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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2133

ANNUAL REPORT 2016

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CORPORATE PROFILE

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

The Company is one of the leading silver, lead and zinc mining companies in China and Myanmar and was the first company which solely engaged in mining non-ferrous metals to list on the Hong Kong Stock Exchange. We will further leverage our unique position as a leading Chinese mining company and close proximity to our key customers to meet the demand for silver, lead and zinc while maximising returns for our shareholders.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ran Xiaochuan
Mr. Lei Dejun
(resigned with effect from 9 May 2016)

Non-Executive Directors

Mr. Andrew Joseph Dawber
(resigned with effect from 26 May 2016)
Mr. Lee Kenneth Jue

Independent Non-Executive Directors

Mr. Christopher Michael Casey
(resigned with effect from 26 May 2016)
Mr. William Beckwith Hayden
(resigned with effect from 26 May 2016)
Mr. Miu Edward Kwok Chi
(appointed as Interim Non-Executive Chairman with effect from 8 September 2016)
Mr. Barry Sang Quan
(appointed with effect from 8 September 2016)
Mr. Huang Guoxin
(appointed with effect from 8 September 2016)

AUDIT COMMITTEE

Mr. Miu Edward Kwok Chi *(Chairman)*
(re-designated as its chairman with effect from 8 September 2016)
Mr. Barry Sang Quan
(appointed as a member with effect from 8 September 2016)
Mr. Lee Kenneth Jue
(appointed as a member with effect from 8 September 2016)
Mr. Christopher Michael Casey
(ceased to be its chairman and a member with effect from 26 May 2016)
Mr. Andrew Joseph Dawber
(ceased to be a member with effect from 26 May 2016)

NOMINATION AND REMUNERATION COMMITTEE

Mr. Miu Edward Kwok Chi *(Chairman)*
Mr. Barry Sang Quan
(appointed as a member with effect from 8 September 2016)
Mr. Huang Guoxin
(appointed as a member with effect from 8 September 2016)
Mr. Ran Xiaochuan
(appointed as a member with effect from 8 September 2016)
Mr. Christopher Michael Casey
(ceased to be a member with effect from 26 May 2016)
Mr. William Beckwith Hayden
(ceased to be a member with effect from 26 May 2016)
Mr. Lee Kenneth Jue
(ceased to be a member with effect from 8 September 2016)

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

Mr. Huang Guoxin *(Chairman)*
(appointed as its chairman and a member with effect from 8 September 2016)
Mr. Lee Kenneth Jue
Mr. Ran Xiaochuan
(ceased to be its chairman but remaining as a member with effect from 8 September 2016)
Mr. Lei Dejun
(ceased to be a member with effect from 9 May 2016)
Mr. William Beckwith Hayden
(ceased to be a member with effect from 26 May 2016)

CORPORATE INFORMATION

STRATEGY COMMITTEE

Mr. Lee Kenneth Jue *(Chairman)*
(appointed as its chairman with effect from 8 September 2016)
Mr. Huang Guoxin
(appointed as a member with effect from 8 September 2016)
Mr. Ran Xiaochuan
Mr. Andrew Joseph Dawber
(ceased to be its chairman and a member with effect from 26 May 2016)
Mr. William Beckwith Hayden
(ceased to be a member with effect from 26 May 2016)
Mr. Miu Edward Kwok Chi
(ceased to be a member with effect from 8 September 2016)

COMPANY SECRETARY

Ms. Chan Wai Ling
(appointed with effect from 2 February 2016)
Ms. Ho Siu Pik
(resigned with effect from 2 February 2016)

AUTHORISED REPRESENTATIVES

Mr. Ran Xiaochuan
Ms. Chan Wai Ling

REGISTERED OFFICE

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

HEAD OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2509, 25/F
Tower One Lippo Centre
No. 89 Queensway
Hong Kong
(with effect from 30 June 2016)

Unit 6312, 63/F
The Center
99 Queen's Road Central
Hong Kong
(before 30 June 2016)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

AUDITORS

Ernst & Young

LEGAL ADVISERS

As to Hong Kong Law

Dentons Hong Kong

As to Cayman Islands Law

Conyers Dill & Pearman

CORPORATE INFORMATION

INVESTOR RELATIONS CONTACT

Room 2509, 25/F
Tower One Lippo Centre
No. 89 Queensway
Hong Kong
Tel: +852 2180 7577

PRINCIPAL BANKERS

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

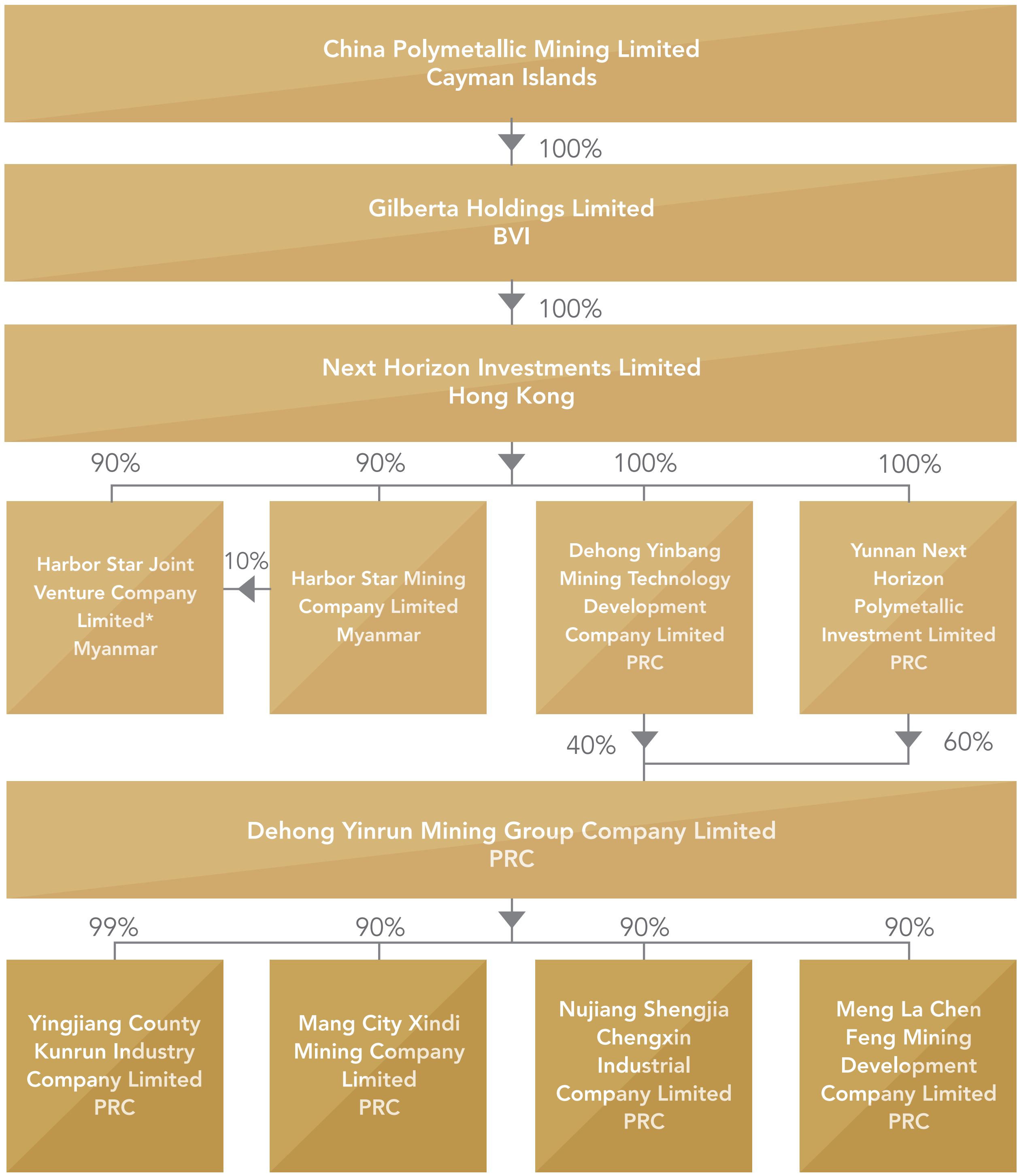
STOCK CODE

2133

WEBSITE ADDRESS

www.chinapolymetallic.com

CORPORATE STRUCTURE



* Harbor Star Joint Venture Company Limited was jointly established by Next Horizon Investments Limited and Harbor Star Mining Company Limited on 14 March 2016.

FINANCIAL HIGHLIGHTS

The Group's summary of published results for the years ended 31 December 2012, 2013, 2014, 2015 and 2016 and the figures of assets, liabilities and non-controlling interests as at 31 December 2012, 2013, 2014, 2015 and 2016 are set out below:

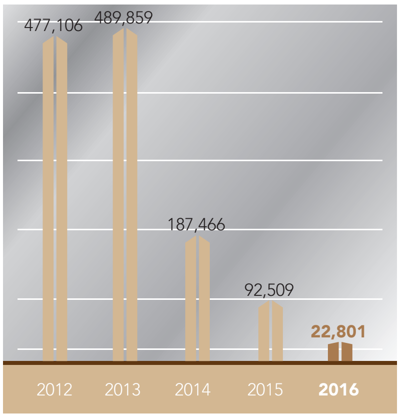
RESULTS

	For the year ended 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	22,801	92,509	187,466	489,859	477,106
Cost of sales	(23,861)	(56,569)	(90,308)	(126,193)	(86,912)
Gross profit/(loss)	(1,060)	35,940	97,158	363,666	390,194
Other income and gains	2,540	19,127	18,270	1,758	3,534
Selling and distribution costs	(605)	(953)	(1,246)	(997)	(1,010)
Administrative expenses	(51,708)	(49,166)	(49,027)	(128,630)	(120,780)
Other expenses*	(51,445)	(79,765)	(2,944)	(7,629)	(3,793)
Financing costs	(43,971)	(52,629)	(41,015)	(12,633)	(5,047)
Profit/(loss) before tax	(146,249)	(127,446)	21,196	215,535	263,098
Income tax credit/(expenses)	18,031	31,887	(9,441)	(75,640)	(84,236)
Profit/(loss) for the year	(128,218)	(95,559)	11,755	139,895	178,862
Attributable to:					
The owners of the Company	(126,865)	(94,084)	12,264	138,487	176,984
Non-controlling interests	(1,353)	(1,475)	(509)	1,408	1,878
	(128,218)	(95,559)	11,755	139,895	178,862
Earnings/(loss) per share attributable to ordinary equity holders of the Company (RMB) — Basic and diluted	(0.064)	(0.047)	0.006	0.070	0.090

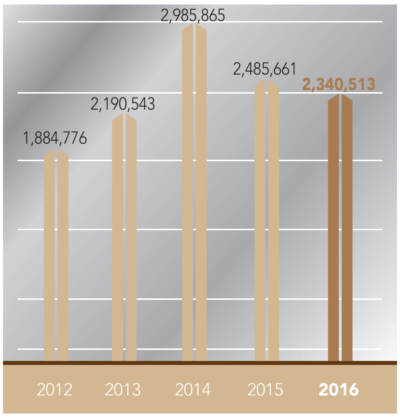
* For comparison purpose, impairment losses aggregated to RMB50,942,000 in 2016 and RMB79,731,000 in 2015 were included in "Other expenses".

FINANCIAL HIGHLIGHTS

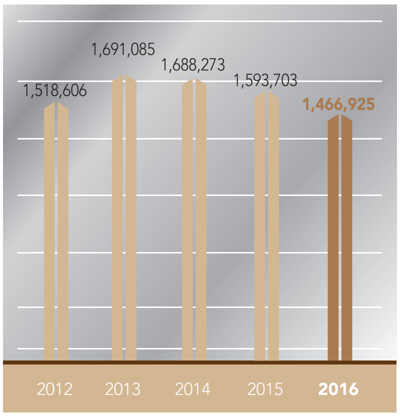
Revenue
(RMB'000)



Total Assets
(RMB'000)



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



ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Non-current assets	**2,270,941**	1,700,530	1,562,208	1,419,885	1,223,924
Current assets	**69,572**	785,131	1,423,657	770,678	660,852
Current liabilities	**777,324**	505,105	1,229,431	431,937	245,468
Non-current liabilities	**33,920**	323,156	17,078	15,949	74,903
Total equity	**1,529,269**	1,657,400	1,739,356	1,742,677	1,564,405
Non-controlling interests	**62,344**	63,697	51,083	51,592	45,799
Equity attributable to the owners of the Company	**1,466,925**	1,593,703	1,688,273	1,691,085	1,518,606

CHAIRMAN'S STATEMENT

"**Delivering growth**
and **Creating value**
for our stakeholders"

Dear Shareholders,

2016 was a difficult year for China Polymetallic Mining Limited financially and operationally primarily due to the tremendous external pressure on the overall industry from the continuing global bear market in the non-ferrous metal industry. This was compounded by added challenges within the Group mainly from its need to contend with the fragmented structure of the Shizishan mine ore-body, and also work stoppages resulted from severe mine floodings triggered by abnormally high rainfall during the year.

In spite of the aforementioned external and internal adverse environments, the Company's core strategies — seeking opportunistic growth opportunities while maintaining high operational, financial, corporate governance, and environmental and safety compliance capabilities — have remained intact, even though their implementation has to be under periodic reviews and adjusted as necessary to accommodate the changing circumstances. Along that line, the Company has maintained a sharp focus on and achieved significant cost and operational efficiency improvements during the year, and succeeded in retaining critical core management competence in spite of high employee turnovers.

CHAIRMAN'S STATEMENT

In addition to high employee turnovers, the Company also experienced several changes to its Board composition during 2016. Principally, Christopher Michael Casey and William Beckwith Hayden resigned in May as independent non-executive Directors of the Company, and concurrently, Andrew Joseph Dawber as a non-executive Director of the Company. Subsequently, Huang Guoxin and Barry Sang Quan, who both have a wealth of diverse work experiences, were appointed as new independent non-executive Directors. These replacements of directors resulted in certain changes in the composition of the various board-level Committees as well. In my view, the Company's current Board and Committee members provides a good balance of skills and diversity to face the challenges.

With respect to growth and development opportunities, as indicated before, the Company identified Myanmar as one of the promising emerging markets for selective mine asset investments. Referring to the Company's announcement on November 18, 2016 concerning the Myanmar Harbor Star Mining Co. Ltd. it acquired in December 2015, the Company has completed the mining activities at the first mining section and implemented underground mining. It also commenced ore production in October 2016, followed by a processing plant being put into production officially in mid-November 2016. So progress is underway in that mine. Furthermore, I refer to the Company's public disclosure on January 8, 2017 concerning the acquisition of the share capital of Hua Xing Global Limited for its equity interests in existing lead mining licenses and an ore-processing plant in Myanmar.

My current outlook for 2017 is that the market conditions will likely to continue to be volatile and challenging. Therefore, the Board, while continues to provide crucial leadership in strategic directions and corporate governance, will also ensure that Company management maintains a sharp focus on achieving continuous improvements in operational and financial management in general, and successes in the timely development of the newly acquired Myanmar assets in particular.

On behalf of the Board, I would like to take this opportunity to express my deep gratitude to all the Company employees for their dedication, passion, hard work, and contributions.

By Order of the Board
China Polymetallic Mining Limited
Miu Edward Kwok Chi
Interim Non-executive Chairman

Hong Kong, 14 February 2017

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2016, the global economic recovery was slow and uneven. International trades and investment remained sluggish and fell short of generating growth momentum. Influenced by numerous factors, such as rising trade protectionism, strengthening inverse trend of globalisation, the political and economic quagmire in the Eurozone etc., global productivity dropped, innovation hindered, and the world's economy was trapped in a low-growth situation. In the backdrop of a worldwide economic downturn, 2016 was the first year of China's aim in building a "moderately prosperous society", and also a crucial year in advancing the structural reform on the supply side. The Chinese government actively prepared for and coped with the "new normal" situation of economic development, focused on comprehensively deepening the reform and innovation-driven developments, and expedited the transformation of economic development pattern and economic structure. The goal was to create sustainable economic growth within a reasonable range and achieve a good start for the "13th Five-Year Plan". During the year, China achieved stable economic performances, cumulating in a 6.7% economic growth, which was consistent with the anticipated target for the year. Likewise, value of designated industrial enterprises grew by 6.0%.

During the Reporting Period, the bulk commodities recorded the best performance since 2010, and the commodity futures market was under the spotlight. The global oil price soared by about 45% in the year, and gold price achieved an increase of over 9% accumulatively, the first annual rise in four years. The Chinese domestic non-ferrous metals market was impacted by the reform of the supply side and recovery of the real estate market. The reform of the supply side and environmental policies were strengthened, which reduced the production of electrolytic aluminum, zinc, lead etc. in China boasted the prices of scarce commodities. The recovery of real estate market helped stabilize the demand of non-ferrous metals and metal demand gradually increased. By the end of the year, driven by the gradual rise in domestic industrial production, the demand for non-ferrous metals increased at a faster pace, resulting in overall prices to increase.

During the Reporting Period, China's output of lead totalled 3.95 million tons — a year-on-year increase of 5.1%. Its price peaked at RMB22,018 per ton on 29 November 2016, up by 44.86% in the year. Zinc output was 5.74 million tons, representing a year-on-year increase of 1.2%, and its price went up throughout the year and achieved RMB24,472 per ton on 28 November 2016, the highest in the past five years and up by 69.65% accumulatively in the full year. Silver price also rose by about 15.2% during 2016.

In 2017, prices of bulk commodities are expected to increase further, albeit at a slower pace. With the price of zinc going up, the profit growth of domestic smelters and mining enterprises is expected to hike, and the monthly outputs of refined zinc and zinc concentrate would also begin to pick up. However, the increased capacity would still be insufficient, driving the price of zinc to continue rising. The domestic supply and demand of lead is projected to remain in balance essentially. China's consumption of lead in 2017 is expected to remain in a mode of slow growth. The environmental factors will be continuously enhanced, affecting the domestic lead supply in China, which could create a mismatch of domestic supply and demand.

The China's Central Economic Working Conference, which was convened at the end of 2016, set a keynote of "seek progress amidst stability" for the economy in 2017. Considering that the Chinese government places a high priority to economic stability, the development of non-ferrous metals industry would face various challenges but also embrace opportunities, including domestic demand increases, production cost control and scaled capacities in order to achieve a sustainable growth in profits.

Within Asia, in April 2016, the National League for Democracy (NLD), led by Aung San Suu Kyi, formally governed the new government of Myanmar. Myanmar opened a new chapter in history and brought new opportunities for China-Myanmar relations. As the largest neighbor of China, Myanmar has a strategic geographical location, which is an important fulcrum country for China to the Indian Ocean. There's a long border between China and Myanmar, which is an important node of China's "One Belt and One Road" initiative, as well as a bridge connecting India and Central-South Asia countries.

China has become Myanmar's largest trading partner with bilateral trade accounting for 40% of Myanmar's total foreign trade. China is Myanmar's largest source of foreign capital, contributing about 50% of Myanmar's total foreign investments. China invested heavily in agriculture, mining, hydropower and other fields. To further enhance the economic development, the new Myanmar government will continue to actively promote economic and trade development with China in infrastructure construction, resource development, production capacity cooperation, financial investment and other areas.

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. Compared to the resources and reserves estimates for the Shizishan Mine as at 25 October 2011 as disclosed in the "Competent Person's Report" set out in Appendix V to the Prospectus, there have been no material changes in the resources and reserves estimated and under the JORC Code as at 31 December 2016 as shown below:

The Shizishan Mine — JORC Mineral Resources as at 31 December 2016

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	1,216,360	10.9	6.6	271.0	193,956	104,458	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	8,130,360	9.4	6.0	256.0	808,756	507,458	2,246

The Shizishan Mine — JORC Ore Reserves Estimates as at 31 December 2016

Class	Quantity (t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Proved	1,096,360	10.0	6.1	251.0	161,556	84,858	446
Probable	5,713,000	9.0	5.9	250.0	514,500	336,900	1,400
Total	6,809,360	9.3	5.9	250.0	676,056	421,758	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 2015 of the Shizishan Mine operated by the Group:

	Items	Unit	2016	2015
ROM Ore	Mined	kt	2.2	100.4
	Effective working days	days	5	72
	Average output	tpd	438	1,394
	Processed	kt	3.5	87.2
Feed Grade	Lead	%	4.4	5.2
	Zinc	%	2.2	4.3
	Silver	g/t	94.3	118
Recovery	Lead	%	81.2	81.2
	Zinc	%	80.5	81.8
	Silver in lead concentrate	%	74.4	81.1
	Silver in zinc concentrate	%	5.3	6.2
Concentrate Grade	Lead	%	48.6	54.5
	Zinc	%	45.1	45.5
	Silver in lead concentrate	g/t	956	1,240
	Silver in zinc concentrate	g/t	124	94
Concentrate Tonnes	Lead-silver concentrate	t	258	6,756
	Zinc-silver concentrate	t	141	6,791
Metal Contained in Concentrate	Lead	t	125	3,679
	Zinc	t	63	3,087
	Silver in lead concentrate	kg	247	8,380
	Silver in zinc concentrate	kg	17	616

The designed mining and processing capacity of the Shizishan Mine is 2,000 tpd.

The Shizishan Mine located at the southern extension of the Hengduan Mountain Range and along the north-south stretching secondary ridge of the western part of Gaoligong Mountains in western Yunnan with the undulating terrain as well as in the vicinity of the Binlang River.

During the Reporting Period, in the area where the Shizishan Mine is located, there were a number of intense, torrential rain storms in a short period of time, resulting in a dramatic increase in downhole water with tunnels' maximum water reserves reaching 16,000 m³ and the maximum daily water flowing volume reaching 800 m³. Such continuous heavy rainfalls have effected its geological structure and geomorphology. The tunnels were severely damaged and the dredging and reinforced works for the pits and tunnels damaged did not start until late December 2015 as it took several months to pump out the water. Due to the slow work progress, only one mining area has resumed production during the Reporting Period, which resulted in low production volumes. During the rainy season in 2016, the pits and tunnels were flooded again. The previously restored tunnels were submerged once again, and the production has not been restored as of the end of the Reporting Period.

As a result of the aforementioned factors, the total raw ore mined during the Reporting Period significantly decreased by 98,200 tons to 2,200 tons, representing a drop of 97.81% as compared to 2015. The production volume of lead, zinc and silver also decreased by 3,554 t, 3,024 t and 8,133 kg, respectively, representing a decline of 96.60%, 97.96% and 97.05%, respectively as compared to 2015.

The Group is taking measures to repair the downhole pits and tunnels that are damaged, and has implemented water inflow system solution in order to resume production. The Group will actively and appropriately adjust the future operational mining plans of the Shizishan Mine.

Production costs of the Shizishan Mine

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

Cost items		2016 RMB	2015 RMB	Variance RMB
Mining cost	(RMB/t of ore mined)	65	68	(3)
— subcontracting fee	(RMB/t of ore mined)	65	68	(3)
Processing cost	(RMB/t of ore processed)	63	65	(2)
— materials cost	(RMB/t of ore processed)	21	26	(5)
— labour	(RMB/t of ore processed)	30	20	10
— electricity and water	(RMB/t of ore processed)	11	10	1
— maintenance and others	(RMB/t of ore processed)	1	9	(8)
Administrative and other costs	(RMB/t of ore processed)	21	25	(4)
Production taxes and royalties	(RMB/t of ore processed)	30	30	–
Total cash cost	(RMB/t of ore processed)	179	188	(9)
Total cash cost	(RMB/t of concentrate)	1,570	1,210	360
Depreciation and amortization	(RMB/t of ore processed)	192	192	–
Total production cost*	(RMB/t of ore processed)	371	380	(9)
Total production cost	(RMB/t of concentrate)	3,254	2,446	808

There was no material fluctuation in unit production cost per tonne of ore processed during the Reporting Period as compared to 2015.

Unit production cost per tonne of concentrate increased by RMB808 or 33.03%, mainly due to the decrease in feed grade at the Shizishan Mine from 9.5% in 2015 to 6.6% during the Reporting Period.

* Plant suspension expenses resulted from the suspension of production at the Shizishan Mine of RMB22.2 million during the Reporting Period (2015: RMB6.9 million) were recorded in administrative expenses.

Capital expenditure of the Shizishan Mine

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

(1) restoration work for the damaged pits and tunnels, including the 1,200 adit spanning 230 meters and ramps of 174 meters, and risk-eliminations at certain mining areas;

(2) improvement of the tailing storage facilities in accordance with the requirements of regulatory authorities.

Capital expenditure of the Shizishan Mine during the Reporting Period and 2015 is shown below:

	2016 RMB million	2015 RMB million
Mining	71.45	29.77
Mining infrastructure	71.45	29.77
Processing	0.60	0.33
Processing plant and equipment	–	0.27
Tailing storage facilities	0.60	0.06
Total	72.05	30.1

OPERATING MINE — DAKUANGSHAN MINE

Mineral resources and reserves of the Dakuangshan Mine

The Dakuangshan Mine is a lead-zinc-silver polymetallic mine located approximately 100 km away from the Shizishan Mine. The mining permit of the Dakuangshan Mine covers an area of 1.56 sq. km. and is valid through 9 March 2020. Based on the geologist report issued by the Sichuan Province Geological Group dated 11 April 2012, 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 2016 are estimated in accordance with the Chinese Standard as follows:

The Dakuangshan Mine — Chinese Standard Mineral Resources as at 31 December 2016

	Metal Resources			Grade		
	Lead (kt)	Zinc (kt)	Silver (t)	Lead (%)	Zinc (%)	Silver (g/t)
Indicated+Inferred	115.0	221.9	211.7	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 2015 of the Dakuangshan Mine operated by the Group:

	Items	Unit	2016	2015
ROM Ore	Mined	kt	56.6	67.2
	Effective working days	days	154	149
	Average output	tpd	367	451
	Processed	kt	58.6	67.8
Feed Grade	Lead	%	1.5	1.4
	Zinc	%	3.1	2.6
	Silver	g/t	25	21
Recovery	Lead	%	81.2	81.1
	Zinc	%	83.1	81.0
	Silver in lead concentrate	%	64.1	69.4
	Silver in zinc concentrate	%	8.8	4.7
Concentrate Grade	Lead	%	51.7	50.4
	Zinc	%	43.8	45.4
	Silver in lead concentrate	g/t	699	667
	Silver in zinc concentrate	g/t	38	22
Concentrate Tonnes	Lead-silver concentrate	t	1,268	1,516
	Zinc-silver concentrate	t	3,192	3,191
Metal Contained in Concentrate	Lead	t	655	764
	Zinc	t	1,397	1,450
	Silver in lead concentrate	kg	887	1,012
	Silver in zinc concentrate	kg	122	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 production capacity during the Reporting Period, primarily due to (i) the safety inspections and rectification by local authorities of Yunnan Province; and (ii) the lag for part of the exploration and mining works.

Production costs of the Dakuangshan Mine

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

Cost items		2016 RMB	2015 RMB	Variance RMB
Mining cost	(RMB/t of ore mined)	**69**	66	3
— subcontracting fee	(RMB/t of ore mined)	**69**	66	3
Processing cost	(RMB/t of ore processed)	**121**	85	36
— materials cost	(RMB/t of ore processed)	**17**	17	–
— labour	(RMB/t of ore processed)	**38**	30	8
— electricity and water	(RMB/t of ore processed)	**39**	30	9
— maintenance and others	(RMB/t of ore processed)	**27**	8	19
Administrative and other costs	(RMB/t of ore processed)	**3**	31	(28)
Production taxes and royalties	(RMB/t of ore processed)	**28**	30	(2)
Total cash cost	(RMB/t of ore processed)	**221**	212	9
Total cash cost	(RMB/t of concentrate)	**2,904**	3,054	(150)
Depreciation and amortization	(RMB/t of ore processed)	**141**	150	(9)
Total production cost	(RMB/t of ore processed)	**362**	362	–
Total production cost	(RMB/t of concentrate)	**4,756**	5,214	(458)

Compared to 2015, unit production cost per tonne of ore processed did not change during the Reporting Period.

Unit production cost per tonne of concentrate decreased by RMB458 or 8.78%, due to the increase in average feed grade from 4.0% in 2015 to 4.6% during the Reporting Period.

Capital expenditure of the Dakuangshan Mine

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

(1) mainly completing 1,470 level tunnel and incline exploration of 280 meters with specification of 2.0 meters and 2.2 meters;

(2) completing the construction of 1,570 level mining area and formation of 3 mining points for ore production;

(3) completing building level 4 dams of tailings ponds.

Capital expenditure of the Dakuangshan Mine during the Reporting Period and 2015 is shown below:

	2016 RMB million	2015 RMB million
Mining	**1.76**	2.66
Mining infrastructure	**1.76**	0.58
Mining rights and exploration	**–**	2.08
Processing	**0.39**	1.27
Processing plant and equipment	**–**	0.28
Tailing storage facilities	**0.39**	0.99
Building	**–**	–
Total	**2.15**	3.93

OPERATING MINE — AUNG JIUJIA MINE

Mineral resources and reserves of the Aung Jiujia Mine

The Aung Jiujia Mine, 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 has been renewed successfully, covers an area of 0.2 sq. km. and is valid until 28 March 2017.

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 of the geological exploration conducted at the Aung Jiujia Mine was issued in April 2015. Based on the report, the Group is of the view that there are no material changes in the resources and reserves estimates, and a summary of the estimated resources of the Aung Jiujia Mine as at 31 December 2016 in accordance with the Chinese Standard is as follows:

		Metal Resources		**Grade**	
	Quantity (kt)	**Lead (kt)**	**Zinc (kt)**	**Lead (%)**	**Zinc (%)**
Indicated	2,297	327.9	63.9	14.2	2.8
Inferred	3,004.2	393	77.4	13.1	2.6

Operational results of the Aung Jiujia Mine

The following table summarises the mining and processing results from October to December 2016 of the Aung Jiujia Mine operated by the Group:

	Items	Unit	2016
ROM Ore	Mined	kt	9.9
	Effective working days	days	38
	Average output	tpd	261
	Processed	kt	4.4
Feed Grade	Lead	%	4.4
	Silver	g/t	16
Recovery	Lead	%	81.0
	Silver in lead concentrate	%	30.2
Concentrate Grade	Lead	%	62.6
	Silver in lead concentrate	g/t	83
Concentrate Tonnes	Lead-silver concentrate	t	251
Metal Contained in Concentrate	Lead	t	157
	Silver in lead concentrate	kg	21

The Company actively conducted development of the Aung Jiujia Mine during the Reporting Period, notably: (1) the construction of a small-scale processing plant at the first phase was successfully completed and the on-load commissioning was conducted on 17 October 2016. The processing plant was officially put into production in mid-November 2016; (2) the Group has completed the mining activities at the first mining section and has implemented underground mining. The first mining section has begun to produce ore since October 2016.

Capital expenditure of the Aung Jiujia Mine

During the Reporting Period, the Aung Jiujia Mine completed (i) the construction of a small-scale processing plant at the first phase; (ii) the construction of the first mining area; (iii) the 1,050 level tunnel excavation of 203 meters with a cross-sectional area of 2.1 meters and 2.3 meters, the 1,120 level incline shaft excavation of 111 meters with a cross-sectional area of 2 meters and 1.8 meters, and the 1,120 level vertical shaft excavation of 28 meters with a cross-sectional area of 2.1 meters and 2.3 meters.

Capital expenditure of the Aung Jiujia Mine during the Reporting Period is shown below:

	2016 RMB million
Mining	39.8
Mining infrastructure	39.8
Processing	3.23
Processing plant and equipment	3.23
Total	43.03

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 exploration permit, which has been renewed successfully, covers an area of 13.87 sq. km. and is valid until 9 October 2017. Currently, the mining permit pertaining to the first mining area of approximately 4 sq. km. is still undergoing application process and its geological report is being finalised.

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

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

During the Reporting Period, for the purpose of preparation of the formal 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 Liziping Mine did not incur any material capital expenditure (2015: RMB25.7 million). As at 31 December 2016, the Group was of the view that there were 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 mining permit of the Menghu Mine, which has been renewed successfully, covers an area of 0.4 sq. km. 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 on 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 are 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 did not incur any material capital expenditure (2015: RMB0.5 million). As at 31 December 2016, the Group was of the view that there were no material changes in resources and reserves estimates of the Menghu Mine.

Dazhupeng Mine

The Dazhupeng Mine, owned by the Group, is a lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province. The Group is carrying out the supplementary works required for the completion of exploration permit renewal.

During the Reporting Period, minor geological work was conducted at the Dazhupeng Mine for the supplementary information required for the renewal of exploration permit. During the Reporting Period, the Dazhupeng Mine did not incur any material capital expenditure (2015: Nil).

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.

The exploration permit of the Lushan Mine was expired on 16 September 2016. Xiangcaopo Mining is currently in the process of renewing the exploration permit. Xiangcaopo Mining has made no substantial progress for the mining rights application despite significant efforts made.

During the Reporting Period, Xiangcaopo Mining performed routine maintenance for the site of the Lushan Mine in order to accommodate the geological work. During the Reporting Period, the Lushan Mine did not incur any material capital expenditure (2015: Nil.)

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue was approximately RMB22.8 million (2015: RMB92.5 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 1,520 t and 3,472 t, respectively (2015: 8,046 t and 9,962 t, respectively).

As compared to 2015, revenue decreased by RMB69.7 million or approximately 75.4%, which was mainly due to the decrease in sales volume of lead-silver concentrate and zinc-silver concentrate of 81.1% and 65.1%, respectively. The decrease in sales volume was due to the decrease in raw ore output and feed grade at the Shizishan Mine.

Cost of sales

During the Reporting Period, cost of sales was approximately RMB23.9 million (2015: RMB56.6 million), mainly comprising mining subcontracting fees, ancillary material costs, utilities, depreciation and amortization and resources taxes. As compared to 2015, cost of sales decreased by RMB32.7 million or 57.8%, primarily due to the decrease in sales volume.

Gross profit/(loss) and gross profit/(loss) ratio

The Group incurred a gross loss of RMB1.1 million and gross loss ratio of 5% during the Reporting Period as compared to gross profit of RMB35.9 million and gross profit ratio of 39% in 2015. Gross loss ratio is due to the increase in unit production cost as the majority of lead and zinc concentrates sold during the Reporting Period was produced by the Dakuangshan Mine, which have higher unit processing cost as a result of lower feed grade and higher unit amortisation cost as compared to the Shizishan Mine.

Other income and gains

During the Reporting Period, other income and gains were approximately RMB2.5 million (2015: RMB19.1 million), primarily comprising bank interest income of RMB2.0 million and rental income of RMB0.5 million arising from the Group's investment property.

Administrative expenses

During the Reporting Period, administrative expenses were approximately RMB51.7 million (2015: RMB42.8 million), primarily comprising managerial staff costs, professional consulting fees, depreciation, office administrative expenses, mining resource compensation fees and other expenses.

Compared to 2015, administrative expenses increased by approximately RMB8.9 million or 20.8%, primarily due to the increase in plant suspension expense of RMB15.2 million resulted from the suspension of production at the Shizishan Mine. The increase was partially offset by: (i) a decrease in staff cost by RMB2.5 million as the significant decrease in headcounts; (ii) a decrease in mineral resource compensation fees of RMB1.5 million; and (iii) a decrease in travelling expenses, administrative expenses, entertainment expense and office rental expenses aggregated to RMB1.7 million.

Impairment losses

During the Reporting Period, the Group incurred impairment losses on trade and other receivables totalling RMB50.9 million (2015: RMB79.7 million including impairment loss on property, plant and equipment, intangible assets and trade receivables of RMB6.2 million, RMB44.1 million and RMB29.4 million respectively). Management has conducted strategic review on the Group's overdue receivables. Certain receivables were not collected according to the agreed repayment terms during the Reporting Period. As such, the Group had made impairment provision on trade and other receivables of RMB14.9 million and RMB36.0 million, respectively, in the Reporting Period.

Finance costs

During the Reporting Period, finance costs were approximately RMB44.0 million (2015: RMB59.0 million). As compared to 2015, finance costs decreased by RMB15.0 million, primarily due to the decrease in the interest on other loans granted by Ping An Bank as a result of the repayment of some matured loans during the second half of 2015.

Income tax credit

During the Reporting Period, income tax credit were approximately RMB18.0 million (2015: RMB31.9 million), which primarily included deferred income tax arising from impairment provision and the taxable losses incurred by the Group's PRC operating subsidiaries.

Final dividend

At a meeting of the Board held on 14 February 2017, the Board resolved not to recommend the payment of any final dividend for the Reporting Period to the Shareholders (2015: Nil).

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

Save as disclosed in this annual report, 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. The investment plan authorised by the Board for material investments or additions of capital assets as on the date of this annual report included (i) prepayment of RMB95.0 million made to Mr. Wang Deyong ("Mr. Wang"), an independent third party in respect of the proposed acquisition of the entire equity interest in Hua Xing Global Limited and its subsidiaries ("Hua Xing Group"), pursuant to a framework agreement of equity transfer entered between the Group and Mr. Wang on 14 December 2016. On 8 January 2017, the Group and Mr. Wang entered into an equity transfer agreement in respect of the foresaid acquisition at a consideration of RMB101.5 million. Particulars of such acquisition were set out in the Company's announcement dated 8 January 2017, and the GPS Joint Venture Company Limited controlled by Hua Xing Group is one of the largest mining companies in Myanmar. The Company expects that GPS Mine can be put into production in the first half of 2017; (ii) prepayment of an aggregate of RMB383.8 million made to independent third parties (the "Sellers") in respect of the proposed acquisitions of the entire equity interest in six copper, lead, zinc silver mining companies in Myanmar, pursuant to six framework agreements of equity transfer entered between the Group and the Sellers in December 2016; and (iii) prepayment of RMB17.0 million made to Ms. OHN MAR WIN ("Ms. OHN") in respect of the proposed further acquisition of 9% equity interest in Harbor Star (the Aung Jiujia Mine is owned by Harbor Star), pursuant to a framework agreements of equity transfer entered between the Group and Ms. OHN on 26 December 2016. Pursuant to the above-mentioned framework agreements of equity transfer, each of the Sellers and Ms. OHN have to immediately and unconditionally refund the entire prepayment to the Group if official transaction cannot be completed within ten months upon commencement of these framework agreements.

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 2015:

	2016 RMB'000	2015 RMB'000
Net cash flow generated from/(used in) operating activities	**(4,214)**	54,156
Net cash flow from/(used in) investing activities	**(600,786)**	358,576
Net cash flow used in financing activities	**(26,960)**	(521,508)
Net decrease in cash and cash equivalents	**(631,960)**	(108,776)

Net cash flow used in operating activities

During the Reporting Period, net cash flow used in operating activities was RMB4.2 million, which primarily included: (i) loss before tax of RMB146.2 million; (ii) finance costs of RMB43.1 million; and (iii) non-cash expenses including depreciation, amortisation and impairment losses aggregated to RMB80.9 million. Cash used in operating activities was partially offset by a decrease in trade receivables of RMB14.2 million and a decrease in inventory of RMB3.7 million.

Net cash flow used in investing activities

During the Reporting Period, net cash flow used in investing activities was approximately RMB600.8 million, which primarily included: (i) prepayments made for proposed acquisition of copper, lead, zinc, silver mining companies in Myanmar aggregated to RMB470.6 million; (ii) the construction costs of RMB88.3 million incurred in relation to the construction of Shizishan Mine and the mining infrastructures at the Aung Jiujia Mine; (iii) payment of the remaining consideration of RMB25.0 million in relation to acquisition of Harbor Star; and (iv) prepayment for proposed acquisition of non-controlling interests in Harbor Star of RMB17.0 million.

Net cash flow used in financing activities

During the Reporting Period, the net cash flow used in financing activities was approximately RMB27.0 million, which primarily included: (i) repayment of bank and other loans of RMB201.0 million; (ii) payment of interests of RMB39.6 million arising from bank and other loans; and (iii) repayment of the shareholder's loan granted by CITIC Dameng Investments Limited to the Group of RMB3.4 million. This cash outflow was partially offset by the proceeds from bank and other loans of RMB200.3 million, and the foresaid shareholder's loan of RMB16.7 million.

Inventories

Inventories decreased slightly by RMB3.7 million from approximately RMB26.9 million as at 31 December 2015 to approximately RMB23.2 million as at 31 December 2016, primarily due to a decrease in lead and zinc concentrates as a result of decrease production at the Shizishan Mine.

Trade receivables

Trade receivables decreased from approximately RMB66.2 million as at 31 December 2015 to approximately RMB1.1 million as at 31 December 2016, primarily due to (i) collection of trade receivables during the Reporting Period of RMB14.5 million; (ii) an impairment provision for overdue trade receivables of RMB14.9 million during the Reporting Period; and (iii) transfer of trade receivable balance of RMB46.9 million and the corresponding impairment provision of RMB10.9 million recognised in 2015 to other receivables.

Payment in advance, prepayment, deposits and other receivables

The Group's payment in advance, prepayment, deposits and other receivables increased by RMB447.5 million from RMB282.6 million as at 31 December 2015 to RMB730.1 million as at 31 December 2016, primarily due to an increase in payment in advance as a result of prepayment made in relation to proposed acquisitions of Hua Xing Group, six copper, lead, zinc, silver mining companies in Myanmar and non-controlling interests in Harbor Star to an aggregate of RMB487.6 million, which was partially offset by a decrease in prepayment for the mining infrastructures at the Shizishan Mine of RMB33.7 million and a decrease in prepaid professional fees of RMB6.4 million for financing strategies consultation.

Trade and other payables

The Group's trade and other payables decreased by RMB30.4 million from approximately RMB209.0 million as at 31 December 2015 to approximately RMB178.6 million as at 31 December 2016, primarily due to payment for the acquisition of Harbor Star amounted to RMB25.0 million, and a decrease in advance from customers of RMB14.0 million, which was partially offset by a six-month advance from an independent third party which bear a fixed monthly interest rate of 1% of RMB7.5 million.

Net current assets/(liabilities) position

The Group's net current liabilities as at 31 December 2016 was RMB707.8 million as compared to the net current assets of RMB280.0 million as at 31 December 2015, primarily due to operating loss incurred during the Reporting Period and the expansion of the Group's mine portfolios financed by short-term bank borrowings.

Borrowings

There was no material change in the Group's bank and other loans as at 31 December 2016 of RMB505.2 million as compared to RMB505. 8 million as at 31 December 2015 as these loans were withdrawn from the three-year banking facilities aggregated to RMB3.2 billion granted by Ping An Bank due in June 2017, which are to be renewed by the Group upon the expiry.

Contingent liabilities

As at 31 December 2016, the Group did not have any outstanding material contingent liabilities or guarantees.

Foreign currency risk

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

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

Interest rate risk

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

Charge on assets

Save as disclosed in this annual report, none of the Group's assets was pledged as at 31 December 2016.

Contractual obligations

As at 31 December 2016, the Group's contractual obligations amounted to approximately RMB0.3 million, decreased by RMB33.2 million as compared to approximately RMB33.5 million as at 31 December 2015, primarily due to a payment in relation to the construction costs for mining facilities at the Shizishan Mine.

Capital expenditure

During the Reporting Period, the capital expenditure of the Group included (i) prepayments made for proposed acquisition of subsidiaries in Myanmar and proposed acquisition of non-controlling interests in Harbor Star; (ii) construction costs in relation to the mining infrastructures at the Shizishan Mine and the Aung Jiujia Mine; and (iii) the remaining consideration paid for acquisition of Harbor Star. The aggregated amount of capital expenditure of the Group during the Reporting Period was RMB600.8 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. The Group's gearing ratio as at 31 December 2016 was as follows:

	2016 RMB'000
Interest-bearing bank and other loans	505,182
Less: cash and cash equivalents	(40,778)
Net debt	464,404
Total equity	1,529,269
Total equity and net debt	1,993,673
Gearing ratio	23.3%

As at 31 December 2015, the Group's cash and cash equivalents exceeded the total interest-bearing bank loans and hence no gearing ratio was presented.

Change in use of net proceeds from the initial public offering

According to the Prospectus and the announcement of allotment results of the Company dated 13 December 2011 in relation to the IPO, the net proceeds from the IPO amounting to approximately HK$1,005 million was originally intended to be applied by the Company for, among others, the purpose and in the amount set out below:

- approximately 22%, or HK$221 million, is expected to be used to finance the Company's activities relating to the Dazhupeng Mine and the Lushan Mine, details of which are set out in the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in the Prospectus.

The Board has resolved to re-designate part of the net proceeds from the IPO originally designated for the above purpose as demonstrated in the below table:

	Use as originally designated		Use as re-designated	
	Available for use RMB million	Utilised (up to 31 December 2016) RMB million	Available for use RMB million	Utilised (up to 31 December 2016) RMB million
Financing activities related to the Dazhupeng Mine and the Lushan Mine	178.1	37.0	37.0	37.0
General overseas mergers and acquisitions or proposed acquisitions	—	—	141.1	141.1

The Company seeks to identify high quality resource projects capable of delivering profitable growth, and incorporates selective acquisitions as an important part of a performance growth strategy. The Company has maintained continuous attention to the mining industry and high quality resource projects in Myanmar, hoping to seize the opportunities arising from the progressive liberalisation of Myanmar's national policies. Based on the goal of "mastering and developing high quality resources", the Company gives priority to investing in projects that are conducive to the development of the Company through the trade-offs between Myanmar's potential acquisition projects and the Lushan Mine and Dazhupeng Mine projects. Therefore, from the perspective of the interests of the Company and its Shareholders as a whole and to meet the Company's future development strategy by seizing the potential business opportunities, the Company intends to apply the balance of the proceeds originally allocated to the Dazhupeng Mine and the Lushan Mine amounting to RMB141.1 million to overseas general merger and acquisition projects.

Save for the aforesaid changes, there are no other changes in the use of net proceeds from the IPO.

The Board considers that the development direction of the Company is still in line with the disclosure in the Prospectus in spite of such change in use of net proceeds as stated above. The aforesaid change in the use of net proceeds from the IPO is in the interest of the Company and its Shareholders as a whole.

Use of net proceeds from the initial public offering

	Net proceeds from the IPO	
	Available for use RMB million	**Utilised (up to 31 December 2016) RMB million**
Financing activities related to the investments in acquired mines	485.4	**485.4**
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	**37.0**
Total	809.1	**668.0**

Employee and remuneration policy

As at 31 December 2016, the Group had a total of 127 full-time employees, including 55 management and administrative staff, 55 production staff and 17 operations support staff. During the Reporting Period, staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB14.6 million, representing a decrease of RMB4.2 million or 22.3% as compared to the staff costs of RMB18.8 million in 2015. Based on individual performance, a competitive remuneration package, which includes salaries, medical insurance, discretionary bonuses, other benefits as well as state-managed retirement benefit schemes for employees in the PRC, is offered to retain elite employees. The Group has also adopted a share option scheme for Directors and employees, providing incentives and rewards to eligible participants commensurate with their contribution. The dedication and hard work of the Group's staff during the Reporting period are generally appreciated and recognised.

OCCUPATIONAL HEALTH AND SAFETY

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

ENVIRONMENTAL PROTECTION AND LAND REHABILITATION

No environmental claims, lawsuits, penalties or administrative sanctions were reported to our management during the Reporting Period. We are of the view that we were in compliance with all relevant PRC laws and regulations, in particular the Regulation on Land Reclamation (《土地復墾條例》), the Provisions on the Protection of the Geologic Environment of Mines (《礦山地質環境保護規定》) and the Law of the People's Republic of China on Water and Soil Conservation (《中華人民共和國水土保持法》), regarding environmental protection and land rehabilitation in all material respects during the Reporting Period and as at the date of this annual report. The Group has also adopted and implemented the environmental policies on a standard which is not less stringent than the prevailing environmental laws and regulations of the PRC. As at 31 December 2016, the Group has accrued RMB17.9 million, RMB0.8 million and RMB0.9 million for the rehabilitation of the Shizishan Mine, the Dakuangshan Mine and the Menghu Mine, respectively.

EVENT AFTER THE REPORTING PERIOD

On 8 January 2017, Next Horizon Investments Limited ("**Next Horizon**", an indirect wholly-owned subsidiary of the Company), entered into a sale and purchase agreement with a vendor (being an independent third party) in relation to, among other things, the acquisition of the entire share capital of Hua Xing Group, at a consideration of RMB101,500,000. Details of the transaction were set out in the announcement of the Company dated 8 January 2017.

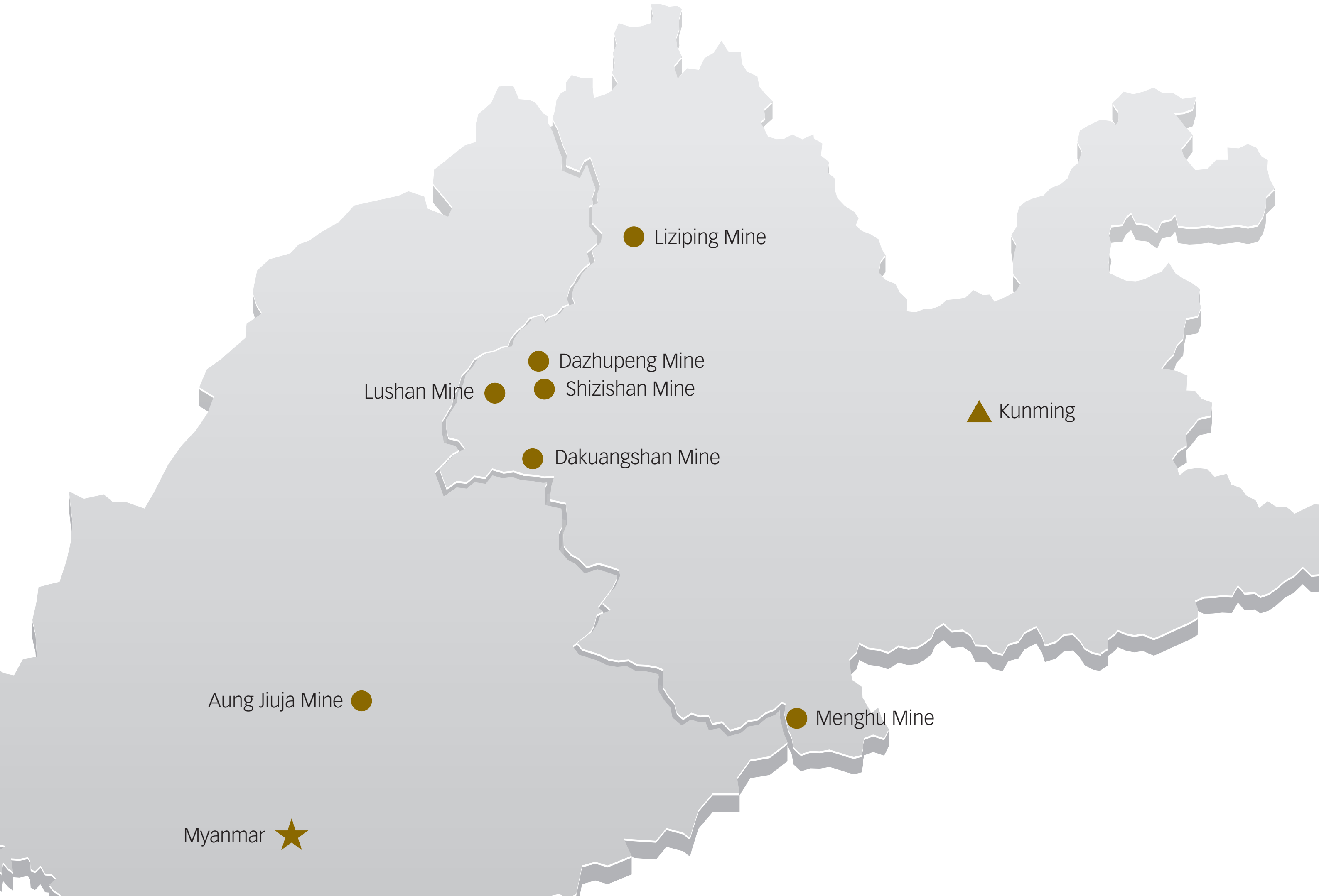
STRATEGY AND OUTLOOK

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

Selective acquisitions is part of the growth strategy and the Company seeks to identify high quality resource projects capable of delivering profitable growth. Looking ahead, leveraging the construction and operation of the Group's mines in Myanmar, the Company will capitalize on the rich mineral resources of the mines in Myanmar and opportunities arising from the progressive liberalisation of Myanmar's national policies to achieve a reasonable return to the Shareholders.

The Company also strives continuously to enhance the quality and effectiveness of its operations, the management, and the control systems operated within the business.

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT FOR 2016



CORPORATE VISION

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

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

ENTERPRISE MISSION:

To maximize the shareholders' values and employees' values.

OUR CORE VALUE:

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

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT FOR 2016

ABOUT THIS REPORT

This report, which has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules, is mainly about the Company's performance in 2016 in terms of corporate social liability and governance. This report comprises all the lead, zinc and silver mining businesses engaged by the Company and its subsidiaries.

Contact us: China Polymetallic Mining Limited
Address: Room 2509, 25/F, Tower One Lippo Centre, No. 89 Queensway, Hong Kong
Tel: (852) 2180-7577
Fax: (852) 2180-7580
E-mail: cpm@chinapolymetallic.com
Website: http://www.chinapolymetallic.com

ABOUT CHINA POLYMETALLIC

China Polymetallic Mining Limited devotes itself to pursuing highest international standards in terms of environmental protection and social responsibility and attaches great importance to employment, occupational health and safety of our staff, since we regard this as the core of our success. We actively focus on interests of various parties in the region where our Group operates. This is the core value of our company. We base our routine operation on strict compliance with the laws, moral standards and best international norm in order to alleviate adverse effect of mines on residential areas and environment.

The Group is the first mining company in Yunnan Province to adopt comprehensive anti-leakage for full tailings pond in Shizishan mining zone. At the same time, it is the first privately-owned mining company in Yunnan to adopt tailings backfilling technology. The Group recycles waste water in washing process to achieve the cyclic utilization, thus alleviating need for water resources. It strictly follows the highest standards to protect environment and adopts facilities to reduce dust and lower noise. Also, it conducts events related to energy saving and emission reduction, thus trying utmost to be an environment-friendly operator.

The Company, against the background of fierce competition, realized our goals of safeguarding safety production and environmental protection for five consecutive years, i.e., zero casualty, no one seriously injured and continuous decrease of number of those slightly injured. We kept the rate for slight injury under 2%, realizing our goal set at the beginning of the year.

Statistics for Key Index of Previous Years

Main Focus	Major Index for Performance	2014	2015	2016
Safe Production & Labor Protection	Casualty	0	0	**0**
	Seriously Injured	0	0	**0**
	Slightly Injured	2	3	**2**
	Withdraw of Security Fees (ten thousand yuan)	100.36	110.75	**142.56**
Energy Saving and Environmental Friendly	Electricity Consumption (degree)	13,021,542	13,325,615	**13,751,202**
	Water Consumption (ton)	361,205	420,879	**451,201**
	Volume of Mineral Waster Discharged (ton)	702,154	845,621	**840,215**
Training for Operating System and Staff	Cases involving Corruption and Litigation	0	0	**0**
	Number of Employees	1,237	1,128	**859**
	Ratio of Females (%)	19.32	15.47	**11.62**
	Average Hours of Employees Receiving Training (Hour)	60	60	**60**
Social Benefits	Donation (RMB/Yuan)	700,000	800,000	**800,000**

The Company has strictly adhered to laws and regulations such as the Production Safety Law of the People's Republic of China, the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Regulation on Work Safety Licenses, the Provisional Rules of Downhole Work under the Leadership of Metal and Metalloid Underground Mine Leaders as well as its Supervision and Examination, and the Regulation Safety Production of Yunnan Province, etc. to improve the Company's safety and environmental protection management, and eliminate safety accident.

Work Mechanism

In 2016, Dehong Yinrun focused on enhanced worksite management for production safety. According to the national grading standard for accidents, the Group successfully eradicated the occurrence of accidents. In 2016, better performance was attained as no casualties or material injuries were resulted within the members of the Group, with only 2 minor injuries.

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

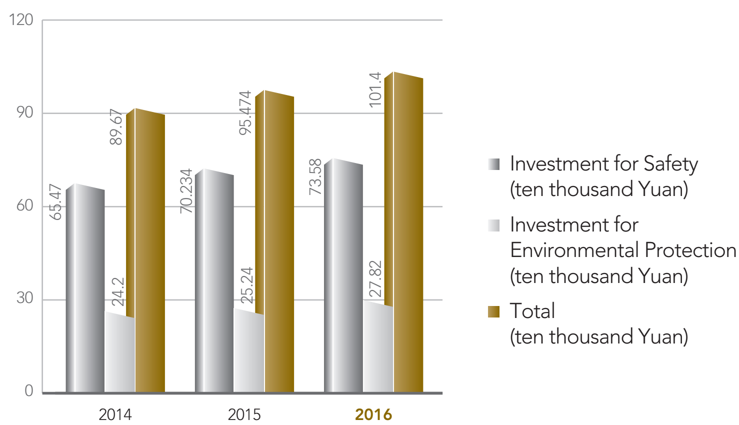
The Company has established 19 safety management systems (safety production responsibility system, safety production regular meeting system, safety and environmental protection examination system, safety production rewards and punishment system, accident reporting and disposition system, etc.) according to national laws, regulations and industry standards, gradually perfected the system construction, exercised the system of one post with double duties for the leaders and implemented the responsibility system to the end, which have thus effectively prevented the occurrence of accidents and eliminated potential problems in mine safety production. The Group gradually optimised the development of systems. The measure of "Two Duties for One Post" for managerial personnel was carried out and the responsibility mechanism was thoroughly implemented, so as to effectively prevent accidents and eradicate the hidden peril of mining production.

Safe Production and Labor Protection

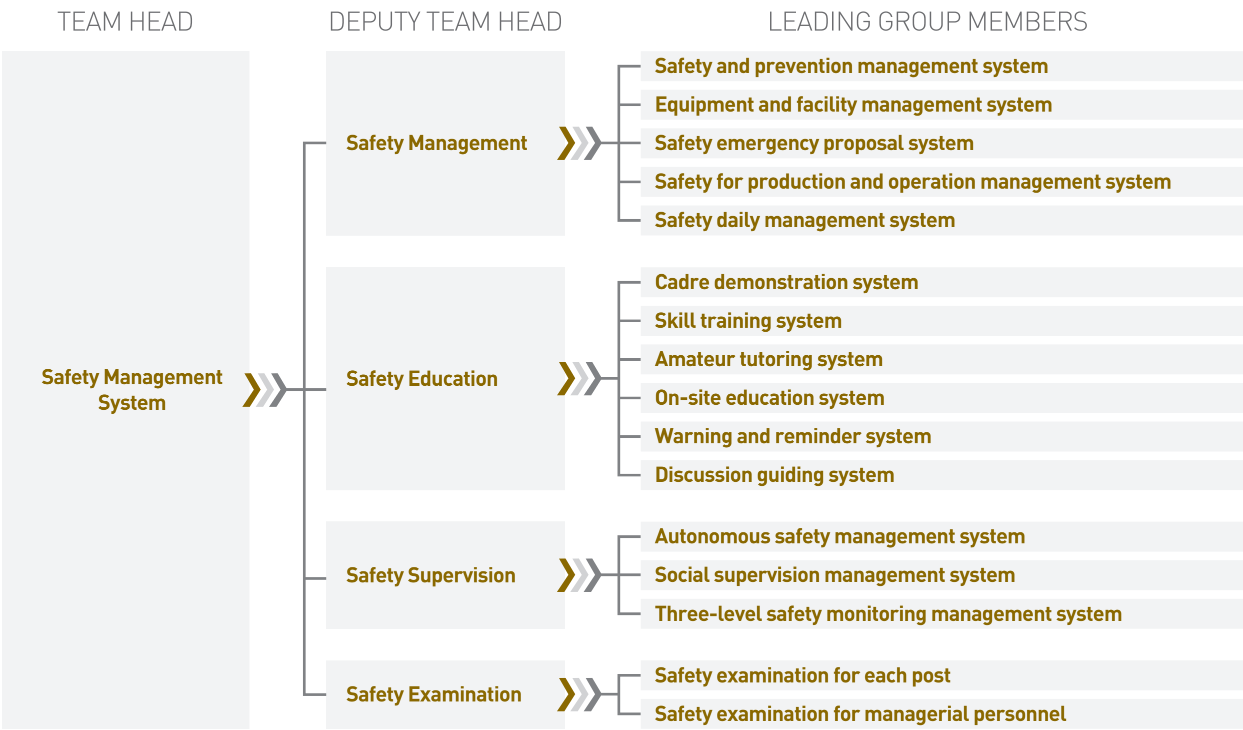
The members of the Group established the Production Safety Committee and the Occupational Health Committee respectively, and set up a safety management organization system and emergency rescue teams. Relevant emergency rescue proposal was formulated and key sources of danger in the mines (e.g. stopes,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

A safety management fund of approximately RMB1.014 million in 2016 is utilized for installing production safety facilities in the mines, providing the staff with protective equipment and body check, improving working environments and implementing preventive measures against occupational diseases.

Safety Management Investment Over Years



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



Management of contracting

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

Emergency Management

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

Management of anti-corruption

The Company has established the Anti-Corruption Management System according to the Anti-corruption and Bribery Law of the People’s Republic of China, as well as relevant laws and standards to intensify the details management, enhanced the responsibility assessment of the department’s “chief principals” and established rational and effective management mechanism to prevent the Company’s employees from being engaged in illegal activities such as bribery, fraud and laundering, etc., and thus improving the Company’s enforcement ability in all work.

Energy Saving & Emission Reduction

We adopt the tailing back-water system to discharge tail water to tailing pond. After being precipitated for three rounds, the tail water will be recollected for checking before being used again in mining operation in order to guarantee "zero discharge" of water for production purposes.

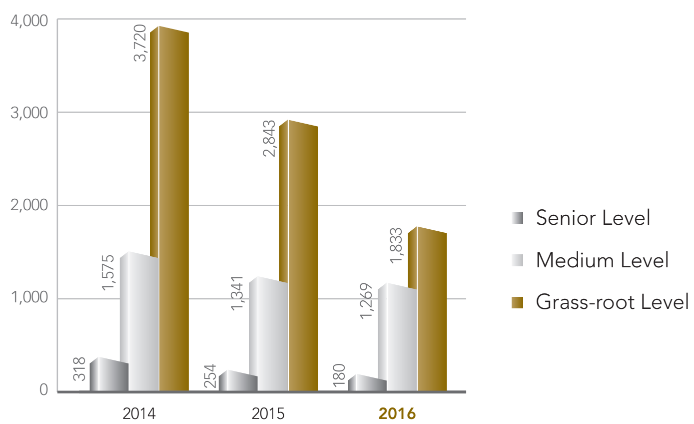
In light of actual demand for electricity of various sites in mines, various electrical transformers have been installed, and the electricity consumption was greatly cut, thus reducing the cost.

Operational Management Measures

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

Staff Training

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



Statistics for Training over Years (Hours)

The Company has established a comprehensive system for safety and environmental protection management, increased safety production investment year by year, provided safety production conditions in the mines, and prevented employees from suffering production safety accidents and occupational diseases in the course of production. The Group, its subsidiaries, departments and divisions to conduct safety inspections at least once every month, twice every month, once every week and once every day respectively, so as to timely eliminate any hidden safety problems.

In 2016, the subsidiaries of the Group accomplished its planned targets of production safety and management. There were 2 minor injuries while no pollution, death or serious injuries related incidents at all during the year. As there were less than two incidents among any thousand minor incidents involving more than one thousand people and no incidents were left unreported, targets related to production liability were accomplished.

Our company mainly held the following trainings: Three-level Safety Training, Training on Safety and Environmental Protection for Employees, Training about Safety for Those Returned to Work and Shifted to Other Posts, Safety Training for "Four News", Daily Safety Training, and Education and Training for Personnel on Critical Posts.

1. All newly employed shall be at least elementary educated and receive no less than 72 hours of safety training. During the internship lasting for no less than 6 months, those employees shall not work independently.

2. Training on Safety and Environmental Protection for Employees shall not be less than 36 hours every year on an average basis.

3. Those employees who have left the Company for at least 6 months and return to work, and those employees who shift their posts shall receive training on safety by attending workshops and coaching by teams of their own units.

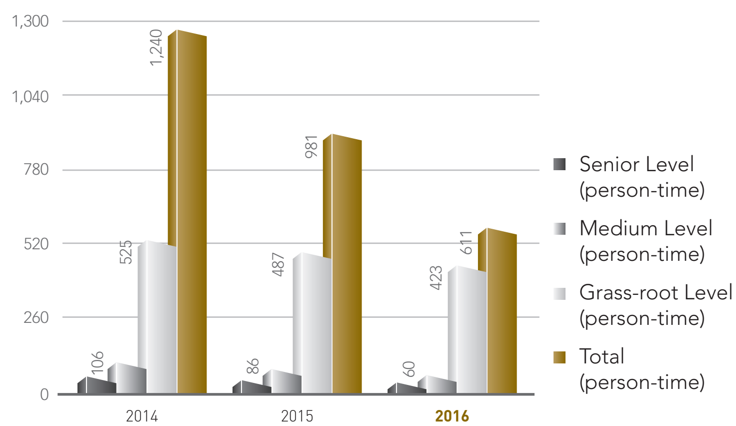
4. When the enterprise adopts new crafts, new technology, new equipment and new materials, competent departments shall be responsible for training on safe production for all relevant employees.

5. The following personnel shall, in strict accordance with relevant regulations, receive professional training and maintain 100% qualified for the position: such four categories of key personnel as main director of mines, deputy director of mines in charge of safe production, head of safe production management department and person in charge of outsourcing projects, as well as safety manager.

6. Personnel doing special type of work (e.g. powderman, safety personnel and custodian, custodian for tailing pond, electric welder and installation driver, etc.) shall receive professional training required by relevant national departments and can operate after obtaining the certification and passing three-month internship.

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

In 2016, the Group organized a number of internal and external trainings with 60 training hours in average for each staff and a total of 1,094 participants from different corporate hierarchical levels. The training mainly covered areas such as corporate organizational strategies and corporate cultures, employees' basic occupational skills, employees' business knowledge, management skills and leadership enhancement, induction training, re-designation training, "three levels" education and other types of specializing training. All of the staff have been trained. In light of the Group's continuing development and in order to ensure the continuing enhancement of the team quality, the Company will provide more training to its staff as well as to review and improve the training courses continuously so as to accommodate the needs for business operation and staff.



Statistics of Training in 2016

Employment and Labor Standards

The Group has purchased five national insurances (endowment insurance, employment injury insurance, medical insurance, maternity insurance and unemployment insurance) strictly in adherence to the national Labor Law and Regulations on Work Injury Insurance so as to guarantee the employees' legitimate rights and interests in the safety production.

High commercial accident insurance (RMB400,000 of compensation for death/RMB100,000 of compensation for injury) shall be provided to those engaged in high-risk works (such as the underground mining workers). In comparison with requirement proposed by the Safety Supervision Department of Yunnan Province that the "safety interaction" insurance shall be purchased for those engaged in high-risk industries, the insurance amount paid by the Group is relatively higher, which has greatly reduced the operating costs of the Company incurred by industrial accidents, thus safeguarding the Company's legitimate rights and interests to a large extent.

Operation and Management with Information Technologies

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

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

Environmental Protection and Building a Beautiful Community Together

The Group has complied with the applicable laws and regulations related to environmental protection including the national Environmental Protection Law of the People's Republic of China, the Law of the PRC on Prevention and Control of Occupational Diseases, the Law of the PRC on the Prevention and Control of Water Pollution, the Law of the PRC on the Prevention and Control of Air Pollution, the Law of the PRC on the Prevention and Control of Noise Pollution etc. The Group has taken necessary environmental protection measures such as carefully implementing the deposit system on the restoration and treatment of the mine environment implemented in the PRC, strictly executing the "three simultaneous" system for environmental protection, preparing as well as implementing the plans for protecting, treating and restoring the mine environment. During the production period, no major geological disasters have occurred at the mines.

With an aim to create a good environment for business development, the Company values the communication between its subsidiaries and local governmental departments. The Company has joined the local village committee in the discussion and research of environmental construction, reconstructed approach channels for local villagers and safeguarded the development of local agricultural production so as to build a harmonious society even with such insignificant effort. Adhering to its philosophy of "Founding with integrity and developing in harmony", the Company firstly emphasizes on the coordination and adjustment with relevant entities including local governments and villages when constructing a harmonious community. Secondly, the Company reinforces its foundation of harmony by being actively cooperative as it has always been in the past years so as to develop excellent standardized, humanized and characteristic enterprises.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

As at 14 February 2017

EXECUTIVE DIRECTOR

Mr. Ran Xiaochuan, Executive Director

Mr. Ran Xiaochuan, aged 52, had been the Chairman and an executive Director since 8 June 2011 until his re-designation as a non-executive Director on 25 August 2015. He has then been re-designated as an executive Director on 18 September 2015. Mr. Ran has years of mining and exploration experience, and over 20 years of experience in general corporate management. Prior to joining the Group, Mr. Ran worked as the sales chief in the Foreign Trade Bureau of Cangxi County of Sichuan Province (四川省蒼溪縣外貿局) from 1982 to 1987, during which time he was responsible for the sales of domestic agricultural product to overseas purchasers. Between 1988 and 1997, Mr. Ran worked for Zhuhai Haiyuan Trading Company (珠海海元經貿公司) as its general manager and was responsible for sales and marketing. Between 1998 to 2004, Mr. Ran worked as a general manager, and was responsible for marketing, daily operations and management at Chongqing Jianxing Company Limited (重慶建興有限公司), which is principally engaged in residential and commercial real estate development, highways and tunnel construction and management. Between 2005 and 2008, Mr. Ran worked at Sichuan Henglu Industrial Company Limited (四川恒路實業有限公司), a company principally engaged in the construction and consulting industries, as its general manager and was responsible for the general operation of the company.

NON-EXECUTIVE DIRECTOR

Mr. Lee Kenneth Jue, Non-Executive Director

Mr. Lee Kenneth Jue, aged 49, was appointed as a non-executive Director on 15 April 2012. Mr. Lee is a Partner at SAIF Partners, which is one of the largest and most successful growth venture capital funds focused on China. Mr. Lee has more than 20 years of experience across private equity investment, corporate finance, and business development in China. Before joining SAIF Partners in 2007, Mr. Lee served as the chief financial officer of Topsec Holdings Limited from 2006 to 2007. From 2004 to 2005, he worked as a principal at RimAsia Capital Partners. Prior to RimAsia Capital Partners, Mr. Lee served in various positions at Delta Associates, the exclusive advisor to Asia Equity Infrastructure Fund, CNK Telecommunications Limited, H&Q Asia Pacific, and Salomon Brothers Inc. in New York. Currently, he is a Non-Executive Director on the boards of Sinovac Biotech Ltd. (NASDAQ-GM: SVA) and China Hanking Holdings Limited (HKSE stock code: 3788) and a board director for four other private Chinese companies backed by the funds of SAIF Partners. Mr. Lee is a graduate of Amherst College in Massachusetts, USA.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

As at 14 February 2017

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Miu Edward Kwok Chi, aged 65, was appointed as an independent non-executive Director on 24 November 2011 and was appointed as Interim Non-Executive Chairman on 8 September 2016, Mr. Miu has more than 30 years of experience in managing diverse finance, operational and business development activities in North America, Asia Pacific and Europe. Mr. Miu received a Bachelor of Science degree (magna cum laude) in Accounting from Seton Hall University in New Jersey, U.S. in May 1976 and a MBA in Finance and International Business from New York University in New York in May 1979. Mr. Miu has held various positions related to financial and operation management in different listed companies, including the Chief Financial Officer of Eldorado Gold Corp., a listed company on the New York Stock Exchange (stock code: EGO), Toronto Stock Exchange (stock code: ELD) and Australian Stock Exchange (stock code: EAU) from December 2009 to May 2011, the former Chief Financial Officer of Sino Gold Mining Limited from January 2009 until December 2009 when it was acquired by Eldorado Gold Corp. Mr. Miu was the Chief Financial Officer for the Asia Pacific region based in Shanghai for Modine Manufacturing Company from 2005 to 2008, a multinational US-based company listed on New York Stock Exchange (stock code: MOD), and Director of Finance for Alcoa Inc. Asia Pacific Regional Head Office in Beijing from 2002 to 2005. Mr. Miu held various senior positions within TRW Inc. in the U.S., Europe, and Asia Pacific for 25 years prior to joining Alcoa Inc. in a variety of hi-tech service and manufacturing industries including automotive, electronic, aerospace, and information services.

Mr. Barry Sang Quan, Independent Non-Executive Director

Mr. Barry Sang Quan, aged 65, was appointed as an independent non-executive Director on 8 September 2016. Mr. Quan has over 35 years of working experience in the U.S.A and also countries in Asia. Mr. Quan is competent in the areas of corporate management, re-organisations, acquisitions, corporate compliance and audit. He is also experienced in negotiations of contractual relationships, including technology licenses, technology transfers, joint developments and marketing arrangements. Mr. Quan obtained a Bachelor of Science degree in Applied Economics and Finance from University of California, Berkeley, U.S.A in 1972 and a Doctor of Judicial Science from St. John's University Law School in 1975. Industries that Mr. Quan has worked in include semiconductor, solar, LED, and electronic components. From 2010 to 2015, Mr. Quan held positions of Chief Administrative Officer, Chief Compliance and Legal Officer and Board Secretary in Semiconductor Manufacturing International Corporation (NYSE stock code: SMI and HKSE stock code: 0981). From 1993 to 2005 and 2006 to 2010, he worked as China President, Vice President, Legal Affairs, and Ombudsman in Applied Materials, Inc.. Mr. Quan served as Chief Administrative Officer in Huahong International from 2005 to 2006, and Group Counsel of TRW Inc. in the U.S.A from 1980 to 1993.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

As at 14 February 2017

Mr. Huang Guoxin, Independent Non-Executive Director

Mr. Huang Guoxin, aged 58, was appointed as an independent non-executive Director on 8 September 2016. He is a geology engineer and a senior quality engineer. He graduated from Central South University (formerly known as Changsha Metallurgy Industry College of the Former Metallurgy Department (原冶金部長沙冶金工業學校)) with a bachelor degree in mining geology in 1980. From September 1985 to July 1987, he studied at Chengdu University of Science and Technology, majoring in quality control. From August 1994 to December 1996, he studied at the Party School of Sichuan Provincial Committee (四川省委黨校), majoring in economic management. In June 1997, he was qualified as a registered senior auditor of the national quality standards (國家註冊質量體系) by China Quality Certification Centre, and was involved and led in the assessment of management systems of more than a hundred companies. From 2015 to 2016, Mr. Huang was the general manager of Chengdu Century Wealth Investment Fund Management Company Limited (成都世紀財富投資基金管理有限公司). From 2012 to 2015, he served as the Quality Director of Panzhihua Xinzhong Titanium Science and Technology Co., Ltd. (攀枝花新中鈦科技有限公司). From 2009 to 2012, he held senior positions including metallurgical plant manager and special duty director of two companies in Panzhihua. From 1997 to 2009, he worked for Pangang Titanium Company (攀鋼鈦業公司) and held various positions including the head of quality control department, the head of production department, the deputy head of supply and sales department, and senior engineer. Mr. Huang held a number of positions in Panzhihua Iron Ore Mining Company of the Metallurgy Department (冶金部攀枝花冶金礦山公司) from 1980 to 1997. He has over 36 years of working experience in mineral resources and production, safety and environmental protection and quality control. He is a member of titanium standard work group under the National Pig Iron and Iron Alloy Standard Technical Committee (全國生鐵及鐵合金標委會鈦標準組), and was one of the main drafters of the national standards of "Titanium Concentrate (鈦精礦)", "Methods for Chemical Analysis of Titanium Concentrate (鈦精礦化學分析方法)", and "Titanium Dioxide Pigments (二氧化鈦顏料)".

SENIOR MANAGEMENT

Mr. Guo Zhonglin, Chief Technical Officer

Mr. Guo Zhonglin, aged 54, has been the technical advisor of the lead-zinc-silver mine of the Shizishan Mine in Yinjiang County since 2010 and was appointed as the Chief Technical Officer of the Group in 2011. Since his appointment as Chief Technical Officer, Mr. Guo has been responsible for the technical guidance, technical supervision and technical management in respect of the mining and safety of each mine owned by the Group. Mr. Guo graduated from Kunming University of Science and Technology (昆明理工大學) with a master degree in mining engineering in 1986. He has over 28 years of working experience in mining and the safety of mines. Prior to joining the Group, he was a professor in the Faculty of Land Resource Engineering in Kunming University of Science and Technology from 1986 to 2000, and had served in various positions such as the head of teaching research office, head of department and chairman of the Labour Union. In that period of time he was responsible for the teaching and administration of two programmes, namely, Mining Engineering and Safety Engineering, as well as the guiding of postgraduates and served as a lecturer of both major professional courses for undergraduates and professional courses for postgraduates. Between 2000 and 2009, he was a professor of the Research Institute of Energy Conservation and Safety Technology of Mines at Kunming University of Science and Technology where he engaged in technical research of the mining of metal and nonmetal mines and safety engineering, and had completed over 20 research programmes. Meanwhile, he was the chief project engineer for Ruixinyuan Mining Company Limited in Binchuan County, Dali Prefecture, Yunnan Province in respect of the iron-gold mine at its Baixiang plant where he was responsible for the guidance and management of underground mining production and technology.

As at 14 February 2017

Mr. Lei Dejun, Chief Operating Officer

Mr. Lei Dejun, aged 38, was appointed as the Chief Operating Officer of the Group since April 2012. Mr. Lei has since been responsible for the overall production and development of polymetallic projects and the monitoring of the development of Dakuangshan project, and he has participated in parts of management of the Shizishan mine project since September 2013. Mr. Lei was appointed as the president of Dehong Yinrun Mining Group Company Limited,a subsidiary of the Company, in April 2015 where he was fully responsible for daily operation and management of each of the group's mining entities. Mr. Lei graduated with an associate degree from Kunming Metallurgy College in 1998 and he is now a part-time student pursuing a Master of Business Administration degree from Kunming University of Science and Technology. Mr. Lei has about 18 years of experience in the production management and operation of mines. Prior to joining the Group, Mr. Lei worked as a technician, deputy director of the production department and technical section chief of factory at Huize Lead-Zinc Mine of Yunnan Chihong Zinc&Germanium Co., Ltd. (雲南馳宏鋅鍺股份有限公司) from July 1998 to July 2004 where he was responsible for factory production, costing, human resources, technique and equipment management. From August 2004 to May 2009, Mr. Lei worked as the director of the production department and deputy factory director for Yunnan Chihong Zinc&Germanium Co., Ltd. where he was responsible for the management of large scale metallurgical production and operation of factories. From May 2009 to March 2012, Mr. Lei worked for Yunnan Chihong Zinc&Germanium Co., Ltd. as the Deputy Director of the production management department and supervising engineer responsible for planning statistics, production process and technological projects. Mr. Lei completed research on lead-zinc vulcanized minerals and large scale oxidized minerals flotation processes (鉛鋅硫化礦物夾帶大比例氧化礦物浮選技術研究) with a leading role. Mr. Lei completed trial research on extracting copper sulphate through the direct leaching of copper slag (銅渣直接浸出生產硫酸銅試驗研究).

COMPANY SECRETARY

Ms. Chan Wai Ling, FCIS, FCS (PE), is the company secretary of the Company. She is a director of Corporate Services Division of Tricor Services Limited and a fellow member of both The Hong Kong Institute of Chartered Secretaries (HKICS) and The Institute of Chartered Secretaries and Administrators (ICSA) in the United Kingdom. She has more than 20 years of experience in the corporate secretarial field. Ms. Chan is currently the joint company secretary of IMAX CHINA HOLDING INC. (HKSE Stock Code: 1970) and SITC International Holdings Company Limited (HKSE Stock Code: 1308) as well as the company secretary of Sun Art Retail Group Limited (HKSE Stock Code: 6808), TCC International Holdings Limited (HKSE Stock Code: 1136) and China Maple Leaf Educational Systems Limited (HKSE Stock Code: 1317).

REPORT OF DIRECTORS

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

Details of the major subsidiaries of the Company as at 31 December 2016 are set out in note 1 to the consolidated financial statements in this annual report.

Details of the activities during the Reporting Period as required by Schedule 5 to the Companies Ordinance, including a description of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business, and the Group's environmental policies and performance, as well as compliance with relevant laws and regulations which have a significant impact on the Company, an account of the Company's relationships with its key stakeholders are set out under the sections "Management Discussion and Analysis" on pages 11 to 30, the Environment, Social and Governance Report on pages 31 to 38 of this annual report respectively.

Particulars of important events affecting the Company that have occurred since the year ended 31 December 2016, if any, can also be found in the abovementioned sections and the Notes to the Financial Statements. The outlook of the Company's business is discussed throughout this annual report including in the Chairman's Statement from pages 9 and 10 of this annual report.

RESULTS AND PROFIT DISTRIBUTION

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 77 of this annual report.

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

PROPERTY, PLANT, AND EQUIPMENT

Addition to the property, plant and equipment of the Group was approximately RMB119.6 million for the Reporting Period. Details of the movements in the Group's property, plant and equipment during the Reporting Period are set out in note 12 to the consolidated financial statements in this annual report.

SHARE CAPITAL

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

REPORT OF DIRECTORS

RESERVES

Details of the movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 79 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2016, according to the Articles of Association, the reserves of the Company distributable to the shareholders were RMB1,314.9 million.

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

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

USE OF THE PROCEEDS FROM IPO

Details of use of proceeds are set out under the section "Management Discussion and Analysis" on pages 27 to 29 of this annual report.

FINANCIAL HIGHLIGHTS

A summary of the results for the years ended 31 December 2012 to 2016 and the assets, liabilities and non-controlling interests of the Group as at 31 December 2012, 2013, 2014, 2015 and 2016 are set out on pages 7 and 8 of this annual report.

LOANS AND BORROWINGS

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

CHARITABLE DONATIONS

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

TAX

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

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period and the year ended 31 December 2015, sales to the Group's five largest customers accounted for approximately 92.1% and approximately 98.8% of the Group's total revenue, respectively, with sales to the largest customer accounting for approximately 36.3% and approximately 39.5% of the Group's total revenue, respectively.

For the Reporting Period and the year ended 31 December 2015, purchases attributable to the Group's five largest suppliers were approximately 83.9% and approximately 97.4% of the Group's total purchases, respectively, with purchases from the largest supplier accounting for approximately 66.1% and approximately 57.5%, respectively.

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

PERMITTED INDEMNITY

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

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

DIRECTORS

The Directors during the Reporting Period were as follows:

Executive Directors

Mr. Ran Xiaochuan
Mr. Lei Dejun *(resigned with effect from 9 May 2016)*

Non-Executive Directors

Mr. Andrew Joseph Dawber *(resigned with effect from 26 May 2016)*
Mr. Lee Kenneth Jue

Independent Non-Executive Directors

Mr. Christopher Michael Casey *(resigned with effect from 26 May 2016)*
Mr. William Beckwith Hayden *(resigned with effect from 26 May 2016)*
Mr. Miu Edward Kwok Chi *(appointed as Interim Non-Executive Chairman with effect from 8 September 2016)*
Mr. Barry Sang Quan *(appointed with effect from 8 September 2016)*
Mr. Huang Guoxin *(appointed with effect from 8 September 2016)*

In accordance with article 84 of the Articles of Association, Mr. Ran Xiaochuan will retire at the forthcoming AGM, and being eligible, offer himself to be re-elected and re-appointed at the AGM.

Pursuant to article 83(3) of the Articles of Association, Mr. Barry Sang Quan and Mr. Huang Guoxin, who were appointed by the Board as independent non-executive Directors with effect from 8 September 2016, shall retire from office at the forthcoming AGM and, being eligible, offer themselves to be re-elected and re-appointed at the AGM.

COMPANY SECRETARY

Ms. Chan Wai Ling *(appointed with effect from 2 February 2016)*
Ms. Ho Siu Pik *(resigned with effect from 2 February 2016)*

AUTHORISED REPRESENTATIVES

Mr. Ran Xiaochuan
Ms. Chan Wai Ling

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

On 28 December 2016, the Nomination and Remuneration Committee approved the remuneration of Mr. Ran Xiaochuan, being executive Director, of RMB600,000 per annum with effect from 18 September 2016.

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

THE BIOGRAPHY OF THE DIRECTORS AND THE SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out in the Directors and senior management's profile from pages 39 to 42 of this annual report.

SERVICE AGREEMENTS OR APPOINTMENT LETTERS OF THE DIRECTORS

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

REMUNERATION POLICY

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

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

Details of the Directors' remuneration are set out in note 8 to the consolidated financial statements in this annual report. The remuneration of the senior management, except Ms. Chan Wai Ling, the company secretary, who is an external service provider, fell within the following bands:

	Number of Individual(s)	
Remuneration band (RMB)	**2016**	2015
Below 1,000,000	**2**	2
1,000,000–2,000,000	**–**	–
2,000,000–3,000,000	**–**	–
4,000,000–5,000,000	**–**	–

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

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at 31 December 2016, so far as is known to any Directors, none of the Directors or chief executive of the Company had any interests or short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

1. **Purpose of the Share Option Scheme**

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

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

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

3. **Maximum number of shares**

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

   The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not, in aggregate, exceed 99,461,950 shares, being approximately 5% of the issued shares of the Company as at 31 December 2016. As at the date of this annual report, 200,000,000 option shares which may be issued upon exercise of the options under the Share Option Scheme have been granted already. As at 31 December 2016, no share option had been exercised and 35,545,946 share options were exercisable under the Share Option Scheme.

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

4. **Maximum entitlement of each participant**

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

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

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

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

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

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

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

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

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

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

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

Movement of share options during the year ended 31 December 2016:

Name	Date of Grant	Granted	Number of Share Options Outstanding at 1/1/2016	Exercised	Cancelled/ Lapsed	Outstanding at 31/12/2016
Directors/Chief Executive						
Christopher Michael Casey (resigned on 26 May 2016)	14/12/2011 (a)	7,027,027	7,027,027	–	7,027,027 (c)	–
William Beckwith Hayden (resigned on 26 May 2016)	14/12/2011 (a)	7,027,027	7,027,027	–	7,027,027 (c)	–
Miu Edward Kwok Chi	14/12/2011 (a)	7,027,027	7,027,027	–	7,027,027 (d)	–
Other Grantees						
Aggregate of other grantees	14/12/2011 (a)	21,081,081	21,081,081	–	21,081,081 (d)	–
	16/1/2013 (b)	70,091,892	70,091,892	–	34,545,946 (e)	35,545,946

Notes:

(a) Particulars of share options granted in 2011:

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

(b) Particulars of share options granted in 2013:

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

(c) 7,027,027 share options granted to each of our ex-Directors lapsed immediately upon his resignation on 26 May 2016.

(d) All the outstanding share options granted on 14 December 2011 expired on 13 December 2016.

(e) 34,545,946 share options granted to several employees lapsed immediately upon resignation of their employments during the year ended 31 December 2016.

DIRECTOR'S INTERESTS IN COMPETING BUSINESSES

The Directors are of the view that none of the Directors had interest in any business which competed, or were likely to compete, either directly or indirectly, with our businesses, nor had they caused any harm to any interests owned by the Company for the year ended 31 December 2016.

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

As at 31 December 2016, the following persons (other than the Directors and chief executive of the Company) had or were deemed or taken to have an interest and/or short position in shares or underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company.

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

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
CITIC Limited (note 2)	Interest of corporation controlled	592,775,421(L)	29.81
CITIC Glory Limited (note 2)	Interest of corporation controlled	592,775,421(L)	29.81
CITIC Polaris Limited (note 2)	Interest of corporation controlled	592,775,421(L)	29.81
CITIC Group Corporation (note 2)	Interest of corporation controlled	592,775,421(L)	29.81
Shi Xiaozhou	Beneficial owner	302,460,664(L)	15.21
Triway International Limited (裕明國際有限公司) (note 3)	Beneficial owner	139,909,000(L)	7.03
Xi'an Maike Metal International Group Co., Ltd (西安邁科金屬國際集團有限公司) (note 3)	Interest of corporation controlled	139,909,000(L)	7.03
Maike Investment Holding Co., Ltd (邁科投資控股有限公司) (note 3)	Interest of corporation controlled	139,909,000(L)	7.03
He Jinbi (note 3)	Interest of corporation controlled	139,909,000(L)	7.03
Zhang Chunling (note 3)	Interest of spouse	139,909,000(L)	7.03
Blue Andiamo GP Limited (note 4)	Interest of corporation controlled	126,277,297(L)	6.35
Salamanca Group Holdings Limited (note 4)	Interest of corporation controlled	126,277,297(L)	6.35
Deutsche Bank Aktiengesellschaft	Beneficial owner and custodian corporation/approved lending agent	113,369,731(L)	5.70
Challenger Mining 8 Limited (note 5)	Beneficial owner	112,422,147(L)	5.65
Bellamy Martin James (note 5)	Interest of corporation controlled	112,422,147(L)	5.65
Kedar Sharon Rahamin (note 5)	Interest of corporation controlled	112,422,147(L)	5.65
SAIF Partners IV L.P. (note 6)	Beneficial owner	105,243,000(L)	5.29

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
SAIF IV GP LP (note 6)	Interest of corporation controlled	105,243,000(L)	5.29
SAIF IV GP Capital Ltd. (note 6)	Interest of corporation controlled	105,243,000(L)	5.29
Yan Andrew Y. (note 6)	Interest of corporation controlled	105,243,000(L)	5.29

Notes:

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

2. The entire issued share capital of CITIC Dameng Investments Limited is held by CITIC Dameng Holdings Limited, which is in turn 9.35% owned by Apexhill Investments Limited and 35.43% owned by Highkeen Resources Limited. Apexhill Investments Limited is wholly owned by CITIC United Asia Investments Limited, which is in turn wholly owned by CITIC Projects Management (HK) Limited. Highkeen Resources Limited is wholly owned by Group Smart Resources Limited, which is in turn wholly owned by Starbest Venture Limited. The entire issued share capital of Starbest Venture Limited is held by CITIC Resources Holdings Limited. 49.5% of the issued share capital of CITIC Resources Holdings Limited is held by Keentech Group Limited, which is in turn wholly owned by CITIC Projects Management (HK) Limited. CITIC Projects Management (HK) Limited is wholly owed by CITIC Corporation Limited, which is in turn wholly owned by CITIC Limited. 29.9% and 38% of the issued share capital of CITIC Limited are held by CITIC Glory Limited and CITIC Polaris Limited respectively, both of which are in turn wholly owed by CITIC Group Corporation.

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

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

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

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

Save as disclosed above, as at 31 December 2016, the Directors have not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short position in shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

MANAGEMENT CONTRACTS

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

DIRECTOR'S 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 the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party at any time during the year ended 31 December 2016.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, 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 year ended 31 December 2016 or at any time during the year ended 31 December 2016.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

So far as the Directors and chief executives are aware, no non-exempt continuing connected transactions were entered into by the Group during the year ended 31 December 2016.

PRE-EMPTIVE RIGHTS

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry with all Directors, each of the Directors has confirmed that he has complied with the required standard as set out in the Model Code during the year ended 31 December 2016.

The Company has also established the "Employees Written Guidelines" on terms no less exacting than the Model Code for securities transactions by employees who are likely to possess inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2016.

REPORT OF DIRECTORS

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 Friday, 2 June 2017 to Tuesday, 6 June 2017 (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 Thursday, 1 June 2017.

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CONNECTED TRANSACTIONS

Details of the Group's connected transactions during the year ended 31 December 2016 are included in note 33 to the consolidated financial statements in this annual report.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge, information and belief of the Directors, the Directors confirmed that the Company has maintained a sufficient public float as required under the Listing Rules throughout the year ended 31 December 2016.

AUDITORS

The Company has appointed Ernst & Young as the auditors of the Company for the year ended 31 December 2016. A resolution will be proposed for approval by shareholders at the forthcoming AGM to re-appoint Ernst & Young as the auditors of the Company.

On behalf of the Board
Miu Edward Kwok Chi
Interim Non-Executive Chairman

Hong Kong, 14 February 2017

CORPORATE GOVERNANCE REPORT

CHAIRMAN'S INTRODUCTION

Dear Shareholders,

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

The Company experienced several changes to its Board composition during the Reporting Period. Mr. Lei Dejun resigned as an executive Director on 9 May 2016. Due to other business engagements, Mr. Christopher Michael Casey resigned as the interim non-executive Chairman and an independent non-executive Director, Mr. Andrew Joseph Dawber resigned as a non-executive Director and Mr. William Beckwith Hayden resigned as an independent non-executive Director of the Company, all on 26 May 2016.

In the hope of getting more insightful input regarding the mining industry in China, Mr. Huang Guoxin and Mr. Barry Sang Quan were appointed as independent non-executive Directors with effect from 8 September 2016.

On 8 September 2016, I became the interim non-executive Chairman. Whilst assuming the role of Chairman of the Board, I am not involved with the day-to-day operation of the Company and my independence as an independent non-executive Director remains intact. Currently, the duties of Chief Executive Officer are undertaken by Mr. Ran Xiaochuan, an executive Director, to ensure the smooth running of the day-to-day operation of the Company.

The Board has been focusing on ensuring the continued stability of the Company and that it works effectively under my leadership. Building a strong management team remains our top priority. One of the most important aspects of my role is to foster the visibility between the Board and the Management, leading them to work as a team. I also encourage open and honest debate and challenge and ensure the Board performs effectively and is accountable to shareholders.

I continue to be positive on the progress the Company has made, despite the challenging market environment and optimistic on its future. We continually seek to ensure the best corporate governance practice is maintained.

By Order of the Board
China Polymetallic Mining Limited

Miu Edward Kwok Chi
Interim Non-Executive Chairman

14 February 2017

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

BOARD OF DIRECTORS

Composition

The Board structure is governed by the Articles of Association and the Listing Rules. The Board has adopted a board diversity policy (the "Policy") in 2013 to comply with the code provision on board diversity. Under the Policy, the Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In determining an optimum composition of the Board, the Company will take into account various aspects set out in the Policy, including but not limited to gender, age, race, cultural and educational background, communication styles, interpersonal skills, functional expertise, problem solving skills, professional qualifications, knowledge and industry and regional experience and other qualities of the members of the Board. Currently there are five directors. An updated list of directors of the Company and their respective roles and functions is available on the website of each of the Hong Kong Stock Exchange and the Company and the same is also set out in the "Corporate Information" on pages 3 to 5 of this annual report. Biographical details of the Board members and the senior management are set out in the "Directors and Senior Management's Profile" section on pages 39 to 42 of this annual report.

Chairman and Chief Executive Officer

Mr. Christopher Michael Casey, the then independent non-executive Director, was appointed as the interim non-executive Chairman on 18 September 2015. On 26 May 2016, Mr. Christopher Michael Casey resigned as the interim non-executive Chairman and an independent non-executive Director and the position of Chairman was vacant.

Since then, the duties of the Chairman were undertaken by Mr. Ran Xiaochuan, an executive Director, as an interim measure.

On 8 September 2016, Mr. Miu Edward Kwok Chi was appointed as the interim non-executive Chairman. As was before and ever since Mr. Miu Edward Kwok Chi 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. Miu Edward Kwok Chi oversees the internal control and corporate governance compliance of the Company. He also promotes and encourages visibility of the Board to ensure in-depth communication internally and externally is achieved.

The position of Chief Executive Officer of the Company remains vacant since the resignation of Dr. Li Chang Zhen on 18 September 2015 and as at the date of this annual report.

Whilst the position of Chief Executive Officer remains vacant, the day-to-day operations of the Company are overseen by Mr. Ran Xiaochuan, the executive Director. Such arrangement is deemed appropriate because Mr. Ran Xiaochuan has accumulated extensive experience in the mining industry and the Company's long-term business strategies and plans can be implemented effectively. The Company will continue to use its best endeavors to identify a suitable and qualified candidate to fill the vacancy of the Chief Executive Officer as soon as practicable.

Non-Executive Directors

Code Provision A4.1 of the CG Code stipulates that the non-executive Director shall be appointed for a specific term, subject to re-election.

The appointment contract of the non-executive Director was renewed in the second half of 2016 with a specific term of one year, subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with its Articles of Association.

Independent Non-Executive Directors

During the Reporting Period, Mr. Christopher Michael Casey and Mr. William Beckwith Hayden resigned as independent non-executive Directors and ceased as members of the Nomination and Remuneration Committee on 26 May 2016. Following the aforesaid resignation, the Company had one independent non-executive Director and the number of independent non-executive Directors of the Board has fallen short of the minimum number as required under Rule 3.10(1) of the Listing Rules.

Mr. Huang Guoxin and Mr. Barry Sang Quan were appointed as independent non-executive Directors on 8 September 2016 to fill the vacancies.

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

Role of the Board

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

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

During the year ended 31 December 2016, the Company has arranged training programmes as part of the continuous professional development for the Directors to develop and refresh their knowledge and skills.

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

	Type of Continuous Professional Development	
Name of Directors	Reading on corporate governance, regulatory updates development and other relevant topics	Attending relevant training sessions
Executive Director		
Ran Xiaochuan	✔	✔
Non-Executive Director		
Lee Kenneth Jue	✔	✔
Independent Non-Executive Directors		
Miu Edward Kwok Chi	✔	✔
Huang Guoxin	✔	✔
Barry Sang Quan	✔	✔

Board Meetings

The Board meets on a regular basis held six meetings during 2016 to discuss the overall strategy as well as the operations and financial performance of the Group. In addition, other matters such as 2016 budget and forecast, shareholders' analysis and investors' feedback, change of Directors, corporate governance, corporate risk management, safety governance, and the internal control system, were discussed.

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

Minutes of Board meetings were prepared with details of decisions reached, any concerns raised and dissenting views expressed. The draft minutes were sent to all Directors within a reasonable time after each meeting for their comments. The finalized and signed Board minutes are kept by the Company and copies thereof were sent to the Directors for information and record.

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

Attendance Record of Directors and Committee Members

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

	Number of Meetings Attended/Eligible to attend for the Reporting Period					
Name of Directors	Board Meeting	Audit Committee Meeting	Nomination and Remuneration Committee	Safety, Health and Environment Committee	Strategy Committee	General Meeting
Executive Directors						
Ran Xiaochuan[1]	6/6	–	1/1	3/3	3/3	1/1
Lei Dejun[2]	2/2	–	–	1/1	–	–
Non-Executive Directors						
Andrew Joseph Dawber[3]	1/3	1/1	–	–	1/1	–
Lee Kenneth Jue[4]	6/6	1/1	2/2	3/3	1/1	1/1
Independent Non-Executive Directors						
Christopher Michael Casey[5]	3/3	1/1	1/1	–	–	–
William Beckwith Hayden[6]	3/3	–	1/1	1/1	1/1	–
Miu Edward Kwok Chi[7]	6/6	3/3	3/3	–	2/2	1/1
Huang Guoxin[8]	2/2	–	1/1	1/1	1/1	–
Quan Barry Sang[9]	2/2	1/1	1/1	–	–	–

Notes:

1. Appointed as a member of the Nomination and Remuneration Committee and re-designated as a member of Safety, Health and Environment Committee on 8 September 2016. One Nomination and Remuneration Committee meeting was held following his admission to the Committee.

2. Resigned as an executive Director and a member of the Safety, Health and Environment Committee on 9 May 2016. Two board meetings and one Safety, Health and Environment Committee meeting were held prior to his resignation.

3. Resigned as a non-executive Director, the chairman of the Strategy Committee and a member of the Audit Committee on 26 May 2016. Three board meetings, one Audit Committee meeting and one Strategy Committee meeting were held prior to his resignation.

4. Appointed as the chairman of the Strategy Committee and a member of the Audit Committee and ceased to be a member of the Nomination and Remuneration committee on 8 September 2016. One Strategy Committee meeting and one Audit Committee meeting were held following his admission to the Committees and two Nomination and Remuneration Committee meetings were held prior to his cessation.

5. Resigned as the interim non-executive Chairman and an independent non-executive Director, the chairman of the Audit Committee and a member of Nomination and Remuneration Committee on 26 May 2016. Three board meetings, one Audit Committee meeting and one Nomination and Remuneration Committee meeting were held prior to his resignation.

6. Resigned as an independent non-executive Director, a member of each of the Nomination and Remuneration Committee, the Strategy Committee and the Safety, Health and Environment Committee on 26 May 2016. Three board meetings, one Safety, Health and Environment Committee meeting, one Strategy Committee meeting and one Nomination and Remuneration Committee meeting were held prior to his resignation.

7. Re-designated as the chairman of the Audit Committee and ceased to be a member of the Strategy Committee on 8 September 2016. Two Strategy Committee meetings were held prior to his cessation.

8. Appointed as an independent non-executive Director, the chairman of the Safety, Health and Environment Committee and a member of each of the Nomination and Remuneration Committee and the Strategy Committee on 8 September 2016. Two board meetings, one Safety, Health and Environment Committee meeting, one Nomination and Remuneration Committee meeting and one Strategy Committee meeting were held subsequent to his appointment.

9. Appointed as an independent non-executive Director and a member of each of the Audit Committee and the Nomination and Remuneration Committee on 8 September 2016. Two board meetings, one Audit Committee meeting and one Nomination and Remuneration Committee meeting were held subsequent to his appointment.

In the absence of the Chairman of the Board following the resignation of Mr. Christopher Michael Casey, Mr. Ran Xiaochuan, an executive Director, undertook the duties of the Chairman attended the 2016 Annual General Meeting of the Company whilst Mr. Miu Edward Kwok Chi, the chairman of the Nomination and Remuneration Committee, a member of the Audit Committee and the then member of the Strategy Committee, attended the annual general meeting via telephone conference.

Board Committees

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

Audit Committee

Chairman: Mr. Miu Edward Kwok Chi, independent non-executive Director (re-designated as the chairman on 8 September 2016)
Mr. Christopher Michael Casey, independent non-executive Director (ceased to be the chairman and resigned on 26 May 2016)

Members: Mr. Lee Kenneth Jue, non-executive Director (appointed as a member on 8 September 2016)
Mr. Barry Sang Quan, independent non-executive Director (appointed as a member on 8 September 2016)
Mr. Andrew Joseph Dawber, non-executive Director (ceased to be a member and resigned on 26 May 2016)

During the period from 26 May 2016 to 7 September 2016, the Audit Committee comprised only one member. The Chairman of the Audit Committee was vacant and the number of Audit Committee members fell below the minimum number as required under Rule 3.21 of the Listing Rules. The Board has re-designated Mr. Miu Edward Kwok Chi as the chairman and appointed Mr. Lee Kenneth Jue and Mr. Barry Sang Quan as the members of the Audit Committee on 8 September 2016 to fill the vacancies.

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

During the Reporting Period, the Audit Committee held three meetings to review the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, the appointment of external auditors and relevant scope of works and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also held private sessions with Head of the Internal Audit Department and external auditors without the presence of the management and the executive Director, and reviewed the report on the internal control system of the Group presented by the external auditors.

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

The attendance record of each Committee Member is shown on page 62 under the section "Attendance Record of Directors and Committee Members".

Nomination and Remuneration Committee

Chairman: Mr. Miu Edward Kwok Chi, independent non-executive Director

Members:
Mr. Huang Guoxin, independent non-executive Director (appointed as a member on 8 September 2016)
Mr. Barry Sang Quan, independent non-executive Director (appointed as a member on 8 September 2016)
Mr. Ran Xiaochuan, executive Director (appointed as a member on 8 September 2016)
Mr. Lee Kenneth Jue, non-executive Director (ceased to be a member on 8 September 2016)
Mr. Christopher Michael Casey, independent non-executive Director (ceased to be a member and resigned on 26 May 2016)
Mr. William Beckwith Hayden, independent non-executive Director (ceased to be a member and resigned on 26 May 2016)

During the period from 26 May 2016 to 7 September 2016, the Nomination and Remuneration Committee comprised two members with Mr. Lee Kenneth Jue as its member and Mr. Miu Edward Kwok Chi as its Chairman. The Nomination and Remuneration Committee did not comprise a majority of independent non-executive directors as required under Rule 3.25 of the Listing Rules and Code Provision A.5.1 of the CG Code. The Board has appointed Mr. Ran Xiaochuan, Mr. Huang Guoxin and Mr. Barry Sang Quan as the members of the Nomination and Remuneration Committee on 8 September 2016 to fill the vacancies.

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

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

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

b. reviewed the remuneration packages of the Executive Director and the senior management;

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

d. considered the appointment of Directors; and

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

The attendance record of each Committee Member is shown on page 62 under the section "Attendance Record of Directors and Committee Members".

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

The remuneration to each Director and the senior management for 2016 are set out in note 8 to the financial statements on pages 112 to 114 of this annual report.

Safety, Health and Environment Committee

Chairman: Mr. Huang Guoxin, independent non-executive Director
(appointed as the chairman on 8 September 2016)

Members: Mr. Ran Xiaochuan, executive Director (re-designated as a member on 8 September 2016)
Mr. Lee Kenneth Jue, non-executive Director
Mr. Lei Dejun, executive Director (ceased to be a member and resigned on 9 May 2016)
Mr. William Beckwith Hayden, independent non-executive Director
(ceased to be a member and resigned on 26 May 2016)

The primary function of the Safety, Health and Environment Committee is to oversee the occupational and employee's safety, health and environment policies and activities of the Company as well as to ensure the compliance of the disclosure requirements under Appendix 27 to the Listing Rules as to the environmental, social and governance reporting of the Company.

During the Reporting Period, the Safety, Health and Environment Committee held three meetings.

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

The attendance record of each Committee Member is shown on page 62 under the section "Attendance Record of Directors and Committee Members".

Strategy Committee

Chairman: Mr. Lee Kenneth Jue, non-executive Director
(appointed as the chairman on 8 September 2016)
Mr. Andrew Joseph Dawber, non-executive Director
(ceased to be the chairman and resigned on 26 May 2016)

Members: Mr. Ran Xiaochuan, executive Director
Mr. Huang Guoxin, independent non-executive Director
(appointed as a member on 8 September 2016)
Mr. William Beckwith Hayden, independent non-executive Director
(ceased to be a member and resigned on 26 May 2016)
Mr. Miu Edward Kwok Chi, independent non-executive Director
(ceased to be a member on 8 September 2016)

The primary functions of the Strategy Committee are to review and formulate the long-term development strategy of the Group including considering potential investment opportunities and general corporate strategy.

During the Reporting Period, the Strategy Committee held three meetings.

The attendance record of each Committee Member is shown on page 62 under the section "Attendance Record of Directors and Committee Members".

Corporate Governance Functions

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

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

Directors' Responsibility in Respect of the Financial Statements

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

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

As at 31 December 2016, the Group's financial position has been materially and adversely affected by a combination of factors, like significant decrease in mining output at the Shizishan Mine, the expansion of the Group's mine portfolios financed by short-term bank borrowings, volatile market price for lead, zinc and silver metal, etc. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. In preparing the consolidated financial statements for the year ended 31 December 2016, the Directors have assessed the going concern status of the Group. As disclosed in note 2.1 to financial statements of this annual report, taking into account the measures the Group implemented or is in the process of implementing, the Directors consider that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due. Accordingly, the consolidated financial statements for the year ended 31 December 2016 have been prepared on a going concern basis. In view of the above, the Company's auditors have included a "Material Uncertainty Related to Going Concern" paragraph in its Independent Auditors' Report.

The statement of the independent auditors of the Company regarding their reporting responsibilities on the financial statements of the Company and the Group is set out in the Independent Auditors' Report on pages 73 to 79 of this annual report.

REMUNERATION OF EXTERNAL AUDITORS

During the Reporting Period, the Group's external auditors, Ernst & Young, provided interim review and annual audit services to the Group, and the total fees paid/payable in respect of interim review and annual audit services were RMB1,500,000 and RMB3,000,000 respectively.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

(a) the process used to identify, evaluate and manage significant risks;

(b) the main features of the risk management and internal control systems;

(c) the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects; and

(d) the procedures and internal controls for the handling and dissemination of inside information.

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

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

COMPANY SECRETARY

Ms. Chan Wai Ling ("Ms. Chan"), who is a director of Corporate Services Division of Tricor Services Limited, an external service provider, has been appointed by the Board as its company secretary with effect from 2 February 2016. Ms. Chan's primary contact person in the Company in relation to any corporate secretarial matters of the Company is Mr. Ran Xiaochuan, an executive Director, and Ms. Alyssa He, the investor relations manager.

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

SHAREHOLDERS' RIGHTS

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

Putting Forward Proposals at General Meetings

Pursuant to Article 58 of the Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more shareholders holding not less than one-tenth of the issued share capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board and to put forward proposals specified in such requisition either via personal delivery or mail (attention: Board of Directors), at the Company's principal place of business at Room 2509, 25/F, Tower One Lippo Centre, No. 89 Queensway, Hong Kong or at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

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

Putting Forward Enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Investor Relations Department at the Company's principal place of business in Hong Kong at Room 2509, 25/F, Tower One Lippo Centre, No. 89 Queensway, Hong Kong, by post, or by email to ir@chinapolymetallic.com.

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

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

Constitutional Documents

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

RELATIONSHIP WITH INVESTORS

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

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

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

The Company's annual general meeting in 2016 further provided a platform and opportunity for our shareholders to exchange view with the Company. The 2017 AGM will be held on 6 June 2017. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

INDEPENDENT AUDITORS' REPORT

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

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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

電話 :+852 2846 9888
傳真 :+852 2868 4432

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

OPINION

We have audited the consolidated financial statements of China Polymetallic Mining Limited (the "Company") and its subsidiaries (the "Group") set out on pages 80 to 143, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the financial statements, which indicates the Group incurred a net loss of RMB128,218,000 for the year ended 31 December 2016 and, as at that date, the Group's current liabilities exceed its current assets by RMB707,752,000. As stated in note 2.1, these conditions, along with other matters as set forth in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Impairment assessment of non-current assets	
In accordance with IFRSs, the Group evaluates annually its non-current assets to determine whether there are any indications of impairment. If any impairment exists, a formal estimate of the recoverable amount is performed based on the value in use or fair value less costs of disposal methodology. The Group has material investments in various non-current assets, including property, plant and equipment, mining infrastructure, mining rights, exploration rights and assets. Given the nature of these assets, the assessment of impairment involves significant estimation uncertainty, subjective assumptions and application of significant judgement. The uncertainty of non-ferrous metal market in 2016 increased the required judgement in making these impairment assessment. Based on existing market conditions, impairment indicators were identified for the Group's main mining cash generating units ("CGU"), the mining licence related to Aung Jiujia mine, exploration rights and assets related to Liziping Mine and the prepayment made for the long term supply of tin and tungsten raw ores. As at 31 December 2016, the net carrying amounts of the above-mentioned assets aggregating RMB1,689,557,000. The Group's disclosures about the impairment assessment for these CGUs and assets are included in note 3.	We audited the impairment assessments for the above-mentioned assets with impairment indicators. The approach to assessing impairment incorporated the following: • We tested the impairment models selected for each CGU and class of assets by understanding the model methodology and comparing that to our understanding of the CGUs and assets; • We compared key market-derived estimates, including commodity prices and interest rates, against external data; • We compared key operational estimates in the models to source data and publicly available information where it existed; and • We employed EY internal valuation specialists to assist us with our audit of the impairment assessment models.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of receivables	
During 2016, the market of non-ferrous metal continuously experienced difficult trading conditions. Therefore, the Group was exposed to heightened credit risks on trade receivables. As at 31 December 2016, the gross balance of trade receivables was RMB34,451,000. In addition, trade receivables with gross balance of RMB46,932,000 was transferred to other receivables in 2016 pursuant to a debtor transfer agreement entered into among the Group, a certain customer and another entity controlled by the owner of the certain customer. The assessment of adequate impairment provision for receivables is an inherently uncertain process involving significant management judgement including their assessment of debtors' financial condition and expected future cash flows from debtors. The Group's disclosures about recoverability of receivables are included in Notes 3, 19 and 20(c).	The focus of our work involved auditing the Group's credit analysis and associated impairment assessments of receivables that were either in default, significantly overdue or on credit watch at 31 December 2016. Our audit procedures, among others, included: • We assessed and tested the design and operating effectiveness of the controls over the credit approval process and impairment assessments; • We checked the correctness of the ageing analysis by customer; • We selected trade receivables with large balances including those where no provision for impairment was recognized and those where a provision for impairment of trade receivables was recognised and understood the rationale behind management's judgements. In order to evaluate the appropriateness of these judgements, we verified whether balances were overdue, the debtors' historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. We also obtained corroborative evidence including correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and reports on the credit status of significant counterparties where available; and • We assessed the adequacy of the disclosures regarding the impairment provisions for receivables and the Group's exposure to credit risk.

KEY AUDIT MATTERS (continued)

Key audit matter

Estimation of mineral reserves

Mineral reserve estimates is a significant input to depreciation, amortisation, rehabilitation provision calculations and impairment assessments. The estimation involves significant judgement and assumptions by management. Management has engaged external experts to perform mineral reserve estimation in relation to the areas covered by the Group's mining rights.

The Group's disclosures about estimation of mineral reserves are included in note 3.

How our audit addressed the key audit matter

Our audit procedures have focused on management's estimation process, including whether bias exists in the determination of reserves. Our procedures included:

- We assessed the competence, capabilities and objectivity of external experts involved in the estimation process;

- We read reports issued by the external experts to gain an understanding of the their methodology, the information used by them and their conclusions, including explanations for changes in mineral reverses since the last estimation was undertaken; and

- We assessed the assumptions and technical parameters used in estimation of mineral reserves in 2016, and obtained explanations for changes, if any, from the prior year estimation.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Deferred tax assets	
As at 31 December 2016, the balance of deferred tax assets amounted to RMB73,909,000, which mainly relates to accumulated tax losses from the Group's operating subsidiaries in mainland China and impairment provision relating to the Group's mining CGUs and receivables. Management recognised these deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered. Deferred tax assets are significant to our audit because of the magnitude of the assets and the related complexity and subjectivity of the assessment made by management as to whether they can be recovered out of future profits. The assessment involves assumptions that are affected by expected future market and economic conditions. The probability of recovery is impacted by uncertainties regarding the likely timing and level of future taxable profits, together with tax planning strategies and the expiration date of losses. The Group's disclosures about deferred tax assets are included in notes 3 and 17.	Our audit procedures, amongst others, included: • We evaluated the assumptions and methodologies used by the Group to determine the recoverable amount; • We assessed the historical accuracy of management's assumptions; • We ascertained that information used was derived from the Group's business plans that have been subject to internal reviews and were approved by those charged with governance; and • We reviewed management's business plans to improve the financial performance of the respective companies.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong

14 February 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	*4*	**22,801**	92,509
Cost of sales		**(23,861)**	(56,569)
Gross profit/(loss)		**(1,060)**	35,940
Other income and gains	*5*	**2,540**	19,127
Selling and distribution expenses		**(605)**	(953)
Administrative expenses		**(51,708)**	(42,766)
Impairment loss on property, plant and equipment		**–**	(6,205)
Impairment loss on intangible assets		**–**	(44,146)
Impairment loss on trade receivables	*19*	**(14,893)**	(29,380)
Impairment loss on other receivables	*20(c)*	**(36,049)**	–
Other expenses		**(503)**	(34)
Finance costs	*6*	**(43,971)**	(59,029)
LOSS BEFORE TAX	*7*	**(146,249)**	(127,446)
Income tax credit	*9*	**18,031**	31,887
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(128,218)**	(95,559)
Attributable to:			
Owners of the Company		**(126,865)**	(94,084)
Non-controlling interests		**(1,353)**	(1,475)
		(128,218)	(95,559)
Loss per share attributable to ordinary equity holders of the Company:			
— Basic and diluted	*11*	**RMB(0.064)**	RMB(0.047)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**715,890**	629,288
Investment property	*13*	**8,400**	–
Intangible assets	*14*	**735,370**	739,991
Prepaid land lease payments	*15*	**11,800**	12,047
Payments in advance	*16*	**509,937**	47,691
Prepayments and deposits	*20*	**215,635**	215,635
Deferred tax assets	*17*	**73,909**	55,878
Total non-current assets		**2,270,941**	1,700,530
CURRENT ASSETS			
Inventories	*18*	**23,216**	26,940
Trade receivables	*19*	**1,061**	66,197
Prepayments, deposits and other receivables	*20*	**4,517**	19,256
Cash and cash equivalents	*21*	**40,778**	672,738
Total current assets		**69,572**	785,131
CURRENT LIABILITIES			
Trade payables	*22*	**10,928**	9,349
Other payables and accruals	*23*	**153,377**	199,640
Tax payable		**93,616**	95,132
Due to a related party	*24*	**14,221**	–
Interest-bearing bank and other loans	*25*	**505,182**	200,984
Total current liabilities		**777,324**	505,105
NET CURRENT ASSETS/(LIABILITIES)		**(707,752)**	280,026
Total assets less current liabilities		**1,563,189**	1,980,556
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	*25*	**–**	304,859
Other payables	*23*	**14,307**	–
Provision for rehabilitation	*26*	**19,613**	18,297
Total non-current liabilities		**33,920**	323,156
Net assets		**1,529,269**	1,657,400
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*27*	**17**	17
Reserves	*29*	**1,466,908**	1,593,686
		1,466,925	1,593,703
Non-controlling interests		**62,344**	63,697
Total equity		**1,529,269**	1,657,400

Ran Xiaochuan
Director

Miu Edward Kwok Chi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the Company										
	Share capital RMB'000 *note 27*	Share premium account RMB'000 *note 29(a)*	Reserve funds RMB'000 *note 29(b)*	Safety fund surplus reserve RMB'000 *note 29(c)*	Capital contribution reserve RMB'000 *note 29(d)*	Share option reserve RMB'000 *note 28& note 29(e)*	Difference arising from changes in non-controlling interests RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
1 January 2015	17	1,314,942	29,115	8,838	233,000	66,980	(4,115)	39,496	1,688,273	51,083	1,739,356
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	13,889	13,889
Capital injection from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	200	200
Equity-settled share option arrangement	–	–	–	–	–	(486)	–	–	(486)	–	(486)
Provision for safety fund surplus reserve	–	–	–	1,262	–	–	–	(1,262)	–	–	–
Utilisation of safety fund surplus reserve	–	–	–	(881)	–	–	–	881	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	–	–	(94,084)	(94,084)	(1,475)	(95,559)
At 31 December 2015 and 1 January 2016	17	1,314,942*	29,115*	9,219*	233,000*	66,494*	(4,115)*	(54,969)*	1,593,703	63,697	1,657,400
Equity-settled share option arrangement	–	–	–	–	–	87	–	–	87	–	87
Transfer of share option reserves upon forfeiture and expiry of share options	–	–	–	–	–	(30,265)	–	30,265	–	–	–
Provision for safety fund surplus reserve	–	–	–	589	–	–	–	(589)	–	–	–
Utilisation of safety fund surplus reserve	–	–	–	(1,014)	–	–	–	1,014	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	–	–	(126,865)	(126,865)	(1,353)	(128,218)
At 31 December 2016	17	1,314,942*	29,115*	8,794*	233,000*	36,316*	(4,115)*	(151,144)*	1,466,925	62,344	1,529,269

* These reserve accounts comprise the consolidated reserves of RMB1,466,908,000 (2015: RMB1,593,686,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(146,249)**	(127,446)
Adjustments for:			
Finance costs		**43,055**	57,545
Unrealised foreign exchange loss		**916**	44
Bank interest income	*5*	**(1,960)**	(2,526)
Interest income from structured deposits	*5*	**–**	(7,650)
Dividend income from available-for-sale investments	*5*	**–**	(8,785)
Equity-settled share option expense	*28*	**87**	(486)
Depreciation	*7*	**24,357**	32,289
Impairment losses recognised	*7*	**50,942**	79,731
Loss/(gain) on disposal of items of property, plant and equipment	*5*	**219**	(157)
Amortisation of intangible assets	*14*	**5,328**	7,157
Amortisation of prepaid land lease payments	*15*	**247**	270
		(23,058)	29,986
Decrease in trade receivables		**14,194**	12,397
Decrease/(increase) in inventories		**3,724**	(3,844)
Decrease/(increase) in prepayments, deposits, and other receivables		**12**	(4,391)
Increase/(decrease) in trade payables		**1,579**	(627)
Increase/(decrease) in other payables and accruals		**(1,109)**	35,326
Cash generated from/(used in) operations		**(4,658)**	68,847
Interest received		**1,960**	2,526
Income tax paid		**(1,516)**	(4,417)
Net cash flows from/(used in) operating activities		**(4,214)**	66,956
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(88,268)**	(32,500)
Decrease in structured deposits		**–**	302,021
Decrease in available-for-sale investments		**–**	200,000
Interest income from structured deposits		**–**	7,650
Dividend income from available-for-sale investments		**–**	8,785
Proceeds from disposal of items of property, plant and equipment		**32**	352
Acquisition of a subsidiary		**(25,000)**	(100,000)
Prepayment for acquisition of subsidiaries		**(470,550)**	–
Prepayment for acquisition of non-controlling interests in a subsidiary		**(17,000)**	–
Expenditures on exploration and evaluation assets		**–**	(27,732)
Net cash flows from/(used in) investing activities		**(600,786)**	358,576

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(39,604)**	(60,552)
Proceeds from bank and other loans		**200,323**	555,843
Repayment of bank and other loans		**(200,984)**	(1,016,485)
Advance from a related party		**16,673**	–
Repayment to a related party		**(3,368)**	–
Consultation fees paid on financing		**–**	(12,800)
Service charges paid on financing activities		**–**	(161)
Dividends paid		**–**	(153)
Net cash flows used in financing activities		**(26,960)**	(534,308)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(631,960)**	(108,776)
Cash and cash equivalents at beginning of year		**672,738**	781,558
Effect of foreign exchange rate changes		**–**	(44)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*21*	**40,778**	672,738

31 December 2016

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is Room 2509, 25/F, Tower One Lippo Centre, No. 89 Queensway, Hong Kong.

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

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 British Virgin Islands, is in a position to exercise significant influence over the Company.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company %	Principal activities
Directly held:				
Gilberta Holdings Limited	British Virgin Islands 3 November 2009	US$1.00	100.0	Investment holding
Indirectly held:				
Next Horizon	Hong Kong 3 November 2009	HK$1.00	100.0	Investment holding
Yunnan Next Horizon Polymetallic Investment Limited ("Yunnan Next Horizon")(i)	Mainland China 17 April 2012	RMB600,000,000	100.0	Sale of ore products
Dehong Yinbang Mining Technology Development Company Limited ("Dehong Yinbang")(i)	Mainland China 23 December 2009	US$48,500,000	100.0	Sale of ore products

31 December 2016

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company %	Principal activities
Dehong Yinrun Mining Group Company Limited ("Dehong Yinrun")(ii)	Mainland China 7 January 2010	RMB800,000,000	100.0	Sale of ore products
Kunrun(iii)	Mainland China 7 January 2010	RMB56,000,000	99.0	Mining, ore processing and sale of lead-zinc-silver ore products
Dakuangshan Company(iv)	Mainland China 12 February 2007	RMB85,000,000	90.0	Mining, ore processing and sale of lead-zinc ore products
Liziping Company(v)	Mainland China 15 May 2007	RMB20,000,000	90.0	Mining, ore processing and sale of lead-zinc ore products
Menghu Company(vi)	Mainland China 4 June 2008	RMB3,000,000	90.0	Mining and sale of lead-zinc ore products
Harbor Star	Myanmar 11 June 2014	MMK500,000,000	90.0	Mining and sale of lead-zinc ore products

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

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

(iii) As at 31 December 2016, 99% of the equity interests in Kunrun (2015: 99%) were pledged to secure the Group's other loans (note 25(b)).

(iv) As at 31 December 2016, 90% of the equity interests in Dakuangshan Company (2015: 90%) were pledged to secure the Group's other loans (note 25(b)).

(v) As at 31 December 2016, 90% of the equity interests in Liziping Company (2015: 90%) were pledged to secure the Group's other loans (note 25(b)).

(vi) As at 31 December 2016, 90% of the equity interests in Menghu Company (2015: 90%) were pledged to secure the Group's other loans (note 25(b)).

2.1 BASIS OF PREPARATION

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

Going concern basis

During the year ended 31 December 2016, the Group incurred a consolidated net loss of RMB128,218,000 (2015: RMB95,559,000) and had net cash outflows from operating activities of RMB4,214,000 (2015: net cash inflow from operating activities of RMB66,956,000). As at 31 December 2016, the Group had net current liabilities of RMB707,752,000.

In view of these circumstances, the Directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

(a) As at 31 December 2016, the Group's total borrowings amounted to RMB505,182,000, all of which were drawn down from two separate three-year banking facility agreements aggregating RMB3.2 billion due in June 2017. On 9 January 2017, the bank has agreed in writing to extend the period of the first banking facility agreement amounting to RMB1.4 billion (the "First Banking Facility Agreement") to June 2018 and the second banking facility agreement amounting to RMB1.8 billion (the "Second Banking Facility Agreement") to December 2018.

(b) The Group has budgeted and laid out its business plan for the year ending 31 December 2017, and seeks to attain profits from the two major projects below:

    (i) to expand the operation of the Aung Jiujia Mine in Myanmar which has already begun production; and

    (ii) to ensure the acquisition of Hua Xing Global Limited pursuant to the agreement dated 8 January 2017 will proceed to completion smoothly and to manage the production of the GPS Mine in Myanmar following the completion of the acquisition according to plan.

    The Group estimates that the above measures would bring about sufficient cash from sales to ensure that the Group will continue as a going concern. At the same time, through the operation of the Group's mines in Myanmar, the Group seeks to secure quality resources of non-ferrous metals to enhance the Group's operation and financials.

2.1 BASIS OF PREPARATION (continued)

Going concern basis (continued)

(c) The Group is seeking new investment and business opportunities with the aim to attain profitable and positive cash flow operations. In order to increase revenue and profit in 2017, the Group will ramp up the mining and processing capacity of acquired mines located in Myanmar. In addition, the Group from time to time reviews its investment projects and may adjust its investment strategies in order to enhance the cash flow position of the Group whenever it is necessary.

(d) The Group is actively conducting reinforcement work for the damaged tunnels at Shizishan Mine caused by flood to resume production with the aim to increase profit and improve cash flow position.

(e) The Group has taken, or is taking, stringent measures to tighten cost controls over administrative and other operating expenses aiming at improving the working capital and cash flow position of the Group including:

(i) Closely monitoring the daily operating expenses: The Group continues to adopt the management approach of "increasing revenues" and "reducing costs" simultaneously, to strictly control the Group's expenses comprehensively.

(ii) Centralization and streamlining: the Group has terminated its management office in Chengdu, China and rented out the office space, and consolidated its management office in Yunnan, China, where the major mines are located in order to save costs and facilitate management. At the same time, the Group has substantially streamlined its operation to reduce its administrative expenses (including the relocation of the Hong Kong office, which has reduced the rental expenses significantly).

(iii) The Group has downsized its direct workforce. As at 31 December 2016, the Group's number of direct employees had been reduced by an aggregate 23.17% when compared to that as at 31 December 2015, and as a result the Group had lowered the amount of employee expenses of the Group by approximately 22.3%.

(f) The Group is actively following up with its debtors on outstanding receivables with an aim of agreeing a repayment schedule with each of them.

The Directors of the Company have reviewed the Group's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2016 on a going concern basis.

2.1 BASIS OF PREPARATION (continued)

Going concern basis (continued)

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

The Audit Committee of the Board has confirmed that it has objectively and critically reviewed the measures mentioned above. The Audit Committee of the Board and the Board have confidence in the Group's management and concurred with the management's view that the Group's business plan for the year ending 31 December 2017 is feasible and achievable.

The Group has actively implemented, or is actively implementing, all the improvement targets outlined above for the purposes of increasing profits and improving the cash flow position of the Group, in order to remove material uncertainties relating to the going concern of the Group for the year ending 31 December 2017.

Throughout the year 2017, the Audit Committee and the Board will monitor and review the Group's 2017 business plan and cash flow projection timely and update deemed necessary and appropriate.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs

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

31 December 2016

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarification to IFRS 15 Revenue from Contracts with Customers*[2]
Amendments to IAS 40	*Transfers of Investment Property*[2]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Annual Improvements 2014–2016 Cycle	*Amendments to IFRS 12 Clarification of the Scope of the Standard*[1]
Annual Improvements 2014–2016 Cycle	*Amendments to IFRS 1 Deletion of short-term Exemptions for First-time Adopters*[2]
Annual Improvements 2014–2016 Cycle	*Amendments to IAS 28 Measuring an Associate or Venture at Fair Value*[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined

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

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

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

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases — Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

Merger accounting for business combinations under common control

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

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

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

Mining rights

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

Exploration rights and assets

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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

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

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

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

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

Income tax

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

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

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

Government grants

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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

Foreign currencies

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

Share-based payments

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

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

Other employee benefits

Pension schemes

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

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

Housing fund

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

Estimation uncertainty

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

(a) Impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgements. An estimate for doubtful debts is made when collection of the full amount under the invoice is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying amount of receivables and thus the impairment loss in the period in which such estimate is changed. The impairment provision for trade and other receivables as at 31 December 2016 aggregating RMB80,322,000 (2015: RMB29,380,000). Further details are given in notes 19 and 20(c) to the financial statements.

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

The Group's operating subsidiaries in Mainland China are subject to PRC CIT. As a result of the fact that certain matters relating to CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision for CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provision in the period in which the final outcome is determined. The carrying amount of PRC CIT payable at 31 December 2016 was RMB93,616,000 (2015: RMB95,132,000).

(c) Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and changes in mine resources. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record an impairment provision for technically obsolete assets that have been abandoned. The carrying amount of property, plant and equipment at 31 December 2016 was RMB715,890,000 (2015: RMB629,288,000).

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(d) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets at 31 December 2016 was RMB73,909,000 (2015: RMB55,878,000). Further details are given in note 17 to the financial statements.

(e) Mine reserves

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

(f) Exploration and evaluation assets

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

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(g) Provision for rehabilitation

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which are discounted at a rate reflecting the term and nature of the obligation (7.68% as at 31 December 2016) to their present value. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in the discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. The carrying amount of provision for rehabilitation at 31 December 2016 was RMB19,613,000 (2015: RMB18,297,000).

(h) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. Management reassesses these estimates at the end of each reporting period. The carrying amount of inventories at 31 December 2016 was RMB23,216,000 (2015: RMB26,940,000).

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

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Definite life non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The impairment provisions for property, plant and equipment and intangible assets as at 31 December 2016 were RMB50,351,000 (2015: RMB50,351,000).

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 year:

	2016		2015	
	RMB'000	%	RMB'000	%
Lead-silver concentrates	10,401	45.6	60,832	65.8
Zinc-silver concentrates	12,400	54.4	31,677	34.2
	22,801	100.0	92,509	100.0

Geographical information

(a) *Revenue from external customers*

All external revenue of the Group during each of the two years ended 31 December 2016 and 2015 was attributable to customers established in Mainland China, the place of domicile of the Group's operating entities.

(b) *Non-current assets*

	2016 RMB'000	2015 RMB'000
Mainland China	1,517,577	1,505,763
Myanmar	679,455	138,889
	2,197,032	1,644,652

* It includes payments in advance in respect of acquisition of subsidiaries amounted to RMB478,877,000 (note 16(a) & (b)) (2015: Nil) and acquisition of non-controlling interest in a subsidiary amounted to RMB17,000,000 (note 16(c)) (2015: Nil).

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4. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

Entity-wide disclosures (continued)

Information about major customers

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

	2016 RMB'000	2015 RMB'000
Customer A	8,271	–
Customer B	5,338	–
Customer C	4,095	–
Customer D	–	36,526
Customer E	–	34,459
Customer F	–	11,374

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2016 RMB'000	2015 RMB'000
Dividend income from available-for-sale investments	–	8,785
Interest income from structured deposits	–	7,650
Bank interest income	1,960	2,526
Gain on disposal of items of property, plant and equipment	–	157
Rental income	570	–
Others	10	9
	2,540	19,127

6. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on bank and other loans	35,339	49,765
Consultation fees in respect of financing	6,400	6,400
Service charges paid on financing activities	–	161
Interest on discounted bills receivable	–	1,484
Unwinding of a discount *(note 26)*	1,316	1,219
Foreign exchange losses	916	–
	43,971	59,029

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7. LOSS BEFORE TAX

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

	Notes	**2016 RMB'000**	2015 RMB'000
Cost of inventories sold		**23,861**	56,569
Staff costs (including Directors' and chief executives' remuneration *(note 8)*):			
Wages and salaries		**13,876**	18,550
Equity-settled share option expense *(note 28)*		**87**	(486)
Pension scheme contributions			
— Defined contribution fund		**673**	781
		14,636	18,845
Depreciation of items of property, plant and equipment	*12*	**23,921**	32,289
Depreciation of an investment property	*13*	**436**	–
Amortisation of intangible assets ^	*14*	**5,328**	7,157
Amortisation of prepaid land lease payments ^	*15*	**247**	270
Depreciation and amortisation		**29,932**	39,716
Impairment losses recognised on:			
Property, plant and equipment		**–**	6,205
Intangible assets		**–**	44,146
Trade receivables	*19*	**14,893**	29,380
Other receivables	*20(c)*	**36,049**	–
Total impairment losses recognised		**50,942**	79,731
Auditors' remuneration		**4,500**	4,500
Operating lease rentals		**1,001**	1,286
Foreign exchange losses		**921**	29

^ 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.

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

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

	2016 **RMB'000**	2015 RMB'000
Fees	**1,995**	3,314
Other emoluments:		
Salaries, allowances and benefits in kind	**1,086**	1,137
Equity-settled share option expense	**20**	793
Termination benefits	**469**	–
Pension scheme contributions		
— Defined contribution fund	**17**	18
	1,592	1,948
	3,587	5,262

During the years ended 31 December 2015 and 2016, certain Directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 28 to the financial statements. The fair value of the shares and such options, which are recognised in profit or loss over the vesting period, was determined as at the date of grant, and was reversed in profit or loss at the date of forfeiture, and the amounts included in the financial statements for the current year and the prior year were included in the above Directors' and chief executive's remuneration disclosures.

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

(a) Independent non-executive Directors

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

	Fees RMB'000	Termination benefits RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
2016				
Mr. Christopher Michael Casey[(i)]	**303**	**189**	**–**	**492**
Mr. William Beckwith Hayden[(i)]	**263**	**164**	**–**	**427**
Mr. Huang Guoxin[(ii)]	**55**	**–**	**–**	**55**
Mr. Barry Sang Quan[(ii)]	**55**	**–**	**–**	**55**
Mr. Miu Edward Kwok Chi	**665**	**–**	**–**	**665**
	1,341	**353**	**–**	**1,694**
2015				
Mr. Christopher Michael Casey	722	–	166	888
Mr. William Beckwith Hayden	629	–	166	795
Mr. Miu Edward Kwok Chi	628	–	166	794
	1,979	–	498	2,477

(i) Mr. Christopher Michael Casey and Mr. William Beckwith Hayden resigned as the Company's independent non-executive Directors on 26 May 2016.

(ii) Mr. Huang Guoxin and Mr. Barry Sang Quan were appointed as the Company's independent non-executive Directors on 8 September 2016.

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Termination benefits RMB'000	Total RMB'000
2016						
Executive Directors						
Mr. Ran Xiaochuan	–	600	7	–	–	607
Mr. Lei Dejun[(i)]	–	486	10	20	–	516
	–	1,086	17	20	–	1,123
Non-executive Directors						
Mr. Lee Kenneth Jue	470	–	–	–	–	470
Mr. Andrew Joseph Dawber[(ii)]	184	–	–	–	116	300
	654	–	–	–	116	770
	654	1,086	17	20	116	1,893
2015						
Executive Directors						
Mr. Ran Xiaochuan	23	693	7	55	–	778
Mr. Lei Dejun	23	381	10	236	–	650
Mr. Li Chang Zhen	120	–	–	–	–	120
Mr. Yin Bo	27	–	–	–	–	27
	193	1,074	17	291	–	1,575
Non-executive Directors						
Mr. Lee Kenneth Jue	439	–	–	–	–	439
Mr. Andrew Joseph Dawber	439	–	–	–	–	439
Mr. Hu Shuo	264	–	–	–	–	264
Mr. Ran Xiaochuan	–	63	1	4	–	68
	1,142	63	1	4	–	1,210
	1,335	1,137	18	295	–	2,785

(i) Mr. Lei Dejun resigned as the Company's executive Director on 9 May 2016.

(ii) Mr. Andrew Joseph Dawber resigned as the Company's executive Director on 26 May 2016.

There was no arrangement under which a Director or a chief executive waived or agreed to waive any remuneration during the year (2015: Nil).

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

(c) Five highest paid employees

The five highest paid employees during the year included three (2015: four) Directors, details of whose remuneration are set out above. Details of the remuneration for the year of the remaining two (2015: one) highest paid employee who is neither a Director nor a chief executive of the Company, are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	966	480
Pension scheme contributions	10	–
Equity-settled share option expense	56	430
	1,032	910

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

	Number of employees	
	2016	2015
Nil to HK$1,000,000	2	–
HK$1,000,001 to HK$2,000,000	–	1
	2	1

9. INCOME TAX

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

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

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:

	2016 RMB'000	2015 RMB'000
Deferred *(note 17)*	(18,031)	(31,887)

9. INCOME TAX (continued)

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

	2016 RMB'000	2015 RMB'000
Loss before tax	**(146,249)**	(127,446)
Add: non-assessable gains earned by the Company*	**(70,374)**	(57,274)
Loss before tax generated by Hong Kong and PRC subsidiaries	**(216,623)**	(184,720)
Tax benefit at the respective statutory tax rates:		
— PRC subsidiaries, at 25%	**(38,691)**	(33,238)
— Hong Kong subsidiary, at 16.5%	**(10,207)**	(8,541)
Expense not subject to tax	**10,206**	8,534
Tax losses not recognised	**13,284**	7
Expenses not deductible for tax	**1,222**	1,351
Write-off deferred tax assets recognised in prior years *(note 17)*	**6,155**	–
Income tax credit	**(18,031)**	(31,887)

* Gains earned by the Company during each of the two years ended 31 December 2016 and 2015 mainly represent foreign exchange gains, which are not taxable.

10. DIVIDENDS

At a meeting of the Directors held on 26 July 2016, the Directors of the Company resolved not to pay interim dividends to shareholders (2015 interim dividend: Nil).

At a meeting of the Directors held on 14 February 2017, the Directors of the Company resolved not to pay final dividends to shareholders (2015 final dividend: Nil).

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

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

No adjustment has been made to the respective basic loss per share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Company's shares during the current and the prior years.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infra-structure RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
31 December 2016							
Cost:							
At 1 January 2016	48,487	291,805	5,838	8,318	403,743	22,863	781,054
Additions	–	1,365	96	6	115,467	2,676	119,610
Transferred from CIP	1,679	583	–	–	1,191	(3,453)	–
Transferred to investment property *(note 13)*	(11,933)	–	–	–	–	–	(11,933)
Disposals	–	(319)	–	–	–	–	(319)
At 31 December 2016	38,233	293,434	5,934	8,324	520,401	22,086	888,412
Accumulated depreciation and impairment:							
At 1 January 2016	9,192	70,716	4,634	6,500	60,724	–	151,766
Provided for the year	1,911	17,989	358	1,038	2,625	–	23,921
Transferred to investment property *(note 13)*	(3,097)	–	–	–	–	(3,097)	–
Disposals	–	(68)	–	–	–	–	(68)
At 31 December 2016	8,006	88,637	4,992	7,538	63,349	–	172,522
Net carrying amount:							
At 1 January 2016	39,295	221,089	1,204	1,818	343,019	22,863	629,288
At 31 December 2016	30,227	204,797	942	786	457,052	22,086	715,890
31 December 2015							
Cost:							
At 1 January 2015	48,487	287,375	5,799	9,369	293,263	62,627	706,920
Additions	–	1,291	36	–	69,300	3,151	73,778
Acquisition of a subsidiary	–	–	3	–	–	1,411	1,414
Transferred from CIP	–	3,146	–	–	41,180	(44,326)	–
Disposals	–	(7)	–	(1,051)	–	–	(1,058)
At 31 December 2015	48,487	291,805	5,838	8,318	403,743	22,863	781,054
Accumulated depreciation and impairment:							
At 1 January 2015	6,860	48,035	3,659	5,746	49,835	–	114,135
Provided for the year	2,332	18,534	975	1,617	8,831	–	32,289
Impairment recognised for the year	–	4,147	–	2,058	–	6,205	
Disposals	–	–	–	(863)	–	–	(863)
At 31 December 2015	9,192	70,716	4,634	6,500	60,724	–	151,766
Net carrying amount:							
At 1 January 2015	41,627	239,340	2,140	3,623	243,428	62,627	592,785
At 31 December 2015	39,295	221,089	1,204	1,818	343,019	22,863	629,288

12. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) As at 31 December 2016, 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 RMB7,555,000 (2015: RMB8,081,000). The Group's plant can only be sold, transferred or mortgaged when the relevant BOCs have been obtained.

(b) As at 31 December 2016, the Group's plant with a net carrying amount of approximately RMB7,555,000 (2015: RMB8,081,000) 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 2016, the Group's property, plant and machinery with a net carrying amount of RMB63,997,000 (2015: RMB72,479,000) were pledged to secure certain bank and other loans granted to the Group (note 25(a) & (b)).

13. INVESTMENT PROPERTY

	31 December 2016 RMB'000
Cost	11,933
Accumulated depreciation	(3,533)
Net carrying amount	8,400
Opening net carrying amount	–
Transfer from property, plant and equipment, net of accumulated depreciation *(note 12)*	8,836
Accumulated depreciation provided during the year	(436)
Closing net carrying amount	8,400

As at 31 December 2016, the fair value of the investment property was estimated to be approximately RMB10,588,000 (2015: not applicable). The valuation was performed by Sichuan Gongchengxin Real Estate and Land Appraisal Company Limited, independent professionally qualified valuers. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The valuation was determined using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is the price per square metre. The fair value measurement hierarchy of the investment property requires certain significant unobeservable input (level 3).

The investment property is leased to a third party under an operating lease.

14. INTANGIBLE ASSETS

	Mining rights RMB'000	Exploration and evaluation assets RMB'000	Total RMB'000
31 December 2016			
Cost at 1 January 2016, net of accumulated amortisation and impairment	458,210	281,781	739,991
Additions	707	–	707
Amortisation provided during the year	(5,328)	–	(5,328)
At 31 December 2016	453,589	281,781	735,370
Analysed as:			
Cost	535,357	281,781	817,138
Accumulated amortisation	(37,622)	–	(37,622)
Impairment	(44,146)	–	(44,146)
Net carrying amount	453,589	281,781	735,370
31 December 2015			
Cost at 1 January 2015, net of accumulated amortisation and impairment	372,038	257,278	629,316
Additions	–	24,503	24,503
Acquisition of a subsidiary	137,475	–	137,475
Amortisation provided during the year	(7,157)	–	(7,157)
Impairment recognised for the year	(44,146)	–	(44,146)
At 31 December 2015	458,210	281,781	739,991
Analysed as:			
Cost	534,650	281,781	816,431
Accumulated amortisation	(32,294)	–	(32,294)
Impairment	(44,146)	–	(44,146)
Net carrying amount	458,210	281,781	739,991

As at 31 December 2016, the Group's intangible assets with a net carrying amount of approximately RMB61,902,000 (2015: RMB61,902,000) were pledged to secure certain bank and other loans granted to the Group (note 25(a) & (b)).

15. PREPAID LAND LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	**12,317**	12,587
Recognised during the year	**(247)**	(270)
Carrying amount at 31 December	**12,070**	12,317
Current portion included in prepayments, deposits and other receivables *(note 20)*	**(270)**	(270)
Non-current portion	**11,800**	12,047

As at 31 December 2016, the Group's prepaid land lease payments with a net carrying amount of approximately RMB11,800,000 (2015: RMB12,047,000) were pledged to secure certain bank and other loans granted to the Group (note 25(a) & (b)).

16. PAYMENTS IN ADVANCE

	Notes	2016 RMB'000	2015 RMB'000
In respect of the purchase of:			
Prepaid land lease payments		**11,883**	11,883
Property, plant and equipment		**–**	25,897
Exploration rights		**2,177**	9,911
Acquisition of subsidiaries	*(a) & (b)*	**478,877**	–
Acquisition of non-controlling interest in a subsidiary	*(c)*	**17,000**	–
		509,937	47,691

Notes:

(a) Prepayment of RMB95,000,000 made to Mr. Wang Deyong ("Mr. Wang"), an independent third party in respect of the proposed acquisition of the entire equity interest in Hua Xing Global Limited and its subsidiaries ("Hua Xing Group"), pursuant to a framework agreement of equity transfer entered into between the Group and Mr. Wang dated 14 December 2016. On 8 January 2017, the Group and Mr. Wang entered into an equity transfer agreement in respect of the foresaid acquisition at a consideration of RMB101,500,000. Particulars of such acquisition were set out in the Company's announcement dated 8 January 2017.

(b) Prepayments of RMB383,877,000 made to independent third parties (the "Sellers") in respect of proposed acquisitions of the entire equity interest in six copper, lead, zinc, silver mining companies of Myanmar, pursuant to six framework agreements of equity transfer entered into between the Group and the Sellers on 17 December 2016.

(c) Prepayments of RMB17,000,000 made to Ms. Ohn Mar Win ("Ms. OHN") in respect of the proposed further acquisition of 9% equity interest in Harbor Star (the Aung Jiujia Mine is owned by Harbor Star), pursuant to a framework agreement of equity transfer entered between the Group and Ms. OHN on 26 December 2016.

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17. DEFERRED TAX

The movements in deferred tax assets are as follows:

	Provision for impairment RMB'000	Accrued interest expenses RMB'000	Losses available for offsetting against taxable profits RMB'000	Unrealised profit from intra-group sales RMB'000	Provision for rehabi-litation RMB'000	Excess tax depreciation over book value of fixed assets RMB'000	Total RMB'000
At 1 January 2015	–	5,922	15,315	492	882	1,380	23,991
Deferred tax credited/ (charged) to profit or loss during the year	19,933	–	11,794	(68)	305	(77)	31,887
At 31 December 2015 and 1 January 2016	19,933	5,922	27,109	424	1,187	1,303	55,878
Deferred tax credited/ (charged) to profit or loss during the year *(note 9)*	12,735	–	11,396	(68)	161	(38)	24,186
Write-off during the year *(note 9)*	–	–	(6,155)	–	–	–	(6,155)
At 31 December 2016	32,668	5,922	32,350	356	1,348	1,265	73,909

The Group has tax losses arising in Mainland China of RMB196,409,000 (2015: RMB108,436,000) that expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses of RMB67,009,000 (2015: Nil) as they have arisen in certain subsidiaries that have been loss-making in 2016 and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Deferred tax assets recognised in respect of these losses of RMB129,400,000 (2015: RMB108,436,000) arising from certain other subsidiaries that have been loss making in 2016 are considered probable. Based on management's profit forecast projections, taxable profits will be available against which the tax losses can be utilised within five years before the expiry of the unused tax losses.

At 31 December 2016, the Group had tax losses arising in Hong Kong of RMB3,412,000 (2015: RMB3,403,000) that are available indefinitely for offsetting against future taxable profits of its Hong Kong subsidiary in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

17. DEFERRED TAX (continued)

At 31 December 2016, no deferred tax liability has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences as associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB293,412,000 (2015: RMB411,718,000).

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

18. INVENTORIES

	2016 **RMB'000**	2015 RMB'000
Raw materials	**8,004**	9,118
Spare parts and consumables	**1,506**	1,064
Finished goods	**13,706**	16,758
	23,216	26,940

19. TRADE RECEIVABLES

	2016 **RMB'000**	2015 RMB'000
Trade receivables	**34,451**	95,577
Impairment	**(33,390)**	(29,380)
	1,061	66,197

Except for a certain customer with a nine-month credit term, the Group granted a credit term of three months to other customers. For new customers identified in 2016, full payment in advance is required. In view of the fact that the Group sells all of its products to a small number of customers, there is a high level of concentration of credit risk. The Group seeks to maintain strict control over the settlement of its outstanding receivables and has a credit control department to minimise credit risk. The Group does not hold any collateral or other credit enhancements over trade receivables. Trade receivables are non-interest-bearing and unsecured.

19. TRADE RECEIVABLES (continued)

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:

	2016 RMB'000	2015 RMB'000
Within 3 months	346	3,490
6 to 9 months	–	55,038
9 to 12 months	–	7,669
1 to 2 years	715	–
	1,061	66,197

The movements in provision for impairment of trade receivables during the year are as follows:

	RMB'000
At 1 January 2016	29,380
Impairment losses recognised *(note 7)*	14,893
Transfer to impairment of other receivables *(note 20(c))*	(10,883)
	33,390

Impairment of trade receivables recognised during the year ended 31 December 2016 represented a provision for individually impaired trade receivables of RMB14,893,000 (2015: RMB18,497,000) with a carrying amount before provision of RMB33,390,000 (2015: RMB47,930,000). The individually impaired trade receivables related to a certain customer 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 the receivables may not be recoverable. As such, the Group had further made an impairment provision of RMB14,893,000 for the year ended 31 December 2016. 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:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	346	715
1 to 2 years past due	715	–
Amounts due and impaired, net of provision		
— Neither past due nor impaired	–	57,813
— Less than 3 months past due	–	7,669
	1,061	66,197

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19. TRADE RECEIVABLES (continued)

As of 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 the receivables of RMB715,000 which are past due but not impaired as the balances are still considered fully recoverable based on the recent credit reviews conducted by management.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2016 RMB'000	2015 RMB'000
Current portion:			
Prepayments in respect of:			
— purchase of inventories		**1,093**	1,094
— professional fees	*(a)*	**260**	6,529
— prepaid land lease payments to be amortised within one year	*15*	**270**	270
— others		**1,609**	1,568
Deposits in respect of:			
— preliminary survey for certain lead and zinc mines	*(b)*	**–**	8,327
— others		**473**	610
Other receivables in respect of:			
— transfer from trade receivables	*(c)*	**46,932**	–
— staff advances		**812**	858
		51,449	19,256
Impairment	*(c)*	**(46,932)**	–
		4,517	19,256
Non-current portion:			
Prepayment in respect of purchase of inventories	*(d)*	**214,165**	214,165
Deposits in respect of:			
— environmental rehabilitation		**1,170**	1,170
— others		**300**	300
		215,635	215,635
		220,152	234,891

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes:

(a) The balance as at 31 December 2015 mainly represented 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 covering a period from 1 January 2016 to 31 December 2016, which was released to profit or loss in 2016 according to the service period.

(b) The balance as at 31 December 2015 represented good-faith deposits for conducting a preliminary survey of certain lead and zinc mines located in Myanmar, which was fully settled in December 2016 as the Group entered into framework agreements of equity transfer with the potential vendors on 10 December 2016 and such good-faith deposits were consequently treated as partial prepayment for the acquisitions.

(c) Pursuant to a restructuring arrangement executed by the owner of the Group's customer, namely Ruili Yuxiang Industrial Co., Ltd. ("Yuxiang"), in January 2016, the Group entered into a debtor transfer agreement with Yuxiang and another entity controlled by the owner of Yuxiang on 20 January 2016. As a result, the trade receivable balance with Yuxiang of RMB46,932,000, and the corresponding impairment provision of RMB10,883,000 recognised in 2015, were transferred to other receivables.

However, the transferred balance has not been collected according to the agreed repayment terms in 2016 as a result of the weak market condition. As such, the Group made additional impairment provision of RMB36,049,000 in 2016. Despite such provision and the longer-than-expected repayment period, the Group will initiate necessary actions to recover the receivable in part or in full.

(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.

21. CASH AND CASH EQUIVALENTS

	2016 **RMB'000**	2015 RMB'000
Cash and bank balances	**40,778**	672,738
Cash and cash equivalents	**40,778**	672,738

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21. CASH AND CASH EQUIVALENTS (continued)

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

	2016 RMB'000	2015 RMB'000
RMB	**40,199**	672,637
HK$	**440**	83
US$	**88**	18
MMK	**51**	–
	40,778	672,738

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

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

22. 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:

	2016 RMB'000	2015 RMB'000
Within 1 month	**400**	497
1 to 2 months	**663**	231
2 to 3 months	**749**	281
Over 3 months	**9,116**	8,340
	10,928	9,349

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

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23. OTHER PAYABLES AND ACCRUALS

	Note	2016 RMB'000	2015 RMB'000
Current portion:			
Advance from customers		**2,189**	16,214
Advance from an individual		**7,500**	–
Payables relating to:			
Exploration and evaluation assets		**–**	7,027
Property, plant and equipment		**–**	8,862
Professional fees		**4,255**	4,699
Tax other than income tax		**97,024**	96,424
Payroll and welfare		**154**	315
Mining resource compensation fees		**18,370**	18,137
Mining resource usage fees		**913**	913
Deposits received		**9,500**	6,222
Interest expenses		**4,235**	8,500
Acquisition of a subsidiary	*(a)*	**–**	25,000
Others		**3,164**	2,988
		147,304	195,301
Accruals		**6,073**	4,339
		153,377	199,640
Non-current portion:			
Payables relating to:			
Property, plant and equipment		**14,307**	–
		167,684	199,640

Note:

(a) The balance as at 31 December 2015 represented the remaining consideration payable to an independent third party in relation to the acquisition of a 90% equity interest in Harbor Star by the Group, which was fully settled in 2016.

24. DUE TO A RELATED PARTY

The balance as at 31 December 2016 represents a one-year unsecured shareholder's loan of USD2,550,000 (equivalent to RMB16,673,000) granted by Dameng to the Group on 22 March 2016 for the purpose of the processing plant construction at Aung Jiujia Mine, of which USD500,000 (equivalent to RMB3,368,000) was repaid in May 2016. The interest rate of the shareholder's loan has not been determined. The Directors are of the opinion that the interest rate will approximate to the prevailing bank borrowing rate available for the loans with the similar term and maturity and interest expense has been occured accordingly.

25. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	2016 RMB'000	2015 RMB'000
Bank loans:			
Secured and guaranteed	*(a)*	**99,000**	100,000
Other loans:			
Secured and guaranteed	*(b)*	**406,182**	405,843
		505,182	505,843
Bank loans repayable:			
Within one year		**99,000**	100,000
Other loans repayable:			
Within one year		**406,182**	100,984
In the second year		**–**	304,859
		406,182	405,843
		505,182	505,843
Balances classified as current liabilities		**(505,182)**	(200,984)
Balances classified as non-current liabilities		**–**	304,859

Notes:

(a) The balance as at 31 December 2016 consists of four tranches of one-year interest-bearing bank loans aggregating RMB99,000,000 granted by Ping An Bank in December 2016, which bears interest at a fixed rate of 5.66% per annum and is guaranteed by Mr. Ran Xiaochuan (note 33(a)). Such loans were withdrawn from the Second Banking Facility Agreement guaranteed by Mr. Ran Xiaochuan. In addition, the Group and Ping An Bank entered into a mortgage agreement regarding the Second Banking Facility Agreement in January 2015, which is secured by:

	Net book amount as at 31 December 2016 RMB'000
Secured by:	
Property, plant and equipment	63,997
Intangible assets	61,902
Prepaid land lease payments	11,800

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

Notes: (continued)

(b) Balances as at 31 December 2016 consist of (i) an other loan borrowed from Ping An Bank by way of a gold lease arrangement, with the principal of RMB101,323,000 on 28 July 2016 withdrawn from the First Banking Facility Agreement, which bears interest at a fixed rate of 7.5% per annum with maturity date on 27 July 2017, and is guaranteed by Mr. Ran Xiaochuan (note 33(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 a gold lease arrangement, with the principal of RMB304,859,000 on 24 June 2015 withdrawn from the Second Banking Facility Agreement, which is guaranteed by Mr. Ran Xiaochuan (note 33(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.

26. PROVISION FOR REHABILITATION

	2016 RMB'000	2015 RMB'000
At beginning of year	18,297	17,078
Unwinding of a discount *(note 6)*	1,316	1,219
At end of year	19,613	18,297

27. SHARE CAPITAL

Shares

	2016 RMB'000	2015 RMB'000
Authorised: 38,000,000,000 (2015: 38,000,000,000) ordinary shares of HK$0.00001 each	342	*342*
Issued and fully paid: 1,988,765,000 (2015: 1,988,765,000) ordinary shares of HK$0.00001 each	17	*17*

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

28. 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, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

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

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

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

28. SHARE OPTION SCHEME (continued)

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

	Notes	**Weighted average exercise price HK$ per share**	**Number of options**
As at 1 January 2016			
— share options granted to the independent non-executive Directors ("INEDs")	*(i)*	2.22	42,162,162
— the 2013 Granted Options (as defined in note 28(i))	*(i)*	1.70	70,091,892
Forfeited during the year			
— share options granted to the INEDs	*(ii)*	2.22	(14,054,054)
— the 2013 Granted Options	*(iii)*	1.70	(34,545,946)
Expired during the year			
— share options granted to the INEDs	*(ii)*	2.22	(28,108,108)
As at 31 December 2016			35,545,946

Notes:

(i) The share options outstanding as at 1 January 2016 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 70,091,892 share options granted by the Company on 16 January 2013 at the exercise price of HK$1.70 to certain eligible participants of the Company in respect of their services to the Group in the forthcoming year (the "2013 Granted Options") under the Share Option Scheme.

(ii) The share options granted to two INEDs and certain eligible participants under the 2013 Granted Options were forfeited following the resignation of the participants during the year.

The share options granted to INEDs expired on 13 December 2016.

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

28. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at 31 December 2016 and 31 December 2015 are as follows:

2016

Number of options	**Exercise price per share* HK$**	**Exercise period**
17,772,972	**1.70**	**From 16 January 2014 to 15 January 2018**
8,886,487	**1.70**	**From 16 January 2015 to 15 January 2018**
8,886,487	**1.70**	**From 16 January 2016 to 15 January 2018**
35,545,946		

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		

* 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 Group had 35,545,946 share options exercisable as at 31 December 2016 (2015: 94,731,081). The Group recognised a share option expense of HK$102,000 (equivalent to approximately RMB87,000) during the year (a share option expense reversed in 2015: HK$605,000, equivalent to approximately RMB486,000).

28. SHARE OPTION SCHEME (continued)

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 35,545,946 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 35,545,946 additional ordinary shares of the Company and additional share capital of HK$355 and share premium of at least HK$60,427,753 (before issue expenses).

At the date of approval of these financial statements, the Company had 35,545,946 share options outstanding under the Share Option Scheme, which represented approximately 1.8% of the Company's shares in issue as at that date.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 82 of this annual report.

(a) Share premium account

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

(b) Reserve funds

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

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

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

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

(c) Safety fund surplus reserve

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

(d) Capital contribution reserve

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

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29. RESERVES (continued)

(e) Share option reserve

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

30. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment property (note 13 to the financial statements) under operating lease arrangements, with leases negotiated for terms from 7 April 2016 to 6 April 2022. The terms of the leases generally also require the tenants to pay security deposits.

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 RMB'000
Within one year	800
In the second to fifth years, inclusive	3,200
After five years	202
	4,202

31. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2016 **RMB'000**	2015 RMB'000
Contracted, but not provided for:		
— Exploration and evaluation assets	**17**	5,935
— Property, plant and equipment	**257**	27,578
— Acquisition of a subsidiary	**6,500**	–
	6,774	33,513

32. CONTINGENT LIABILITIES

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

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33. RELATED PARTY TRANSACTIONS

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

	2016 RMB'000	2015 RMB'000
Bank loan guaranteed by		
Mr. Ran Xiaochuan	**99,000**	100,000
Other loan guaranteed by		
Mr. Ran Xiaochuan	**406,182**	405,843

The bank and other loans were guaranteed by Mr. Ran Xiaochuan, the Company's executive Director, for nil consideration (note 25(a) & (b)).

(b) Compensation of key management personnel of the Group:
Details of Directors' and the chief executives' emoluments, which are also the emoluments of the Group's key management are included in note 8 to the financial statements.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and bank balances, trade receivables and other receivables, which arise directly from its operations. Financial liabilities of the Group mainly include trade and other payables, an amount due to a related party and interest-bearing bank and other loans.

Risk management is carried out by the finance department which is led by the Group's executive Directors. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and interest rate risk.

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Substantial amounts of the Group's cash and cash equivalents are held in major reputable financial institutions located in Mainland China, which management believes are of high credit quality. The credit risk of the Group's other financial assets, which are trade receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments before the impairment provision. The Group has no other financial assets which carry significant exposure to credit risk.

As disclosed in note 4, the Group sells its products to a small number of customers. As a result, it faces a high level of concentration of credit risk. The Group manages this risk by requiring full advances from new customers identified during the year before goods delivery and offering standardised credit terms to its old customers for a credit period of three months, and up to nine months for its former largest customer. As disclosed in notes 19 and 20(c), the Group seeks to maintain strict control over its outstanding receivables and senior management regularly reviews the overdue balances. The Group made impairment provisions aggregating RMB50,942,000 (2015: RMB29,380,000) on overdue receivables during the year. Further quantitative data in respect of the Group's exposure to credit risk arising from receivables are disclosed in notes 19 and 20(c) to the financial statements.

In addition, the Group's exposure to credit risk is also influenced by the individual characteristics of each customer and default risk of the industry in which customers operate. During the year, the Group generated its revenue from the sale of lead-silver concentrates and zinc-silver concentrates to trading companies that purchase the Group's products and resell them to smelting companies, thereby exposing the Group to the concentration of credit risk in the refined lead and zinc industry.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and its own funding sources.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2016				
	On Demand RMB'000	Less than 3 months RMB'000	3 to Less than 12 months RMB'000	1 to less than 5 years RMB'000	Total RMB'000
Other payables	25,246	15,191	7,500	14,307	62,244
Trade payables	10,528	400	–	–	10,928
Interest-bearing bank and other loans	–	9,017	516,692	–	525,709
	35,774	24,608	524,192	14,307	598,881

	31 December 2015				
	On Demand RMB'000	Less than 3 months RMB'000	3 to Less than 12 months RMB'000	1 to less than 5 years RMB'000	Total RMB'000
Other payables	50,712	31,636	–	–	82,348
Trade payables	8,852	497	–	–	9,349
Interest-bearing bank and other loans	–	8,715	224,411	315,884	549,010
	59,564	40,848	224,411	315,884	640,707

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits, and interest-bearing bank and other loans. The interest rates and terms of repayment of interest-bearing borrowings are disclosed in note 25 to the financial statements. The Group manages its interest rate exposure arising from its interest-bearing bank and other loans through the use of fixed rates. In addition, the Group has not used any interest rate swaps to hedge against interest rate risk.

In addition, the Group does not consider that it has any significant exposure to the risk of changes in market interest rates from its bank deposits as a reasonably possible change of 25 basis points in the interest rates would have no material impact on the Group's profit or loss during the year.

Fair values

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's financial instruments approximated to their fair values due to the short term to maturity at the end of the reporting period.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group will minimise the capital expenditure and renew or extend its short-term loans as part of capital management.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors. No changes were made in the objectives, policies or processes for managing capital during the year.

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35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,265,849**	1,197,297
CURRENT ASSETS		
Prepayments and deposits	**355**	707
Cash and cash equivalents	**433**	76
Total current assets	**788**	783
CURRENT LIABILITIES		
Due to subsidiaries	**10,494**	6,119
Other payables and accruals	**2,873**	3,152
Total current liabilities	**13,367**	9,271
NET CURRENT LIABILITIES	**(12,579)**	(8,488)
NET ASSETS	**1,253,270**	1,182,809
EQUITY		
Issued capital	**17**	17
Reserves *(note)*	**1,253,253**	1,182,792
Total equity	**1,253,270**	1,182,809

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35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

The movements in the Company's reserves are as follows:

	Share premium account	Capital contribution reserve	Share option reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	1,314,942	233,000	66,980	(488,919)	1,126,003
Equity-settled share option arrangement	–	–	(486)	–	(486)
Total comprehensive income for the year	–	–	–	57,275	57,275
At 31 December 2015 and 1 January 2016	1,314,942	233,000	66,494	(431,644)	1,182,792
Equity-settled share option arrangement *(note 28)*	–	–	87	–	87
Transfer of share option reserve upon forfeiture and expiry of share options	–	–	(30,265)	30,265	–
Total comprehensive income for the year	–	–	–	70,374	70,374
At 31 December 2016	1,314,942	233,000	36,316	(331,005)	1,253,253

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

36. APPROVAL OF THE FINANCIAL STATEMENTS

On 8 January 2017, the Group and Mr. Wang entered into an equity transfer agreement in respect of acquisition of the entire equity interest in Hua Xing at a consideration of RMB101,500,000. Hua Xing and its subsidiaries mainly engage in mining and the sale of lead-silver ore product. Upon completion of the above-mentioned acquisition, Hua Xing and its subsidiaries will become indirectly owned subsidiaries of the Company. Because such acquisition was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 14 February 2017.

GLOSSARY

"2013 Granted Options"	the 157,837,833 share options which were granted to certain grantees on 16 January 2013
"Aung Jiujia Mine"	a lead-zinc mine to which the Harbor Star owns the mining right
"Ag"	the chemical symbol for silver
"AGM"	the annual general meeting of the Company to be held on 6 June 2017
"Articles of Association"	the articles of association of the Company, conditionally adopted on 24 November 2011 and as amended from time to time
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules, as amended from time to time
"China" or "PRC" or "Mainland China"	the People's Republic of China which, for the purpose of this annual report and unless the context suggests otherwise, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"China Polymetallic" or "the Company" or "our Company"	China Polymetallic Mining Limited (中國多金屬礦業有限公司), a limited liability company incorporated under the laws of the Cayman Islands on 30 November 2009
"Chinese Standard"	the PRC classification of solid mineral resources and reserves (中國固體礦產資源／儲備分類標準)
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time
"Competent Person's Report"	the Competent Person's Report, dated 25 November 2011, prepared by Runge Asia Limited, trading as Minarco-MineConsult with respect to the independent technical review and assessment of the Shizishan Mine; under such report, Minarco reviewed the geological and exploration information, completed a mineral resource and ore reserve estimation in compliance with the recommendations of the JORC Code, and reviewed and commented on the appropriateness of the planned mining methods and mine design, potential production profiles, forecast operating and capital expenditure, short and long term development plans, and environmental and social setting, for the Shizishan Mine, which was disclosed as appendix V to the Prospectus

GLOSSARY

"Dakuangshan Company"	Mang City Xindi Mining Company Limited (芒市鑫地礦業有限責任公司), a subsidiary of the Company whose registered office is at Mang City, Yunnan Province, the PRC
"Dakuangshan Mine"	a lead-zinc-silver polymetallic mine located in Mang City, Yunnan Province, the PRC, and operated by Dakuangshan Company
"Dazhupeng Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, the PRC, with respect to which we hold an exploration permit
"Director(s)"	director(s) of the Company
"g/t"	grams per tonne
"Harbor Star" or "Harbor Star Company"	Harbor Star Mining Company Limited, a subsidiary of the Company whose registered office is at Ruian County, Shan State, Myanmar
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"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

GLOSSARY

"kt"	thousand tonnes
"Kunrun"	Yingjiang County Kunrun Industry Company Limited (盈江縣昆潤實業有限公司), a subsidiary of the Company whose registered office is at Yingjiang County, Yunnan Province, the PRC
"Listing"	the listing of our shares on the Hong Kong Stock Exchange
"Listing Date"	14 December 2011
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Liziping Company"	Nujiang Shengjia Chengxin Industrial Company Ltd. (怒江州聖佳誠信實業有限公司), a subsidiary of the Company whose registered office is at Lanping County, Yunnan Province, the PRC
"Liziping Mine"	a lead-zinc-silver polymetallic mine to which the Liziping Company owns the exploration right
"Lushan Mine"	a tungsten-tin polymetallic ore mine located in Yingjiang County, Yunnan Province, the PRC, operated by Xiangcaopo Mining, an independent third party
"Menghu Company"	Meng La Chen Feng Mining Development Company Limited (勐臘縣宸豐礦業開發有限公司), a subsidiary of the Company whose registered office is at Mengla County, Yunnan Province, the PRC
"Menghu Mine"	a lead mine to which the Menghu Company owns the mining right
"mineral resource(s)" or "resource(s)"	a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction, as defined in the JORC Code. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into "inferred," "indicated," and "measured" categories
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

GLOSSARY

"ore reserve(s)" or "reserve(s)"	the economically mineable part of a measured and/or indicated mineral resource, as defined by the JORC Code. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are subdivided, in order of increasing geological confidence, into probable reserves and proved reserves
"Pb"	the chemical symbol for lead
"Prospectus"	the prospectus of the Company dated 2 December 2011 and issued in connection with the IPO
"Reporting Period"	the year ended 31 December 2016
"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 kilometre
"t"	tonne
"the Group"	the Company and its subsidiaries
"tpd"	tonnes per day
"US" or "United States"	the United States of America
"US$" or "US dollar(s)"	United States dollar(s), the lawful currency of the United States
"Xiangcaopo Mining"	Yunnan Xiangcaopo Mining Co., Ltd, a limited liability company in the PRC, currently wholly owned by Li Jincheng, an independent third party
"Zn"	the chemical symbol for zinc

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