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 2017

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Director
Mr. Lei Dejun

Non-Executive Directors
Mr. Yin Bo *(Chairman)*
Mr. Chan Suk Ching
Mr. Zhang Yonghua

Independent Non-Executive Directors
Mr. Ma Shirong
Mr. Chi Hongji

AUDIT COMMITTEE

Mr. Ma Shirong *(Chairman)*
Mr. Chan Suk Ching

NOMINATION AND REMUNERATION COMMITTEE

Mr. Chi Hongji *(Chairman)*
Mr. Ma Shirong
Mr. Yin Bo

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

Mr. Lei Dejun *(Chairman)*
Mr. Chi Hongji
Mr. Zhang Yonghua

STRATEGY COMMITTEE

Mr. Lei Dejun *(Chairman)*
Mr. Yin Bo
Mr. Chan Suk Ching
Mr. Zhang Yonghua

COMPANY SECRETARY

Ms. Chan Wai Ling

AUTHORISED REPRESENTATIVES

Mr. Lei Dejun
Ms. Chan Wai Ling

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN PRC

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

HONG KONG HEAD OFFICE

Room 2509, 25/F
Tower One Lippo Centre
No. 89 Queensway
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

Remarks: Mr. Dong Tao was appointed as an independent non-executive Director on 5 March 2018.

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

INVESTOR RELATIONS CONTACT

Room 2509, 25/F
Tower One Lippo Centre
No. 89 Queensway
Hong Kong

Telephone: +852 2180 7577
Facsimile: +852 2180 7580
E-mail: ir@chinapolymetallic.com

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of Communications
China Merchants Bank
Citibank, N.A.
Ping An Bank

STOCK CODE

2133

WEBSITE ADDRESS

www.chinapolymetallic.com

FINANCIAL HIGHLIGHTS

The Group's summary of published results for the years ended 31 December 2013, 2014, 2015, 2016 and 2017 and the figures of assets, liabilities and non-controlling interests as at 31 December 2013, 2014, 2015, 2016 and 2017 are set out below:

	For the year ended 31 December				
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Revenue	**113,294**	22,801	92,509	187,466	489,859
Cost of sales	**(100,662)**	(23,861)	(56,569)	(90,308)	(126,193)
Gross profit/(loss)	**12,632**	(1,060)	35,940	97,158	363,666
Other income and gains	**2,589**	2,540	19,127	18,270	1,758
Gain on a bargain purchase	**88,369**	–	–	–	–
Selling and distribution costs	**(1,363)**	(605)	(953)	(1,246)	(997)
Administrative expenses	**(36,069)**	(51,708)	(49,166)	(49,027)	(128,630)
Other expenses*	**(69,891)**	(51,445)	(79,765)	(2,944)	(7,629)
Finance costs	**(30,775)**	(43,971)	(52,629)	(41,015)	(12,633)
Profit/(loss) before tax	**(34,508)**	(146,249)	(127,446)	21,196	215,535
Income tax credit/(expenses)	**(8,558)**	18,031	31,887	(9,441)	(75,640)
Profit/(loss) for the year	**(43,066)**	(128,218)	(95,559)	11,755	139,895
Other comprehensive loss:					
Other comprehensive loss to be reclassified to profit or loss in subsequent years:					
Exchange differences on translation of foreign operations	**(578)**	–	–	–	–
Total comprehensive loss for the year	**(43,644)**	(128,218)	(95,559)	11,755	139,895
Loss attributable to:					
Owners of the Company	**(40,754)**	(126,865)	(94,084)	12,264	138,487
Non-controlling interests	**(2,312)**	(1,353)	(1,475)	(509)	1,408
	(43,066)	(128,218)	(95,559)	11,755	139,895
Total comprehensive loss attributable to:					
Owners of the Company	**(41,332)**	(126,865)	(94,084)	12,264	138,487
Non-controlling interests	**(2,312)**	(1,353)	(1,475)	(509)	1,408
	(43,644)	(128,218)	(95,559)	11,755	139,895
Earnings/(loss) per share attributable to ordinary equity holders of the Company (RMB)		restated	restated	restated	restated
— Basic and diluted**	**(0.016)**	(0.063)	(0.047)	0.006	0.069

* For comparison purpose, impairment losses aggregated to RMB63,661,000 in 2017 and RMB50,942,000 in 2016 were included in "Other expenses".

** The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the years 2013 to 2016 have been adjusted and restated for the rights issue on the basis of one rights share for every two existing shares held by shareholders of the company at the price of HK$0.12 per share.

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Non-current assets	**2,532,538**	2,270,941	1,700,530	1,562,208	1,419,885
Current assets	**147,464**	69,572	785,131	1,423,657	770,678
Current liabilities	**719,214**	777,324	505,105	1,229,431	431,937
Non-current liabilities	**95,734**	33,920	323,156	17,078	15,949
Total equity	**1,865,054**	1,529,269	1,657,400	1,739,356	1,742,677
Non-controlling interests	**250,053**	62,344	63,697	51,083	51,592
Equity attributable to the owners of the Company	**1,615,001**	1,466,925	1,593,703	1,688,273	1,691,085

Dear Valued Shareholders,

2017 was a year full of opportunities and challenges. Despite the uncertainties of the outlook for global economic development caused by the volatile global political situations, the supply-side reform as well as the Belt and Road Initiative strategy of the PRC have created new opportunities for the international cooperation as well as transformation and upgrading of the non-ferrous metal industry. While continuing to consolidate our existing business foundation, the Group focused on the long-term development, seizing new opportunities and striving to accelerate the investment and development of our new businesses in Myanmar, which is expected to provide a solid foundation for ensuring a sustainable and healthy growth of the Group's business and reasonable returns for shareholders.

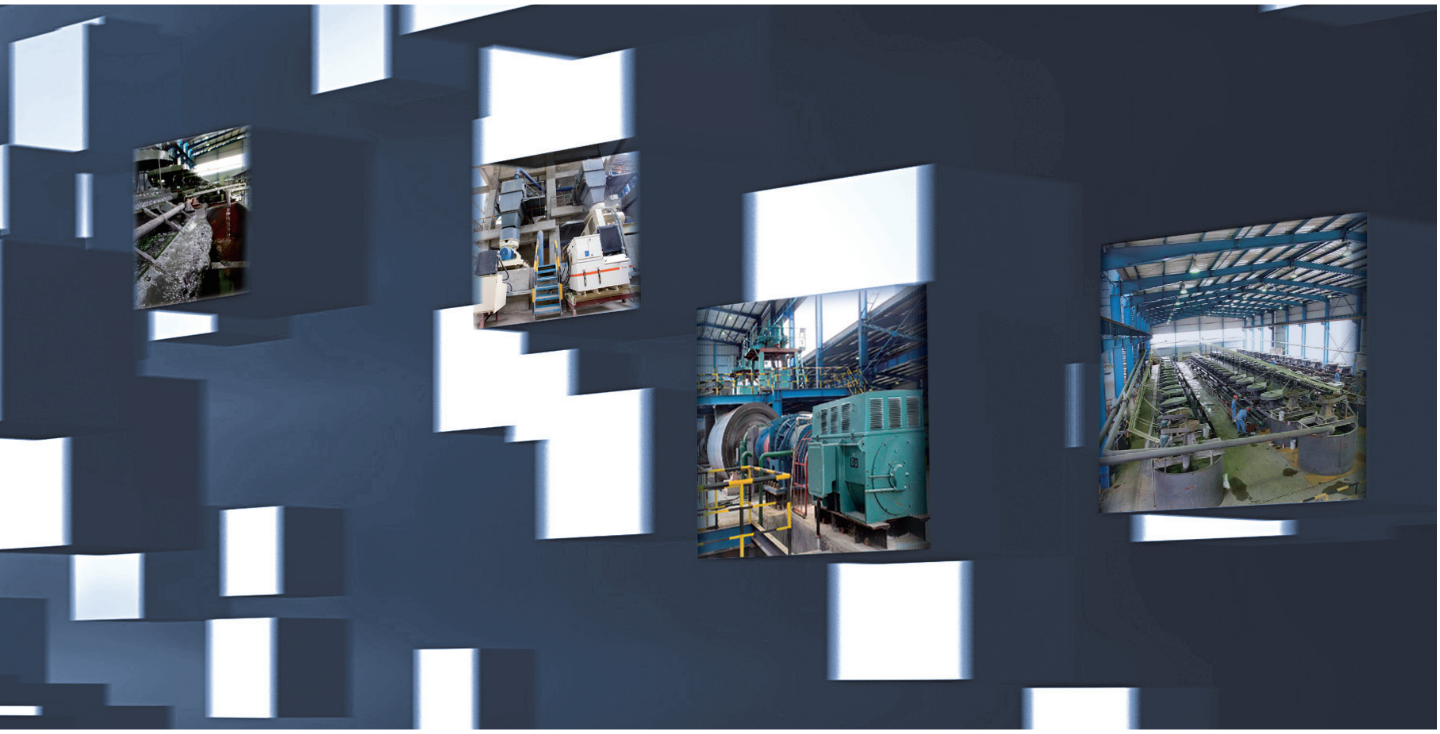
Expanding income sources and cost-saving

Against the severe and highly competitive business conditions, the Company's management continuously upheld the management philosophy of "expanding income sources and cost-saving", endeavoring to boost the production capacity of existing mines and develop domestic subcontracting processing business in the PRC. At the same time, by actively developing our mining projects in Myanmar, acquiring and consolidating mines with quality resources so as to diversifying our businesses, it is expected that it would create new profit growth points for the Group in the future. During the year, the Company acquired GPS JV Mine in Myanmar, therefore our lead and zinc reserves and resources have increased remarkably. The Group also actively commenced mineral ores trading business during the year, which significantly increased our revenue and generated reasonable returns to shareholders. In addition, the Company also enhanced its internal control, strictly scrutinized its capital expenditure and vigorously reduced costs and expenses to maximize the efficiency and effectiveness of our usage of fund.

Optimal management and flexible financing measures

Adhering to the principle of "optimizing management, improving quality and increasing efficiency", the Company has constantly improved its management system details, strengthened safe production management, enhanced duty performance efficiency and operational efficiency. Despite the changes on the composition of the Board and the committees during the year, the Company has continued to keep attention to the diversity and complementarity of the Board and committed to give full consideration to the Directors' experience and expertise in finance, law, mineral resources and other aspects, with the objective to promote effective and efficient standardized operation and improve our level of corporate governance.

In addition, the management of the Company also adopted various fund raising channels in a flexible manner to reduce financing costs and ensure sufficient cash flow. The Company conducted and completed the placing of 397,753,000 new Shares in May 2017 with net proceeds of HK$80,192,000. And subsequently in October 2017, the Company issued



another 1,193,259,000 rights shares on the basis of one rights share for every two existing shares held by the qualifying shareholders of the Company, raising net proceeds of approximately HK$140,326,000. The proceeds from the above financing activities, namely the placing of new shares and rights issue, would mainly use for the repayment of financial facilities provided by banks, development of the newly acquired mines in Myanmar and general working capital.

Market orientation and forward looking

The Company insists on the market orientation and aims at the long-term development. During the year, the management kept the market dynamics in mind and adjusted its production and operation strategy on a timely and flexible manner. At the same time, the management also kept close eye on the policy dynamics in the region where our business were operated, seizing the potential business opportunities for development brought by the Belt and Road initiative and actively exploring the emerging market in Myanmar.

Looking forward to 2018, the Company will continue to implement cost saving and efficiency enhancement corporate governance strategy and policy. It will seize the market opportunities arising from market restructuring and enterprise differentiation. It will also continue in exploring and utilizing mineral resources as its core businesses, and strengthening resource exploration. Capitalizing the business opportunities brought by the Belt and Road initiative and globalization, the Company will cautiously grasp the overseas merger and acquisition opportunities, expand the scale of mining resources, increase resource reserves and optimize industrial layout in order to diversify its business development and profit drivers, and enhance the synergy effect of the new acquisitions. Meanwhile, it will accelerate the pace of structural adjustment and business upgrading, in order to achieve long-term and sustainable development of the Company.

I would like to take this opportunity to thank the members of the Board, the management and the staff for their unremitting efforts in the development of the Company. On behalf of the Board, I also wish to express my sincere gratitude to the shareholders, customers, suppliers and business partners for their support and trust.

By Order of the Board
China Polymetallic Mining Limited
Yin Bo
Chairman

Hong Kong,12 February 2018

MARKET REVIEW

In 2017, as plagued by elections in European countries, continued uncertainties surrounding the Brexit, frequent terrorist events in the US and Europe, and geopolitical tensions in the Korean peninsula, the global economic outlook remained uncertain. However, given the continuous comprehensively deepening reform in the PRC and the ongoing transformation and upgrading of Chinese traditional industries, the emerging sectors of strategic importance grew rapidly, while the emergence of renewable energy industries, electrified railways and high-end equipment manufacturing industries created substantial demands for non-ferrous metal industry. Meanwhile, the sales in real estate market and home appliance market continuously increased coupled with the stable growth of domestic infrastructure investments, all these favorable factors together gave a positive impact on the prices of base metals and the demands for non-ferrous metal market also increased accordingly.

In 2017, the prices of major commodities continued the upward trend since 2016 and currently the price index still maintains at high level. Among the major categories of major commodities, the non-ferrous metals recorded remarkable growth, with the prices of lead, zinc and silver all increased as compared with the corresponding period of last year.

Meanwhile, the PRC government continued to pay important attention and implement the Belt and Road initiative, in particular the cooperation with government of Myanmar. Since the National League for Democracy led by Aung San Suu Kyi started its formal governance of the new government of Myanmar in April 2016, Myanmar had accelerated its pace of political and economic reforms and opening-up. It promulgated a series of innovative policies with laws and regulations to promote foreign investment and improve domestic business environment, attracting a large number of foreign investors. With abundant mineral resources which yet to be explored, Myanmar is an important connecting point of the Belt and Road initiative of the PRC, which is a vital part of the China-Indochina Peninsula Economic Corridor and the Bangladesh-China-India-Myanmar Economic Corridor and also a crucial member of China-ASEAN Free Trade Zone.

There is a huge cooperation potential between China and Myanmar with obvious complementary advantages between them. The Belt and Road strategy is also in line with the Myanmar government's policy of expanding exports and promoting the diversity of the export market. The long-term continuous cooperation between the two countries provides a sound business environment for the Group to invest in China and Myanmar and is conducive to the sustainable development of the Group.

BUSINESS OVERVIEW

During the year, the major production and operation activities of the Group focused on Aung Jiujia Mine, GPS JV Mine, Dakuangshan Mine, Shizishan Mine and Menghu Mine. For Liziping Mine, Dazhupeng Mine and Lushan Mine,we are processing the renewal of exploration permits and conducting all necessary works for the preparation of application for mining permit.

OPERATING MINE — AUNG JIUJIA MINE

Mineral resources and reserves of Aung Jiujia Mine

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 covers an area of 0.2 sq. km..

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 Aung Jiujia Mine in June 2014. A report of the geological exploration conducted at Aung Jiujia Mine was issued in April 2015. Based on the report, a summary of the estimated resources of the Aung Jiujia Mine as at 31 December 2017 in accordance with the Chinese Standard is as follows:

	Metal Resources		Grade	
	Lead (kt)	Zinc (kt)	Lead (%)	Zinc (%)
Indicated	326.3	63.9	14.5	2.8
Inferred	393.0	77.4	13.1	2.6

Note: Figures for metal resources and grade are rounded to nearest one decimal place and these figures may show apparent addition errors.

Exploration, Development and Mining Activities of Aung Jiujia Mine

I) Exploration

During the year, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Aung Jiujia Mine.

II) Development

The existing mining and processing capacity of Aung Jiujia Mine is 200 tpd. Due to various factors, including (i) disruptions from Chinese Spring Festival holiday and the Myanmar Water-Splashing Festival; and (ii) the local dry season, resulted in water sources not adequate to meet the requirements of full-load operations, Aung Jiujia Mine was unable to operate at full production capacity during the first half of 2017. The Group has subsequently taken initiative to design a new water sourcing project (including erecting the water traced pipelines) and successfully completed the construction of such project, thus satisfying the current and future demand of the ore processing plant. In the second half of 2017, Aung Jiujia Mine has resumed regular production gradually.

Aung Jiujia Mine is also undergoing the construction of an additional 1,000 tpd processing plant which is expected to be completed and come into production in the first quarter of 2018.

III) Mining and processing activities

The following table summarises the mining and processing results of Aung Jiujia Mine during the year and 2016:

	Items	Unit	2017	2016
ROM Ore	Mined	kt	**40.8**	9.9
	Processed	kt	**43.0**	4.4
Feed Grade	Lead	%	**3.1**	4.4
	Silver	g/t	**9.5**	16.0
Recovery	Lead	%	**80.0**	81.0
	Silver in lead concentrate	%	**60.0**	30.2
Concentrate Grade	Lead	%	**63.9**	62.6
	Silver in lead concentrate	g/t	**110.0**	83.0
Concentrate Tonnes	Lead-silver concentrate	t	**2,231**	251
Metal Contained in Concentrate	Lead	t	**1,066**	157
	Silver in lead concentrate	kg	**245**	21

Exploration, Development and Mining Cost of Aung Jiujia Mine

Expenses of exploration, development and mining activities of Aung Jiujia Mine during the year and 2016 are set out below:

	2017 RMB million	2016 RMB million
Exploration activities	**—**	—
Development activities		
Mining infrastructure	**3.1**	39.8
Processing plant and equipment	**—**	3.2
	3.1	43.0
Mining activities		
Subcontracting fee	**3.1**	—
Administrative and other costs	**0.4**	—
Production taxes and royalties	**1.1**	—
	4.6	—
Total	**7.7**	43.0

OPERATING MINE — GPS JV MINE

Mineral resources and reserves of GPS JV Mine

GPS JV Mine, approximately 50% owned by the Group, is a lead-zinc mine located in Bawsaing Track, Kalaw Township, Southern Shan State, Myanmar, and covers an area of 2 sq. km..

GPS JV Mine is owned by GPS Joint Venture Company Limited which engaged a qualified geological survey team based in China, an independent third party exploration entity, to conduct exploration at GPS JV Mine in December 2014. A report of the geological exploration conducted at the GPS JV Mine was issued in December 2014. Based on the report, a summary of the estimated resources of the GPS JV Mine as at 31 December 2017 in accordance with the Chinese Standard is as follows:

	Metal Resources Lead (kt)	Grade Lead (%)
Indicated	358.3	9.4
Inferred	1,377.9	8.9

Note: Figures for metal resources and grade are rounded to nearest one decimal place and these figures may show apparent addition errors.

Exploration, Development and Mining Activities of GPS JV Mine

I) Exploration

During the year, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at GPS JV Mine.

II) Development

The existing mining and processing capacity of GPS JV Mine is 2,000 tpd. During the year, the Group has commenced the mining operations at Bamushan and Xiandao mining zones and has progressively expanded the mining production scale. In the meantime, the Group is exploring other mining zones with resource potential and commercially viability.

III) Mining and processing activities

The following table summarises the mining and processing results of GPS JV Mine during the year:

	Items	Unit	2017
ROM Ore	Mined	kt	**38.8**
	Processed	kt	**17.5**
Feed Grade	Lead	%	**8.5**
	Silver	g/t	**20.0**
Recovery	Lead	%	**80.0**
	Silver in lead concentrate	%	**62.0**
Concentrate Grade	Lead	%	**52.0**
	Silver in lead concentrate	g/t	**245.0**
Concentrate Tonnes	Lead-silver concentrate	t	**1,337**
Metal Contained in Concentrate	Lead	t	**1,190**
	Silver in lead concentrate	kg	**218**

Exploration, Development and Mining Cost of GPS JV Mine

Expenses of exploration, development and mining activities of GPS JV Mine during the year are set out below:

	2017 RMB million
Exploration activities	**—**
Development activities	
Mining infrastructure	**2.3**
	2.3
Mining activities	
Subcontracting fee	**2.2**
Maintenance and others	**0.1**
Administrative and other costs	**0.3**
Production taxes and royalties	**0.1**
	2.7
Total	**5.0**

OPERATING MINE — DAKUANGSHAN MINE

Mineral resources and reserves of Dakuangshan Mine

Dakuangshan Mine, owned by the Group, is a lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province, and approximately 100 km away from the Shizishan Mine. The mining permit of the Dakuangshan Mine covers an area of 1.56 sq. km.. Based on the geologist report issued by the Sichuan Province Geological Group (四川省地質工程集團) dated 11 April 2012, a summary of the estimated resources of Dakuangshan Mine as at 31 December 2017 in accordance with the Chinese Standard is as follows:

	Metal Resources			Grade		
	Lead (kt)	Zinc (kt)	Silver (t)	Lead (%)	Zinc (%)	Silver (g/t)
Indicated+Inferred	114.2	220.4	210.9	2.7	5.2	54.2

Note: Figures for metal resources and grade are rounded to nearest one decimal place and these figures may show apparent addition errors.

Exploration, Development and Mining Activities of Dakuangshan Mine

I) Exploration

During the year, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Dakuangshan Mine.

II) Development

The existing mining and processing capacity of Dakuangshan Mine is 600 tpd. Due to various factors including (i) disruptions from cross safety inspections conducted by the prefectures and the cities; and (ii) delayed exploration and mining preparation works which constrained the production capacity, Dakuangshan Mine was unable to operate at full production capacity in the first half of 2017. Dakuangshan Mine has resumed regular production gradually in the second half of 2017.

Dakuangshan Mine is undergoing the underground production enhancement construction work with another mining level, and its mining capacity will be further increased for another 300 tpd. It is expected the construction work will be completed and the new mining level will come into production gradually in the first quarter of 2018.

III) Mining and processing activities

The following table summarises the mining and processing results of Dakuangshan Mine during the year and 2016:

	Items	Unit	2017	2016
ROM Ore	Mined	kt	**60.7**	56.6
	Processed	kt	**60.8**	58.6
Feed Grade	Lead	%	**1.6**	1.5
	Zinc	%	**3.1**	3.1
	Silver	g/t	**18.0**	25.0
Recovery	Lead	%	**80.0**	81.2
	Zinc	%	**80.0**	83.1
	Silver in lead concentrate	%	**72.0**	64.1
	Silver in zinc concentrate	%	**3.4**	8.8
Concentrate Grade	Lead	%	**50.5**	51.7
	Zinc	%	**42.8**	43.8
	Silver in lead concentrate	g/t	**717.6**	699.0
	Silver in zinc concentrate	g/t	**12.2**	38.0
Concentrate Tonnes	Lead-silver concentrate	t	**1,106**	1,268
Metal Contained in Concentrate	Lead	t	**778**	655
	Zinc	t	**1,508**	1,397
	Silver in lead concentrate	kg	**791**	887
	Silver in zinc concentrate	kg	**37**	122

Exploration, Development and Mining Cost of Dakuangshan Mine

Expenses of exploration, development and mining activities of Dakuangshan Mine during the year and 2016 are set out below:

	2017 RMB million	2016 RMB million
Exploration activities	**—**	—
Development activities		
Mining infrastructure	**2.8**	1.8
Tailing storage facilities	**1.1**	0.4
	3.9	2.2
Mining activities		
Subcontracting fee	**4.3**	3.9
Materials cost	**0.8**	0.6
Electricity and water	**0.5**	0.3
Maintenance and others	**1.3**	1.2
Administrative and other costs	**0.6**	0.6
Production taxes and royalties	**3.1**	3.0
	10.6	9.6
Total	**14.5**	11.8

OPERATING MINE — SHIZISHAN MINE

Mineral resources and reserves of the Shizishan Mine

Shizishan Mine, owned by the Group, is a lead-zinc-silver underground polymetallic mine located at Yingjiang County of Yunnan Province. 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. According to the report of resource and estimation on Shizishan Mine as disclosed in the "Competent Person's Report" set out in Appendix V to the Prospectus, a summary of the estimated resources and reserves of Shizishan Mine under the JORC Code as at 31 December 2017 is set out below:

The Shizishan Mine — JORC Mineral Resources as at 31 December 2017

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	1,212,760	10.9	6.6	271.0	193,736	104,089	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	8,126,760	9.4	6.0	276.0	808,536	507,089	2,246

The Shizishan Mine — JORC Ore Reserves Estimates as at 31 December 2017

Class	Quantity (t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Proved	1,092,760	10.0	6.1	251.0	161,337	84,489	446
Probable	5,713,000	9.0	5.9	250.0	514,500	336,900	1,400
Total	6,805,760	9.3	5.9	250.0	675,837	421,389	1,846

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

Exploration, Development and Mining Activities of Shizishan Mine

I) Exploration

During the year, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Shizishan Mine.

II) Development

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

In the summer of 2015 and 2016, in the area where 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. Such continuous heavy rainfalls together with the previous earthquakes have affected its geological structure and geomorphology, and the tunnels were severely damaged.

During the year, we continued to clear and reinforce the damaged tunnels of Shizishan Mine and resumed pumping water from the tunnels, and has started safety inspection and dredging work progressively since June 2017, and has completed the clearing of tunnel silt for 500 meters and the collapse debris for 500 cubic meters. In September 2017, we started to carry out the drainage tunnel works. The planned length is about 699 meters and we have completed 137.30 meters.

Since June 2017, Shizishan Mine has progressively conducted small scale mining works. Meanwhile, the processing plant of Shizishan Mine has also progressively carried out the subcontracting processing services for the raw ores of the surrounding mines.

The Group will systematically solve the water inflow issue in mine shafts and broken downholes, and will continue to actively and properly monitor and adjust the future operation and mining plan of Shizishan Mine.

III) Mining and processing activities

The following table summarises the mining and processing results during the year and 2016 of Shizishan Mine:

	Items	Unit	2017	2016
ROM Ore	Mined	kt	**3.6**	2.2
	Processed	kt	**3.6**	3.5
Feed Grade	Lead	%	**4.4**	4.4
	Zinc	%	**5.9**	2.2
	Silver	g/t	**36.5**	94.3
Recovery	Lead	%	**80.0**	81.2
	Zinc	%	**80.0**	80.5
	Silver in lead concentrate	%	**62.6**	74.4
	Silver in zinc concentrate	%	**16.4**	5.3
Concentrate Grade	Lead	%	**48.6**	48.6
	Zinc	%	**44.6**	45.1
	Silver in lead concentrate	g/t	**683.7**	956.0
	Silver in zinc concentrate	g/t	**54.0**	124.0
Concentrate Tonnes	Lead-silver concentrate	t	**252.2**	258
	Zinc-silver concentrate	t	**580.2**	141
Metal Contained in Concentrate	Lead	t	**127**	125
	Zinc	t	**170**	63
	Silver in lead concentrate	kg	**652**	247
	Silver in zinc concentrate	kg	**171**	17

Exploration, Development and Mining Cost of Shizishan Mine

Expenses of exploration, development and mining activities of Shizishan Mine during the year and 2016 are set out below:

	2017 RMB million	2016 RMB million
Exploration activities	**–**	–
Development activities		
Mining infrastructure	**–**	71.5
Tailing storage facilities	**–**	0.6
	–	72.1
Mining activities		
Materials cost	**1.0**	1.6
Labour	**0.1**	1.0
Electricity and water	**0.3**	0.6
Administrative and other costs	**–**	1.4
Production taxes and royalties	**–**	0.5
	1.4	5.1
Total	**1.4**	77.2

OPERATING MINE — MENGHU MINE

Mineral resources and reserves of Menghu Mine

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 covers an area of 0.4 sq. km..

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 Menghu Mine in March 2012. A report on the geological exploration conducted at Menghu Mine was issued on 30 November 2012. A summary of the estimated resources in accordance with the Chinese Standard in the aforesaid report is set out as follows:

	Metal Resources		Grade	
	Lead (kt)	Zinc (kt)	Lead (%)	Zinc (%)
Indicated and inferred	32.0	18.3	13.8	7.8

Note: Figures for metal resources and grade are rounded to nearest one decimal place and these figures may show apparent addition errors.

Exploration, Development and Mining Activities of Menghu Mine

I) Exploration

During the year, we have not entered into any contracts or commitments in respect of exploration work or conducted any exploration work at Menghu Mine.

II) Development

During the year, the Group has started to implement small scale contract mining at Menghu Mine in preparation of the mining plan in the next step. At the same time, we carried out infrastructure construction work of roadway support and rectification of tracks and others at Menghu Mine in accordance with the requirements of upgrading and transformation of mines imposed by the local government.

III) Mining and processing activities

The following table summarises the mining and processing results of Menghu Mine during the year:

	Items	Unit	2017
ROM Ore	Mined	kt	**1.5**
Feed Grade	Lead	%	**13.8%**
	Zinc	%	**7.9%**

Exploration, Development and Mining Cost of Menghu Mine

No material expenses of exploration, development and mining activities of Menghu Mine were incurred during the year (2016: Nil).

OTHER MINES

Liziping Mine

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 Shizishan Mine. The exploration permit of Liziping Mine covers an area of 13.87 sq. km..

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	120.6	3.8	4.8	0.99	123.4
Inferred	73.5	99.8	18.5	276.7	12.5	2.9	0.78	278.8

Note: Figures for metal resources and grade are rounded to nearest one decimal place and these figures may show apparent addition errors.

The application process of mining permit pertaining to the first mining area of approximately 4 sq. km. of Liziping Mine is still undergoing and its geological report is being finalised.

Save as disclosed hereinabove, no other exploration, development or mining works had been conducted at Liziping Mine during the year.

No material capital expenditures were incurred for Liziping Mine during the year (2016: Nil).

Dazhupeng Mine

Dazhupeng Mine, owned by the Group, is a lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province.

During the year, small scale geological works were conducted at Dazhupeng Mine for further supplementary information required for the renewal of exploration permit.

Save as disclosed hereinabove, no other exploration, development or mining works had been conducted at Dazhupeng Mine during the year.

No material capital expenditures were incurred for Dazhupeng Mine during the year (2016: Nil).

Lushan Mine

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.

During the year, Xiangcaopo Mining conducted maintenance works at Lushan Mine for the purpose of facilitating the improvement of geological works and is in the process of renewing the exploration permit.

Save as herein disclosed, no other exploration, development or mining works had been conducted in Lushan Mine during the year.

No material capital expenditures were incurred for Lushan Mine during the year (2016: Nil).

Mineral ores trading

During the year, the Group, riding on the upward trend of the mining sector, actively promoted the mineral ores trading business, expanded its sale channels and enlarged the operation scale, with a view to increase the income of the Group and create new momentum for the Group's growth. Since the mineral ores trading business is an essential part of the Group's long-term strategy and given the rapid growth of its business in Myanmar, the Group will endeavor to cautiously select and develop trading partners, prudently and flexibly adjust production and marketing strategy to actively promote the further development of the trading business.

FINANCIAL REVIEW

Revenue

During the year, the Group's revenue was approximately RMB113.3 million (2016: RMB22.8 million), primarily from the sale of lead-silver concentrate and zinc-silver concentrate. Sales volume of lead-silver concentrate and zinc-silver concentrate during the year was 6,560 t and 6,813 t respectively (2016: 1,520 t and 3,472 t, respectively).

As compared to 2016, revenue increased by RMB90.5 million or approximately 396.9%, which was mainly due to the increase in sales volume of 331.6% in lead-silver concentrates and 96.2% in zinc-silver concentrates as a result of (i) the increase in production for Aung Jiujia Mine and Dakuangshan Mine; (ii) the commencement of production of GPS JV Mine; (iii) the increase in revenue generated from our trading business.

Cost of sales

During the year, cost of sales was approximately RMB100.7 million (2016: RMB23.9 million), which represented an increase of RMB76.8 million or 321.3%. The increase was in line with the increase in revenue.

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

In 2017, the Group recorded a gross profit of RMB12.6 million (2016: gross loss of RMB1.1 million), which represented an increase of RMB13.7 million from 2016, or 1,245.5%. The Group's overall gross profit margin was 11.1%, representing an increase of 15.7% from negative 4.6% of 2016. Improved overall gross profit ratio was mainly attributable to: (i) the increase in selling price in lead and zinc concentrates; and (ii) the Group had ramped up the production in Aung Jiujia Mine and Dakungshan Mine as well as our acquisition of GPS JV Mine which commenced production in 2017.

Other income and gains

Other income and gains slightly increased 4% to approximately RMB2.6 million (2016: RMB2.5 million), primarily attributable to the interest income from loans to third parties and the rental income from investment property.

Gain on a bargain purchase

Gain on a bargain purchase of approximately RMB88.37 million was recognized as a result of our acquisition of Hua Xing Global Limited ("**Hua Xing Global**") which effectively holds 49.98% of GPS JV Mine.

Administrative expenses

In 2017, administrative expenses decreased 30.2% to approximately RMB36.1 million (2016: RMB51.7 million), which was primarily due to (i) the decrease of operation expenses in relation to Shizishan Mine; (ii) the decrease in staff cost as the significant decrease in headcounts; and (iii) the decrease in professional fees, travelling expenses, office rental expenses.

Impairment losses

Impairment losses in the respective sums of RMB44.5 million, RMB17.0 million, RMB0.8 million and RMB0.3 million were recognised for the year ended 31 December 2017 (2016: Nil) to write down the carrying amounts of Shizishan processing plant, buildings and mining infrastructure at Shizishan Mine, the mining rights of Menghu Mine, prepaid land lease payments to Shizishan Mine and payments in advance to Shizishan Mine to their recoverable amounts.

(A) Reasons and details of events and circumstances that led to impairment losses

(1) In respect of Shizishan Mine

As a result of the earthquakes and the repeated intense, torrential rain storms in recent years, the geological structure and geomorphology of Shizishan Mine as well as its underground mining infrastructures (including mining tunnels, production facilities and other related facilities) were affected. Following the gradual resumption of mining production at Shizishan Mine, its mining plan was adjusted correspondingly with the increase in the estimated future mining cost and the capital expenditures as compared to previous year.

(2) In respect of Menghu Mine

As a result of our continuous effort to optimise our financial resources by developing mines with better return, the ongoing upgrading and transformation requirement by the local government together with further geotechnical and geological analysis of Menghu Mine, the production operation of Menghu Mine had been adjusted from lead-zinc concentrate downsteam production as originally designated to raw ore upstream production.

Save as disclosed hereinabove, the Company is not aware of any other significant reason or change in circumstances during the financial year ended 31 December 2017 leading to impairment loss.

(B) Key assumptions adopted in assessing the impairment amounts

In accordance with the Group's accounting policies, each asset or cash-generating unit ("**CGU**") is evaluated annually at 31 December, to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed. Given the fact that the carrying amount of the Group's net assets exceed the Group's market capitalisation as at 31 December 2017, management has performed impairment assessment on the Group's non-current assets related to each of the CGU identified below:

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and value in use ("**VIU**"). Management has performed impairment assessment on all of the carrying amounts of the Group's property, plant and equipment and intangible assets including those noncurrent assets related to Menghu Mine and Shizishan Mine. For the purpose of impairment assessment, Menghu CGU (comprising the mining right of Menghu Mine and mining infrastructure at Menghu Mine) and Shizishan CGU (comprising the mining right of Shizishan Mine, prepaid land lease payments and payments in advance to Shizishan processing plant and mining infrastructure at Shizishan Mine) are treated as two separate CGUs. The recoverable amounts of Menghu CGU and Shizishan CGU are estimated based on their VIU, determined by discounting the future cash flows to be generated from the continuing use of these assets.

The key assumptions used in the estimation of VIU for Menghu CGU and Shizishan CGU are as follows:

Methodology		31 December 2016 Income Approach For the five years ending 31st December 2021	**31 December 2017 Income Approach** **For the five years ending 31st December 2022**
(1)	*Recoverable Resources*		
	Menghu CGU	The geological exploration report prepared by 四川省地質礦產勘查開發局區域地質調查隊 (The Regional Geologic Survey Team of The Sichuan Bureau of Geological Exploration of Mineral Resources) dated 30th November 2012	**Same as 2016**
	Shizishan CGU	The competent person's report set out in Appendix V to the prospectus of the Company	**Same as 2016**

Methodology		31 December 2016 Income Approach For the five years ending 31st December 2021	**31 December 2017 Income Approach** **For the five years ending 31st December 2022**
(2)	*Commodity prices*		
	Menghu CGU	RMB4,355 per tonne for lead-zinc concentrate	**RMB820 per tonne for lead-zinc raw ores**
	Shizishan CGU	RMB6,067 per tonne for lead-zinc concentrate	**RMB8,604 per tonne for lead-zinc concentrate**
(3)	*Budgeted unit production cost*		
	Menghu CGU	RMB718 per tonne for lead-zinc concentrate	**RMB184 per tonne for lead-zinc raw ores**
	Shizishan CGU	RMB2,059 per tonne for lead-zinc concentrate	**RMB3,110 per tonne for lead-zinc concentrate**
(4)	*Production volumes*		
	Menghu CGU	32,500 tonnes lead-zinc concentrate	**94,000 tonnes lead-zinc raw ores**
	Shizishan CGU	240,680 tonnes lead-zinc concentrate	**43,000 tonnes lead-zinc concentrate**
(5)	*Discount rate (pre-tax)*		
	Menghu CGU	17.27%	**13.84%**
	Shizishan CGU	16.85%	**14.44%**

Remarks:

(1) The difference in the commodity price of lead-zinc concentrate for Menghu Mine and Shizishan Mine in 2016 is mainly due to the difference in the grading of lead and zinc components in concentrate at these two mines.

(2) For reasons stated in paragraph (A) above, there are adjustments of mining plans at the Menghu Mine and Shizishan Mine resulting from further geotechnical and geological analysis, which resulted in higher-than-expected estimates of costs of extraction and capital expenditure as well as lower profit margin due to the adjustment of production operation from lead-zinc concentrate downstream production as originally designated to raw ore upstream production at Menghu Mine.

(3) For reasons stated in paragraph (A)(1) above, there is a decrease of lead-zinc concentrate production for Shizishan Mine for the five years ending 31 December 2022 as contemplated.

(4) The post tax discount rate adopted for Menghu Mine and Shizishan Mine in 2016 and 2017 is the same.

Further details regarding our assessment of impairment losses are set out in notes 12, 14, 15 and 16 to the consolidated financial statement of this annual report.

Finance costs

In 2017, finance costs of the Group decreased 30.0% to approximately RMB30.8 million (2016: RMB44.0 million), which was primarily due to the repayment of part of matured loans granted by Ping An Bank in the second half of 2017 and our effort to lower the cost of financing for the renewed loans granted by Ping An Bank.

Income tax credit

As the Group reported a loss, an income tax credit of RMB8.6 million was recorded as compared to income tax expenses of RMB18.0 million in 2016, which was primarily due to: (i) use of accumulated loss to offset against taxable profit incurred during the year; and (ii) part of the unused tax losses are not probable to be utilised before expiry as not sufficient future taxable profit will be recognized according to the profit forecast approved by the management of the Company.

Final dividend

At a meeting of the Board held on 12 February 2018, the Board resolved not to recommend the payment of final dividend to the Shareholders (2016: Nil).

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

During the year, the Company's significant investment events included (i) on 8 January 2017, the Company and Mr. Wang entered into a sale and purchase agreement in respect of the acquisition of the entire equity interest in Hua Xing Global 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, which is controlled by Hua Xing Global, is one of the largest mining companies in Myanmar; (ii) on 27 April 2017, the Company and the Seller (an independent third party) entered into a sale and purchase agreement in respect of the acquisition of the entire equity interest in Seven Gold Lamp Mining Company Limited ("**Seven Gold Lamp**") at a consideration of RMB56 million. Seven Gold Lamp is a mining company in Myanmar, which legally holds the copper and lead mining license issued by the Ministry of Mines of Myanmar. Particulars of such acquisition were set out in the Company's announcement dated 27 April 2017; (iii) on 8 May 2017, the Company and the Seller (an independent third party) entered into a sale and purchase agreement in respect of the acquisition of the entire equity interest in Horeb Mounting Mining Company Limited ("**Horeb Mounting**") at a consideration of RMB98.0 million. Horeb Mounting is a mining company in Myanmar, which legally holds the copper and lead mining license issued by the Ministry of Mines of Myanmar. Particulars of such acquisition were set out in the Company's announcement dated 8 May 2017; and (iv) on 13 June 2017, the Company and the Seller (an independent third party) entered into a mining right transfer agreement in respect of the acquisition of the legitimate copper and lead mining right located in Mandalay, Myanmar, at a consideration of RMB49 million. Particulars of such acquisition were set out in the Company's announcement dated 13 June 2017.

Liquidity and capital resources

The following table sets out the information in relation to the Group's consolidated statement of cash flows during the year and for the year ended 31 December 2016:

	2017	2016
	RMB'000	RMB'000
Net cash flow used in operating activities	**(11,303)**	(4,214)
Net cash flow used in investing activities	**(97,257)**	(600,786)
Net cash flow generated from/(used in) financing activities	**86,125**	(26,960)
Net decrease in cash and cash equivalents	**(22,435)**	(631,960)

Net cash flow used in operating activities

During the year, net cash flow used in operating activities was RMB11.3 million, which was primarily included: (i) loss before tax of RMB34.5 million; and (ii) increase in trade receivables, inventories, prepayments, deposits and other receivables, and decrease in trade payables, other payables and accruals at the amount of RMB32.4 million. Cash used in operating activities was partially offset by the adjustments in relation to non-cash expenses including finance costs, unrealised foreign exchange loss, gain on a bargain purchase, depreciation, amortization and impairment losses aggregated to RMB55.5 million and the bank interest income received of RMB0.1 million.

Net cash flow used in investing activities

During the year, net cash flow used in investing activities was approximately RMB97.3 million, which primarily included: (i) the loan to third parties of RMB63.7 million; (ii) the purchase of property, plant and equipment of RMB19.7 million; (iii) the purchase of available-for-sale investments of RMB6.5 million; (iv) the acquisition of a subsidiary of RMB6.5 million; (v) the exploration and valuation expenses of RMB1.8 million. This cash flow was partially offset by the interests from loans to third parties of RMB0.9 million.

Net cash flow generated from financing activities

During the year, the net cash flow generated from financing activities was approximately RMB86.1 million, which primarily included: (i) proceeds from issue of shares of RMB193.1 million; and (ii) proceeds from bank and other loans of RMB469.0 million. This cash inflow was partially offset by the cash outflow which mainly included: (i) repayment of bank and other loans of RMB525.2 million; (ii) payment of interests of RMB32.1 million arising from bank and other loans; (iii) repayment of advance to a related party of RMB15.0 million; and (iv) share issue expenses of RMB3.7 million.

Inventories

Inventories increased by RMB19.2 million from approximately RMB23.2 million as at 31 December 2016 to approximately RMB42.4 million as at 31 December 2017, which was primarily due to the increase in sales as a result of our increase in scale of operation.

Trade receivables

Trade receivables increased from approximately RMB1.1 million as at 31 December 2016 to approximately RMB9.3 million as at 31 December 2017, which was primarily due to the increase in trade receivables of RMB8.2 million as a result of our increase in our sales and the payment schedule under some of the sales contract signed in year end had not fallen due.

Payment in advance, prepayment, deposits and other receivables

The Group's payment in advance, prepayment, deposits and other receivables increased by RMB4.4 million from RMB730.1 million as at 31 December 2016 to RMB734.5 million as at 31 December 2017 and the balance at 31 December 2017 mainly consisted (i) prepayment of RMB383.1 million made to independent third parties in respect of proposed acquisitions of the entire equity interest in five domestic companies and one mining right of Myanmar; (ii) prepayments of RMB17.0 million made to Ms. OHN in respect of the proposed further acquisition of 9% equity interest in Harbor Star; (iii) the short term loans in the aggregate sum of HKD75 million (equivalent to RMB62.7 million); (iv) Prepayment in respect of purchase of inventories and deposits in respect of and environmental rehabilitation to Xiangcaopo Mining Co., Ltd. of RMB214.2 million; (v) Prepayment amounted to RMB20 million for construction of mining infrastructure in GPS JV Mine to independent third parties.

Trade and other payables

The Group's trade and other payables increased by RMB44.6 million from approximately RMB178.6 million as at 31 December 2016 to approximately RMB223.2 million as at 31 December 2017, primarily due to the construction service fees payable to contractors for the production enhancement construction works at Dakuangshan Mine and the construction of processing plant at Aung Jiujia Mine and the mining works at GPS JV Mine.

Borrowings

The Group's bank and other loans decreased by RMB56.2 million from RMB505.2 million as at 31 December 2016 to RMB449.0 million as at 31 December 2017 which was primarily due to our repayment of bank loans from Ping An Bank with relatively high financing costs by utilization of proceeds raised from the placing and rights issue exercise of the Group.

Contingent liabilities

As at 31 December 2017, the Group did not have any outstanding material contingent liabilities or guarantees.

Foreign currency risk

The Group's operations are primarily in the PRC and Myanmar. We have not entered into any foreign exchange contract or derivative transactions to hedge against foreign exchange fluctuations for these operations for reasons set out below.

In respect of our operations in the PRC, our products are sold to local customers in RMB. All expenses of our PRC operations are also denominated in RMB. The functional currencies of our PRC subsidiaries are RMB.

In respect of our Myanmar operations, most of our products are sold to customers in PRC and their sales are also denominated in RMB. Some of the expenses incurred locally in Myanmar, which represents only a small portion of our operation expenses, are denominated either in USD or Kyat. Myanmar operations are substantially financed by our funds in PRC and Hong Kong which are mainly denominated in RMB or HK dollars.

We constantly monitor the fluctuation of the currency rate of RMB and the currency denomination of our bank deposits to ensure that the risk involved is within our expectation.

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 against interest rate risk.

Charge on assets

As at 31 December 2017, the Group's property, plant and equipment, intangible assets and prepaid land lease payment with aggregate respective net carrying amounts of RMB60.6 million (2016: RMB64.0 million), RMB61.8 million (2016: RMB61.9 million) and RMB10.7 million (2016: RMB11.8 million), and the equity interest of certain of our subsidiaries, were pledged to secure certain of the Group's interest-bearing bank borrowings.

Contractual obligations

As at 31 December 2017, the Group's contractual obligations amounted to approximately RMB6.0 million, decreased by RMB0.8 million as compared to approximately RMB6.8 million as at 31 December 2016, which was primarily due to the settlement of the acquisition of subsidiaries in Myanmar.

Capital expenditure

During the year, the capital expenditure of the Group included (i) the construction service fees payable to contractors for the production enhancement construction works at Dakuangshan Mine and the construction of processing plant at Aung Jiujia Mine as well as the mining works at GPS JV Mine; (ii) the purchase of principal guaranteed financial products from bank with a view to enhance the income of the Group by utilization of the unused funds. The aggregated amount of capital expenditure of the Group during the year was RMB19.72 million.

Financial instruments

During the year, 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 2017 was as follows:

	2017 RMB'000
Interest-bearing bank and other loans	**448,990**
Less: cash and cash equivalents	**(18,574)**
Net debt	**430,416**
Total equity	**1,865,054**
Total equity and net debt	**2,295,470**
Gearing ratio	**18.8%**

Net current liabilities

The Group's net current liabilities decreased from RMB707.8 million to RMB571.8 million as at 31 December 2017 and the net current liabilities are primarily due to operating loss incurred during the year and the expansion of the Group's mine portfolios financed by short-term bank borrowings. In view of these circumstances, the Directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance including banking facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Directors of the Company believe that the Group has adequate resources, including but not limited to the net cash flows from operating activities and bank borrowing facilities, to continue the Group's operation and fulfill financial responsibility in the foreseeable future. The Directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Use of net proceeds from the IPO

Up to 31 December 2017, we utilised the net proceeds raised from the IPO in accordance with the designated uses set out in the Prospectus as redesignated by the minutes of the Board dated 14 February 2017 as follows:

Description	Amount designated in Prospectus RMB million	Utilised (up to 31 December 2017) 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	37.0	**37.0**
General overseas mergers and acquisitions or proposed acquisitions	141.1	**141.1**
Total	809.1	**809.1**

Use of proceeds from the share placing

Up to 31 December 2017, we utilised the net proceeds raised from the share placing in May 2017 in accordance with the designated uses set out in the placing agreement as follows:

Description	Amount designated in the placing agreement Total HK$ Million	Utilised (up to 31 December 2017) HK$ Million
Proceeds from the share placing		
— to repay a part of the financial facilities provided by Ping An Bank to the Group	44.11	**44.11**
— to develop newly acquired mines in Myanmar	26.47	**13.37**
— Working capital and other general operating expenses	9.62	**9.62**
Total	80.20	**67.10**

Use of proceeds from the rights issue

Up to 31 December 2017, we utilised the net proceeds raised from rights issue in accordance with the designated uses set out in the prospectus dated 8 September 2017 as follows:

Description	Amount designated in the prospectus dated 8 September 2017 Total HK$ Million	Utilised (up to 31 December 2017) HK$ Million
Proceeds from the rights issue		
— to repay the outstanding balance under the banking facilities granted by Ping An Bank to the subsidiaries of the Company	135.2	**54.1**
— for general working capital of the Group including but not limited to covering the administrative and operating expenses of the Hong Kong office	5.1	**5.1**
Total	140.3	**59.2**

Employee and remuneration policy

As at 31 December 2017, the Group had a total of 136 full-time employees in PRC, Myanmar and Hong Kong, including 46 management and administrative staff, 72 production staff and 18 operations support staff. During the year, staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB12.8 million, representing a decrease of RMB1.8 million or 12.33% as compared to the staff costs of RMB14.6 million in 2016. 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 dedication and hard work of the Group's staff during the year are generally appreciated and recognised.

OCCUPATIONAL HEALTH AND SAFETY

During the year, no accidents related to serious injuries or death or property damage were reported to our management. Furthermore, during the year, 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 year and as at the date of this report.

ENVIRONMENTAL PROTECTION AND LAND REHABILITATION

No environmental claims, lawsuits, penalties or administrative sanctions were reported to our management during the year. We are of the view that we were in compliance with all relevant PRC and Myanmar laws and regulations, regarding environmental protection and land rehabilitation in all material respects during the year and as at the date of this 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 and Myanmar. As at 31 December 2017, the Group has accrued RMB19.4 million, RMB0.8 million, RMB0.9 million, RMB1.9 million and RMB3.9 million for the rehabilitation of the Shizishan Mine, the Dakuangshan Mine, the Menghu Mine, the Aung Jiujia Mine and the GPS JV Mine, respectively.

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.

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

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 2017 in terms of environmental, social and governance responsibilities. 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) 2180-7576
Fax: (852) 2180-7580
E-mail: ir@chinapolymetallic.com
Website: http://www.chinapolymetallic.com

ABOUT THE COMPANY

We devote ourself to pursuing highest international standards in terms of environmental protection and social responsibilities and attach 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. We base our routine operation on strict compliance with the laws, moral standards and best international norm in order to alleviate adverse effect of mining operations on the residential areas and the surrounding environment.

Materiality

As part of the preparation for compiling this report, we undertake a preliminary review of the material topics that have affected and continue to affect our business, and our actions to address them. This process focuses our reporting on the sustainability topics which we consider of interest to our key stakeholders, which include national and regional government, community members, our workforce and business partners.

Basis of preparation

The data in this report, unless otherwise stated, cover companies, assets and projects in which we have operational control (where we have full authority to implement our operating policies), but does not cover our associated companies.

Key performance indicators statistics

Main Focus	Major Index for Performance	2015	2016	2017
Safe Production & Labour Protection	Casualty	0	0	**0**
	Injured	3	2	**0**
	Safety management expenses (ten thousand yuan)	95.47	101.40	**193.41**
Energy Saving and Environmental Protection	Electricity Consumption (kWh)	13,325,615	13,751,202	**14,852,349**
	Water Consumption (t)	420,879	451,201	**508,177**
	Greenhouse Gas Emission (t) (Note)	28	27	**30**
	Volume of Tailings Discharged (t)	845,621	840,215	**783,729**
	Non-hazardous Waste produced Packaging Materials (t) (Note)	2.0	1.8	**3.9**
Operation Training System and Staff	Number of Suppliers (Note)	20	18	**22**
	Cases involving Corruption and Litigation	0	0	**0**
	Number of Employees	1,128	859	**239**
	Ratio of Females (%)	15.47	11.62	**12.60**
	Average Hours of Employees Receiving Training (Hour)	60	60	**12**
Social Contribution	Donation (RMB)	800,000	800,000	**140,000**

(1) Safety Production and Labour Protection

We continue to strictly adhere to the PRC and Myanmar laws and regulations regarding mining production and environmental protection in order to improve our production safety and environmental protection management in a comprehensive manner, and eliminate any production safety accidents from happening.

(i) Our Work Mechanism

During the year, we focused on refined worksite management for production safety, and successfully prevented the occurrence of material production safety accidents. During the year, no casualties, or material injuries were recorded within the Group.

We note that the majority of accidents occurred during the mining operations, and therefore we place great emphasis on production safety as the first priority. Our measures adopted including but not limited to the followings:

(a) We have established various 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 the laws and regulations of the PRC and Myanmar and industry standards, gradually enhanced the safety production system, including but not limited to the implementation of management system of one post with double duties for the leaders and the responsibility system thoroughly, which have thus effectively eliminated potential inherent problems of production safety and gradually optimised our safety production systems.

TEAM HEAD | **DEPUTY TEAM HEAD** | **LEADING GROUP MEMBERS**

- Safety Management System
  - Safety Management
    - Safety and prevention management system
    - Equipment and facility management system
    - Safety emergency proposal system
    - Safety for production and operation management system
    - Safety daily management system
  - Safety Education
    - Cadre demonstration system
    - Skill training system
    - Amateur tutoring system
    - On-site education system
    - Warning and reminder system
    - Discussion guiding system
  - Safety Supervision
    - Autonomous safety management system
    - Social supervision management system
    - Three-level safety monitoring management system
  - Safety Examination
    - Safety examination for each post
    - Safety examination for managerial personnel

(b) We have established the production safety committee and the occupational health committee respectively, and set up safety management organization systems and emergency rescue teams. Relevant emergency rescue proposals were formulated and key sources of the safety issues in the mining operations (e.g. stopes, tailings ponds and explosive storages) were closely monitored in order to enable us to have comprehensive controls over hidden perils within the mines and eradicate accidents.

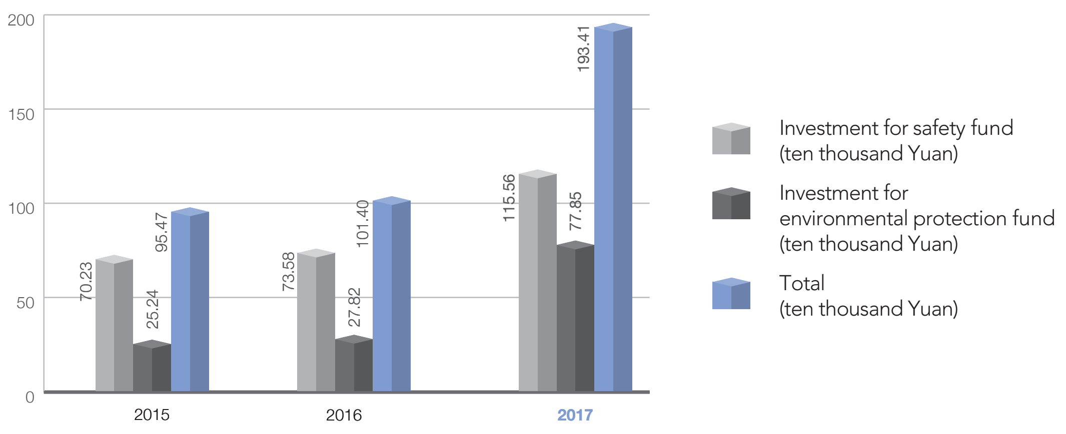
(c) During the year, we conducted regular comprehensive safety inspection with risk investigation as the main focus. We recorded all types of hidden dangers, so as to effectively implement rectification measures. After the rectification, the supervisory departments in charge organized the subsequent acceptance check.

(d) We continued to strengthen the safety management by carrying out daily checks, monthly major inspections, quarterly special examinations and holiday routine checks to rectify the potential accidents and perils effectively.

(e) We monitored our internal management and improved the management and control of the production safety by sharing the experience of implementing working safety measures.

(f) During the year, a safety management fund of approximately RMB1.934 million was utilized for installation of production safety facilities at our mines, provision of protective equipment and body check to our staff, improvement of our working environments and implementation of preventive measures against occupational diseases, etc.

Safety Management Investment Over Years (RMB: ten thousand Yuan)



(ii) Our Subcontracting Management

We keep reinforcing our management for mining operation by engaging professional and qualified mining companies to conduct mining works, and signing the safety management agreement thereof so as to ensure our sub-contractors to carry out their works in a safe manner. Stringent on-site safety inspections are also carried out on an on-going basis.

(iii) Our Emergency Management

We set up comprehensive emergency rescue system for production safety accidents, formulated various emergency rescue proposals, established corresponding emergency rescue teams, as well as organized and conducted various emergency rescue drills and publicity campaigns. In the PRC, we have completed the construction of three-level standardized facilities and the "Six Major Systems" for the underground mines, after the review and recordal by the safety production supervision and management department of different levels in the PRC, thus providing a solid foundation for prevention of production accidents.

(iv) Our Work Place Management Measures

Banners for safety, environmental protection and occupational hygiene were posted in working places to remind workers to be aware of safety, environmental protection and prevention against occupational diseases on an ongoing basis.

(v) Our Operation and Management with Information Technologies

Leveraging on the application of information technologies to our management, any hidden safety problems were managed if not avoided in an earlier, more comprehensive and efficient manner. Our measures adopted including, but not limited to the followings:

(a) By using our "personnel's locations and communication" system, the information about the locations of underground operation workers could be located if there was any incident occurred. As a result thereof, underground operation workers could be evacuated in a timely and safely manner, achieving an effective urgent rescue.

(b) The safety management of tailings storage facilities was fully controlled with information technologies so as to eliminate any hidden dangers and avoid any production safety incidents.

(2) Energy Saving & Environment Protection

We are committed to using all resources efficiently and conservatively, and conduct regularly assessments to locate and manage the potential impacts of our operations. During the year, our energy saving and environmental protection measures adopted are set out as follows:

(i) Electricity and Water Consumption

Having considered the actual consumption of electricity and water for our mining operations, various electrical transformers have been installed and water conservation measures were adopted, therefore our electricity and water consumption were greatly reduced, thereby reducing our production cost.

(ii) Tailings and Greenhouse Gas Emission

Throughout the whole production process of our mining operations, because of our adoption of floating method for processing operation, the biggest volume of hazardous wastes generated were tailings while greenhouse gas emission was relatively immaterial.

We adopted the tailing back-water system to discharge failing water to tailing storage facilities. After being precipitated for three rounds, the tailing water were recollected for checking before being used again in processing operation in order to guarantee "zero discharge" of waste water for processing operation.

In addition, all the tailings were directed into our designated tailings dams and tailings storage facilities and when full, replantation were carried out thereof in order to restore their original ecological structure.

(iii) Non-hazardous Waste - Packaging Bags

The biggest volume of non-hazardous wastes generated were packaging bags which we always keep in mind controlling in our usage. Beyond that, the volume of solid and liquid waste we generate was small and the risk of significant environmental spills or leakages was low.

Compliance with Safety Production Rules and Regulations and Labour Standards

During the year, we continued to strictly follow all the prevailing laws and regulations regarding safety production and labour standards in Hong Kong, the PRC and Myanmar. To the best of our information and knowledge, there were no material non-compliance with the prevailing laws and regulations regarding safety production and labour standards by the Group during the year.

(3) Operation System and Staff Training

(i) Operation System

(a) Supply Chain Management

Our suppliers and contractors provide us a wide range of products and services, including fuel and equipment, electricity and other raw materials for our mining operations; packaging bags and other related accessories for the sales of our final products as well as underground technology innovation construction service and subcontracting processing services, etc.

All our suppliers are required to be assessed for their capabilities to fulfill our business needs and such assessment is based on a combination of different and various factors such as their track record, reputation, production capacity as applicable.

(b) Management of anti-corruption

We have established the anti-corruption management system according to the anti-corruption and bribery laws in PRC and Myanmar in order to intensify the detailed management, enhanced the responsibility assessment of the department's "chief principals" and established rational and effective management mechanism to prevent our employees from being engaged in illegal activities such as bribery, fraud and laundering, etc.

(c) Employment and Labour Standards

We are committed to comply with the PRC and Myanmar employment and labour laws and regulations including but not limited to the followings:

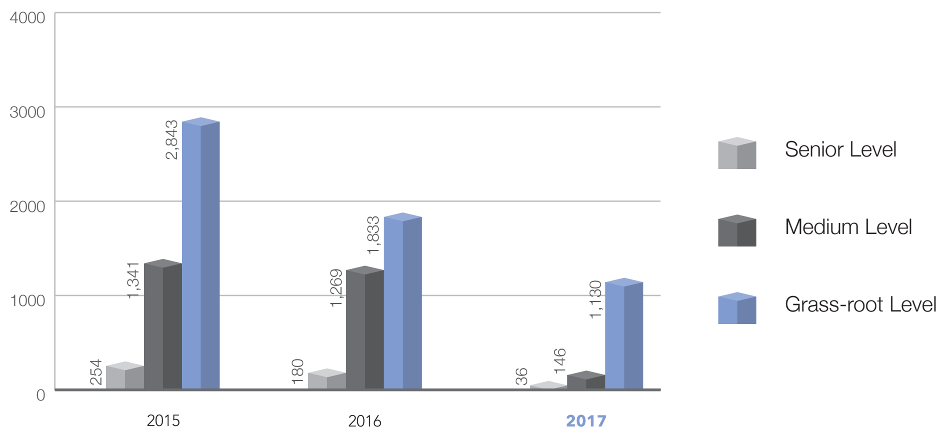
1. Subscription of five national insurances (endowment insurance, employment injury insurance, medical insurance, maternity insurance and unemployment insurance) so as to safeguard the employees' legitimate rights and interests in the safety production.

2. High commercial accident insurance (RMB420,000 of compensation for death and RMB20,000 of compensation for injury) are provided to those engaged in high-risk works (such as the underground mining workers).

3. We prohibit the employment of child, forced or compulsory labour in any of our operations. During the year, we did not identify any operation or supplier as having significant risk of child labour, young workers exposed to hazardous work, or forced or compulsory labour.

(ii) Staff Training

In order to prevent any fatalities and personal injuries as well as to minimize the risks of exposure to industrial incidents, trainings are provided for our employees, details are set out as follows:



Statistics for Training over Years (Hours)

During the year, the main contents of our staff training provided including but not limited to the followings:

(a) Three-levels safety training: All newly recruited employees were at least elementary educated and received no less than 72 hours of safety training. During the internship lasting for no less than 6 months, those employees would not work independently.

(b) Training on safety and environmental protection for employees: Training on safety and environmental protection for employees would be not less than 36 hours per annum on an average basis.

(c) Training about safety for those returned to work and shifted to other posts: Those employees who have left the Company for more than 6 months and returned to work, and those employees who shifted their posts should receive training on safety by attending workshops and coaching by teams of their own units.

(d) Safety training for "Four News": When new craft, new technology, new equipment and new materials were adopted, the supervising departments would be responsible for training on safety production for all relevant employees.

(e) Daily safety training, and education and training for personnel on critical posts: Four categories of key personnel, including the main director of mines, deputy director of mines in charge of safety production, head of safety production management department and person in charge of outsourcing projects, as well as safety manager were, in strict accordance with relevant regulations, received professional training and maintained 100% qualified for their positions.

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

We cherish every employee and believe that our employees will continue to grow with our business expansion. Our employees have been provided with customized, systematic and forward-looking training so as to reveal their potentials for our sustainable development.

In light of our continuing development and in order to ensure the continuing enhancement of the team quality, we will provide more trainings to our employees in a progressive manner as well as to review and improve the training courses continuously so as to accommodate the demands for our business operation and employees.

(4) Environmental Protection and Building a Beautiful Community Together

We continue to comply with the PRC and Myanmar laws and regulations related to environmental protection. We continue to take all necessary environmental protection measures such as carefully implementing the deposit system on the restoration and treatment of the mine environment, 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 an eco-friendly environment, we value the communication with the local governmental departments. We proactively join the local village committees in the discussion and participation of environmental construction, reconstructing water channels for local villagers and safeguarding the development of local agricultural production so as to build a harmonious society. During the year, by adhering to the philosophy of "Founding with integrity and developing in harmony", we emphasized on the coordination and adjustment with relevant entities including local governments and villages when constructing a harmonious community. Secondly, we reinforced our foundation of harmony by being actively cooperative as we have always been in the past years so as to develop excellent standardized, humanized and characteristic enterprises.

EXECUTIVE DIRECTOR

Mr. Lei Dejun, Executive Director

Mr. Lei Dejun, aged 40, has been the Chief Operating Officer of the Group since April 2012, and was appointed as an executive Director on 12 June 2017. Mr. Lei is responsible for the overall production and development of polymetallic projects and the monitoring of the development of Dakuangshan project and he participated in parts of management of the Shizishan Mine project since September 2013. He was appointed as the president of Dehong Yinrun Mining Group Company Limited, a subsidiary of the Company, subsequently in April 2015 where he was fully responsible for daily operation and management of each of the Group's mining entities. He graduated with an associate degree from Kunming Metallurgy College in 1998. He has about 20 years of experience in the production management and operation of mines. Prior to joining the Group, He worked as a technician, deputy director and director of the production department and supervising engineer of the factory at Huize Lead-Zinc Mine and Qujing Company of Yunnan Chihong Zinc & Germanium Co., Ltd. (雲南馳宏鋅鍺股份有限公司) from July 1998 to March 2012 where he was responsible for factory production, cost management, human resources, technique and equipment management. During that tenure, he led a number of mining and metallurgical projects and obtained several domestic invention patents and utility model patents.

NON-EXECUTIVE DIRECTORS

Mr. Yin Bo, Non-Executive Director

Mr. Yin Bo, aged 56, was appointed as a non-executive Director on 12 June 2017 and appointed as Chairman of the Board on 14 December 2017. He is the Chairman, Chief Executive Officer and executive director of CITIC Dameng Holdings Limited (HKSE Stock Code: 1091) and director of its several subsidiaries. He was an executive Director and chairman of the Company from 19 August 2015 and 25 August 2015 to 18 September 2015. He holds a Bachelor of Science in Electronics from Shandong Industrial College (now known as Shandong University) in 1982 and a Master Degree in Business Administration from University of Hull in 1997. He also obtained a PhD in Law in Shandong University in 2002. He has held various positions in Shandong Provincial Government and his last position was a Deputy Director of general office of Shandong Provincial Government of the PRC (中國山東省人民政府辦公廳). Mr. Yin has extensive experience in management.

Mr. Chan Suk Ching, Non-Executive Director

Mr. Chan Suk Ching, aged 41, was appointed as a non-executive Director on 12 June 2017. He is a director of GPS Joint Venture Company Limited, a subsidiary of the Group. He is also the legal counsel of CITIC Dameng Holdings Limited (HKSE Stock Code: 1091) and a consultant in TKC Lawyers. From February 2005 to February 2006, he worked as legal counsel in Inner Mongolia Qing Hua Group (內蒙古慶華集團). Since February 2006, he worked as a consultant or partner in various law firms in Hong Kong. He holds a Master Degree in Laws from Renmin University of China in 2004. Mr. Chan has over 14 years' experience in mergers and acquisitions, corporate finance, regulatory and commercial work in mining and mineral sectors.

Mr. Zhang Yonghua, Non-Executive Director

Mr. Zhang Yonghua, aged 55, was appointed as a non-executive Director on 19 October 2017. He is a director of GPS Joint Venture Company Limited, a subsidiary of the Group. Mr. Zhang holds a bachelor in law from Sichuan Radio & Television University (四川廣播電視大學) in 1988. He has been the lawyer of Elite Law Firm (四川英特信律師事務所) (formerly known as Sichuan Joint Law Firm (四川聯合律師事務所)) since 1996. He was granted the Chinese Lawyers Qualification Certificate (中國律師資格證書) in 1989 and has been in legal practice in various law firms in Sichuan province, China since 1989. Mr. Zhang has been a practicing lawyer in China for over 28 years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Shirong, Independent Non-Executive Director

Mr. Ma Shirong, aged 66, retired, was appointed as an independent non-executive Director on 16 June 2017. He served as the Vice President of CITIC Dameng Holdings Limited (HKSE Stock Code: 1091) and the deputy general manager and chief financial officer of CITIC Dameng Mining Co., Limited from November 2006 to May 2013 and was responsible for overseeing the financial operations of CITIC Dameng Mining Co., Limited. Prior to joining CITIC Dameng Mining Co., Limited, Mr. Ma had taken up management positions in a number of companies including airlines and bank. Mr. Ma worked at Shanghai Airline from December 1986 to August 1996 and had taken up various managerial positions, including the manager of the sales department and planning department and the assistant general manager in charge of business, planning and developments, aircraft purchasing and financing and information system construction. He had also taken up various managerial positions in the Bank of China, Shanghai Branch from August 1996 to November 2006 including acting as the general manager of corporate loan department, trustee business department and financial institutions department. Mr. Ma holds an Executive Master of Business Administration degree (EMBA) from China Europe International Business School and has extensive experience and knowledge in economics and finance.

Mr. Chi Hongji, Independent Non-Executive Director

Mr. Chi Hongji, aged 66, researcher, retired, was appointed as an independent non-executive Director on 16 June 2017. He served successively as geological officer, person in charge of projects, division director engineer and chief engineer in No. 1 Institute of Geology and Mineral Resources of Shandong Province from 1980 to 2005. Mr. Chi graduated from the Department of Geology of Central South Institute of Mining and Metallurgy (中南礦冶學院) (currently known as Central South University) in 1979, and was accredited as a mineral reserves appraiser by the Ministry of Personnel of the People's Republic of China (中華人民共和國人事部) and the Ministry of Land and Resources of the People's Republic of China in 2002. Mr. Chi has extensive experience and knowledge in geological exploration.

SENIOR MANAGEMENT

Mr. Guo Zhonglin, Chief Technical Officer

Mr. Guo Zhonglin, aged 55, 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 32 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.

COMPANY SECRETARY

Ms. Chan Wai Ling, FCIS, FCS (PE), is a director of Corporate Services of Tricor Services Limited. Ms. Chan is a Chartered Secretary and Fellow of both The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Chan is a holder of the Practitioner's Endorsement from HKICS. Ms. Chan is currently the joint company secretary of SITC International Holdings Company Limited (HKSE Stock Code: 1308) and Razer Inc. (HKSE Stock Code: 1337) as well as the company secretary of Sun Art Retail Group Limited (HKSE Stock Code: 6808), China Maple Leaf Education Systems Limited (HKSE Stock Code: 1317) and IMAX China Holding, Inc. (HKSE Stock Code: 1970). Ms. Chan was also a former company secretary of TCC International Holdings Limited (HKSE Stock Code: 1136, delisted on 20 November 2017).

REPORT OF DIRECTORS

The Directors are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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 Myanmar.

During the year, the Group's principal activities further expanded in Myanmar and started to develop mineral ore trading business. Other than the above developments, there were no significant changes in the nature of business of the Group. Details of the major subsidiaries of the Company as at 31 December 2017 are set out in note 1 to the financial statements in this annual report.

BUSINESS REVIEW

Business review comprising a fair review of the Group's business, description of our principal risks and uncertainties and our likely future business developments have been set out in the section headed "Management Discussion and Analysis" of this annual report, inclusive of an analysis of the Group's performance during the year using financial key performance indicators set out in the box headed "Financial Highlights" therein.

As with other natural resources and mineral processing companies, the Group's operations create hazardous and non-hazardous waste, effluent emissions into the atmosphere, as well as water, soil and safety concerns for its workforce. Consequently, the Group is required to comply with a range of health, safety and environmental laws and regulations. The Group believes that its operations are in compliance with all material respects with the applicable health, safety and environmental legislations of the PRC and Myanmar. The Group regularly reviews and updates its health, safety and environmental management practices and procedures to ensure where feasible that they comply, or continue to comply, with best international standards. Our goal is to facilitate the gradual improvement of environmental indicators, while taking into account practical possibilities and social and economic factors.

Compliance procedures are in place to ensure adherence to the relevant laws and regulations in particular, those having a significant impact on the Group. The Board keep reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements. Any new enactment of or changes in the relevant laws and regulations would be communicated to the relevant departments and staff to ensure compliance. Reminders on the compliance would also be sent out regularly where necessary.

Further discussions on the Company's environmental policies and performance and its compliance with the relevant laws and regulations can be found in the Environmental, Social and Governance Report. Discussions and information therein forms part of this Report of the Directors.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 74 of this annual report.

The Board did not recommend the payment of any dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during the year are set out in note 12 to the financial statements in this annual report.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 28 to the financial statements in this annual report.

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

During the year ended 31 December 2017, save and except for the followings, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities:

1. On 26 May 2017, the Company, by way of placing, issued 397,753,000 new shares to independent third parties, details of the placing were disclosed in the announcements of the Company dated 17 May 2017 and 26 May 2017, respectively.

2. On 3 October 2017, the Company, by way of rights issue, issued 1,193,259,000 new shares to the qualifying shareholders, details of the rights issue were set out in the prospectus of the Company dated 8 September 2017 and announcement of the Company dated 29 September 2017, respectively.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 76 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2017, according to the Articles of Association, the reserves of the Company distributable to the shareholders were RMB1,504.3 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, PLACING AND RIGHTS ISSUE

Details of use of proceeds are set out under the section "Management Discussion and Analysis" on pages 28 to 29 of this annual report.

FINANCIAL HIGHLIGHTS

A summary of the results for the years ended 31 December 2013 to 2017 and the assets, liabilities and non-controlling interests of the Group as at 31 December 2013, 2014, 2015, 2016 and 2017 are set out on pages 4 and 5 of this annual report.

LOANS AND BORROWINGS

Details of the loans and borrowings of the Group are set out in note 26 to the consolidated financial statements in this annual report.

CHARITABLE DONATIONS

The total charitable donations of the Group during the year were RMB140,000.

TAX

During the year, 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 2016, sales to the Group's five largest customers accounted for approximately 94.0% and approximately 92.1% of the Group's total revenue, respectively, with sales to the largest customer accounting for approximately 29.8% and approximately 36.3% of the Group's total revenue, respectively.

For the reporting period and the year ended 31 December 2016, purchases attributable to the Group's five largest suppliers were approximately 92.5% and approximately 83.9% of the Group's total purchases, respectively, with purchases from the largest supplier accounting for approximately 56.2% and approximately 66.1%, 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 year.

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 year ended 31 December 2017 and up to the date of this annual report are as follows:

Executive Directors

Mr. Choi Tat Ying Jacky *(appointed on 15 May 2017 and ceased to be a Director with effect from 6 June 2017)*
Mr. Ran Xiaochuan *(retired on 6 June 2017)*
Mr. Lei Dejun *(appointed on 12 June 2017)*

Non-Executive Directors

Mr. Yin Bo *(Chairman) (appointed on 12 June 2017)*
Mr. Chan Suk Ching *(appointed on 12 June 2017)*
Mr. Lee Kenneth Jue *(retired on 31 August 2017)*
Mr. Zhang Yonghua *(appointed on 19 October 2017)*

Independent Non-Executive Directors

Mr. Barry Sang Quan *(retired on 6 June 2017)*
Mr. Huang Guoxin *(retired on 6 June 2017)*
Mr. Ma Shirong *(appointed on 16 June 2017)*
Mr. Chi Hongji *(appointed on 16 June 2017)*
Mr. Miu Edward Kwok Chi *(retired on 13 December 2017)*

In accordance with Articles 84(1) and 84(2) of the Articles of Association, at each annual general meeting, one-third of the Directors shall retire from office by rotation provided that every Director is subject to retirement at least once every three years, and a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. In addition, in accordance with Articles 83(3) of the Articles of Association, any Director appointed by the Board to fill a causal vacancy shall hold office only until the next general meeting of the Company and shall then be eligible for re-election. Accordingly, Mr. Lei Dejun, Mr. Yin Bo, Mr. Chan Suk Ching, Mr. Zhang Yonghua, Mr. Ma Shirong and Mr. Chi Hongji will retire and be eligible for re-election at the next annual general meeting.

COMPANY SECRETARY

Ms. Chan Wai Ling

AUTHORISED REPRESENTATIVES

Ms. Chan Wai Ling
Mr. Ran Xiaochuan *(ceased to act on 6 June 2017)*
Mr. Lei Dejun *(appointed on 13 June 2017)*

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

During the year, there was no change 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 41 of this annual report.

SERVICE AGREEMENTS OR APPOINTMENT LETTERS OF THE DIRECTORS

None of the Directors proposed for re-election at the 2018 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 (HK$)	**2017**	2016
Below 1,000,000	**3**	2

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

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at 31 December 2017, 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.

The purpose of the Share Option Scheme is to provide an incentive for 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, to work with commitment towards enhancing the value of the Company and the 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. Further details of the Share Option Scheme are set out in note 29 to the financial statements.

Movement of share options during the year ended 31 December 2017 are set out as follows:

		Number of Share Options				
Name	Date of Grant	Granted	Outstanding at 1/1/2017	Exercised	Cancelled/ Lapsed	Outstanding at 31/12/2017
Director						
Mr. Lei Dejun (appointed on 12 June 2017)	16/1/2013	8,000,000	8,000,000	–	8,000,000 (note)	–
Other Grantees						
Aggregate of other grantees	16/1/2013	27,545,946	27,545,946	–	27,545,946 (note)	–

Note: 35,545,946 share options granted to several employees and Director were cancelled due to their voluntary renouncement during the year ended 31 December 2017.

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 2017.

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

As at 31 December 2017, 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	1,073,531,131(L)	29.99
CITIC Dameng Holdings Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
Apexhill Investments Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
CITIC Metal Group Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
Metal and Mining Link Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
Highkeen Resources Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
Group Smart Resources Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
Starbest Venture Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
CITIC Resources Holdings Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Keentech Group Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
CITIC Projects Management (HK) Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
CITIC Corporation Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
CITIC Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
CITIC Glory Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
CITIC Polaris Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
CITIC Group Corporation (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
Shi Xiaozhou	Beneficial owner	453,690,996(L)	12.67

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 owned by CITIC Dameng Holdings Limited (HKSE Stock Code: 1091), which is in turn owned as to 9.07% by Apexhill Investments Limited ("**Apexhill**") and 34.39% by Highkeen Resources Limited ("**Highkeen**"). Apexhill is wholly owned by CITIC Metal Group Limited ("**CITIC Metal**"), which is in turn wholly owned by Metal and Mining Link Limited ("**MML**"). MML is wholly owned by CITIC Corporation Limited ("**CITIC Corporation**"). Highkeen is wholly owned by Group Smart Resources Limited ("**Group Smart**"), which is in turn wholly owned by Starbest Venture Limited ("**Starbest Venture**"). Starbest Venture is wholly owned by CITIC Resources Holdings Limited (HKSE Stock Code: 1205), which is in turn owned as to 49.57% by Keentech Group Limited ("**Keentech**"). Keentech is wholly owned by CITIC Projects Management (HK) Limited ("**CITIC Projects**"). CITIC Projects is wholly owned by CITIC Corporation. CITIC Corporation is wholly owned by CITIC Limited (HKSE Stock Code: 267), which is owned as to 25.60% by CITIC Glory Limited and as to 32.53% by CITIC Polaris Limited. CITIC Glory Limited and CITIC Polaris Limited are wholly owned by CITIC Group Corporation. CITIC Group Corporation is a company established in the PRC.

Save as disclosed above, as at 31 December 2017, 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

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

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.

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 2017 or at any time during the year ended 31 December 2017.

NON-EXEMPT CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

So far as the Directors are aware, no non-exempt connected transactions or continuing connected transactions were entered into by the Group during the year ended 31 December 2017.

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 2017.

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 2017.

CLOSURE OF REGISTER OF MEMBERS

To determine the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Monday, 14 May 2018 to Friday, 18 May 2018 (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 2018 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 Friday, 11 May 2018.

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 2017.

AUDITORS

The Company has appointed Ernst & Young as the auditors of the Company for the year ended 31 December 2017. A resolution will be proposed for approval by shareholders at the 2018 AGM to re-appoint Ernst & Young as the auditors of the Company.

On behalf of the Board
Yin Bo
Chairman

Hong Kong, 12 February 2018

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 Board is of the view that during the year, the Company has complied with all of the applicable code provisions as set out in the CG Code, save and except for code provisions A.5.1, C.1.2 and E.1.2 with explanation described below.

Code provision A.5.1

According to code provision A.5.1 of the CG Code, issuers should establish a nomination committee which is chaired by the Chairman of the Board or an independent non-executive Director and comprises a majority of independent non-executive Directors.

Following the retirement of Mr. Ran Xiaochuan, Mr. Huang Guoxin, Mr. Barry Sang Quan and the cessation of Mr. Choi Tat Ying Jacky as Directors and members of Nomination and Remuneration Committee on 6 June 2017, the Nomination and Remuneration Committee has only one member. Subsequently, the Board actively identified suitable candidates and has re-designated Mr. Miu Edward Kwok Chi as the member and appointed Mr. Yin Bo, Mr. Ma Shirong as members and Mr. Chi Hongji as the chairman on 16 June 2017 to fill the vacancies.

Code provision C.1.2

According to code provision C.1.2 of the CG Code, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient details.

The Board had received delayed management accounts and updates from the management of the Company for assessment due to high employee turnover rate in the Company's finance department before July 2017. Subsequently, the Company has employed relevant staff and has been in compliance with this code provision since July 2017 (by providing all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to enable the Board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules).

Code provision E.1.2

According to code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting.

Mr. Miu Edward Kwok Chi, the then interim non-executive Chairman, who due to event conflict and therefore excused his absence, was unable to attend the 2017 AGM. Mr. Miu Edward Kwok Chi had arranged Mr. Huang Guoxin, the then independent non-executive Director, who was familiar with the Group's business and operations to chair the 2017 AGM and Mr. Barry Sang Quan, the then independent non-executive Director, together with the external independent auditors of the Company, attended the 2017 AGM and answered questions from the attending shareholders and investors.

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 during the year.

The Company has also established written guidelines (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.

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. The Nomination and Remuneration Committee is also responsible for reviewing the Policy, measurable objectives and progress achieved thereof to ensure the Policy's continued effectiveness from time to time.

Currently there are six 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" section on pages 2 and 3 of this annual report. Biographical details of the Board members and the senior management are set out in the "Directors and Senior Management's Profile" section on pages 39 to 41 of this annual report.

Chairman and Chief Executive Officer

On 13 December 2017, Mr. Miu Edward Kwok Chi retired as an independent non-executive Director and ceased to be the interim non-executive Chairman. Following the retirement of Mr. Miu Edward Kwok Chi, Mr. Yin Bo, a non-executive Director, was appointed as the Chairman on 14 December 2017. Mr. Yin Bo 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. The day-to-day operations of the Company were overseen by Mr. Ran Xiaochuan, the then executive Director prior to his retirement on 6 June 2017. On 12 June 2017, Mr. Lei Dejun was appointed as an executive Director and has undertaken the duties of the Chief Executive Officer. The main duties of Mr. Lei Dejun are to ensure the smooth running of the day-to-day operation of the Company and oversee the implementation of the Company's long and short term plans in accordance with its strategy while ensuring that all major decisions were made in consultation with the Board members, relevant Board committees or senior management of the Group. The Company will continue to use its best endeavours 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 A.4.1 of the CG Code stipulates that the non-executive Directors shall be appointed for a specific term, subject to re-election, and according to Code Provision A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment.

Pursuant to article 83(3) of the Articles of Association of the Company, Mr. Yin Bo, Mr. Chan Suk Ching and Mr. Zhang Yonghua shall hold office until the next general meeting of the Company, subject to re-election thereat. Thereafter, their tenure as non-executive Directors will be subject to retirement by rotation and re-election in accordance with the Listing Rules and the Articles of Association of the Company.

Independent Non-Executive Directors

During the year, Mr. Huang Guoxin and Mr. Barry Sang Quan retired as independent non-executive Directors on 6 June 2017.

Following the aforesaid retirement, the Company had only 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. Ma Shirong and Mr. Chi Hongji were appointed as independent non-executive Directors on 16 June 2017 to fill the vacancies.

On 13 December 2017, Mr. Miu Edward Kwok Chi retired as an independent non-executive Director. Following the retirement of Mr. Miu Edward Kwok Chi, the Company has two independent non-executive Directors 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. The Company is in the process of actively identifying a suitable candidate to fill the vacancy of the independent non-executive Director.

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 leading and managing its affairs. Directors of the Board take decisions objectively in the interests of the Company.

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

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

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

The Board determines which functions are reserved to the Board and which are delegated to senior management. It delegates appropriate aspects of its management and administrative functions to senior management. It also gives clear directions as to the powers of senior management, in particular, with respect to the circumstances where senior management must report to the Board and obtain its prior approval before making decisions or entering into any commitments on behalf of the Company. These arrangements are reviewed periodically to ensure that they remain appropriate to the needs of the Company.

Important matters are reserved to the Board for its decision, including long term objectives and strategies, extension of the Group's activities into new business areas, appointments to the Board and the board committees, annual budgets, material acquisitions and disposals, material connected transactions, material banking facilities, announcements of interim and final results and payment of dividends.

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.

All 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, 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 during the year 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		
Mr. Lei Dejun	✓	✓
Non-Executive Directors		
Mr. Yin Bo	✓	✓
Mr. Chan Suk Ching	✓	✓
Mr. Zhang Yonghua	✓	✓
Independent Non-Executive Directors		
Mr. Ma Shirong	✓	✓
Mr. Chi Hongji	✓	✓

Board Meetings

The Board meets on a regular basis and held thirteen meetings during 2017 to discuss the overall strategy as well as the operations and financial performance of the Group. In addition, other matters such as 2017 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

All Directors 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 year is set out in the table below:

	Number of Meetings Attended/Eligible to attend during the year					
Name of Directors	Board Meeting	Audit Committee Meeting	Nomination and Remuneration Committee	Safety, Health and Environment Committee	Strategy Committee	2017 AGM
Number of meetings	13	3	3	2	2	1
Executive Directors						
Mr. Ran Xiaochuan[1]	5/5	–	1/1	1/1	1/1	0/1
Mr. Choi Tat Ying Jacky[2]	1/1	–	0/0	–	0/0	0/1
Mr. Lei Dejun[3]	6/6	–	–	1/1	1/1	–
Non-Executive Directors						
Mr. Lee Kenneth Jue[4]	9/9	1/1	1/1	1/1	2/2	0/1
Mr. Yin Bo[5]	5/6	–	2/2	–	1/1	–
Mr. Chan Suk Ching[6]	6/6	2/2	–	–	1/1	–
Mr. Zhang Yonghua[7]	2/2	–	–	0/0	0/0	–
Independent Non-Executive Directors						
Mr. Ma Shirong[8]	5/6	2/2	2/2	–	–	–
Mr. Chi Hongji[9]	5/6	–	2/2	1/1	–	–
Mr. Miu Edward Kwok Chi[10]	11/12	2/2	3/3	1/1	–	0/1
Mr. Huang Guoxin[11]	5/5	–	1/1	1/1	1/1	1/1
Mr. Barry Sang Quan[12]	4/5	1/1	1/1	–	–	1/1

Note:

1. Retired as an executive Director and ceased to be a member of each of Nomination and Remuneration Committee, Strategy Committee and Safety, Health and Environment Committee on 6 June 2017.
2. Appointed as an executive Director on 15 May 2017, and as a member of each of Nomination and Remuneration Committee and Strategy Committee on 22 May 2017. Ceased as an executive Director and as a member of each of Nomination and Remuneration Committee and Strategy Committee on 6 June 2017. No meetings of Nomination and Remuneration Committee and Strategy Committee took place during his appointment.
3. Appointed as an executive Director on 12 June 2017, and as the chairman of Safety, Health and Environment Committee and a member of Strategy Committee on 16 June 2017, and re-designated as the chairman of Strategy Committee on 1 September 2017.
4. Ceased as a member of each of Audit Committee and Safety, Health and Environment Committee, and appointed as a member of Nomination and Remuneration Committee on 16 June 2017. Retired as a non-executive Director and ceased to be the chairman of Strategy Committee and a member of Nomination and Remuneration Committee on 31 August 2017.
5. Appointed as a non-executive Director on 12 June 2017, and as a member of each of Nomination and Remuneration Committee and Strategy Committee on 16 June 2017.
6. Appointed as a non-executive Director on 12 June 2017, and as a member of each of Audit Committee and Strategy Committee on 16 June 2017.
7. Appointed as a non-executive Director, and as a member of each of Strategy Committee and Safety, Health and Environment Committee on 19 October 2017. No meetings of Strategy Committee and Safety, Health and Environment Committee took place after his appointment.
8. Appointed as an independent non-executive Director, the chairman of Audit Committee and a member of Nomination and Remuneration Committee on 16 June 2017.
9. Appointed as an independent non-executive Director, the chairman of Nomination and Remuneration Committee and a member of Safety, Health and Environment Committee on 16 June 2017.
10. Retired as an independent non-executive Director and ceased to be a member of each of Audit Committee, Nomination and Remuneration Committee and Safety, Health and Environment Committee on 13 December 2017.
11. Retired as an independent non-executive Director and ceased to be the chairman of Safety, Health and Environment Committee, and a member of each of Nomination and Remuneration Committee and Strategy Committee on 6 June 2017.
12. Retired as an independent non-executive Director and ceased to be a member of each of Audit Committee and Nomination and Remuneration Committee on 6 June 2017.

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. Ma Shirong, independent non-executive Director
(appointed as its chairman on 16 June 2017)
Mr. Miu Edward Kwok Chi, independent non-executive Director
(re-designated as its member with effect from 16 June 2017
and ceased to be its member and retired with effect from 13 December 2017)

Members: Mr. Chan Suk Ching, non-executive Director
(appointed as its member on 16 June 2017)
Mr. Barry Sang Quan, independent non-executive Director
(ceased to be its member and retired with effect from 6 June 2017)
Mr. Lee Kenneth Jue, non-executive Director
(ceased to be its member with effect from 16 June 2017)

During the period from 6 June 2017 to 15 June 2017, the Audit Committee comprised only two members. The number of Audit Committee members fell below the minimum number as required under Rule 3.21 of the Listing Rules. The Board has appointed Mr. Chan Suk Ching as a member and Mr. Ma Shirong as the chairman to fill the vacancies and re-designated Mr. Miu Edward Kwok Chi as a member of the Audit Committee on 16 June 2017.

Following the retirement and cessation of Mr. Miu Edward Kwok Chi as a member of the Audit Committee on 13 December 2017 and as at the date of this annual report, the Audit Committee comprised only two members. The number of Audit Committee members fell below the minimum number as required under Rule 3.21 of the Listing Rules. The Company is in the process of identifying a suitable candidate to fill the vacancy of the Audit Committee.

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, the accounting principles and practices adopted by the Company, statutory compliance and other financial reporting matters, the major findings on review of internal control system and the management's response, the adequacy of resources, staff qualifications and experience of the internal audit and financial reporting functions, 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 year, 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 56 under the section "Attendance Record of Directors and Committee Members".

Nomination and Remuneration Committee

Chairman: Mr. Chi Hongji, independent non-executive Director
(appointed as its chairman on 16 June 2017)
Mr. Miu Edward Kwok Chi, independent non-executive Director
(re-designated as its member with effect from 16 June 2017
and ceased to be its member and retired with effect from 13 December 2017)

Members: Mr. Ma Shirong, independent non-executive Director
(appointed as its member on 16 June 2017)
Mr. Yin Bo, non-executive Director
(appointed as its member on 16 June 2017)
Mr. Lee Kenneth Jue, non-executive Director
(appointed as its member on 16 June 2017
and ceased to be its member and retired with effect from 31 August 2017)
Mr. Ran Xiaochuan, executive Director
(ceased to be its member and retired with effect from 6 June 2017)
Mr. Huang Guoxin, independent non-executive Director
(ceased to be its member and retired with effect from 6 June 2017)
Mr. Barry Sang Quan, independent non-executive Director
(ceased to be its member and retired with effect from 6 June 2017)
Mr. Choi Tat Ying Jacky, executive Director
(appointed as its member on 22 May 2017
and ceased to be its member and a Director with effect from 6 June 2017)

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 at least once annually and making recommendations to the Board regarding any proposed changes, identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships. The Nomination and Remuneration Committee is also responsible for assessing the independence of independent non-executive Directors 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.

The Nomination and Remuneration Committee is provided with sufficient resources, including the advice of professional firms, if necessary, to discharge its duties.

During the year, 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 56 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 2017 are set out in note 8 to the financial statements on pages 113 to 116 of this annual report.

Safety, Health and Environment Committee

Chairman: Mr. Lei Dejun, executive Director
(appointed as its chairman on 16 June 2017)
Mr. Huang Guoxin, independent non-executive Director
(ceased to be its chairman and retired with effect from 6 June 2017)

Members: Mr. Chi Hongji, independent non-executive Director
(appointed as its member on 16 June 2017)
Mr. Zhang Yonghua, non-executive Director
(appointed as its member on 19 October 2017)
Mr. Ran Xiaochuan, executive Director
(ceased to be its member and retired with effect from 6 June 2017)
Mr. Lee Kenneth Jue, non-executive Director
(ceased to be its member with effect from 16 June 2017)
Mr. Miu Edward Kwok Chi, independent non-executive Director
(appointed as its member on 16 June 2017 and ceased to be its member and retired with effect from 13 December 2017)

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 year, the Safety, Health and Environment Committee held two 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 during the year.

The attendance record of each committee member is shown on page 56 under the section "Attendance Record of Directors and Committee Members".

Strategy Committee

Chairman: Mr. Lei Dejun, executive Director
(appointed as its member on 16 June 2017
and re-designated as its chairman on 1 September 2017)
Mr. Lee Kenneth Jue, non-executive Director
(ceased to be its chairman and retired with effect from 31 August 2017)

Members: Mr. Yin Bo, non-executive Director
(appointed as its member on 16 June 2017)
Mr. Chan Suk Ching, non-executive Director
(appointed as its member on 16 June 2017)
Mr. Zhang Yonghua, non-executive Director
(appointed as its member on 19 October 2017)
Mr. Ran Xiaochuan, executive Director
(ceased to be its member and retired with effect from 6 June 2017)
Mr. Huang Guoxin, independent non-executive Director
(ceased to be its member and retired with effect from 6 June 2017)
Mr. Choi Tat Ying Jacky, executive Director
(appointed as its member on 22 May 2017 and ceased to be its member and a Director
with effect from 6 June 2017)

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 year, the Strategy Committee held two meetings.

The attendance record of each Committee Member is shown on page 56 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 year ended 31 December 2017. 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 2017, the Group's financial position has been materially and adversely affected by a combination of factors, like, the expansion of the Group's mine portfolios financed by short-term bank borrowings, 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 2017, 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 plans and 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 2017 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 67 to 73 of this annual report.

REMUNERATION OF EXTERNAL AUDITORS

During the year, the Group's external auditors, Ernst & Young, provided assurance service and non-assurance service to the Group. Details of the fees paid/payable to Ernst & Young during the year ended 31 December 2017 are as follows:

Assurance service:	RMB4,300,000
Other assurance service:	
— Agreed-upon procedure on rights issue	RMB190,000
Non-assurance service:	
— Tax service	RMB67,579
Total	RMB4,557,579

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 Company's risk management and internal control systems are designed to reduce or manage risk to an acceptable level for the Company. They do not eliminate the risk of failure to achieve business objectives, however, can only provide reasonable assurance that the business objectives of the Company are achieved.

The managers of the internal audit department, with the support and assistance from other divisions and departments, directly report to the audit committee in respect of risk management and internal control matters of the Group.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks that the Group is willing to take in achieving its strategic objectives, and ensuring that the Group establishes and maintains an appropriate and effective risk management system.

To the extent that any of these risks are realised, they may affect, among other matters: our current and future business and prospects, financial position, liquidity, asset values, growth potential, sustainable development (whether as to adverse health, safety, environmental, community effects or otherwise) and reputation. Through our continuous optimization of corporate governance and proactive management, we are endeavoured to mitigate, where possible, the impacts of the risks should they materialise.

The key procedures and processes that the Board established to oversee the Company's risk management and internal control systems on an ongoing basis and to provide effective risk management and internal controls are as follows:

- A distinct organisation structure exists with defined lines of authority and control responsibilities.

- A comprehensive management accounting system is in place to provide financial and operational performance indicators to the management and the relevant financial information for reporting and disclosure purpose.

- Policies and procedures are designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for ensuring the reliability of financial information used within the business or for publication. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

- Systems and procedures are also in place to identify, measure, manage, control and report risks including credit, market, operational, liquidity, interest rate, strategic, legal and reputation risks.

- An internal audit department, amongst others, carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems. The internal audit managers report to the Audit Committee of any findings revealed in the course of their daily work including material internal control defects, if any.

- Audit reports (including management letter) are submitted by external auditors to the Group's management in connection with annual audit.

- A policy on handling and dissemination of inside information is in place, setting out the guiding principles, procedures and internal controls for the handling and dissemination of inside information in a timely manner.

- A whistle-blowing policy is in place, which encourages employees to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company. The Company treats all information received in confidence and protects the identity and the interests of all whistle-blowers.

During the year, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Company every half year since the second half of 2017, 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.

The Group takes proactive measures to identify, evaluate and manage significant risks arising from its businesses. Various risk management strategies have been established by management to identify, assess and mitigate risks, including in the areas of strategy, market, finance, legal and operation risks. The Internal Audit Department conducts an audit based on risk assessment and reviews the effectiveness of the Group's major internal controls to ensure that it can identify and manage its major business and operational risks.

The Audit Committee reviews the findings and opinion of the Internal Audit Department on the effectiveness of the system and reports to the Board if significant findings are noted. During the year, the Board conducted a review of the adequacy and effectiveness of the risk management and internal control systems of the Group by reviewing the work of the Internal Audit Department, the Group's external auditors, and regular reports from management including those on risk management. The Board considered the risk management and internal control systems of the Group effective and adequate and complied with the code provisions of the CG Code.

Independent Auditors

The Company's independent auditor is Ernst & Young. For the year ended 31 December 2017, the remuneration paid/payable by the Group to Ernst & Young is set out in the "Remuneration of External Auditors" section on page 62 of this report.

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. Lei Dejun, an executive Director.

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 year.

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 year, 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 of the Company will analyze the results of the Group during the year, 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 2017 AGM of the Company further provided a platform and opportunity for our shareholders to exchange views with the Company. The 2018 AGM of the Company is tentatively scheduled to be held on Friday, 18 May 2018, the notice of which will be sent to shareholders at least 20 clear business days before the meeting. The circular to shareholders for the 2018 AGM is tentatively scheduled to be despatched to the shareholders before Wednesday, 18 April 2018.

SHAREHOLDING ANALYSIS AND INFORMATION FOR SHAREHOLDERS

OUR SHARE INFORMATION AND OUR SHAREHOLDING STRUCTURE

As at 31 December 2017, a summary of our share information is set out below:

Our Share Information as at 31 December 2017	
Authorised Share Capital	HK$380,000
Issued Share Capital	HK$35,797.77
Board Lot	1,000 shares
Market Capitalisation	HK$404,514,801
Number of Issued Shares	3,579,777,000
Closing Price	HK$0.113

As at 31 December 2017, a summary of our shareholding structure is set out below:

Our shareholding structure as at 31 December 2017

Size of Registered Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares
0 – 1,000	41	60.29	24,677
1,001 – 5,000	19	27.94	43,500
5,001 – 10,000	1	1.47	10,000
10,001 – 100,000	1	1.47	50,000
More than 100,001	6	8.82	3,579,648,823
Rounding		0.01	
Total	68	100.00	3,579,777,000

As at 31 December 2017, the Company has 68 registered shareholders. The actual number of investors in the Company's shares is much greater when taking into account the people and organizations that have indirect interest in the Company's shares through intermediaries such as nominees, investment funds and the Central Clearing and Settlement System (CCASS) of Hong Kong.

The Company's major shareholders are CITIC Dameng Investments Limited and Shi Xiaozhou which hold 29.99% and 12.67% of the Company's shares respectively. The remaining 57.34% of the Company's shares are held by a wide range of institutional or corporate investors, as well as a considerable number of retail investors, most of whom are residents in Hong Kong.

THE MAJOR EVENTS AND TENTATIVE DATES OF THE COMPANY IN 2018

Set out below are the major events and tentative dates of the Company in 2018 in which shareholders or investors need to pay attention to:

Date	Event
12 February 2018	Announcement of 2017 final results
18 May 2018	2018 AGM
24 July 2018	Announcement of 2018 interim results

Any changes to these dates will be published on the website of the Company and the Hong Kong Stock Exchange.

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 74 to 147, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 that the Group incurred a net loss of RMB43,066,000 for the year ended 31 December 2017 and, as at that date, the Group's current liabilities exceeded its current assets by RMB571,750,000. 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.

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

KEY AUDIT MATTERS (continued)

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 such indications of impairment exist, a formal estimate of the recoverable amount is performed based on the value in use 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. Based on existing market conditions, impairment indicators were identified for the Group's main mining cash generating units ("**CGUs**"), the mining licence and assets related to Shizishan Mine, Menghu Mine, Dakuangshan Mine and 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 2017, the net carrying amounts of the above-mentioned non-current assets aggregated RMB1,585,122,000. The Group's disclosures about impairment assessment for these CGUs and assets are included in notes 3, 12 and 14 to the financial statements.	The audit procedures to assessing impairment include the following: • We evaluated the assessment of impairment indicators of non-current assets prepared by the management; • 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 publically available information where it existed; • We involved EY internal valuation specialists to assist us in evaluating the impairment assessment models; and • We also assessed the related disclosures in the financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Acquisition accounting During the year ended 31 December 2017, the Group completed the acquisition of a 100% equity interest in Hua Xing Global Limited at a total consideration of RMB101,500,000. We considered the audit of accounting treatment for the above acquisition to be a key audit matter as the acquisition accounting for this acquisition is a complex and judgmental exercise, requiring the allocation of the purchase price to the assets and liabilities acquired. This acquisition also required management to determine the fair value of the assets and liabilities acquired in the acquisition. Management had engaged an independent valuation expert to assist them in purchase price allocation and the valuation of the fair value of the acquired assets and liabilities. The Group's disclosure about the acquisition is included in note 34 to the financial statements.	The audit procedures regarding acquisition accounting include the following: • We reviewed the equity transfer agreements, articles of association and other documents in relation to the acquisition to obtain an understanding of the transactions and the key terms; • We tested the identification of assets and liabilities based on our understanding of the acquired business; • We evaluated the accounting treatment applied to the transaction; • We assessed the competence and relevant experience of the expert engaged by management; • We involved our internal specialist to assist us in reviewing the valuation methodologies used by management and the external valuation expert in the fair valuation of the acquired assets and liabilities; • We evaluated the valuation assumptions such as discount and growth rates by comparing these assumptions to source data and market data; • We evaluated the deferred taxes related to the acquisition; and • We assessed the adequacy of the related disclosures in the financial statements regarding the acquisition.

KEY AUDIT MATTERS (continued)

Key audit matter	**How our audit addressed the key audit matter**
Estimation of mineral reserves	
Mineral reserve estimate is a significant input to depreciation, amortisation, rehabilitation provision calculations and impairment assessments. The estimation involves significant judgement and assumptions by management. Management 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 to the financial statements.	The audit procedures include the following: • We assessed the competence, capabilities and objectivity of the 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 and their conclusions, including explanations for changes in mineral reserves since the last estimation was undertaken; and • We assessed the assumptions and technical parameters used in the estimation of mineral reserves in 2017.
Deferred tax assets	
As at 31 December 2017, the balance of deferred tax assets amounted to RMB65,351,000, which mainly related 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 tax losses. The Group's disclosures about deferred tax assets is included in notes 3 and 17 to the financial statements.	The audit procedures include the following: • 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 reviewed 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.

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

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.

- 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.

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

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 Lai Chee Kong.

Certified Public Accountants
Hong Kong

12 February 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	4	**113,294**	22,801
Cost of sales		**(100,662)**	(23,861)
Gross profit/(loss)		**12,632**	(1,060)
Other income and gains	5	**2,589**	2,540
Gain on a bargain purchase	34	**88,369**	—
Selling and distribution expenses		**(1,363)**	(605)
Administrative expenses		**(36,069)**	(51,708)
Impairment loss on property, plant and equipment	14	**(44,468)**	—
Impairment loss on intangible assets	14	**(17,000)**	—
Impairment loss on prepaid land lease payments	14	**(835)**	—
Impairment loss on payments in advance	14	**(297)**	—
Impairment loss on trade receivables	19	**(1,061)**	(14,893)
Impairment loss on other receivables	20(b)	**—**	(36,049)
Other expenses		**(6,230)**	(503)
Finance costs	6	**(30,775)**	(43,971)
LOSS BEFORE TAX	7	**(34,508)**	(146,249)
Income tax credit/(expense)	9	**(8,558)**	18,031
LOSS FOR THE YEAR		**(43,066)**	(128,218)
OTHER COMPREHENSIVE LOSS:			
Other comprehensive loss to be reclassified to profit or loss in subsequent years:			
Exchange differences on translation of foreign operations		**(578)**	—
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(43,644)**	(128,218)
Loss attributable to:			
Owners of the Company		**(40,754)**	(126,865)
Non-controlling interests		**(2,312)**	(1,353)
		(43,066)	(128,218)
Total comprehensive loss attributable to:			
Owners of the Company		**(41,332)**	(126,865)
Non-controlling interests		**(2,312)**	(1,353)
		(43,644)	(128,218)
Loss per share attributable to ordinary equity holders of the Company:			Restated
— Basic and diluted	11	**RMB(0.016)**	RMB(0.063)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**776,653**	715,890
Investment property	13	**7,916**	8,400
Intangible assets	14	**1,007,982**	735,370
Prepaid land lease payments	15	**10,673**	11,800
Payments in advance	16	**447,601**	509,937
Prepayments and deposits	20	**216,362**	215,635
Deferred tax assets	17	**65,351**	73,909
Total non-current assets		**2,532,538**	2,270,941
CURRENT ASSETS			
Inventories	18	**42,372**	23,216
Trade receivables	19	**9,253**	1,061
Prepayments, deposits and other receivables	20	**70,565**	4,517
Due from a related party	25	**200**	—
Available-for-sale investments	21	**6,500**	—
Cash and cash equivalents	22	**18,574**	40,778
Total current assets		**147,464**	69,572
CURRENT LIABILITIES			
Trade payables	23	**7,742**	10,928
Other payables and accruals	24	**168,866**	153,377
Tax payable		**93,616**	93,616
Due to a related party	25	**—**	14,221
Interest-bearing bank and other loans	26	**448,990**	505,182
Total current liabilities		**719,214**	777,324
NET CURRENT LIABILITIES		**(571,750)**	(707,752)
Total assets less current liabilities		**1,960,788**	1,563,189
NON-CURRENT LIABILITIES			
Other payables	24	**46,549**	14,307
Provision for rehabilitation	27	**26,952**	19,613
Deferred tax liabilities	17	**22,233**	—
Total non-current liabilities		**95,734**	33,920
Net assets		**1,865,054**	1,529,269
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	**30**	17
Reserves	30	**1,614,971**	1,466,908
		1,615,001	1,466,925
Non-controlling interests		**250,053**	62,344
Total equity		**1,865,054**	1,529,269

Lei Dejun
Director

Chan Suk Ching
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

		Attributable to owners of the Company											
	Notes	Issued capital RMB'000 note 28	Share premium account RMB'000 note 30(a)	Reserve funds RMB'000 note 30(b)	Safety fund surplus reserve RMB'000 note 30(c)	Capital contribution reserve RMB'000 note 30(d)	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000 note 30(e)	Difference arising from changes in non-controlling interests RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 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 reserve 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 and 1 January 2017		17	1,314,942*	29,115*	8,794*	233,000*	–	36,316*	(4,115)*	(151,144)*	1,466,925	62,344	1,529,269
Loss for the year		–	–	–	–	–	–	–	–	(40,754)	(40,754)	(2,312)	(43,066)
Other comprehensive loss for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	–	(578)	–	–	–	(578)	–	(578)
Total comprehensive loss for the year		–	–	–	–	–	(578)	–	–	(40,754)	(41,332)	(2,312)	(43,644)
Issue of shares	28	13	193,043	–	–	–	–	–	–	–	193,056	–	193,056
Share issue expenses	28	–	(3,648)	–	–	–	–	–	–	–	(3,648)	–	(3,648)
Acquisition of a subsidiary	34	–	–	–	–	–	–	–	–	–	–	190,021	190,021
Transfer of share option reserve upon forfeiture and expiry of share options		–	–	–	–	–	–	(36,316)	–	36,316	–	–	–
Provision for safety fund surplus reserve		–	–	–	643	–	–	–	–	(643)	–	–	–
Utilisation of safety fund surplus reserve		–	–	–	(525)	–	–	–	–	525	–	–	–
At 31 December 2017		30	1,504,337*	29,115*	8,912*	233,000*	(578)*	–*	(4,115)*	(155,700)*	1,615,001	250,053	1,865,054

* These reserve accounts comprise the consolidated reserves of RMB1,614,971,000 (2016: RMB1,466,908,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(34,508)**	(146,249)
Adjustments for:			
Finance costs		**30,773**	43,055
Unrealised foreign exchange loss		**1,594**	916
Bank interest income	5	**(135)**	(1,960)
Interests from loans to third parties	5	**(947)**	—
Equity-settled share option expense		**—**	87
Depreciation of property, plant and equipment	7	**31,536**	23,921
Depreciation of an investment property	7	**484**	436
Impairment losses recognised	7	**63,660**	50,942
Loss on disposal of items of property, plant and equipment		**33**	219
Amortisation of intangible assets	7	**16,542**	5,328
Amortisation of prepaid land lease payments	7	**292**	247
Gain on a bargain purchase	34	**(88,369)**	—
		20,955	(23,058)
Decrease/(increase) in trade receivables		**(9,253)**	14,194
Decrease/(increase) in inventories		**(17,246)**	3,724
Decrease/(increase) in prepayments, deposits, and other receivables		**(1,296)**	12
Increase/(decrease) in trade payables		**(4,385)**	1,579
Decrease in other payables and accruals		**(213)**	(1,109)
Cash used in operations		**(11,438)**	(4,658)
Interest received		**135**	1,960
Income tax paid		**—**	(1,516)
Net cash flows used in operating activities		**(11,303)**	(4,214)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(19,724)**	(88,268)
Advance of loans to third parties		**(63,743)**	—
Purchase of available-for-sale investments		**(6,500)**	—
Interests received from loans to third parties		**947**	—
Proceeds from disposal of items of property, plant and equipment		**—**	32
Acquisition of a subsidiary	34	**(6,448)**	(25,000)
Expenditures on exploration and evaluation		**(1,789)**	—
Prepayment for acquisition of subsidiaries		**—**	(470,550)
Prepayment for acquisition of non-controlling interests in a subsidiary		**—**	(17,000)
Net cash flows used in investing activities		**(97,257)**	(600,786)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**193,056**	—
Share issue expenses		**(3,648)**	—
Interest paid		**(32,095)**	(39,604)
Proceeds from bank and other loans		**468,990**	200,323
Repayment of bank and other loans		**(525,182)**	(200,984)
Advance from a related party		**—**	16,673
Repayment of advance to a related party		**(14,996)**	(3,368)
Net cash flows generated from/(used in) financing activities		**86,125**	(26,960)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(22,435)**	(631,960)
Cash and cash equivalents at beginning of year		**40,778**	672,738
Effect of foreign exchange rate changes		**231**	—
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	**18,574**	40,778

1. CORPORATE AND GROUP INFORMATION

China Polymetallic Mining Limited (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 Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in mining, ore processing, the sale of lead-silver concentrates and zinc-silver concentrates and trading of commodities.

In the opinion of the directors of the Company (the "**Directors**"), the Company does not have an immediate holding company or ultimate holding company. CITIC Dameng Investments Limited ("**Dameng**"), 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 Investments Limited	Hong Kong 3 November 2009	HK$1.00	100.0	Investment holding
Yunnan Next Horizon Polymetallic Investment Limited ("**Yunnan Next Horizon**") [(i)]	Mainland China 17 April 2012	RMB600,000,000	100.0	Sale of ore products
Dehong Yinbang Mining Technology Development Company Limited ("**Dehong Yinbang**") [(i)]	Mainland China 23 December 2009	US$48,500,000	100.0	Sale of ore products
Dehong Yinrun Mining Group Company Limited ("**Dehong Yinrun**") [(ii)]	Mainland China 7 January 2010	RMB800,000,000	100.0	Sale of ore products and trading of commodities

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company %	Principal activities
Indirectly held: (continued)				
Yingjiang County Kunrun Industry Company Limited ("**Kunrun**") (iii)	Mainland China 7 January 2010	RMB56,000,000	99.0	Mining, ore processing, sale of lead-zinc silver ore products and trading of commodities
Mang City Xin Di Mining Company Limited ("**Dakuangshan Company**") (iii)	Mainland China 12 February 2007	RMB85,000,000	90.0	Mining, ore processing and sale of lead-zinc ore products
Nujiang Shengjia Chengxin Industrial Co., Ltd. ("**Liziping Company**") (iii)	Mainland China 15 May 2007	RMB20,000,000	90.0	Mining, ore processing and sale of lead-zinc ore products
Meng La Chen Feng Mining Development Company Limited ("**Menghu Company**") (iii)	Mainland China 4 June 2008	RMB3,000,000	90.0	Mining and sale of lead-zinc ore products
Harbor Star Mining Company Limited ("**Harbor Star**")	Myanmar 11 June 2014	Myanmar is Kyats ("MMK")500,000,000	90.0	Mining and sale of lead-zinc ore products
Harbor Star Joint Venture Company Limited ("**Harbor Star Joint Venture**")	Myanmar 16 October 2015	US$50,000,000	99.0	Investment holding
Hua Xing Global Limited ("**Hua Xing**") (iv)	British Virgin Islands 25 November 2016	US$50,000	100.0	Investment holding
Venture Million Enterprises Limited ("**Venture Million**") (iv)	British Virgin Islands 11 May 2016	US$1,000	51.0	Investment holding
GPS Joint Venture Company Limited ("**GPS JV**") (iv)	Myanmar 9 January 2013	MMK25,000,000,000	98.0	Mining, ore processing and sale of lead ore products
Blue Mountain Resources Pte Limited ("**Blue Mountain**")	Singapore 23 October 2017	SG$50,000	100.0	Investment holding

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Notes:

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

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

(iii) As at 31 December 2017 and 2016, all equity interests of these subsidiaries were pledged to secure the Group's bank loans (note 26).

(iv) During the year, the Group acquired a 100% equity interest in Hua Xing and its subsidiaries ("**Hua Xing**" **Group**") from an independent third party. Further details of this acquisition are included in note 34 to the financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"), and International Accounting Standards ("**IASs**") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. They have been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (CONTINUED)

Going concern basis

During the year ended 31 December 2017, the Group incurred a consolidated net loss of RMB43,066,000 (2016: RMB128,218,000) and had net cash outflows from operating activities of RMB11,303,000 (2016: RMB4,214,000). As at 31 December 2017, the Group had net current liabilities of RMB571,750,000 (2016: 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 2017, the Group's total bank loans amounted to RMB448,990,000, all of which will be due within twelve months from 31 December 2017. The Group has not experienced any significant difficulties in renewing its short-term bank loans upon their maturities and there is no indication that the bank will not renew the existing bank loans if the Group applies for renewal. The Group will actively negotiate with the bank for the renewal of its borrowings when they fall due to secure necessary facilities to meet the Group's working capital and financial requirements. The Directors have evaluated all the relevant facts available to them and are of the opinion that they have a good track record or relationship with the bank so that the bank loans will be renewed upon maturity.

(b) The Group has budgeted and laid out its business plan for the next twelve months, and seeks to attain profits and general positive cash flows from the expansion of the operation at Aung Jiujia Mine and Bawsaing Mine in Myanmar.

    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 financial performance.

(c) The Group is taking 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 closely monitoring the daily operating expenses.

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

The Directors 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 2017 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 of Directors (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 management's view that the Group's business plan for the next twelve months 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 next twelve months.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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 revised IFRSs for the first time for the current year's financial statements.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 *included in Annual Improvements to IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

None of the above amendments to IFRSs has had a significant financial effect on these financial statements. Disclosure has been made in the financial statements upon the adoption of amendments to IAS 7, which 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.

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*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[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*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after 1 January 2021

4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below. Of those standards, IFRS 9 and IFRS 15 will be applicable for the Group's financial year ending 31 December 2018 and are expected to have no significant impact upon adoption. Whilst management has performed an assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

IFRS 9 *Financial Instruments*

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 will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed an assessment of the impact of the adoption of IFRS 9. This expected impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to measure at fair value all financial assets currently held at fair value through profit or loss.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has determined that no material further impairment will be provided upon the initial adoption of the standard.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15, issued in May 2014, 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments of 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 plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of IFRS 15 will not be material. Also, the expected changes in accounting policies will not have a material impact on the Group's financial statements from 2018 onwards.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

IFRS 15 *Revenue from Contracts with Customers* (continued)

The Group's principal activities consist of mining, ore processing, the sale of lead-silver concentrates and zinc-silver concentrates and trading of commodities. During 2017, the Group has performed an assessment on the impact of the adoption of IFRS 15 and concluded that no material financial impact exists.

The presentation and disclosure requirements in IFRS 15 are more detailed than those under the current IAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

IFRS 16 *Leases*

IFRS 16, issued in January 2016, 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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019. The Group is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

Amendments to IAS 40, issued in December 2016, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC 22, issued in December 2016, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

IFRIC 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment property 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.

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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

(b) (continued)

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

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

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

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

Property, plant and equipment and depreciation

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

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

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 3 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

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.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis to write off the cost of an investment property to its residual value over its estimated useful life of 20 years.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably; otherwise, the expenditures are recognised in profit or loss in the year in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes. If an item of property, plant and equipment becomes an investment property because its use has changed, the transfer does not change the carrying amount of the property transferred, nor does it change the cost of that property for measurement or disclosure purposes.

Intangible assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

Mining rights

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

Exploration rights and assets

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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.

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss — is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an 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.

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 the 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 carry forward 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 carry forward 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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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;

(c) from the rendering of services, when the service has been rendered;

(d) rental income, on a time proportion basis over the lease terms; and

(e) 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. Proposed final dividends are disclosed in the notes to the financial statements.

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

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).

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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 executive) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

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

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

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

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

Other employee benefits

Pension schemes

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

In addition to the above, the Group also operates 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 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 independently 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 requires 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 2017 aggregated RMB81,383,000 (2016: RMB80,322,000). Further details are given in notes 19 and 20(b) 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 2017 was RMB93,616,000 (2016: RMB93,616,000).

(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 2017 was RMB776,653,000 (2016: RMB715,890,000).

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 2017 was RMB65,351,000 (2016: RMB73,909,000). Further details are given in note 17 to the financial statements.

(e) Mineral reserves

Engineering estimates of the Group's mineral 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 mineral reserves can be designated as "proved" and "probable". Proved and probable mineral 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 mineral 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 mineral 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 mineral 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 (ranging from 4.9% to 7.98% as at 31 December 2017) 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 2017 was RMB26,952,000 (2016: RMB19,613,000).

(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 2017 was RMB42,372,000 (2016: RMB23,216,000).

(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 total impairment provisions for property, plant and equipment, intangible assets, prepaid land lease payments and payments in advance as at 31 December 2017 were RMB112,951,000 (2016: RMB50,351,000). Further details are given in notes 12, 14, 15 and 16 to the financial statements, respectively.

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 self-produced lead-silver concentrates and zinc-silver concentrates and trading business, which are 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 and service

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

	2017		2016	
	RMB'000	%	RMB'000	%
Sales of self-produced products:				
Lead-silver concentrates	**29,270**	**25.8**	10,401	45.6
Zinc-silver concentrates	**16,372**	**14.5**	12,400	54.4
Trading activities:				
Lead-silver concentrates	**30,634**	**27.1**	—	—
Zinc-silver concentrates	**33,818**	**29.8**	—	—
Others revenue*	**3,200**	**2.8**	—	—
	113,294	**100.0**	22,801	100.0

* Other revenue consisted of ore processing service fee and mining right leasing income. The mining right of Menghu Company was leased to an independent third party for two years beginning on 1 April 2017 with an annual rental income of RMB1,800,000.

4. REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

Entity-wide disclosures (continued)

Geographical information

(a) *Revenue from external customers*

	2017		2016	
	RMB'000	%	RMB'000	%
Domestic* — Mainland China	**107,438**	**94.8**	22,801	100.0
Overseas — Myanmar	**5,856**	**5.2**	—	—
	113,294	**100.0**	22,801	100.0

* The place of domicile of the Group's principal operating subsidiaries is Mainland China.

(b) *Non-current assets*

	2017	2016
	RMB'000	RMB'000
Mainland China	**1,461,272**	1,517,577
Myanmar*	**997,964**	679,455
	2,459,236	2,197,032

* This includes the payments in advance in respect of acquisition of subsidiaries amounting to RMB383,877,000 (note 16(a)) (2016: RMB478,877,000) and acquisition of a non-controlling interest in a subsidiary amounting to RMB17,000,000 (note 16(b)) (2016: RMB17,000,000).

Information about major customers

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

	2017	2016
	RMB'000	RMB'000
Customer A	**33,723**	4,095
Customer B	**32,684**	N/A
Customer C	**28,985**	N/A
Customer D	**N/A**	8,271
Customer E	**N/A**	5,338

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2017 RMB'000	2016 RMB'000
Bank interest income	**135**	1,960
Interest income from loans to third parties	**947**	—
Rental income from investment property	**844**	570
Others	**663**	10
	2,589	2,540

6. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest on bank and other loans	**29,247**	35,339
Consultation fees in respect of financing	**—**	6,400
Unwinding of a discount (note 27)	**1,526**	1,316
Others	**2**	916
	30,775	43,971

7. LOSS BEFORE TAX

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

	Notes	2017 RMB'000	2016 RMB'000
Cost of inventories sold		**99,765**	23,861
Cost of service rendered		**897**	—
Staff costs (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries and relevant benefits		**12,354**	13,876
Equity-settled share option expense		**—**	87
Pension scheme contributions			
— Defined contribution fund		**407**	673
		12,761	14,636
Depreciation of items of property, plant and equipment	12	**31,536**	23,921
Depreciation of an investment property	13	**484**	436
Amortisation of intangible assets ^	14	**16,542**	5,328
Amortisation of prepaid land lease payments ^	15	**292**	247
Depreciation and amortisation		**48,854**	29,932
Impairment losses recognised on:			
Property, plant and equipment	12	**44,468**	—
Intangible assets	14	**17,000**	—
Prepaid land lease payments	15	**835**	—
Payments in advance	16	**297**	—
Trade receivables	19	**1,061**	14,893
Other receivables	20(b)	**—**	36,049
Total impairment losses recognised		**63,661**	50,942
Gain on a bargain purchase	34	**(88,369)**	—
Auditor's remuneration		**4,300**	4,500
Operating lease rentals		**632**	1,001
Foreign exchange losses, net		**1,645**	921

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

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

Directors' and chief executive's 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:

	2017 **RMB'000**	2016 RMB'000
Fees	**1,140**	1,995
Other emoluments:		
Salaries, allowances and benefits in kind	**751**	1,086
Equity-settled share option expense	**—**	20
Termination benefits	**121**	469
Pension scheme contributions		
— Defined contribution fund	**9**	17
	881	1,592
	2,021	3,587

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	Total RMB'000
2017			
Mr. Huang Guoxin(i)	**75**	**14**	**89**
Mr. Barry Sang Quan(i)	**75**	**14**	**89**
Mr. Ma Shirong(ii)	**—**	**—**	**—**
Mr. Chi Hongji(ii)	**—**	**—**	**—**
Mr. Miu Edward Kwok Chi(iii)	**642**	**—**	**642**
	792	**28**	**820**
2016			
Mr. Christopher Michael Casey	303	189	492
Mr. William Beckwith Hayden	263	164	427
Mr. Huang Guoxin	55	—	55
Mr. Barry Sang Quan	55	—	55
Mr. Miu Edward Kwok Chi	665	—	665
	1,341	353	1,694

(i) Mr. Huang Guoxin and Mr. Barry Sang Quan resigned as the Company's independent non-executive directors on 6 June 2017.

(ii) Mr. Ma Shirong and Mr. Chi Hongji were appointed as the Company's independent non-executive directors on 16 June 2017. These directors did not receive any remuneration for their services in the capacity of the directors of the Company, as their remuneration plan will be discussed and approved at the Annual General Meeting in 2018.

(iii) Mr. Miu Edward Kwok Chi resigned as the Company's independent non-executive director on 13 December 2017.

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Termination benefits RMB'000	Total RMB'000
2017						
Executive directors						
Mr. Ran Xiaochuan[i]	–	260	–	–	50	310
Mr. Choi Tat Ying Jacky	33	–	–	–	43	76
Mr. Lei Dejun[ii]	–	491	9	–	–	500
	33	751	9	–	93	886
Non-executive directors						
Mr. Lee Kenneth Jue[iv]	315	–	–	–	–	315
Mr. Yin Bo[iii]	–	–	–	–	–	–
Mr. Chan Suk Ching[iii]	–	–	–	–	–	–
Mr. Zhang Yonghua[v]	–	–	–	–	–	–
	315	–	–	–	–	315
	348	754	14	–	93	1,209
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[iii]	184	–	–	–	116	300
	654	–	–	–	116	770
	654	1,086	17	20	116	1,893

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

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

(i) Mr. Ran Xiaochuan ceased to be the Company's executive director on 6 June 2017.

(ii) Mr. Lei Dejun resigned as the Company's executive director on 9 May 2016 and has been reappointed on 12 June 2017.

(iii) Mr. Yi Bo and Mr. Chan Suk Ching were appointed as the Company's non-executive directors on 12 June 2017. These directors did not receive any remuneration for their services in the capacity of the directors of the Company, as their remuneration plan will be discussed and approved at the Annual General Meeting in 2018.

(iv) Mr. Lee Kenneth Jue resigned as non-executive director on 31 August 2017.

(v) Mr. Zhang Yonghua was appointed as the Company's non-executive director on 19 October 2017. Mr. Zhang Yonghua did not receive any remuneration for his services in the capacity of the director of the Company, as his remuneration plan will be discussed and approved at the Annual General Meeting in 2018.

The position of chief executive of the Company remains vacant since the resignation of the former chief executive on 18 September 2015. There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration during the year (2016: Nil).

(c) Five Highest Paid Employees

The five highest paid employees during the year included two (2016: three) directors, details of whose remuneration are set out above. Details of the remuneration for the year of the remaining three (2016: two) highest paid employees who are neither director nor chief executive of the Company, are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	**948**	966
Pension scheme contributions	**5**	10
Equity-settled share option expense	**—**	56
	953	1,032

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

	Number of employees	
	2017	2016
Nil to HK$1,000,000	**3**	2

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 profits 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.

Pursuant to the income tax rules and regulations in Myanmar, the Group's subsidiaries located in Myanmar are liable to Myanmar corporate income tax at a rate of 25% on the assessable profits generated for the year, except GPS JV, which has been exempted from Myanmar corporate income tax for the first five years since March 2014 by Myanmar Investment Commission.

The major components of income tax credit (expense) were as follows:

	2017 RMB'000	2016 RMB'000
Deferred (note 17)	**8,558**	(18,031)

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

	2017 RMB'000	2016 RMB'000
Loss before tax	**(34,508)**	(146,249)
Add: disallowed expenses/(non-assessable gains) incurred by the Company*	**84,449**	(70,374)
Profit/(loss) before tax generated by Hong Kong Myanmar and PRC subsidiaries	**49,941**	(216,623)
Tax benefit at the respective statutory tax rates:		
— PRC subsidiaries, at 25%	**(1,036)**	(38,691)
— Myanmar subsidiaries, at 25%	**(937)**	—
— Hong Kong subsidiary, at 16.5%	**9,543**	(10,207)
Losses/(gains) not subject to tax **	**(31,737)**	10,206
Tax losses not recognised	**9,958**	13,284
Utilisation of previously not recognised tax losses	**(998)**	—
Expenses not deductible for tax	**18,468**	1,222
Reversal of deferred tax assets recognised in prior years (note 17)	**5,297**	6,155
Income tax credit/(expense)	**8,558**	(18,031)

9. INCOME TAX (CONTINUED)

* Expenses or gains incurred by the Company during each of the two years ended 31 December 2017 and 2016 mainly consisted of foreign exchange differences, which are not deductible.

** Income not subject to tax during the year ended 31 December 2017 mainly consisted of gain on a bargain purchase derived from the acquisition of Hua Xing and unrealised foreign exchange differences.

10. DIVIDENDS

At a meeting of the Directors held on 12 February 2018, the Directors did not recommend a final dividend for the year ended 31 December 2017 (2016 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 2,542,202,000 (Restated 2016: 2,015,640,000) in issue during the year. The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2016 have been adjusted and restated for the rights issue on the basis of one rights share for every two existing shares held by shareholders of the Company at the price of HK$0.12 per share.

No adjustment has been made to the respective basic loss per share amount presented for the year ended 31 December 2017 in respect of a dilution as all outstanding share options have been forfeited during the year. No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2016 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 year.

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 2017							
Cost:							
At 1 January 2017	38,233	293,434	5,934	8,324	520,401	22,086	888,412
Additions	–	945	29	–	8,320	1,901	11,195
Acquisition of a subsidiary (note 34)	–	78,868	260	6,322	10,799	46,343	142,592
Transferred from CIP	–	43,416	–	–	–	(43,416)	–
Disposals	–	–	–	(83)	–	–	(83)
Exchange realignment	(117)	(54)	(4)	–	(51)	–	(226)
At 31 December 2017	38,116	416,609	6,219	14,563	539,469	26,914	1,041,890
Accumulated depreciation and impairment:							
At 1 January 2017	8,006	88,637	4,992	7,538	63,349	–	172,522
Provided for the year	1,956	22,600	172	903	5,905	–	31,536
Acquisition of a subsidiary (note 34)	–	13,257	157	3,349	–	–	16,763
Impairment recognised during the year (note 14(b))	164	11,271	–	–	33,033	–	44,468
Disposals	–	–	–	(50)	–	–	(50)
Exchange realignment	(1)	(1)	–	–	–	–	(2)
At 31 December 2017	10,125	135,764	5,321	11,740	102,287	–	265,237
Net carrying amount:							
At 1 January 2017	30,227	204,797	942	786	457,052	22,086	715,890
At 31 December 2017	27,991	280,845	898	2,823	437,182	26,914	776,653

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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

Notes:

(a) As at 31 December 2017, the Group was in the customary process of obtaining the relevant building ownership certificates ("**BOCs**") for the Group's plants with a net carrying amount of RMB7,120,000 (2016: RMB7,555,000) as the Group was still in process of applying for the land use rights certificate on which the plants were erected. The Group's plants can only be sold, transferred or mortgaged when the relevant BOCs have been obtained.

(b) As at 31 December 2017, the Group's property, plant and machinery with a net carrying amount of RMB60,547,000 (2016: RMB63,997,000) were pledged to secure certain bank and other loans granted to the Group (note 26).

13. INVESTMENT PROPERTY

	2017 RMB'000	2016 RMB'000
Cost	**11,933**	11,933
Accumulated depreciation	**(4,017)**	(3,533)
Net carrying amount	**7,916**	8,400
Opening net carrying amount	**8,400**	—
Transfer from property, plant and equipment, net of accumulated depreciation (note 12)	**—**	8,836
Depreciation provided during the year	**(484)**	(436)
Closing net carrying amount	**7,916**	8,400

As at 31 December 2017, the fair value of the investment property was estimated to be approximately RMB11,311,000 (2016: RMB10,588,000). 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 unobservable 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 2017			
Cost at 1 January 2017, net of accumulated amortisation and impairment	**453,589**	**281,781**	**735,370**
Additions	**36**	**10,644**	**10,680**
Acquisition of a subsidiary (note 34)	**296,000**	**—**	**296,000**
Amortisation provided during the year	**(16,542)**	**—**	**(16,542)**
Impairment recognised for the year (note b)	**(17,000)**	**—**	**(17,000)**
Exchange realignment	**(526)**	**—**	**(526)**
At 31 December 2017	**715,557**	**292,425**	**1,007,982**
Analysed as:			
Cost	**831,393**	**292,425**	**1,123,818**
Accumulated amortisation	**(54,164)**	**—**	**(54,164)**
Impairment	**(61,146)**	**—**	**(61,146)**
Exchange realignment	**(526)**	**—**	**(526)**
Net carrying amount	**715,557**	**292,425**	**1,007,982**

	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

14. INTANGIBLE ASSETS (CONTINUED)

(a) As at 31 December 2017, the Group's intangible assets with a net carrying amount of approximately RMB61,849,000 (2016: RMB61,902,000) were pledged to secure certain bank and other loans granted to the Group (note 26).

(b) Impairment

In accordance with the Group's accounting policies, each asset or cash-generating unit ("**CGU**") is evaluated annually at 31 December, to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed. Given the fact that the carrying amount of the Group's net assets exceed the Group's market capitalisation as at 31 December 2017, management has performed impairment assessment on the Group's non-current assets related to each of the CGU identified below:

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and value in use ("**VIU**"). Management has performed impairment assessment on all of the carrying amounts of the Group's property, plant and equipment and intangible assets including those non-current assets related to Menghu Mine and Shizishan Mine. For the purpose of impairment assessment, Menghu CGU (comprising the mining right to Menghu Mine and mining infrastructure at Menghu Mine) and Shizishan CGU (comprising the mining right to Shizishan Mine, prepaid land lease payments and payments in advance to Shizishan processing plant and mining infrastructure at Shizishan Mine) are treated as two separate CGUs. The recoverable amounts of Menghu CGU and Shizishan CGU are estimated based on their VIU, determined by discounting the future cash flows to be generated from the continuing use of these assets. The recoverable amounts are determined based on the calculation using cash flow projections according to financial budgets covering a five-year period approved by management with pre-tax discount rates of 13.84% and 14.44% for Menghu CGU and Shizishan CGU, respectively. The CGU cash flows beyond the period covered by the most recent forecast are extrapolated using a zero growth rate until the end of the respective asset useful lives. Key assumptions used in the estimation of value in use are as follows:

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

Commodity prices — Forecast commodity prices are based on management's estimates and are derived from forward price curves and long-term views of domestic supply and demand, building on past experience of the industry and consistent with external sources. These prices were adjusted to arrive at appropriate consistent price assumptions for the different qualities and type of commodity, or, where appropriate, contract prices were applied. These prices are reviewed at least annually.

Budgeted unit production cost — The basis used to determine the value assigned to the budgeted unit production cost is the unit production cost achieved during 2017 and take into account development plans of the mines agreed by management as part of the long-term planning process.

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

14. INTANGIBLE ASSETS (CONTINUED)

(b) Impairment (continued)

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

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

Based on the above-mentioned impairment assessment, the recoverable amounts, carrying amounts as at 31 December 2017 and impairment provisions for the year ended 31 December 2017 are as follows:

	Recoverable amount RMB'000	Carrying amount RMB'000	Impairment provision RMB'000
Shizishan CGU	**597,511**	**643,111**	**45,600**
Menghu CGU	**66,135**	**83,135**	**17,000**
At 31 December 2017	**663,646**	**726,246**	**62,600**

The above impairment provisions as at 31 December 2017 have been allocated to the following classes of assets.

Impairment loss recognised on property, plant and equipment

An impairment loss of RMB44,468,000 was recognised for the year ended 31 December 2017 (2016: Nil) to write down the carrying amounts of Shizishan processing plant, buildings and mining infrastructure at Shizishan Mine to their recoverable amounts of RMB147,680,000, RMB2,148,000 and RMB371,001,000, respectively as at 31 December 2017.

Impairment loss recognised on intangible assets

An impairment loss of RMB17,000,000 was recognised for the year ended 31 December 2017 (2016: Nil) to write down the carrying amount of mining rights to Menghu Mine to its recoverable amount of RMB57,250,000 as at 31 December 2017.

Impairment loss recognised on prepaid land lease payments

An impairment loss of RMB835,000 was recognised for the year ended 31 December 2017 (2016: Nil) to write down the carrying amount of prepaid land lease payments to Shizishan Mine to its recoverable amount of RMB10,943,000 as at 31 December 2017.

Impairment loss recognised on payments in advance

An impairment loss of RMB297,000 was recognised for the year ended 31 December 2017 (2016: Nil) to write down the carrying amount of payments in advance to Shizishan Mine to its recoverable amount of RMB3,891,000 as at 31 December 2017.

The impairment losses recognised during the year were primarily the effect of adjustment of the mining plans at the Menghu Mine and Shizishan Mine resulting from further geotechnical and geological analysis, which resulted in higher-than-expected estimates of costs of extraction and capital expenditure as well as lower profit margin due to the adjustment of production operation from lead-zinc concentrate downstream production as originally designated to raw ore upstream production at Menghu Mine.

15. PREPAID LAND LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	**12,070**	12,317
Recognised during the year	**(292)**	(247)
Impairment during the year (note 14(b))	**(835)**	—
Carrying amount at 31 December	**10,943**	12,070
Current portion included in prepayments, deposits and other receivables (note 20)	**(270)**	(270)
Non-current portion	**10,673**	11,800

As at 31 December 2017, the Group's prepaid land lease payments with a net carrying amount of approximately RMB10,673,000 (2016: RMB11,800,000) were pledged to secure certain bank and other loans granted to the Group (note 26).

16. PAYMENTS IN ADVANCE

	Notes	2017 RMB'000	2016 RMB'000
In respect of the purchase of:			
Prepaid land lease payments		**11,883**	11,883
Property, plant and equipment		**35,138**	—
Exploration rights		**—**	2,177
Acquisition of subsidiaries	(a)	**383,877**	478,877
Acquisition of non-controlling interest in a subsidiary	(b)	**17,000**	17,000
		447,898	509,937
Impairment	14	**(297)**	—
		447,601	509,937

Notes:

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

(b) Prepayments of RMB17,000,000 made to Ms. OHN MAR WIN ("**Ms. OHN**") in respect of the proposed further acquisition of a 9% equity interest in Harbor Star pursuant to a framework agreement of equity transfer entered into between the Group and Ms. OHN on 26 December 2016.

17. DEFERRED TAX

The movements in deferred tax assets are as follows:

Deferred tax assets

	Provision for impairment RMB'000	Accrued interest expenses RMB'000	Losses available for offsetting against taxable profits RMB'000	Unrealised profit from intra-group sales RMB'000	Provision for rehabilitation RMB'000	Excess tax depreciation over book value of fixed assets RMB'000	Total RMB'000
At 1 January 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 and 1 January 2017	32,668	5,922	32,350	356	1,348	1,265	73,909
Deferred tax credited/ (charged) to profit or loss during the year (note 9)	265	360	(4,123)	(67)	381	(77)	(3,261)
Write-off during the year (note 9)	–	–	(5,297)	–	–	–	(5,297)
At 31 December 2017	32,933	6,282	22,930	289	1,729	1,188	65,351

Deferred tax liability

During the year ended 31 December 2017, the Group recognised a deferred tax liability of RMB22,233,000 for fair value adjustments arising from the acquisition of a 100% equity interest in Hua Xing (note 34).

The Group has tax losses arising in Mainland China of RMB201,950,000 (2016: RMB196,409,000) 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 RMB110,230,000 (2016: RMB67,009,000) as they have arisen in certain subsidiaries that have been loss-making in 2017 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 RMB91,720,000 (2016: RMB129,400,000) arising from certain other subsidiaries that have been loss-making in 2017 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 2017, the Group had tax losses arising in Hong Kong of RMB137,777,000 (2016: RMB132,044,000) 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 2017, 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 RMB269,216,000 (2016: RMB293,412,000).

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

18. INVENTORIES

	2017 **RMB'000**	2016 RMB'000
Raw materials	**16,963**	8,004
Spare parts and consumables	**3,470**	1,506
Finished goods	**21,939**	13,706
	42,372	23,216

19. TRADE RECEIVABLES

	2017 **RMB'000**	2016 RMB'000
Trade receivables	**43,704**	34,451
Impairment	**(34,451)**	(33,390)
	9,253	1,061

The Group granted a credit term of three months to all customers. 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:

	2017 RMB'000	2016 RMB'000
Within 3 months	**8,996**	346
6 to 9 months	**257**	—
1 to 2 years	**—**	715
	9,253	1,061

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

	RMB'000
At 1 January 2017	33,390
Impairment losses recognised (note 7)	1,061
	34,451

Impairment of trade receivables recognised during the year ended 31 December 2017 represented a provision for individually impaired trade receivables of RMB1,061,000 (2016: RMB14,893,000) with a carrying amount before provision of RMB1,061,000 (2016: RMB33,390,000). The individually impaired trade receivables related to certain customers that was in financial difficulties, and the Group had stopped supplying goods to the customers, 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, and may be delayed by a longer-than-expected period or the receivables may not be recoverable. As such, the Group has further made an impairment provision of RMB1,061,000 for the year ended 31 December 2017. 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:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**8,996**	346
4 to 6 months past due	**257**	—
1 to 2 years past due	**—**	715
	9,253	1,061

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 receivables of RMB257,000 which are past due but not impaired as the balances are still considerably fully recoverable based on the recent credit review conducted by management.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2017 RMB'000	2016 RMB'000
Current portion:			
Prepayments in respect of:			
— purchase of inventories		**1,595**	1,093
— professional fees		**557**	260
— prepaid land lease payments to be amortised within one year	15	**270**	270
— deposits		**934**	473
— others		**3,317**	1,609
Loans receivable	(a)	**62,693**	—
Rental receivables		**143**	—
Prepaid expenses		**117**	—
Other receivables in respect of:			
— transfer from trade receivables	(b)	**46,932**	46,932
— staff advances		**939**	812
		117,497	51,449
Impairment	(b)	**(46,932)**	(46,932)
		70,565	4,517
Non-current portion:			
Prepayment in respect of purchase of inventories	(c)	**214,165**	214,165
Deposits in respect of:			
— environmental rehabilitation		**1,170**	1,170
— others		**1,027**	300
		216,362	215,635
		286,927	220,152

Notes:

(a) Pursuant to a resolution of the Board dated 16 October 2017, the Group made a term of six months interest-bearing loans to three independent third parties (collectively, the "**Borrowers**") in an aggregated amount of HK$75,000,000 (equivalent to approximately RMB62,693,000). These loans bear fixed interest rate per annum, due for collection in April 2018 and were guaranteed by an independent third party company (the "**Guarantor**").

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(a) (continued)

Before granting loans to outsiders, the Group uses internal credit assessment process to assess the potential borrower's credit quality and defines its credit limits granted to the borrowers. The credit limits attributed to borrowers are reviewed by management regularly.

The Group has a policy for assessing the impairment on loan receivables on an individual basis. The assessment also includes evaluation of collectability and ageing analysis of accounts and on management's judgment, including the current creditworthiness, collateral and past collection history of each borrower.

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables from the date of credit was initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions.

The loan receivables included a total carrying amount of RMB62,693,000 (2016: Nil) which are neither past due nor impaired at the reporting date, for which the Group believes that the amounts are considered recoverable given the Guarantor's current assets are sufficient to cover the entire balance on an individual basis.

At the end of each reporting period, the Group's loan receivables were individually assessed for impairment. As at 31 December 2017, no impairment loss was identified.

(b) 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 an 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.

(c) The balances represent prepayments made to Xiangcaopo Mining Co., Ltd. ("**Xiangcaopo Mining**"), an independent third party supplier of 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. AVAILABLE-FOR-SALE INVESTMENTS

The balance as at 31 December 2017 represented wealth management products issued by licensed bank in Mainland China and were designed as available-for-sale investments. The investments have coupon rates ranging from 0% and 4.6 % per annum, determining based on the performance of the underlying investment portfolio. Pursuant to the underlying contracts, these investments are principal guaranteed upon the maturity date.

The fair value of the available-for-sale investments is based on the quoted price in a non-active market obtained from the bank at the end of each reporting period, which is considered to be Level 2 fair value measurement.

22. CASH AND CASH EQUIVALENTS

	2017 **RMB'000**	2016 RMB'000
Cash and bank balances	**18,574**	40,778
Cash and cash equivalents	**18,574**	40,778

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

	2017 **RMB'000**	2016 RMB'000
RMB	**14,347**	40,199
HK$	**2,845**	440
US$	**1,008**	88
MMK	**374**	51
	18,574	40,778

The RMB and MMK are not freely convertible into other currencies. 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. Under Myanmar's Foreign Exchange Regulation Act, the Group is permitted to exchange MMK 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.

31 December 2017

23. TRADE PAYABLES

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

	2017 RMB'000	2016 RMB'000
Within 1 month	**1,987**	400
1 to 2 months	**132**	663
2 to 3 months	**1,007**	749
Over 3 months	**4,616**	9,116
	7,742	10,928

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

24. OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Current portion:		
Advance from customers	**442**	2,189
Advance from individuals*	**20,694**	7,500
Payables relating to:		
Professional fees	**4,396**	4,255
Tax other than income tax	**99,931**	97,024
Payroll and welfare	**160**	154
Mining resource compensation fees	**18,370**	18,370
Mining resource usage fees	**1,415**	913
Deposits received	**11,515**	9,500
Interest expenses payable	**1,387**	4,235
Others	**4,140**	3,164
	162,450	147,304
Accruals	**6,416**	6,073
	168,866	153,377
Non-current portion:		
Payables relating to:		
Exploration and evaluation assets	**6,714**	—
Deposits received	**800**	—
Property, plant and equipment	**39,035**	14,307
	46,549	14,307
	215,415	167,684

* The balances due to individual third parties as at 31 December 2017 and 31 December 2016 bear interest at a rate of 12% per annum, and were past due at the end of the reporting period.

25. BALANCES WITH A RELATED PARTY

The amount due from Dameng as at 31 December 2017 is unsecured and interest free with no fixed term of repayment.

The balance due to a related party as at 31 December 2016 represents a one-year unsecured shareholder's loan of US$2,550,000 (equivalent to RMB16,673,000) with fixed interest rate of 7.0% per annum granted by Dameng to the Group on 22 March 2016, of which US$500,000 (equivalent to RMB3,368,000) was repaid in May 2016. The remaining loan of US$2,050,000 (equivalent to RMB14,996,000) was repaid in September 2017 by the Group.

26. INTEREST-BEARING BANK AND OTHER LOANS

	2017 RMB'000	2016 RMB'000
Repayable within one year:		
Bank loans:		
Secured and guaranteed	**448,990**	99,000
Other loans:		
Secured and guaranteed	**–**	406,182
	448,990	505,182
Effective interest rate	**4.35%-4.75%**	5.66%-7.50%

All of the Group's bank loans are denominated in RMB.

As at 31 December 2017, the Group's bank loans are secured by:

(a) Mortgages over the following assets:

	Net book amount as at 31 December 2017 RMB'000
Property, plant and equipment (note 12(b))	**60,547**
Intangible assets (note 14(a))	**61,849**
Prepaid land lease payments (note 15)	**10,673**

(b) Pledges of equity interest in the following subsidiaries of the Group:

(i) 99% of equity interest in Kunrun;

(ii) 90% of equity interest in Dakuangshan Company;

(iii) 90% of equity interest in Liziping Company; and

(iv) 90% of equity interest in Menghu Company.

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

In addition, the bank loans are guaranteed by Mr. Ran Xiaochuan (note 36(a)), who is the Company's former executive director.

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.

27. PROVISION FOR REHABILITATION

	2017 **RMB'000**	2016 RMB'000
At beginning of year	**19,613**	18,297
Additions	**5,813**	—
Unwinding of a discount (note 6)	**1,526**	1,316
At end of year	**26,952**	19,613

28. SHARE CAPITAL

Shares

	2017 **RMB'000**	2016 RMB'000
Authorised: 38,000,000,000 (2016: 38,000,000,000) ordinary shares of HK$0.00001 each	**342**	342
Issued and fully paid: 3,579,777,000 (2016: 1,988,765,000) ordinary shares of HK$0.00001 each	**30**	17

During the year, the movements in issued capital were as follows:

	Notes	**Number of shares in issue**	**Issued capital** RMB'000
At 1 January 2016, 31 December 2016 and 1 January 2017		1,988,765,000	17
Issue of new ordinary shares	(a)	397,753,000	3
Rights issue	(b)	1,193,259,000	10
At 31 December 2017		3,579,777,000	30

28. SHARE CAPITAL (CONTINUED)

Notes:

(a) On 17 May 2017, the Group entered into a placing agreement with a placing agent for placing an aggregate of 397,753,000 new ordinary shares to not less than six independent placees at the placing price of HK$0.206 per share. The net proceeds from the placing, after deduction of the placing fee of 2% on gross proceeds, legal expenses and disbursements incidental to the placing was approximately HK$80,192,000 (equivalent to approximately RMB70,633,000). The placing was completed on 26 May 2017.

(b) A rights issue of one rights share for every two existing shares held by members on the register of members on 7 September 2017 was made, at an issue price of HK$0.12 per rights share, resulting in the issue of 1,193,259,000 shares for net proceeds, after deducting issuance expenses, of HK$140,326,000 (equivalent to approximately RMB118,775,000).

29. 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. On 7 August 2017, all eligible participants signed the confirmation to give up their outstanding share options and the share option reserve has been transferred to accumulated losses accordingly.

30. 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 76 of the 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.

30. RESERVES (CONTINUED)

(b) Reserve funds (continued)

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.

(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. On 7 August 2017, all eligible participants signed the confirmation to give up outstanding share options and the share option reserve has been transferred to accumulated losses accordingly.

31. 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.

The Group leases its mining rights of Menghu Company (note 4 to the financial statements) under operating lease arrangements to an independent individual, with leases negotiated for terms from 1 April 2017 to 31 March 2019.

31. OPERATING LEASE ARRANGEMENTS (CONTINUED)

As lessor (continued)

At 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017	2016
	RMB'000	RMB'000
Within one year	**2,600**	800
In the second to fifth years, inclusive	**3,052**	3,200
After five years	**—**	202
	5,652	4,202

32. COMMITMENTS

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

	2017	2016
	RMB'000	RMB'000
Contracted, but not provided for:		
— Exploration and evaluation assets	**524**	17
— Property, plant and equipment	**1,505**	257
— Acquisition of subsidiaries	**4,000**	6,500
	6,029	6,774

33. CONTINGENT LIABILITIES

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

34. BUSINESS COMBINATION

On 7 March 2017, the Group acquired a 100% equity interest in Hua Xing from an independent third party, at a consideration of RMB101,500,000. Upon completion of the acquisition, the Group indirectly owned 49.98% effective equity interest in GPS JV, through Venture Million, a partially-owned subsidiary of Hua Xing. The purchase consideration for the acquisition was in the form of cash with RMB95,000,000 prepaid in 2016 and the remaining of RMB6,500,000 paid during 2017.

The acquisition has been accounted for using the acquisition method.

The acquisition of Hua Xing was part of the Group's strategy to expand its market share and mine portfolios in Myanmar, and to enable the Group to acquire the economic benefits of the joint mining operations, to secure quality resources of non-ferrous metals to enhance the Group's operation and financial performance.

The Group has elected to measure the non-controlling interest in Hua Xing Group at the non-controlling interest's proportionate share of Hua Xing Group's identifiable net assets.

34. BUSINESS COMBINATION (CONTINUED)

The following table summarises the consideration paid for the acquisition, the fair value of the identifiable assets acquired, liabilities assumed at the acquisition date.

	Fair value recognised on acquisition RMB'000
Cash and cash equivalents	52
Property, plant and equipment (note 12)	125,829
Intangible assets (note 14)	296,000
Inventories	1,910
Prepayments and other receivables	2,814
Trade payables	(1,199)
Other payables	(19,350)
Provision for rehabilitation	(3,933)
Deferred tax liabilities (note 17)	(22,233)
Total identifiable net assets at fair value	379,890
Non-controlling interests measured at the non-controlling effective interest's proportional share of Hua Xing Group	(190,021)
	189,869
Gain on a bargain purchase*	(88,369)
Satisfied by cash	101,500

* The gain on a bargain purchase of approximately RMB88,369,000 arising from the need of the vendor to dispose of the investment in a short time for financial return as a result of the lack of management experience in operating a mining corporation.

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

	Fair value recognised on acquisition RMB'000
Total cash consideration	101,500
Less: cash and cash equivalents acquired	(52)
Less: amount paid in 2016	(95,000)
Net cash outflow from the acquisition of a subsidiary	6,448

Since the acquisition, Hua Xing Group contributed RMB6,349,000 to the Group's revenue and recorded RMB3,789,000 loss in the consolidated results for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue and the loss of the Group for the year ended 31 December 2017 would have been increased by nil and RMB522,000, respectively.

34. BUSINESS COMBINATION (CONTINUED)

Party-owned subsidiary with material non-controlling interests

Details of the Group's subsidiary namely Hua Xing Group, that has material non-controlling interests are set out below:

	2017 RMB'000
Percentage of effective equity interest held by non-controlling interests:	**50.02%**
Loss for the period since acquisition to the end of the reporting period allocated to non-controlling interests:	**(1,895)**
Dividends paid to non-controlling interests:	—
Accumulated balances of non-controlling interests at the reporting date:	**188,126**

The following table illustrates the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

2017	Hua Xing Group RMB'000
Revenue	**6,349**
Total expenses	**(10,138)**
Loss for the year	**(3,789)**
Total comprehensive loss for the year	**(3,789)**
Current assets	**24,365**
Non-current assets	**408,488**
Current liabilities	**(30,585)**
Non-current liabilities	**(26,167)**
Net cash flows from operating activities	**4**
Net cash flows from investing activities	**—**
Net cash flows from financing activities	**—**
Net increase in cash and cash equivalents	**4**

35. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank and other loans RMB'000	Interest payable RMB'000	Amount due to a related party RMB'000
At 1 January 2017	**505,182**	**4,235**	**14,221**
Changes from financing cash flows	**(56,192)**	**(32,095)**	**(14,996)**
Non-cash changes:			
Foreign exchange movement	**—**	**—**	**775**
Interest expense	**—**	**29,247**	**—**
At 31 December 2017	**448,990**	**1,387**	**—**
At 1 January 2016	505,843	8,500	—
Changes from financing cash flows	(661)	(39,604)	13,305
Non-cash changes:			
Foreign exchange movement	—	—	916
Interest expense	—	35,339	—
At 31 December 2016	505,182	4,235	14,221

36. RELATED PARTY TRANSACTIONS

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

	2017 RMB'000	2016 RMB'000
Bank loan guaranteed by		
Mr. Ran Xiaochuan	**448,990**	99,000
Other loan guaranteed by		
Mr. Ran Xiaochuan	**—**	406,182

The bank and other loans were guaranteed by Mr. Ran Xiaochuan, the Company's former executive director, for nil consideration (note 26).

(b) Outstanding balances with related parties:

The Group had an outstanding balance due from Dameng of RMB200,000 (2016:Nil) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.

36. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2017

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	6,500	6,500
Trade receivables	9,253	—	9,253
Financial assets included in prepayments, deposits and other receivables	69,146	—	69,146
Cash and cash equivalents	18,574	—	18,574
	96,973	6,500	103,473

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2017 (continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	**7,742**
Financial liabilities included in other payables and accruals	**88,679**
Interest-bearing bank and other loans	**448,990**
	545,411

2016

Financial assets

	Loans and receivables RMB'000
Trade receivables	1,061
Financial assets included in prepayments, deposits and other receivables	3,891
Cash and cash equivalents	40,778
	45,730

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	10,928
Financial liabilities included in other payables and accruals	62,244
Interest-bearing bank and other loans	505,182
	578,354

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and bank balances, trade and other receivables, an amount due from a related party, available-for-sale investments 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:

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 offering standardised credit terms to customers for a credit period of three months. As disclosed in notes 19 and 20(b), 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 RMB1,061,000 (2016: RMB50,942,000) 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(b) 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.

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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

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

	31 December 2017				
	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	**34,915**	**7,215**	**—**	**46,549**	**88,679**
Trade payables	**1,987**	**1,139**	**1,519**	**3,097**	**7,742**
Interest-bearing bank and other loans	**—**	**4,973**	**456,233**	**—**	**461,206**
	36,902	**13,327**	**457,752**	**49,646**	**557,627**

	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

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 26 to the financial statements. The Group manages its interest rate exposure arising from its interest-bearing bank and other loans through the use of fixed rates. The Group has not used any interest rate swaps to hedge against interest rate risk.

The Group does not consider it has any significant exposure to the risk of changes in market interest rates as the Group does not have any long term receivables and loans which are subject to floating interest rate.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from loans receivables denominated Hong Kong dollar.

The following table demonstrates the sensitivity at the end of the reporting period to as reasonably possible change in Hong Kong dollar exchange rate, with all other variables held constant, of the Group's profit before tax(due to changes in the fair value of monetary assets and liabilities):

	Increase/ (decrease) in RMB rate	Incrase/ (decrease) in profit before tax
	%	RMB
If the RMB weakens against Hong Kong dollar	(5)	3,135
If the RMB strengthens against Hong Kong dollar	5	(3,135)

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.

39. 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:

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,364,745**	1,265,849
CURRENT ASSETS		
Prepayments, deposits and other receivables	**160**	355
Cash and cash equivalents	**3,033**	433
Total current assets	**3,193**	788
CURRENT LIABILITIES		
Due to subsidiaries	**6,911**	10,494
Other payables and accruals	**2,798**	2,873
Total current liabilities	**9,709**	13,367
NET CURRENT LIABILITIES	**(6,516)**	(12,579)
NET ASSETS	**1,358,229**	1,253,270
EQUITY		
Issued capital	**30**	17
Reserves (note)	**1,358,199**	1,253,253
Total equity	**1,358,229**	1,253,270

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

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

	Share premium account RMB'000	Capital contribution reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2016	1,314,942	233,000	66,494	(431,644)	1,182,792
Equity-settled share option arrangement	—	—	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 and 1 January 2017	1,314,942	233,000	36,316	(331,005)	1,253,253
Issue of shares, net of share issue expenses	189,395	—	—	—	189,395
Transfer of share option reserve upon forfeiture of share options	—	—	(36,316)	36,316	—
Total comprehensive income for the year	—	—	—	(84,449)	(84,449)
At 31 December 2017	1,504,337	233,000	—	(379,138)	1,358,199

The share option reserve comprise the fair value of the share options granted. During the year all eligible participants signed the confirmation to give up outstanding share options and the share option reserve has been transferred to accumulated losses accordingly.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 12 February 2018.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

Performance and results of the operations of the Company for previous years described within this report are historical in nature. Past performance is no guarantee of the future results of the Company. This report may contain forward-looking statements and opinions, and therefore risks and uncertainties are involved. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. None of the Company, the Directors, employees or agents assumes (a) any obligation to correct or update any forward looking statements or opinions contained in this report; and (b) any liability arising from any forward looking statements or opinions that do not materialise or prove to be incorrect.

"2017 AGM"	the annual general meeting of the Company held on 6 June 2017 10:30 am at Room 3, United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong
"2018 AGM"	the annual general meeting of the Company which is tentatively scheduled to be held 18 May 2018 (Friday)
"Audit Committee"	the audit committee of the Board
"Aung Jiujia Mine"	a lead-zinc mine to which the Harbor Star owns the mining right
"Ag"	the chemical symbol for silver
"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
"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
"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

"Dakuangshan Company"	Mang City Xindi Mining Company Limited (芒市鑫地礦業有限責任公司), a subsidiary of the Company whose registered office is at Mang City, Yunnan Province, the PRC
"Dakuangshan Mine"	a lead-zinc-silver polymetallic mine to which the Dakuangshan Company owns the mining right
"Dazhupeng Mine"	a lead-zinc-silver polymetallic mine located in Ying Jiang 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
"GPS JV Mine"	a lead-silver mine to which GPS Joint Venture Company Limited owns the mining rights and the exploration rights
"Harbor Star"	Harbor Star Mining Company Limited, a subsidiary of the Company whose registered office is at Ruian County, Shan State, Myanmar
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the 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 (2012 edition), as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy and used to determine resources and reserves, as amended from time to time
"kg"	kilogram(s)

"km"	kilometre(s), a metric unit measure of distance
"kt"	thousand tonnes
"Kunrun"	Yingjiang County Kunrun Industry Company Limited (盈江縣昆潤實業有限公司), a subsidiary of the Company whose registered office is at Yingjiang County, Yunnan Province, the PRC
"Listing"	the listing of our shares on the Hong Kong Stock Exchange
"Listing Date"	14 December 2011
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"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
"RMB"	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 "USD"	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
"%"	per cent.

Note: The English names of the PRC entities mentioned hereabove are translated from their Chinese names. If there are any inconsistencies, the Chinese names shall prevail.