	741,382
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(108,776)**	194,188
Cash and cash equivalents at beginning of year		**781,558**	587,414
Effect of foreign exchange rate changes		**(44)**	(44)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**672,738**	781,558

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

4. REVENUE AND OPERATING SEGMENT INFORMATION

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

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

Entity-wide disclosures

Information about products

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

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

Geographical information

(a) Revenue from external customers

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

(b) Non-current assets

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

Information about major customers

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

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

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

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

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

6. PROFIT/(LOSS) BEFORE TAX

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

		2015	2014
	Notes	***RMB'000***	*RMB'000*
Cost of inventories sold		**56,569**	90,308
Interest on bank and other loans		**49,765**	36,926
Consultation fees in respect of financing		**6,400**	–
Service charges paid on financing activities		**161**	1,452
Interest on discounted bills receivable		**1,484**	1,508
Unwinding of a discount		**1,219**	1,129
		59,029	41,015
Staff costs (including Directors' and Chief Executives' remuneration:			
Wages and salaries		**18,550**	29,224
Equity-settled share-based payments:			
Award Shares		**–**	(6,578)
Share option expense	*17(b)*	**(486)**	9,536
Pension scheme contributions			
— Defined contribution fund		**781**	843
		18,845	33,025
Depreciation of items of property, plant and equipment	*9*	**32,289**	36,105
Amortisation of intangible assets ^	*9*	**7,157**	8,334
Amortisation of prepaid land lease payments ^	*9*	**270**	270
Depreciation and amortisation		**39,716**	44,709

	Notes	**2015** *RMB'000*	2014 *RMB'000*
Impairment losses recognised/(reversed) on:			
Property, plant and equipment	*9*	**6,205**	–
Intangible assets	*9*	**44,146**	(3,222)
Trade receivables	*11*	**29,380**	–
Total impairment losses recognised/(reversed)		**79,731**	(3,222)
Auditors' remuneration		**4,500**	4,500
Operating lease rentals		**1,286**	1,528
Foreign exchange losses		**29**	433

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

7. INCOME TAX

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

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

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

The major components of income tax expense were as follows:

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

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

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

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

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

The calculation of the basic loss (2014: earnings) per share amount for the year ended 31 December 2015 is based on the loss (2014: profit) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,988,765,000 (2014: 1,988,765,000) in issue during the Reporting Period.

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

9. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND PREPAID LAND LEASE PAYMENTS

Movements in property, plant and equipment, intangible assets and prepaid land lease payments during the Reporting Period are as follows:

	Property, plant and equipment *RMB'000* *(note (a), (b) &(c))*	**Intangible assets** *RMB'000* *(note (d)&(e))*	**Prepaid land lease payments** *RMB'000* *(note (f))*
Carrying amount at 1 January 2015	592,785	629,316	12,317
Additions	73,778	24,503	–
Acquisition of a subsidiary *(note 19)*	1,414	137,475	–
Disposal	(195)	–	–
Impairment recognised for the Reporting Period	(6,205)	(44,146)	–
Depreciation/amortisation charged for the Reporting Period *(note 6)*	(32,289)	(7,157)	(270)
Carrying amount at 31 December 2015	629,288	739,991	12,047

Notes:

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

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

(c) As at 31 December 2015, the Group's property, plant and machinery with a net carrying amount of RMB72,479,000 (31 December 2014: not applicable) were pledged to secure certain bank and other loans granted to the Group (note 16(b) & (e)).

(d) As at 31 December 2015, the Group's intangible assets with a net carrying amount of approximately RMB61,902,000 (31 December 2014: not applicable) were pledged to secure certain bank and other loans granted to the Group (note 16(b) & (e)).

(e) Impairment

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

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

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

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

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

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

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

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

Impairment loss recognised on property, plant and equipment

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

Impairment loss recognised on intangible assets

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

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

The determination of FVLCD for Menghu CGU and VIU of Dakuangshan CGU are considered to be Level 3 fair value measurements for the year ended 31 December 2015 (2014: Not applicable), as they are derived from valuation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

(f) As at 31 December 2015, the Group's prepaid land lease payments with a net carrying amount of approximately RMB12,048,000 (31 December 2014: not applicable) were pledged to secure certain bank and other loans granted to the Group (note 16(b) & (e)).

10. PAYMENTS IN ADVANCE

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

11. TRADE RECEIVABLES

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

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

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

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

Impairment of trade receivables recognised during the Reporting Period represented a provision for individually impaired trade receivables of RMB29,380,000 (2014: Nil) with a carrying amount before provision of RMB47,930,000 (2014: Nil). The individually impaired trade receivables related to certain customers that were in financial difficulties, which the Group had stopped supplying goods, initiated discussions on repayment terms and is in the midst of monitoring their repayment schedules. Whilst the Group will continue to follow up closely on the receivable status, the recoverability of part of the receivables has specifically been affected by the weak market condition, may be delayed by a longer-than-expected period or part of the receivables may not be recoverable. As such, the Group had made an impairment provision of RMB29,380,000 for the year ended 31 December 2015. Despite such provision and longer-than-expected repayment periods, the Group will initiate necessary actions to recover these receivables in part or in full.

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

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

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

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Notes:

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

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

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

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

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

13. AVAILABLE-FOR-SALE INVESTMENTS

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

14. STRUCTURED DEPOSITS

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

15. TRADE PAYABLES

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

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

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

16. INTEREST-BEARING BANK AND OTHER LOANS

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

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

Notes:

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

(b) The balance as at 31 December 2015 consists of (i) a one-year interest-bearing bank loan granted by Ping An Bank on 7 December 2015 of RMB50,000,000, which bears interest at a fixed rate of 5.22% per annum and is guaranteed by Mr. Ran Xiaochuan (note 22(a)); and (ii) a one-year interest-bearing bank loan granted by Ping An Bank on 14 December 2015 of RMB50,000,000, which bears interest at a fixed rate of 5.22% per annum and is guaranteed by Mr. Ran Xiaochuan (note 22(a)). Such loans were withdrawn from the three-year banking facilities of RMB900,000,000 granted by Ping An Bank on 25 June 2014 (the "Banking Facilities") guaranteed by Mr. Ran Xiaochuan. In addition, the Group and Ping An Bank entered into a mortgage agreement regarding the Banking Facilities in January 2015, which is secured by:

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

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

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

(e) Balances as at 31 December 2015 consist of (i) an other loan borrowed from Ping An Bank by way of gold lease arrangement, with the principal of RMB100,984,000 on 29 July 2015, which bears interest at a fixed rate of 6.8% per annum with maturity date on 28 July 2016, guaranteed by Mr. Ran Xiaochuan (note 34(a)) and secured by 99% of the equity interests in Kunrun, 90% of the equity interests in Dakuangshan Company, 90% of the equity interests in Liziping Company and 90% of the equity interests in Menghu Company; and (ii) an other loan borrowed from Ping An Bank by way of gold lease arrangement, with the principal of RMB304,859,000 on 24 June 2015 withdrawn from the Banking Facilities, which was guaranteed by Mr. Ran Xiaochuan (note 22(a)) and bears interest at a fixed rate of 7.5% per annum with maturity date on 23 June 2017. The Group has undertaken to settle both the other loans mentioned above by delivery of a pre-specified quantity of gold through a forward purchase contract at a price which equals the principal plus interest due.

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

17. SHARE-BASED PAYMENT TRANSACTIONS

(a) Award Shares

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

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

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

(b) Share option scheme

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

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

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

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

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

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

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

	Notes	Weighted average exercise price *HK$ per share*	Number of options
As at 1 January 2015			
— share options granted to the independent non-executive directors	*(i)*	2.22	42,162,162
— the 2013 Granted Options *(defined in note 17(b)(i))*	*(i)*	1.70	117,637,838
Forfeited during the Reporting Period	*(ii)*	1.70	(47,545,946)
As at 31 December 2015			112,254,054

Notes:

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

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

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

2015

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

2014

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

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

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

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

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

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

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

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

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

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

18. DIVIDENDS

(a) Dividend attributable to the year

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

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

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

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

19. ACQUISITION

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

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

	RMB'000
Property, plant and equipment *(note 9)*	1,414
Intangible assets *(note 9)*	137,475
Non-controlling interests	(13,889)
Total identifiable net assets at fair value	125,000
Satisfied by:	
Cash	100,000
Other payables	25,000
	125,000

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	100,000
Cash and bank balances acquired	–
Net outflow of cash and cash equivalents during the year	100,000

20. COMMITMENTS

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

	2015	2014
	RMB'000	*RMB'000*
Contracted, but not provided for:		
— Exploration and evaluation assets	**5,935**	7,746
— Property, plant and equipment	**27,578**	28,046
	33,513	35,792
Authorised, but not contracted for:		
— Property, plant and equipment	**191,500**	98,179
— Exploration and evaluation assets	**8,600**	22,977
	200,100	121,156
	233,613	156,948

21. CONTINGENT LIABILITIES

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

22. RELATED PARTY TRANSACTIONS

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

	2015	2014
	RMB'000	*RMB'000*
Bank loan guaranteed by		
Mr. Ran Xiaochuan	**100,000**	50,000
Other loan guaranteed by		
Mr. Ran Xiaochuan	**405,843**	448,917

The bank and other loans were guaranteed by Mr. Ran Xiaochuan, the Company's executive director, for nil consideration (note 16(b) & (e)).

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

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

23. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 2 February 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the Reporting Period, the mixed economic growth patterns among the major countries in the world were intensified, with developed economies like the US and Europe experiencing moderate recovery and most of the emerging countries encountering economic headwinds. In view of the intense global competition, the economic development in the environment of China became even more complex and uncertain. In 2015, China's GDP growth rate slowed down to 6.9% from 7.4% in 2014, indicating a structural deflation that continuously imposed downward pressures on China's economy.

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

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

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

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

OPERATING MINE — SHIZISHAN MINE

Mineral resources and reserves of the Shizishan Mine

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

The Shizishan Mine — JORC Mineral Resources as at 31 December 2015
Mineral Resource at 0.5% Pb Cut Off

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

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

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

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

Operational results of the Shizishan Mine

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

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

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

Meanwhile, due to the strengthened safety inspections by local authorities as well as the substantial increase in volume of water flowing through the tunnels at the 1,150 level resulting from the consecutive heavy rain during the rainy season, which was a few times heavier than that in previous years, the production volume of the Shizishan Mine started to decrease in August 2015, and its production was suspended in September 2015. As a result, there has been a significant decrease in the volume mined. After pumping water non-stop from the mine for three consecutive months from 7 September 2015 to 4 December 2015, and a series of safety inspections, the mining and production work gradually resumed in late December 2015.

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

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

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

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

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

Production costs of the Shizishan Mine

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

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

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

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

Capital expenditure of the Shizishan Mine

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

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

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

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

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

	2015	2014
	RMB million	*RMB million*
Mining	**29.77**	93.0
Mining infrastructure	**29.77**	93.0
Processing	**0.33**	0.8
Processing plant and equipment	**0.27**	0.6
Tailing storage facilities	**0.06**	0.2
Total	**30.10**	93.8

OPERATING MINE — DAKUANGSHAN MINE

Mineral resources and reserves of the Dakuangshan Mine

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

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

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

Operational results of the Dakuangshan Mine

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

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

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

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

Production costs of the Dakuangshan Mine

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

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

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

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

Capital expenditure of the Dakuangshan Mine

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

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

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

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

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

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

OTHER MINES

Liziping Mine

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

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

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

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

Menghu Mine

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

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

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

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

Aung Jiujia Mine

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

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

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

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

Dazhupeng Mine

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

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

Lushan Mine

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

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

FINANCIAL REVIEW

Revenue

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

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

Cost of sales

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

Gross profit and gross profit margin

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

Other income and gains

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

Administrative expenses

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

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

Other expenses

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

Finance costs

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

Income tax credit/(expense)

During the Reporting Period, income tax credit were approximately RMB31.9 million (2014: income tax expense of RMB9.4 million). Nil income tax during the Reporting Period is due to the loss before tax recorded by the Group's operating subsidiaries.

Final dividend

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

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

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

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

Liquidity and capital resources

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

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

Net cash flow generated from operating activities

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

Net cash flow from investing activities

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

Net cash flow used in financing activities

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

Inventories

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

Trade receivables

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

Payment in advance, prepayment, deposits and other receivables

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

Trade and other payables

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

Net current assets position

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

Borrowings

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

Contingent liabilities

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

Foreign currency risk

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

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

Interest rate risk

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

Charge on assets

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

Contractual obligations

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

Capital expenditure

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

Financial instruments

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

Gearing ratio

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

Use of net proceeds from the initial public offering

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

Employee and remuneration policy

As at 31 December 2015, the Group had a total of 177 full-time employees, including 55 management and administrative staff, 91 production staff and 31 operations support staff. During the Reporting Period, staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB18.8 million, representing a decrease of RMB14.2 million or 43.0% as compared to the staff costs of RMB33.0 million in 2014. This was primarily due to the decrease in equity-settled share-based payment expenses of RMB3.5

million, and the decrease in headcount. Based on individual performance, a competitive remuneration package, which includes salaries, medical insurance, discretionary bonuses, other benefits as well as state-managed retirement benefit schemes for employees in the PRC, is offered to retain elite employees. The Group has also adopted a share option scheme for Directors and employees, providing incentives and rewards to eligible participants commensurate with their contribution.

OCCUPATIONAL HEALTH AND SAFETY

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

ENVIRONMENTAL PROTECTION AND LAND REHABILITATION

No environmental claims, lawsuits, penalties or administrative sanctions were reported to our management. We are of the view that we were in compliance with all relevant PRC laws and regulations regarding environmental protection and land rehabilitation in all material respects during the Reporting Period and as at the date of this announcement. During the Reporting Period, the Group has accrued RMB16.5 million, RMB0.8 million and RMB1.0 million for the rehabilitation of the Shizishan Mine, the Dakuangshan Mine and the Menghu Mine respectively.

STRATEGY

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

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

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

OTHER INFORMATION

Annual General Meeting

The 2016 annual general meeting of the Company will be held on 27 May 2016 (the "**AGM**"). A notice convening the AGM will be published and dispatched to the Shareholders in accordance with the requirements of the articles of association of the Company and the Listing Rules in due course.

Closure of Register of Members

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

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

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

Corporate Governance Practice

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

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

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

The Company has applied the principles as set out in the CG Code. In the opinion of the Directors, throughout the Reporting Period, the Company has complied with all the applicable code provisions as set out in the CG Code, save for the deviation from Code Provisions A.2.1 and E.1.2 of the CG Code as mentioned below.

Code Provision A.2.1

The roles of Chairman and Chief Executive Officer of the Company were combined and vested in Mr. Ran Xiaochuan from 1 January 2015 until 25 August 2015. Such deviation is deemed appropriate as Mr. Ran Xiaochuan had no special power which was different from that of other Directors in the decision-making of the Board. Mr. Ran Xiaochuan was vested with the responsibilities to act as a bridge for communication between the Board and the management. He was also entrusted with the responsibilities to lead and oversee the implementation of the Company's long and short term plans in accordance with its strategy while ensuring that all major decisions were made in consultation with the Board members, relevant Board committees or senior management of the Group. Yet, Mr. Ran Xiaochuan's dominance was counterbalanced by the Board which was vested with the special responsibility for governance issues.

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

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

Code Provision E.1.2

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

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

Model Code for Securities Transactions

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

Having made specific enquiry with each Board member, all Directors have confirmed their full compliance with the required standards set out in the Model Code throughout the Reporting Period.

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

Contracts of Significance

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

Directors' Interests in Transactions, Arrangements or Contracts

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

Audit Committee

The Audit Committee was established by the Board at the time of the listing of the Company's shares on the Hong Kong Stock Exchange on 14 December 2011. The Audit Committee has its written terms of reference revised and adopted by the Board on 16 October 2015 in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprises two independent non-executive Directors and one non-executive Director.

The Audit Committee is responsible for making recommendations to the Board for the appointment and removal of external auditors, reviewing financial statements and advising on the significant issues on financial reporting as well as monitoring the risk management and internal control procedures of the Company. The Audit Committee has reviewed the annual results of the Group for the Reporting Period.

Publication of Information on the Hong Kong Stock Exchange's Website and the Company's Website

This annual results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.chinapolymetallic.com), and the annual report of the Company for the Reporting Period containing all the information required by the Listing Rules will be dispatched to the Shareholders and made available on the same websites in due course.

Glossary

"Ag"	the chemical symbol for silver
"Audit Committee"	the audit committee of the Board
"Aung Jiujia Mine"	a lead-zinc mine to which the Harbor Star owns the mining right
"Board"	the board of directors of the Company
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules, as amended from time to time
"China" or "PRC" or "Mainland China"	the People's Republic of China excluding, for the purpose of this announcement, 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 Ordinance"	the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time
"the Company" or "our Company"	China Polymetallic Mining Limited (中國多金屬礦業有限公司), a limited liability company incorporated under the laws of the Cayman Islands on 30 November 2009
"Competent Person's Report"	the Competent Person's Report, dated 25 November 2011, prepared by Runge Asia Limited, trading as Minarco-MineConsult with respect to the independent technical review and assessment of the Shizishan Mine; under such report, Minarco reviewed the geological and exploration information, completed a mineral resource and ore reserve estimation in compliance with the recommendations of the JORC Code, and reviewed and commented on the appropriateness of the planned mining methods and mine design, potential production profiles, forecast operating and capital expenditure, short and long term development plans, and environmental and social setting, for the Shizishan Mine, which was disclosed as appendix V to the Prospectus
"Dakuangshan Company"	Mang City Xindi Mining Company Limited (芒市鑫地礦業有限責任公司), a subsidiary of the Company whose registered office is at Mang City, Yunnan Province, the PRC

"Dakuangshan Mine"	a lead-zinc-silver polymetallic mine located in Mang City, Yunnan Province, the PRC, and operated by Dakuangshan Company
"Dazhupeng Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, the PRC, with respect to which we hold an exploration permit
"Dehong Yinrun"	Dehong Yinrun Mining Group Company Limited (德宏銀潤礦業集團有限公司), a subsidiary of the Company whose registered office is at Mang City, Yunnan Province, the PRC
"Directors"	directors of the Company or any one of them
"g/t"	grams per tonne
"The Group"	the Company and its subsidiaries
"Harbor Star"	Harbor Star Mining Company Limited, a subsidiary of the Company whose registered office is at Ruian County, Shan State, Myanmar
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "HKSE"	The Stock Exchange of Hong Kong Limited
"IFRS"	International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board (the "**IASB**") and the International Accounting Standards (the "**IAS**") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect
"IPO"	the initial public offering and listing of shares of the Company on the main board of the Hong Kong Stock Exchange on 14 December 2011
"JORC"	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy

"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy and used to determine resources and reserves, as amended from time to time
"kg"	kilogram(s)
"km"	kilometre(s), a metric unit measure of distance
"kt"	thousand tonnes
"Kunrun"	Yingjiang County Kunrun Industry Company Limited (盈江縣昆潤實業有限公司), a subsidiary of the Company whose registered office is at Yingjiang County, Yunnan Province, the PRC
"Listing Date"	14 December 2011
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Liziping Company"	Nujiang Shengjia Chengxin Industrial Company Ltd. (怒江州聖佳誠信實業有限公司), a subsidiary of the Company whose registered office is at Lanping County, Yunnan Province, the PRC
"Liziping Mine"	a lead-zinc-silver polymetallic mine to which the Liziping Company owns the exploration right
"Lushan Mine"	a tungsten-tin polymetallic ore mine located in Yingjiang County, Yunnan Province, the PRC, operated by Xiangcaopo Mining, an independent third party
"Menghu Company"	Meng La Chen Feng Mining Development Company Limited (勐腊縣宸豐礦業開發有限公司), a subsidiary of the Company whose registered office is at Mengla County, Yunnan Province, the PRC
"Menghu Mine"	a lead mine to which the Menghu Company owns the mining right

"mineral resource(s)" or "resource(s)"	a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction, as defined in the JORC Code. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into "inferred," "indicated," and "measured" categories
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"ore reserve(s)" or "reserve(s)"	the economically mineable part of a measured and/or indicated mineral resource, as defined by the JORC Code. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of Reporting that extraction could reasonably be justified. Ore reserves are subdivided, in order of increasing geological confidence, into probable reserves and proved reserves
"Pb"	the chemical symbol for lead
"Prospectus"	the prospectus of the Company dated 2 December 2011 issued in connection with the IPO
"Reporting Period"	the year ended 31 December 2015
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	shareholder(s) of the Company
"Shizishan Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, the PRC, and operated by Kunrun
"sq.km."	square kilometer
"t"	tonne
"tpd"	tonnes per day
"US" or "United States"	the United States of America

"US$" or "US dollar(s)"	United States dollar(s), the lawful currency of the United States
"Xiangcaopo Mining"	Yunnan Xiangcaopo Mining Co., Ltd, a limited liability company in the PRC, currently wholly owned by Li Jincheng, an independent third party
"Zn"	the chemical symbol for zinc

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

Hong Kong, 2 February 2016

As at the date of this announcement, the executive Directors are Mr. Ran Xiaochuan and Mr. Lei Dejun; the non-executive Directors are Mr. Andrew Joseph Dawber and Mr. Lee Kenneth Jue; and the independent non-executive Directors are Mr. Christopher Michael Casey, Mr. William Beckwith Hayden and Mr. Miu Edward Kwok Chi.