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 2018

CONTENTS

ABOUT US

We are the investor and operator of lead, zinc, silver polymetals in China and Myanmar. We mine and process lead, zinc and silver polymetals, and our products are mainly sold to mainland China. Our principal place of business in the PRC is located in Kunming, Yunnan Province, China.

OUR BUSINESS MODEL

We invest resources, experience and expertise in mining operation by using the advanced technology and good corporate governance standards, striving to provide the customers with quality products and minimizing adverse impact to the environment. The following chart illustrates the company's business model.

Exploration and Valuation

We continue to invest in exploration to discover newly rich with high quality mineral resources to satisfy our production needs.

Mining

We invest in upstream mining and related research and analysis, as well as infrastructure facilities to optimize the mining life in line with environmentally friendly principles.

A SNAPSHOT IN 2018

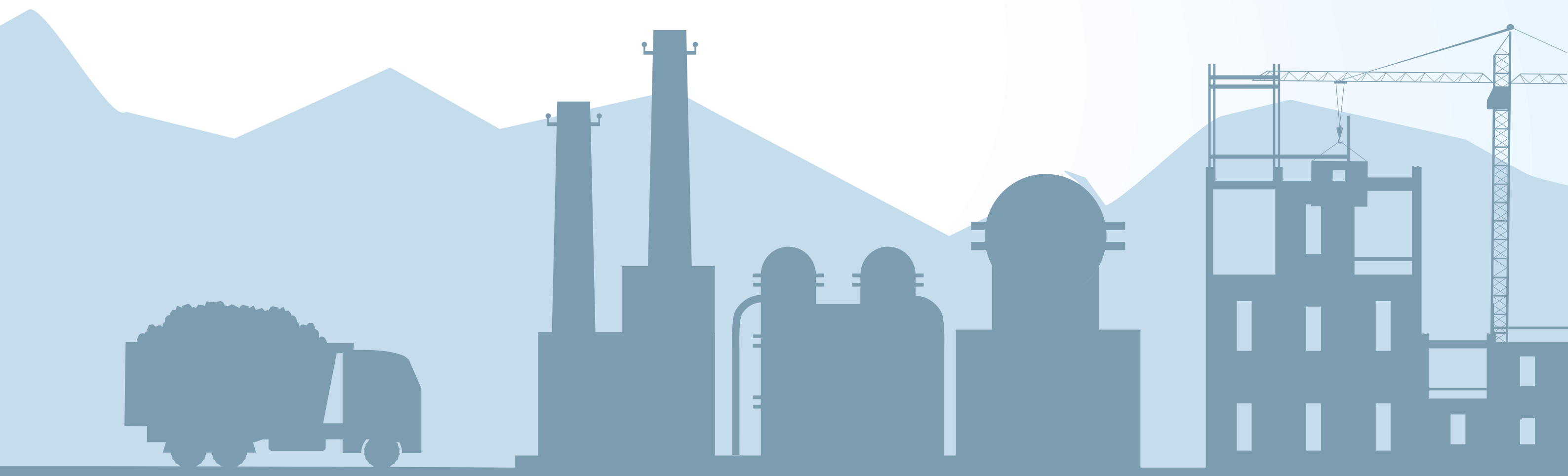
2018 MAIN FIGURES

Our major products are **Lead Ores** and **Lead, Zinc** and **Silver Concentrates**

We have more than **200 Employees**

During the year, **No Fatalities** were happened and **Only 1 Injured** was recorded

We produced a total of **316,000 Tonnes of Lead Ores, 14,852 Tonnes of Lead Concentrates, 5,539 Tonnes of Zinc Concentrates** and **4 Tonnes of Silver Concentrates** in 2018



Ore Processing

We process the ores and refine them in a safely manner.

Sales and Marketing

We transport the produced and processed products to mainland China for sale.

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
Mr. Dong Tao

AUDIT COMMITTEE

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

NOMINATION AND REMUNERATION COMMITTEE

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

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

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AUDITORS

Ernst & Young

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PRINCIPAL BANKERS

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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 2014, 2015, 2016, 2017 and 2018 and the figures of assets, liabilities and non-controlling interests as at 31 December 2014, 2015, 2016, 2017 and 2018 are set out below:

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**195,012**	113,294	22,801	92,509	187,466
Cost of sales	**(150,455)**	(100,662)	(23,861)	(56,569)	(90,308)
Gross profit/(loss)	**44,557**	12,632	(1,060)	35,940	97,158
Other income and gains	**15,299**	2,589	2,540	19,127	18,270
Gain on a bargain purchase	**–**	88,369	–	–	–
Selling and distribution costs	**(5,650)**	(1,363)	(605)	(953)	(1,246)
Administrative expenses	**(37,386)**	(36,069)	(51,708)	(49,166)	(49,027)
Other expenses*	**(6,434)**	(69,891)	(51,445)	(79,765)	(2,944)
Finance costs	**(21,110)**	(30,775)	(43,971)	(52,629)	(41,015)
Profit/(loss) before tax	**(10,724)**	(34,508)	(146,249)	(127,446)	21,196
Income tax credit/(expenses)	**(5,440)**	(8,558)	18,031	31,887	(9,441)
Profit/(loss) for the year	**(16,164)**	(43,066)	(128,218)	(95,559)	11,755
Other comprehensive loss:					
Other comprehensive loss to be reclassified to profit or loss in subsequent years:					
Exchange differences on translation of foreign operations	**(3,151)**	(578)	–	–	–
Total comprehensive loss for the year	**(19,315)**	(43,644)	(128,218)	(95,559)	11,755
Loss attributable to:					
Owners of the Company	**(8,639)**	(40,754)	(126,865)	(94,084)	12,264
Non-controlling interests	**(7,525)**	(2,312)	(1,353)	(1,475)	(509)
	(16,164)	(43,066)	(128,218)	(95,559)	11,755
Total comprehensive loss attributable to:					
Owners of the Company	**(11,089)**	(41,332)	(126,865)	(94,084)	12,264
Non-controlling interests	**(8,226)**	(2,312)	(1,353)	(1,475)	(509)
	(19,315)	(43,644)	(128,218)	(95,559)	11,755
Earnings/(loss) per share attributable to ordinary equity holders of the Company (RMB)			restated	restated	restated
— Basic and diluted**	**(0.002)**	(0.016)	(0.063)	(0.047)	0.006

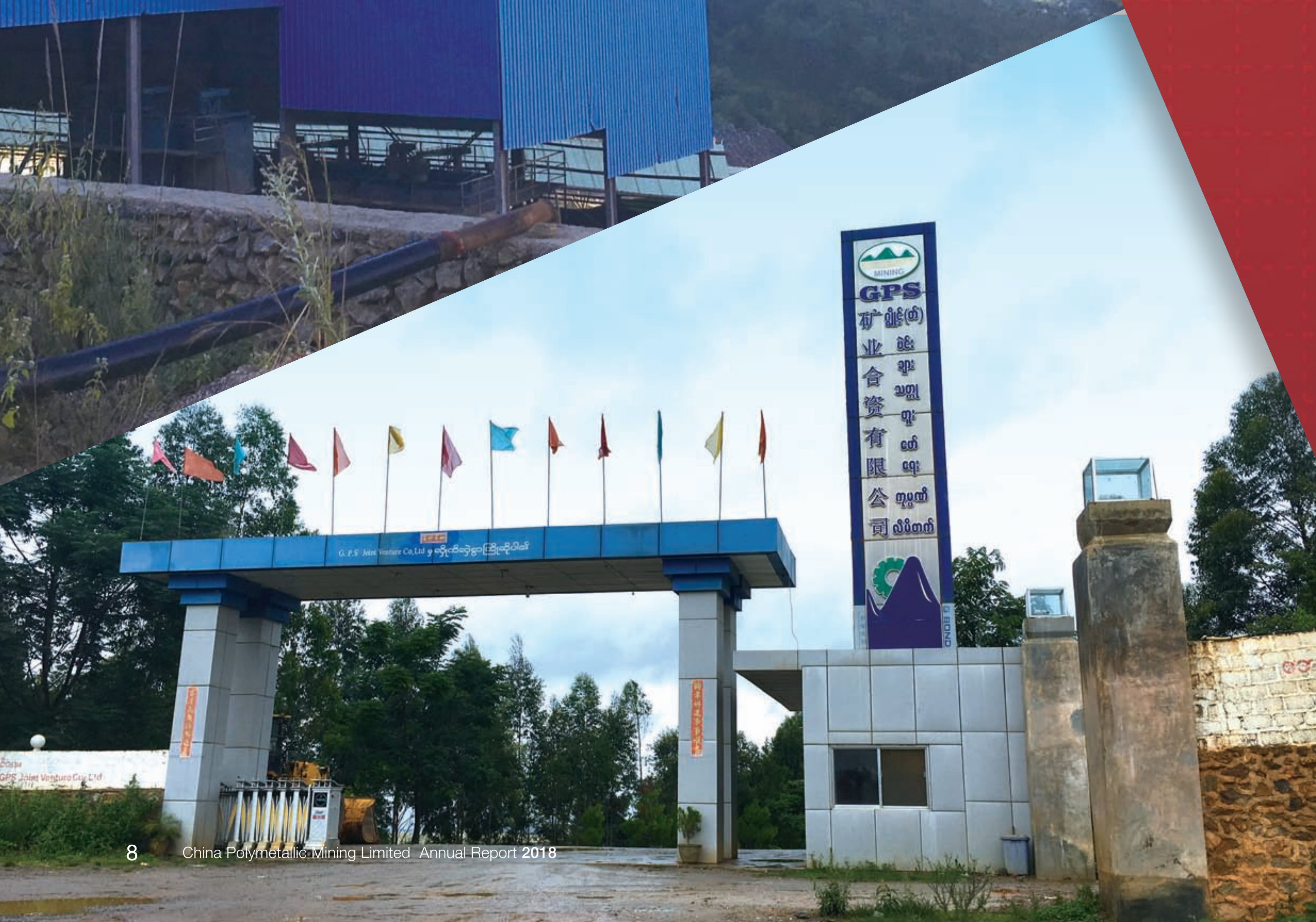
* For comparison purpose, impairment losses aggregated to RMB677,000 in 2018, RMB63,661,000 in 2017 and RMB50,942,000 in 2016 were included in "Other expenses".

** The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the years 2014 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				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**2,512,448**	2,532,538	2,270,941	1,700,530	1,562,208
Current assets	**73,775**	147,464	69,572	785,131	1,423,657
Current liabilities	**348,885**	719,214	777,324	505,105	1,229,431
Non-current liabilities	**391,372**	95,734	33,920	323,156	17,078
Total equity	**1,845,966**	1,865,054	1,529,269	1,657,400	1,739,356
Non-controlling interests	**236,567**	250,053	62,344	63,697	51,083
Equity attributable to the owners of the Company	**1,609,399**	1,615,001	1,466,925	1,593,703	1,688,273

CHAIRMAN'S STATEMENT



Dear Valued Shareholders,

During 2018, despite the global economy uncertainties amid the rise of international trade protectionism and the gradual exist of worldwide's quantitative easing policies, the People's Republic of China (the "**PRC**")'s domestic economy experienced structural adjustment and transformation by continuing to implement the supply-side structural reform and boost domestic demands as driven by the new innovative multilateral trading system such as the Belt and Road Initiative. During the year, by adhering to such favourable state development policies, the Group continued to increase its investment in Myanmar and has made a breakthrough gradually, which underpinned the solid foundation for the sustainable and healthy development of the Group.

Moving Forward with Breakthrough in Various Key Areas

The management of the Group adopted different development and operational strategies for each mine in accordance with their actual operation conditions and particularly highly prioritized the development in our key operational mines, Aung Jiujia Mine and GPS JV Mine in Myanmar and Dakuangshan Mine in the PRC. The Group, by focusing on efficiency, adopted resource optimization strategy and continued to increase investment in the aforesaid key mines with the view to improve the overall performance of the Group in a stable and ongoing manner as driven by the development of these key mines.

During the year, the Group actively carried out geological exploration in Aung Jiujia Mine and GPS JV Mine and the metal resources and the resources reserves categories under control have been increased significantly. Besides, we also have successfully completed the construction of a 1,000 tpd processing plant in Aung Jiujia Mine which has come into commercial production and the processing capacity has increased significantly. The Dakuangshan Mine in the PRC has completed production enhancement construction project and came into commercial production, and its mining capacity has been further increased by another 300 tpd. Other mines in the PRC remained stable development.

In the meantime, the Group is continuing to actively explore other mining zones with resource potential and commercial viability, with the ultimate goal to increase our mineral reserves and resources, thereby enhancing the Group's operational and financial performance. The Group will continue to develop steadily in line with the established objectives and strategies and strive to create better returns for the investors and achieve mutual benefit for all the relevant stakeholders.

Optimized Management with the Enhancement in Revenue and Costs Reduction

During the year, under the management philosophy of "management optimization, revenue enhancement and cost reduction", the Group continuously improved its productivity, actively explored quality mineral resources in Myanmar and expanded the trading business and subcontracting processing business so as to diversify its profit growing points. We continued to implement the delicacy management in order to further optimize our management system. In addition, by implementing the market orientation, the Group kept the market dynamics in mind and adjusted the production and important marketing strategy on a timely and flexible manner in accordance with market demands and continued to improve the financial management system and strengthen its cost control, and actively implement cost reduction and efficiency increase measures.

CHAIRMAN'S STATEMENT

Safety as the Top Priority and Sustainable Development

Safe production is the key element of our culture and the top priority in our operation. In 2018, the Group constantly improved the overall safe production management and strived to prevent the occurrence of any safety accidents by adopting and implementing various safety production preventive measures. During the year, no casualties or material injuries were recorded. With the view to ensure zero casualties in our workplaces, the Group will continue to give top priority to the safety and health of our employees by improving the on-site management level, upgrading the safety management system as well as reinforcing our management to the sub-contracting arrangement of mining operation.

Meanwhile, the Group adhered great importance to the environmental protection and sustainable and green development of the places where we operated and we adopted various advanced energy conservation and environmental protection measures to minimize the adverse impact on the environment. Furthermore, the Group strictly complied with the international standard of preserving the local nature and culture, maintaining harmonious relationship with the community and the government and promoting effective communication and mutual benefit and trust with relevant stakeholders, which has created good external environment for the long term sustainable development of the Group. The Group also upheld a people-oriented principle by highly valuing the sustainable development of human resources, actively cultivating and developing talents within the Group as well as recognising and rewarding well performed staff.

Expressing Sincere Gratitude and Building the Future Together

Looking forward in 2019, the Group will continue to adopt its macro strategic approach for the whole region on a prospective manner, under which we will strive to coordinate and synergise different areas of corporate development while focusing on the key areas, and to maintain stable growth in consideration of the overall surrounding circumstance. In addition, the Group will also continue to pay close attention to the potential diversification opportunities in the market. The Group will actively explore further strategic investment projects with good economic return, strengthen its resource reserve and prudently develop its trading business, in order to diversify the Group's business development and growing points, and will continuously review and optimize our strategic plan to identify the most suitable long term investment strategy and direction for the Group, so as to create good economic returns for the shareholders.

I, on behalf of the Board, would like to thank the staff and the management team for their commitment, pragmatic and efficient teamwork and continuous contributions. I would also like to express my sincere gratitude to all shareholders and stakeholders for their continued support and trust in the Group.

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

Hong Kong,19 February 2019

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2018, the international economic environment was complicated and volatile with the growth of global trade protectionism and the frequent trade disputes, the global economic development was in an unstable status and the international situation was increasingly complicated with a high level of market uncertainties. Affected by the deepening of the supply-side reform and the continued warming up of the trade war between China and the US, the China's domestic economy continued to undergo restructuring and transformation during the year. In addition, since the second half of 2018, the prices of major commodities fluctuated with a downward trend. The prices of non-ferrous metals were kept in a low level, and the pressure on industrial operations continued to increase.

However, China continued to promote the implementation of the Belt and Road Initiative and invested in the infrastructure construction in the world particularly the central Asia regions. While vigorously promoting the local economic development and increasing the demand for mineral resources, it also fully stimulated the great development advantages and potentials of the countries along the Belt and Road Initiative in the metal minerals sector. The Belt and Road Initiative brings new historic opportunities for the sustainable development of the metal mining industry.

At the same time, the Chinese government continued to enhance cooperation with the Myanmar government in jointly building the China-Myanmar Economic Corridor. The China-Myanmar comprehensive strategic partnership of cooperation has continued to develop and the construction of the Belt and Road Initiative has been further advanced. The mutually beneficial and win-win cooperation relationship of the two countries has entered into a new stage. The in-depth and continuous cooperation between the two countries provides the Group with a good business environment to invest in Myanmar and is conducive to the sustainable and ongoing development of the Group.

BUSINESS OVERVIEW

In China, with the gradual reduction of mines with open-pit mining and rich mineral resources, most of the mines need to be shifted into underground mining with higher mining costs. In addition, as the requirements for environmental protection such as energy savings, waste reduction, production safety and green mine construction etc. in the PRC have gradually strengthened, a large number of mines have to be gradually closed or undergo substantial and lengthy technology innovations due to failure to meet the relevant requirements. Therefore, the operational environment of the mining sector in the PRC becomes more difficult and costly. In comparison, the overall business environment in Myanmar continued to improve and the mines with the relatively lower operational cost with higher profitability remain to be developed.

In view of above, we therefore increased our investment in Myanmar in a logical and systemically manner during year 2018. At the same time, we also continued to implement our strategic plan to adjust our mining businesses in the PRC in a diligent manner to cope with new challenges brought by the increasingly stringent rules and regulations in the mining sector of the PRC.

During the year, the major production and operation activities of the Group continued to focus on our three key mines, Aung Jiujia Mine and GPS JV Mine in Myanmar, and Dakuangshan Mine in the PRC, which provided important cash contribution to the Group. Shizishan Mine and Menghu Mine in the PRC continued stable operations. For Liziping Mine, Dazhupeng Mine and Lushan Mine in the PRC, we accelerated the renewal of exploration permits and conducted all necessary works in preparation of the application for mining permit.

In addition, the Group continued to adopt cost control and light asset overall strategy during the year, especially for GPS JV Mine and the Menghu Mine, which have extensive areas for exploration and are still under development. We adopted the subcontracting operational arrangement with our carefully selected sub-contractors and therefore effectively controlled the operating costs and minimized the risks.

OPERATING MINE IN MYANMAR — AUNG JIUJIA MINE

Mineral resources and reserves of Aung Jiujia Mine

Aung Jiujia Mine is an open pit and underground lead mine located at Depanbing Village, Ruian County, Shan State, Myanmar, in a karst topography between 800 meters to 1,500 meters above sea level and is characterized by low mountains and flat valleys. The mining permit of the Aung Jiujia Mine covers an area of approximately 0.2 sq. km. and we are now applying the exploration permit in respect of the areas surrounding the mining permit.

According to the production exploration report issued by Yunnan Huapeng Aidi Resources Exploration Limited Company (雲南華鵬愛地資源勘查有限公司) in July 2018, a summary of the estimated resources of the Aung Jiujia Mine as at 31 December 2018 in accordance with the Chinese Standard is as follows:

	Metal Resources Lead (kt)	Grade Lead (%)
Measured	**339.4**	**7.88**
Indicated	**125.8**	**7.80**
Inferred	**288.1**	**7.87**
Total	**753.3**	**7.87**

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

Assumptions:

The figures of the lead resources of Aung Jiujia Mine are based on the following assumptions:

(1) The lead resources and grade for Aung Jiujia Mine are based on the estimate as per the aforesaid independent technical report. The increase of the lead resources was due to our efforts in exploration activities resulting in increase of lead resources which were adjusted by reduction as a result of our mining operation. The decrease in grade of lead was due to further verification and analysis of the resources as a result of exploration works. The year end amounts have been confirmed by our internal experts.

(2) All material assumptions and technical parameters underpinning the estimates as stated in the aforesaid independent technical report continue to apply and have not been materially changed.

Overview

Aung Jiujia Mine came into commercial production for both its mining operation and processing operation since the second half of 2018.

Following an outstanding ramp up, Aung Jiujia Mine delivered a strong operating result since the second half of 2018, its first year since achieving commercial production. Its production established Aung Jiujia Mine as one of the leading and biggest lead mines in Myanmar.

To ensure Aung Jiujia Mine to provide consistent supply of lead concentrates in the ongoing future, a series of production expansion work programs to maintain this production profile into the future is continued to be advanced. A series of cost saving and efficiency enhancement initiatives have been implemented at Aung Jiujia Mine during the year which are expected to deliver economic benefits that will partly offset the impacts of escalating labour and energy costs.

Exploration, Development and Mining Activities of Aung Jiujia Mine

(I) Exploration Activities

During the year, we have been consistently conducting geological exploration works within the mining rights of Aung Jiujia Mine and committed to accelerating the production operation and increasing our resources reserves as well as the resources categories. After the first stage of exploration and verification, our lead resources reserves as well as the lead resources categories in Aung Jiujia Mine have been increased significantly which ensure a stable supply of lead ores for our processing operation at least for the next few years. Details of the exploration results are set out in the announcement of the Company dated 17 December 2018.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of exploration work or conducted any other geological exploration work at Aung Jiujia Mine during the year.

(II) Development Activities

Since 2018, the Group continued to carry out the open pit mining construction project in the Aung Jiujia Mine and a multi-layered mining working platform of around 140 meters in length and around 25 meters in width has been built up and a medium-large sized open pit is gradually formed. In addition, the underground tunnel mining project with 70 meters depth below is also in process.

In addition, the Group is consistently committed to enhancing the processing capacity of the Aung Jiujia Mine. Since June of 2018, the construction of an additional 1,000 tpd processing plant has been successfully completed and came into operation.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Aung Jiujia Mine during the year.

(III) Mining and processing activities

The following table summarises the mining and processing results of Aung Jiujia Mine during the year and 2017:

	Items	Unit	2018	2017
ROM Ore	Mined	kt	**204.7**	40.8
	Processed	kt	**200.7**	43.0
Feed Grade	Lead	%	**3.5**	3.1
	Silver	g/t	**9.6**	9.5
Recovery	Lead	%	**80.1**	80.0
	Silver in lead concentrate	%	**60.0**	60.0
Concentrate Grade	Lead	%	**62.3**	63.9
	Silver in lead concentrate	g/t	**127.0**	110.0
Concentrate Tonnes	Lead-silver concentrate	t	**9,105**	2,231

Note: (1) Figures for ROM ore, feed grade, recovery and concentrate grade are rounded to nearest one decimal place, and figures for concentrate tonnes are rounded to whole number and these figures may show apparent addition errors.

(2) Aung Jiujia Mine only came into commercial production since the second half of 2018, and therefore the comparable operating results for 2017 only reflect the production activities before the commercial operation.

Exploration, Development and Mining Cost of Aung Jiujia Mine

Expenses of exploration, development and mining activities of Aung Jiujia Mine during the year and 2017 are set out below:

	2018 RMB million	2017 RMB million
Exploration activities (Note (1))	**—**	—
Development activities		
Mining infrastructure	**15.7**	3.1
Processing plant and equipment	**40.5**	—
Subtotal	**56.2**	3.1
Mining activities		
Subcontracting fee	**5.6**	3.1
Administrative and other costs	**0.4**	0.4
Production taxes and royalties	**1.5**	1.1
Subtotal	**7.5**	4.6
Total	**63.7**	7.7

Note: (1) We conducted exploration activities through our mining production works and therefore no costs or expenses were recorded for the exploration activities during the year.

(2) Figures for expenses of exploration, development and mining activities are rounded to nearest one decimal place and these figures may show apparent addition errors.

OPERATING MINE IN MYANMAR — GPS JV MINE

Mineral resources and reserves of GPS JV Mine

GPS JV Mine is an underground lead-silver polymetallic mine located in Bawsaing Track, Kalaw Township, Southern Shan State, Myanmar, in a karst topography between 1,200 meters to 1,550 meters above sea level. It is one of the major lead-silver deposits in Myanmar and covers an area of approximately 2 sq. km.

According to the production exploration reports issued by Yunnan Sanyuan Geological Exploration Limited Company (雲南三源地質勘查有限公司) in October 2018, a summary of the estimated resources of the GPS JV Mine as at 31 December 2018 in accordance with the Chinese Standard is as follows:

	Metal Resources Lead (kt)	**Grade Lead** (%)
Measured	**62.8**	**4.10**
Indicated	**403.1**	**6.27**
Inferred	**1,487.0**	**7.78**
Total	**1,952.9**	**7.35**

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

Assumptions:

The figures of the lead resources of GPS JV Mine are based on the following assumptions:

(1) The lead resources and grade for GPS JV Mine are based on the estimate as per the aforesaid independent technical report. The increase of the lead resources during the year was due to our efforts in exploration activities resulting in increase of lead resources which were adjusted by reduction as a result of our mining operation. The decrease in grade of lead was due to further verification and analysis of the resources as a result of exploration works. The year end amounts have been confirmed by our internal experts.

(2) All material assumptions and technical parameters underpinning the estimates as stated in the aforesaid independent technical report continue to apply and have not been materially changed.

Overview

GPS JV Mine achieved some promising exploration results during the year. But its production was still affected by the inefficient supply of mining operations of the existing mining zones which are under development coupled with the complex underground mining operations and relatively low grade of lead ores. We will continue to enhance our exploration activities with a view to locate other mining zones with further mineral resources and higher grade and in a more cost effective manner for our mining and processing productions in the future.

With a view to combat the limitations brought by lower mining production and relatively low grade of lead ores during the year, the GPS JV Mine continued to enhance its processing production for the lead ores of the surrounding regions with a higher grade and achieved considerable growth as compared with 2017.

Exploration, Development and Mining Activities of GPS JV Mine

(I) Exploration Activities

During the year, we have been consistently conducting geological exploration works within the mining rights of GPS JV Mine and committed to accelerating the production operation and increasing our resources reserves as well as the resources categories. After the first stage of exploration and verification, our lead resources reserves as well as the lead resources categories in the eastern part of GPS JV Mine have been increased. Details of the exploration results are set out in the announcement of the Company dated 6 November 2018. The Group will continue to enhance the exploration activities in other mining zones of GPS JV Mine in order to provide a reliable guarantee for the subsequent continuous production of the project.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of exploration work or conducted any other geological exploration work at GPS JV Mine during the year.

(II) Development Activities

During the year, we continued the mining operations at Bamushan and Xiandao mining zones in the GPS JV Mine and commenced the mining operation at Jiabao mining zone, therefore the mining production scale has been expanded progressively at the relevant mining zones. In the meantime, the Group is actively exploring other mining zones with resource potential and commercial viability.

In addition, we have completed the construction of gravity separation process line at the processing plant of the GPS JV Mine, thereby further enhancing our usage efficiency of the lead mineral ores and improving the economic returns.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at GPS JV Mine during the year.

(III) Mining and processing activities

The following table summarises the mining and processing results of GPS JV Mine during the year and 2017:

	Items	Unit	2018	2017
ROM Ore	Mined	kt	**49.0**	38.8
	Processed	kt	**76.6**	17.5
Feed Grade	Lead	%	**3.0**	8.5
	Silver	g/t	**21.0**	20.0
Recovery	Lead	%	**80.5**	80.0
	Silver in lead concentrate	%	**70.6**	62.0
Concentrate Grade	Lead	%	**52.6**	52.0
	Silver in lead concentrate	g/t	**325.0**	245.0
Concentrate Tonnes	Lead-silver concentrate	t	**3,495**	1,337

Note: Figures for ROM ore, feed grade, recovery and concentrate grade are rounded to nearest one decimal place, and figures for concentrate tonnes are rounded to whole number and these figures may show apparent addition errors.

Exploration, Development and Mining Cost of GPS JV Mine

Expenses of exploration, development and mining activities of GPS JV Mine during the year and 2017 are set out below:

	2018 RMB million	2017 RMB million
Exploration activities (Note (1))	**—**	—
Development activities		
Mining infrastructure	**5.4**	2.3
Mining activities		
Subcontracting fee	**1.3**	2.2
Maintenance and others	**—**	0.1
Administrative and other costs	**1.0**	0.3
Production taxes and royalties	**1.7**	0.1
Subtotal	**4.0**	2.7
Total	**9.4**	5.0

Note: (1) We conducted exploration activities through our mining production works and therefore no costs or expenses were recorded for the exploration activities during the year.

(2) Figures for expenses of exploration, development and mining activities are rounded to nearest one decimal place and these figures may show apparent addition errors.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING MINE IN CHINA — DAKUANGSHAN MINE

Mineral resources and reserves of Dakuangshan Mine

Dakuangshan Mine is an underground lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province, the PRC, 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 2018 in accordance with the Chinese Standard is as follows:

	Metal Resources			Grade		
	Lead	Zinc	Silver	Lead	Zinc	Silver
	(kt)	(kt)	(t)	(%)	(%)	(g/t)
Indicated+Inferred	**113.7**	**219.3**	**210.1**	**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.

Assumptions:

The figures of the lead, zinc and silver resources of Dakuangshan Mine are based on the following assumptions:

(1) The lead, zinc and silver resources and grades for Dakuangshan Mine are based on the estimate as per the aforesaid independent technical report. The decrease of the lead, zinc and silver resources in the Dakuangshan Mine during the year was due to our mining operation. The year end amounts have been confirmed by our internal experts.

(2) All material assumptions and technical parameters underpinning the estimates as stated in the aforesaid independent technical report continue to apply and have not been materially changed.

Overview

The production of Dakuangshan Mine during the year was largely in line with the year 2017, representing that it can continue to maintain a stable and consistent production. However, the production was impacted by the complexity of geological composition and low grade of the existing mining zones and new mining zones.

Further systematic and detailed exploration works and analysis of the geological composition and structure of the existing mining zone and the new mining zones are now in progress which is expected to provide a more efficient and effective production for Dakuangshan Mine.

Exploration, Development and Mining Activities of Dakuangshan Mine

(I) Exploration Activities

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

(II) Development Activities

During the year, we have completed the underground production enhancement construction work in Dakuangshan Mine with another mining level located at 1,470 metres in height, and its mining capacity has been further increased for another 300 tpd. The new mining level has gradually come into commercial production.

In addition, we have implemented technical improvement projects at the processing plant, thereby optimizing and enhancing the processing capacity.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Dakuangshan Mine during the year.

(III) Mining and processing activities

The following table summarises the mining and processing results of Dakuangshan Mine during the year and 2017:

	Items	Unit	2018	2017
ROM Ore	Mined	kt	**63.7**	60.7
	Processed	kt	**58.2**	60.8
Feed Grade	Lead	%	**0.9**	1.6
	Zinc	%	**1.9**	3.1
	Silver	g/t	**13.0**	18.0
Recovery	Lead	%	**75.2**	80.0
	Zinc	%	**72.4**	80.0
	Silver in lead concentrate	%	**71.0**	72.0
	Silver in zinc concentrate	%	**3.5**	3.4
Concentrate Grade	Lead	%	**51.2**	50.5
	Zinc	%	**43.8**	42.8
	Silver in lead concentrate	g/t	**715.0**	717.6
	Silver in zinc concentrate	g/t	**14.3**	12.2
Concentrate Tonnes	Lead-silver concentrate	t	**751**	1,106
	Zinc-Silver concentrate	t	**1,848**	3,038

Note: Figures for ROM ore, feed grade, recovery and concentrate grade are rounded to nearest one decimal place, and figures for concentrate tonnes are rounded to whole number and these figures may show apparent addition errors.

Exploration, Development and Mining Cost of Dakuangshan Mine

Expenses of exploration, development and mining activities of Dakuangshan Mine during the year and 2017 are set out below:

	2018 **RMB million**	2017 RMB million
Exploration activities	**—**	—
Development activities		
Mining infrastructure	**2.7**	2.8
Tailing storage facilities	**1.1**	1.1
Subtotal	**3.8**	3.9
Mining activities		
Subcontracting fee	**4.0**	4.3
Materials cost	**0.3**	0.8
Electricity and water	**0.6**	0.5
Maintenance and others	**1.2**	1.3
Administrative and other costs	**0.7**	0.6
Production taxes and royalties	**3.7**	3.1
Subtotal	**10.5**	10.6
Total	**14.3**	14.5

Note: Figures for expenses of exploration, development and mining activities are rounded to nearest one decimal place and these figures may show apparent addition errors.

OPERATING MINE IN CHINA — SHIZISHAN MINE

Mineral resources and reserves of Shizishan Mine

Shizishan Mine is an underground lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province, the PRC. Shizishan Mine is 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 resources and reserves 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 2018 is set out below:

JORC Mineral Resources as at 31 December 2018

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	1,208,489	10.9	6.6	271.0	193,302	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	8,122,489	9.4	6.0	276.0	808,102	507,089	2,246

JORC Ore Reserves Estimates as at 31 December 2018

Class	Quantity (t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Proved	1,088,489	10.0	6.1	251.0	160,903	84,489	446
Probable	5,713,000	9.0	5.9	250.0	514,500	336,900	1,400
Total	6,801,489	9.3	5.9	250.0	675,403	421,389	1,846

Note: Figures for grade of Pb, Zn and Ag are rounded to nearest one decimal place, and the quantity, Pb metal, Zn metal and Ag metal contained in mineral resources and reserves are rounded to whole number and these figures may show apparent addition errors.

Assumptions:

The figures of the lead, zinc and silver resources of Shizishan Mine are based on the following assumptions:

(1) The lead, zinc and silver resources and grades for Shizishan Mine are based on the estimate as per the aforesaid independent technical report. The decrease of the lead, zinc and silver resources in the Shizishan Mine during the year was due to our mining operation. The year end amounts have been confirmed by our internal experts.

(2) All material assumptions and technical parameters underpinning the estimates as stated in the aforesaid independent technical report continue to apply and have not been materially changed.

Overview

During the year, we continued to accelerate the drainage tunnel works for Shizishan Mine. Since the elevation of certain underground mining zones of the Shizishan Mine is lower than the groundwater level, therefore the intermittent inflow of rain and underground water into the underground mining zones added a lot of difficulties to the ongoing drainage tunnel construction project. It is expected that the drainage tunnel works, which were caused by earthquakes and further affected by torrential rains in these years, took sometime for completion, therefore Shizishan Mine, while continuing the drainage tunnel works, shifted its operational strategy during the year by concentrating on provision of processing services for the minerals ores of the surrounding mines, thereby achieving a better result as compared with 2017.

With the establishment and enhancement of long term close cooperation relationship with surrounding mines, Shizishan Mine will continue to formulate and implement a suitable operation plan and accelerate the operational efficiency of its processing plant to counter the difficulties for our mining operation.

Exploration, Development and Mining Activities of Shizishan Mine

(I) Exploration Activities

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

(II) Development Activities

Since the summer of 2015, 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.

Since 2017, we continued to clear and reinforce the damaged tunnels of Shizishan Mine and resumed pumping water from the tunnels. In September 2017, we started to carry out the drainage tunnel works and continued such works during the year. As at 31 December 2018, the tunnel construction works amounted to 600 meters in length and the construction works amounted to 3,484 m^3.

Meanwhile, the processing plant of Shizishan Mine continued to provide the subcontracting processing services for the raw ores of the surrounding mines.

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

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Shizishan Mine during the year.

(III) Mining and processing activities

The following table summarises the mining and processing results of Shizishan Mine during the year and 2017:

	Items	Unit	2018	2017
ROM Ore	Processed	kt	**33.6**	3.6
Feed Grade	Lead	%	**4.1**	4.4
	Zinc	%	**6.5**	5.9
	Silver	g/t	**44.2**	36.5
Recovery	Lead	%	**81.4**	80.0
	Zinc	%	**82.3**	80.0
	Silver in lead concentrate	%	**78.7**	62.6
	Silver in zinc concentrate	%	**16.9**	16.4
Concentrate Grade	Lead	%	**62.9**	48.6
	Zinc	%	**48.7**	44.8
	Silver in lead concentrate	g/t	**650.0**	683.7
	Silver in zinc concentrate	g/t	**68.0**	54.0
Concentrate Tonnes	Lead-silver concentrate	t	**1,796**	252
	Zinc-silver concentrate	t	**3,692**	580

Note: Figures for ROM ore, feed grade, recovery and concentrate grade are rounded to nearest one decimal place and figures for concentrate tonnes are rounded to whole number, and these figures may show apparent addition errors.

Exploration, Development and Mining Cost of Shizishan Mine

Expenses of exploration, development and mining activities of Shizishan Mine during the year and 2017 are set out below:

	2018 **RMB million**	2017 RMB million
Exploration activities	**—**	—
Development activities		
Mining infrastructure	**—**	—
Tailing storage facilities	**0.1**	—
Subtotal	**0.1**	—
Mining activities		
Materials cost	**—**	1.0
Labour	**0.1**	0.1
Electricity and water	**—**	0.3
Administrative and other costs	**—**	—
Production taxes and royalties	**0.2**	—
Subtotal	**0.3**	1.4
Total	**0.4**	1.4

Note: Figures for expenses of exploration, development and mining activities are rounded to nearest one decimal place and these figures may show apparent addition errors.

OPERATING MINE IN CHINA — MENGHU MINE

Mineral resources and reserves of Menghu Mine

Menghu Mine is an underground lead-zinc polymetallic mine located at Mengla County of Yunnan Province, the PRC. It is a high-grade oxidized lead and zine mine with potential in mineral resources. The mining permit of the Menghu Mine covers an area of 0.4 sq. km.

Menghu Company has 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 of the Menghu Mine as at 31 December 2018 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	**31.7**	**18.2**	**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.

Assumptions:

The figures of the lead and zinc resources of Menghu Mine are based on the following assumptions:

(1) The lead and zinc resources and grades for Menghu Mine are based on the estimate as per the aforesaid independent technical report. The decrease of the lead and zinc resources in the Menghu Mine during the year was due to our mining operation. The year end amounts have been confirmed by our internal experts.

(2) All material assumptions and technical parameters underpinning the estimates as stated in the aforesaid independent technical report continue to apply and have not been materially changed.

Overview

During the year, under the subcontracting arrangement, the Group continued to provide its necessary supervision and guidance to the sub-contractor(s) for the operation of Menghu Mine. As compared with 2017, the output and grades of the Menghu Mine have improved and become more stable, providing a good foundation for us either to operate by ourselves or to increase our subcontracting income in the future.

By adopting the operational strategy of the subcontracting arrangement, our further capital investment and operation in the construction of the Menghu Mine are reduced and the Group has achieved a stable and predictable economic return.

Exploration, Development and Mining Activities of Menghu Mine

(I) Exploration Activities

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

(II) Development Activities

During the year, we continued to adopt sub-contract mining arrangement and carried out infrastructure construction work of roadway support, transport track, ventilation and drainage system at Menghu Mine in accordance with the requirements of transformation and upgrading of mines imposed by the local government.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Menghu Mine during the year.

(III) Mining and processing activities

The following table summarises the mining results of Menghu Mine during the year and 2017:

	Items	Unit	2018	2017
ROM Ore	Mined	kt	**1.0**	1.5
Grade	Lead	%	**28.5**	13.8
	Zinc	%	**7.5**	7.9

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

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 (2017: Nil).

OTHER MINES UNDER DEVELOPMENT IN CHINA

Liziping Mine

Liziping Mine is a lead-zinc-copper-silver polymetallic mine located at Lanping County of Yunnan Province, the PRC 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. Based on the report, a summary of the estimated resources of the Liziping Mine as at 31 December 2018 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**
Total	**96.6**	**141.3**	**26.2**	**397.3**	**10.4**	**3.5**	**0.84**	**231.6**

Note: Save as the grade of copper which is rounded to two decimal places, all other figures for metal resources and grade are rounded to nearest one decimal place and these figures may show apparent addition errors.

Assumptions:

The figures of the lead, zinc, copper and silver resources of Liziping Mine are based on the following assumptions:

(1) The lead, zinc, copper and zinc resources and grades for Liziping Mine are based on the estimate as per the aforesaid independent technical report.

(2) All material assumptions and technical parameters underpinning the estimates as stated in the aforesaid independent technical report continue to apply and have not been materially changed.

The application process of exploration permit pertaining to the first mining area of approximately 4 sq. km. of Liziping Mine has been approved by Lanping County and Nujiang State government, Yunnan Province, the PRC and we are waiting for the final approval from the Department of Land and Resources of Yunnan Province, the PRC.

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 (2017: Nil).

Dazhupeng Mine

Dazhupeng Mine is a lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province, the PRC. It is located at approximately 20 km. away from the Shizishan Mine and has certain potential in lead, zinc and silver resources.

During the year, we have successfully obtained the preliminary approval for the renewal of exploration permit of Dazhupeng Mine from the government department of Yingjiang County and the Nujiang State government department, Yunnan Province, the PRC and thereafter, we will apply for the final approval from the Department of Land and Resources of Yunnan Province, the PRC.

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 (2017: Nil).

Lushan Mine

Lushan Mine is a tungsten-tin polymetallic mine which is located at Yingjiang County of Yunnan Province, the PRC.

During the year, Xiangcaopo Mining continued to carry out maintenance works at Lushan Mine and is in the process of renewing the exploration permit.

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

No material capital expenditures were incurred for Lushan Mine during the year (2017: Nil).

MINERAL ORES TRADING

During the year, the Group continued to actively promote 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. The trading business is one of the strategic moves by the Group, which can enlarge the Group's market share and enhance its economy of scale as well as strengthen our sales bargaining power in negotiating commercial terms with the customers. 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 RMB195.0 million (2017: RMB113.3 million). As compared to 2017, revenue increased by RMB81.7 million or 72%, which was primarily due to: (i) substantial increase in sales volume of our self-produced products; (ii) increase in scale of operations in trading business which we commenced trading of lead and zinc metals in China since the second half of 2017 and continued in 2018; and (iii) slight increase in average selling price of lead-silver concentrates during the year. The above impact is partially offset by decrease in sales revenue of zinc-silver concentrates in 2018.

In 2018, the revenue of sales of self-produced products accounted for 56.1% (2017: 40.3%) of our total revenue.

Sales of self-produced products segment

	Sales Volume (tonnes)	Average Selling Price (RMB'000/ tonne)	Revenue (RMB'000)	Unit Cost of Sales (RMB'000)	Cost of Sales (RMB'000)	Gross Profit (RMB'000)	Gross Profit Margin (%)
2018							
Lead-silver concentrates	**12,554.7**	**7.8**	**97,319.4**	**4.6**	**58,098.3**	**39,221.1**	**40.3%**
Zinc-silver concentrates	**1,922.1**	**5.1**	**9,860.9**	**7.1**	**13,642.1**	**(3,781.2)**	**(38.3%)**
Raw ores	**4,271.0**	**0.5**	**2,209.1**	**0.1**	**329.9**	**1,879.2**	**85.1%**
Total			**109,389.4**			**37,319.1**	
2017							
Lead-silver concentrates	3,805.2	7.7	29,270.8	5.2	19,709.2	9,561.6	32.7%
Zinc-silver concentrates	2,898.4	5.6	16,371.4	5.5	15,823.8	547.6	3.3%
Raw ores	–	–	–	–	–	–	–
Total			45,642.2			10,109.2	

Sales of self-produced products remains the major income of the Group, its segment increased by 140% to RMB109.3 million (2017: RMB45.6 million) which was primarily attributable to the commercial operation of Aung Jiujia Mine and gradual increase in its production of GPS JV Mine during the year, therefore the total revenue of the sales of self-produced products recorded a substantial increase as compared with year 2017.

The unit cost of lead-silver concentrates decreased by 11.5% to RMB4,600/tonne during the year 2018 (2017: RMB5,200/tonne), which was mainly attributable to the decrease in unit prices of raw materials, auxillary materials, labour costs as well as other production costs as a result of the increase in our scale of operation.

The unit cost of zinc-silver concentrates increased by 29.1% to RMB7,100/tonne during the year 2018 (2017: RMB5,500/tonne), which was mainly attributable to the decrease in the volume and grade of zinc ores produced by Dakuangshan Mine due to the gradual depletion of zinc resources in the existing underground mining zones and the mining operation in the new underground mining zones was still under development.

Accordingly, the sales of self-produced products segment recorded a profit of RMB37.3 million (2017: RMB10.1 million), represented an increase of 269.3%.

Processing service segment

Revenue of processing service segment increased by 100.0% to RMB4.0 million (2017: RMB2.0 million), which was primarily due to our effort in enhancing the production efficiency in processing service of mineral ores.

Trading business segment

	Revenue (RMB'000)	Cost of Sales (RMB'000)	Gross Profit (RMB'000)	Gross Profit Margin (%)
2018				
Trade	**77,344.3**	**76,961.4**	**382.9**	**0.5%**
2017				
Trade	64,452.0	64,231.8	220.2	0.3%

Revenue of trading business segment also increased by 19.8% to RMB77.3 million (2017: RMB64.5 million). The gross profit contribution and gross profit margin from trading business improved as the Group conducted trading with selected customers for lead-silver and zinc-silver products which are more profitable.

Subcontracting income segment

Revenue from subcontracting income increased by 258.3% to RMB4.3 million (2017: RMB1.2 million), which was mainly due to the increase in production volume and ore grades of the Menghu Mine during the year, therefore, by enhancing our bargaining capability, we were able to increase the subcontracting income received from the sub-contractor(s).

Cost of sales

During the year, the cost of sales was RMB150.5 million (2017: RMB100.7 million), increased by RMB49.8 million or 49.5%, which was primarily due to the increase in sales of our self-produced products and increase in the scale of trading operation.

Gross profit and gross profit ratio

In 2018, the Group recorded a gross profit of RMB44.6 million (2017: RMB12.6 million) and the gross profit ratio was 22.8% (2017: 11.1%). The increase in overall gross profit margin was primarily due to the increase in the sales of self-produced products which have a higher profit margin and its portion ratio to the overall revenue.

Other income and gains

During the year, the other income and gains were RMB15.3 million (2017: RMB2.6 million), primarily comprising income on waiver of debts by other payables and reversal of loss allowance on other receivables during the year and no such income was recorded in year 2017.

Administrative expenses

During the year, the administrative expenses were RMB37.4 million (2017: RMB36.1 million), primarily comprising expenses previously accounted for cost of sales which have been directly charged to administrative expenses as a result of temporary suspension of the mining operation of Shizishan Mine and the staff costs in the respective sums of RMB12.4 million and RMB10.8 million and the remaining others were professional consulting fees, depreciation, office administrative fees and other expenses.

Finance costs

During the year, the finance costs decreased to RMB21.1 million (2017: RMB30.8 million), primarily due to our repayment of certain principals of the bank loans upon renewal of the bank loans with Ping An Bank with longer maturity date(s) during the year, resulting in decrease of the overall interest expenses.

Income tax expense

During the year, the income tax expense decreased by RMB3.2 million to RMB5.4 million (income tax expense for 2017: RMB8.6 million), which was primarily due to the decrease in the reversal of deferred tax assets recognised in prior years. A reconciliation of the income tax expense applicable to loss before tax at the statutory rates is set out in note 9 to the financial statements of this annual report.

Final dividend

At a meeting of the Board held on 19 February 2019, the Board resolved not to recommend declaring any final dividend for the year to the Company's shareholders (2017: no final dividend).

Use of proceeds from the share placing

Up to 31 December 2018, the Group utilized 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 2018) 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	26.47
— general working capital of the Group including but not limited to covering the administrative and operating expenses of the Hong Kong office	9.62	9.62
Total	80.20	80.20

Use of proceeds from the rights issue

Up to 31 December 2018, the Group utilised the net proceeds raised from rights issue in accordance with the designated uses set out in the prospectus dated 8 September 2017 (the "**Rights Issue Prospectus**") as follows:

Description	Amount designated in the Rights Issue Prospectus Total HK$ Million	Up to 31 December 2018 Utilised 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	135.2
— 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	140.3

Liquidity and capital resources

The following table sets out the information in relation to our Group's consolidated statement of cash flows during the year and for the year ended 31 December 2017:

	2018 RMB'000	2017 RMB'000
Net cash flow generated from/(used in) operating activities	**66,971**	(11,303)
Net cash flow generated from/(used in) investing activities	**23,603**	(97,257)
Net cash flow generated from/(used in) financing activities	**(104,962)**	86,125
Net decrease in cash and cash equivalents	**(14,388)**	(22,435)

Net cash flow generated from operating activities

During the year, the net cash flow generated from operating activities increased significantly to RMB67.0 million, primarily driven by the increase in the sales of self-produced products as a result of the increase in our scale of operation in Aung Jiujia Mine and GPS JV Mine. The RMB10.7 million loss was adjusted by (i) the bank interest income and interest income from loans to third parties of RMB2.1 million; (ii) the reversal of loss allowance on other receivables of RMB2.9 million; (iii) an increase in prepayments, deposits and other receivables of RMB7.0 million; and (iv) income on waiver of debts by other payables of RMB8.5 million, which was partially offset by (i) interest expenses from bank and other loans of RMB21.1 million; (ii) non-cash expenses, including unrealised foreign exchange loss, depreciation, amortization, impairment, loss on disposal of items of property, plant and equipment of RMB46.0 million; (iii) an increase in trade payables, other payables and accruals and contract liabilities totalling RMB19.8 million; and (iv) a decrease in trade receivables and inventories of RMB11.3 million.

Net cash flow generated from investing activities

The net cash flow generated from investing activities was approximately RMB23.6 million, which was due to (i) repayment of loan principals and interests from third parties of RMB64.7 million; and (ii) the proceeds from disposal of financial assets at fair value through profit or loss of RMB6.5 million, which was offset by (i) the purchase of items of property, plant and equipment of RMB34.1 million; (ii) expenditures on exploration and evaluation totalling RMB0.2 million; and (iii) advance of loan to a third party of RMB13.3 million.

Net cash flow used in financing activities

The net cash flow used in financing activities was approximately RMB105.0 million, which was due to the payment of certain loan principals and interests upon renewal of bank loans with Ping An Bank.

Cash and bank balances

As at 31 December 2018, the cash and bank balances of the Group were denominated in the following currencies:

	2018 **RMB'000**	2017 RMB'000
RMB	**2,342**	14,347
HK$	**1,779**	2,845
US$	**135**	1,008
MMK	**44**	374
SG$	**202**	—
	4,502	18,574

Borrowings

As at 31 December 2018, the Group's borrowing structure and maturity profile are as follows:

	2018			2017		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Secured and guaranteed:						
Current	**5.70-6.15**	**2019**	**66,520**	4.35-4.75	2018	448,990
Non-current	**5.70-6.15**	**2020**	**297,932**	—	—	—
			364,452			448,990

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

The Group is committed to explore various means to improve its overall borrowing structure in terms of interest rate level and repayment terms on a continuing basis.

The Group's bank loans as at 31 December 2018 was RMB364.5 million, decreased by RMB84.5 million as compared to the balance of RMB449.0 million as at 31 December 2017, which was primarily due to the repayment of certain bank loan principals during the year as a result of our continuous efforts in reducing the overall debt level of the Group.

Charge on assets

As at 31 December 2018, the bank loans of the Group were secured by (i) the property, plant, equipment of RMB61.0 million; (ii) mining rights of RMB62.0 million; (iii) prepaid land lease payments of RMB10.0 million; (iv) 99% of equity interest in Kunrun; (v) 90% of equity interest in Dakuangshan Company; (vi) 90% of equity interest in Liziping Company; (vii) 90% of equity interest in Menghu Company; and guaranteed by (viii) Mr. Ran Xiaochuan, the Company's former executive director.

Net gearing ratio

Consistent with industry norms, the Group uses the net gearing ratio to measure our debt level. Net gearing ratio is calculated by net debt divided by total equity. 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 net gearing ratio of the Group recorded a further decrease during the year. As at 31 December 2018 and 31 December 2017, the Group's net gearing ratio was as follows:

	2018.12.31 **RMB'000**	2017.12.31 RMB'000
Interest-bearing bank loans	**364,452**	448,990
Less: cash and cash equivalents	**(4,502)**	(18,574)
Net debt	**359,950**	430,416
Total equity	**1,845,966**	1,865,054
Net gearing ratio	**19.5%**	23.1%

Net current liabilities

The Group's net current liabilities as at 31 December 2018 decreased significantly to RMB275.1 million as compared to the net current liabilities of RMB571.8 million as at 31 December 2017, primarily due to the decrease in short-term interest-bearing bank loans of RMB382.5 million which were restructured to longer maturity date(s). The decrease in current liabilities were offset by (i) decreases in cash and cash equivalents amounting to RMB14.1 million; (ii) decrease in inventories, trade receivables, prepayments, deposits and other receivables aggregated to RMB53.0 million; (iii) decrease in available-for-sale investments amounting to RMB6.5 million; and (iv) increases in trade payables, other payables and accruals, tax payables and contract liabilities totalling RMB12.1 million.

Going concern basis

During the year ended 31 December 2018, the Group incurred a consolidated net loss of RMB16.2 million (2017: RMB43.1 million) and had net cash flows generating from operating activities of RMB67.0 million (2017: used in operating activity RMB11.3 million). As at 31 December 2018, the Group had net current liabilities of RMB275.1 million (2017: RMB571.8 million).

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 has implemented or is in the process of implementing the following measures:

(a) The Group has reached agreements with the bank to extend the payment term of its short-term bank loans. As at 31 December 2018, the Group's total bank loans amounted to RMB364,452,000, of which RMB66,520,000 and RMB297,932,000 will be due within twelve months from 31 December 2018 and in April 2020, respectively. The Directors have evaluated all the relevant facts available to them and are of the opinion that the Group is improving creditability with the bank by generating positive cash inflow from its operations during the year ended 31 December 2018. Meanwhile, the Group is actively exploring the availability of alternative sources of financing.

(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 the operation at Aung Jiujia Mine and GPS JV 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 2018 on a going concern basis.

Contingent liabilities

As at 31 December 2018, the Group did not have any outstanding material contingent liabilities or guarantees.

Significant acquisitions and disposals

During the year, no significant acquisitions or disposals of subsidiaries or associated companies were concluded.

Capital expenditure

During the year, the aggregated amount of the capital expenditure of the Group was RMB71.1 million, which was primarily due to the expenditures on the mining infrastructures, construction in process works and the property, plant and equipment for the processing plant of Aung Jiujia Mine, GPS JV Mine and Dakuangshan Mine.

Contract liabilities

As at 31 December 2018, the Group's contract liabilities amounted to approximately RMB5.0 million, which was primarily due to the increase in recovery efficiency in order to minimise the credit risk, therefore there was increase in short term advances from customers in relation to the delivery of concentrates at the end of the year.

Financial and other risk management

The Group's activities expose it to a variety of financial risks, including commodity price risk, foreign exchange risk, interest rate risk, credit risk and sovereign risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has not entered into derivative contracts for speculative purposes during the year.

(a) Commodity price risk

The prices of lead, zinc and silver affected by numerous factors and events that are beyond the control of the Group. These metal prices change on a daily basis and can vary significantly up and down over time. The factors impacting metal prices include both broader macro-economic developments and micro-economic considerations relating more specifically to the particular metal concerned. There were no commodity hedges in place as at 31 December 2018.

(b) Foreign exchange 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 operations in Myanmar, most of our products are sold to customers in the PRC and their sales are also denominated in RMB. Some of the expenses incurred locally in Myanmar, which represents only a relatively small portion of our operation expenses, are denominated either in USD or Kyat. Myanmar operations are substantially financed by our funds in the 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.

(c) **Interest rate risk**

We are exposed to interest rate risk resulting from fluctuations in interest rates on our floating rate debt. Floating interest rates are subject to published interest rate changes in the People's Bank of China. If the People's Bank of China increases interest rates, our finance costs will increase. In addition, to the extent that we may need to raise debt financing or roll over our short-term loans in the future, any upward fluctuations in interest rates will increase the costs of new debt obligations.

(d) **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to counterparty credit risk through sales of metal products on normal terms of trade. Counterparties are assessed on a continuing basis prior to, during and after the conclusion of transactions to ensure that exposure to credit risk is limited to acceptable levels. The limits are set to minimise the concentration of risks and therefore mitigate the potential for financial loss through counterparty failure.

During the year, the largest customer of the Group was IXM (Shanghai) Enterprise Management Limited Company (埃珂森(上海)企業管理有限公司), formerly known as Louis Dreyfus (Shanghai) Metal Co., Ltd. (路易達孚(上海)金屬有限公司), one of the leading copper, zinc and lead concentrates merchants in the PRC which the Group has established and maintained good and close cooperation relationship for years. During the year, all sales transactions with that company were duly paid in advance before goods were delivered and the Group did not have disagreement with it in all material aspects.

(e) **Sovereign risk**

The Group has operations in Myanmar that carry higher levels of sovereign risk. Political and administrative change and reforms in law, regulations or taxation may impact the Group's future performance.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2018, the Group had a total of 227 full-time employees (31 December 2017: 136 employees) in the PRC, Myanmar and Hong Kong, including 79 management and administrative staff, 115 production staff and 33 operations support staff. During the year, staff costs (including Directors' remuneration in the form of salaries and other benefits) were approximately RMB16.0 million, representing an increase of RMB3.2 million or 25% as compared to the staff costs of RMB12.8 million for 2017 which was primarily due to the increase in our production operation scale resulting in the corresponding increase for the employees engaged. 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. Further details of our employee and remuneration policy, please see section headed "Operation System and Staff Training" of the Environmental, Social and Governance Report.

OCCUPATIONAL HEALTH AND SAFETY

During the year, no accidents related to serious injuries or death were reported to our management. Furthermore, we were not subject to any claims arising from any material accidents involving personal injuries 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, Hong Kong and Myanmar laws and regulations regarding occupational health and safety in all material respects during the year. Further details of our occupational health and safety policy, please see section headed "Safety Production and Labour Protection" of the Environmental, Social and Governance Report.

ENVIRONMENTAL PROTECTION AND LAND REHABILITATION

No environmental claims, lawsuits, penalties or administrative sanctions were reported to 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 announcement. The Group has also adopted and implemented 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 2018, the Group has accrued a provision of RMB1.9 million, RMB5.6 million, RMB0.8million, RMB21.0 million and RMB0.9 million for the rehabilitation of the Aung Jiujia Mine, the GPS JV Mine, the Dakuangshan Mine, the Shizishan Mine and the Menghu Mine, respectively. Further details of our environmental protection policy, please see section headed "Energy Saving & Environment Protection" of the Environmental, Social and Governance Report.

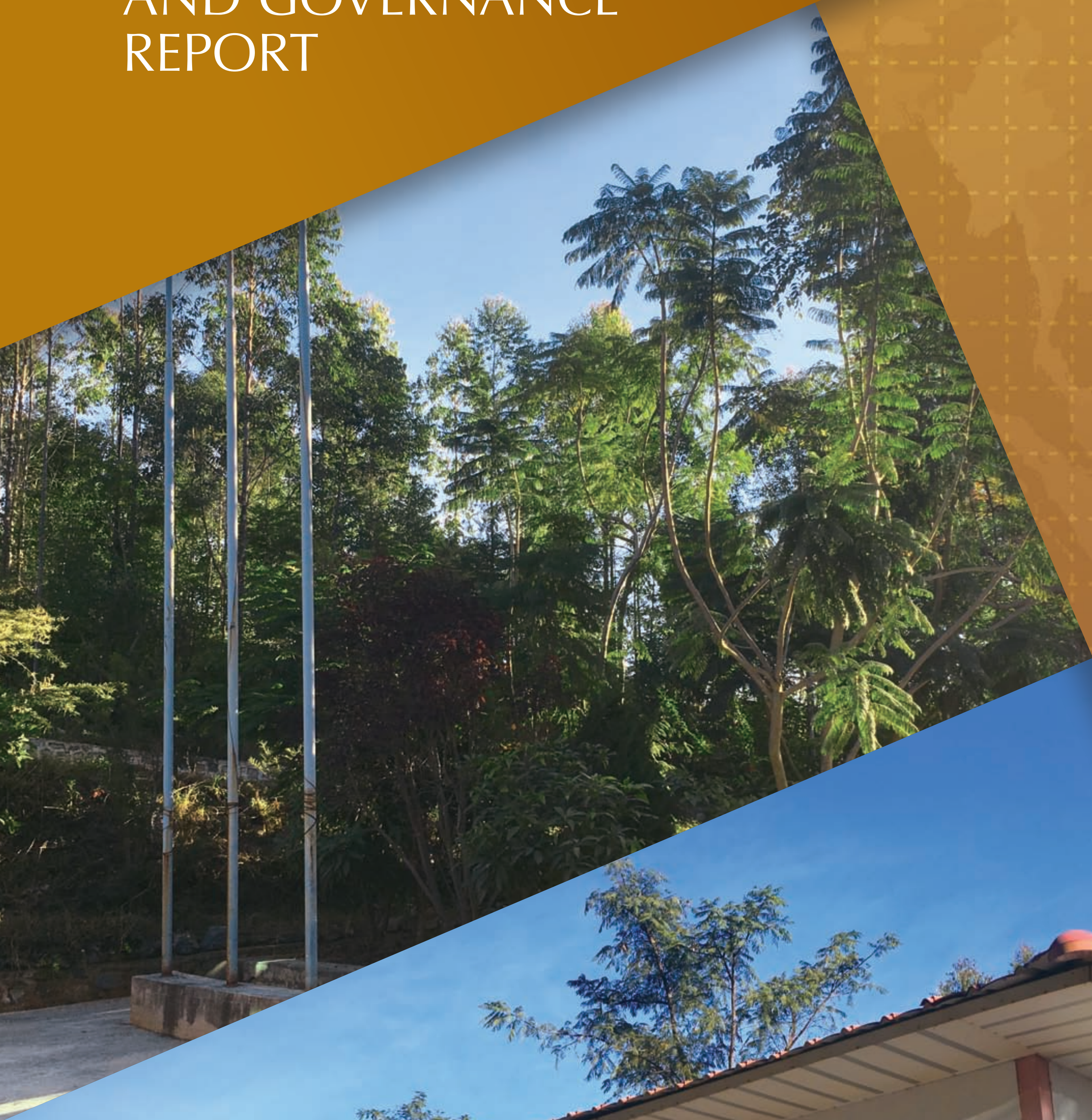
STRATEGY AND OUTLOOK

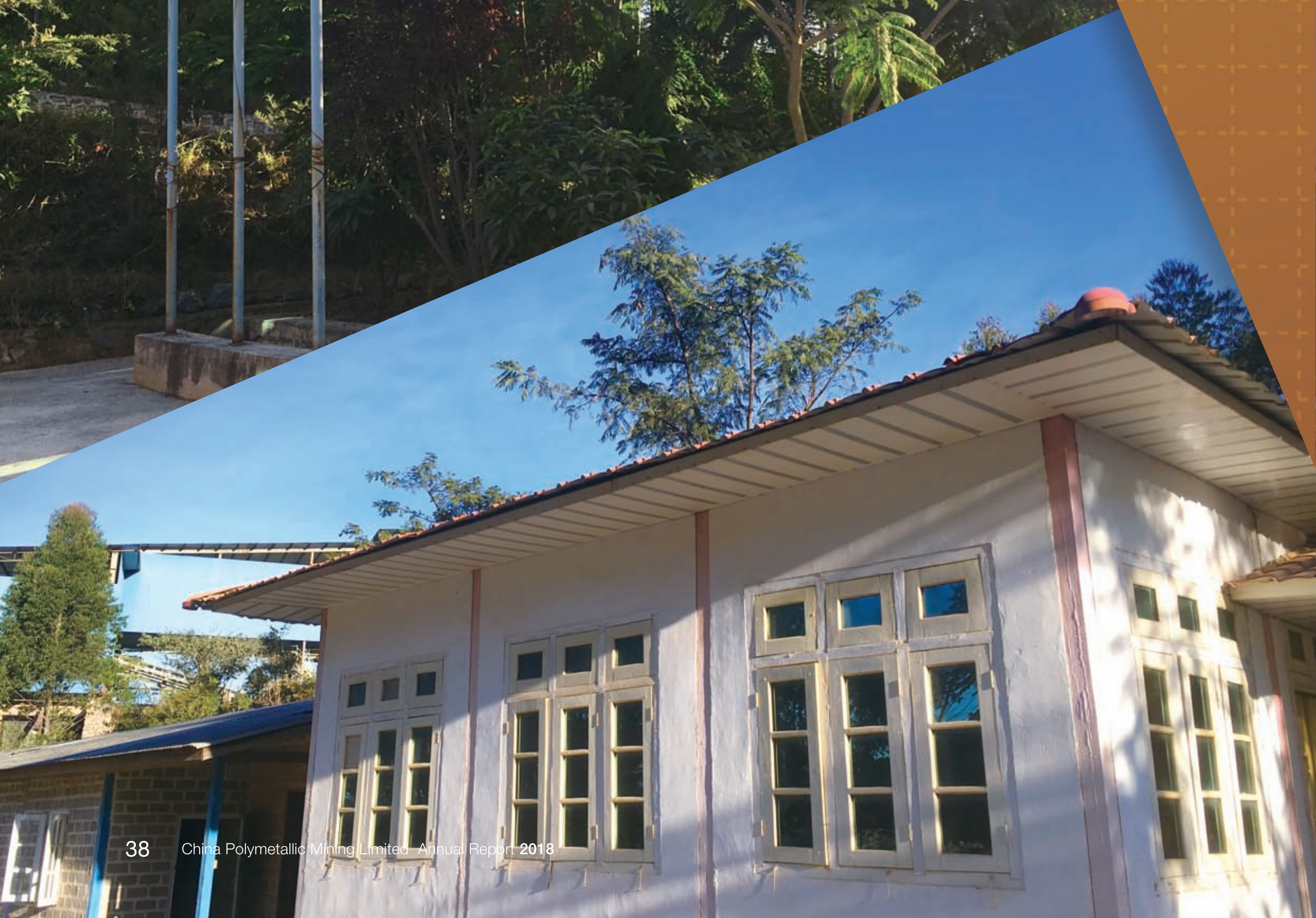
The Belt and Road Initiative brings new historic opportunities for the Group's long term sustainable development. The Group will continue to adhere to the concept of sustained and steady development, actively explore the emerging market in Myanmar, continue to accelerate the development of our Myanmar projects, prudently grasp the overseas merger and acquisition opportunities, expand the scale of mineral resources, and further diversify the businesses and create more new profit growth points for the Group. Looking forward, the Group will continue to enhance the quality and effectiveness of its operations, management and control systems, continue to strengthen our focuses on health, safety and environmental issues, so as to build a large-scale, profitable polymetallic mining company that maximizes the return to the shareholders.

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

Hong Kong, 19 February 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT





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 2018 in terms of environmental, social and governance responsibilities. This report comprises all the lead, zinc and silver mining and processing businesses engaged by the Company and its subsidiaries.

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ABOUT THE COMPANY

We devote ourselves 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 operations on strict compliance with the laws, moral standards and best international norm in order to alleviate adverse effects 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 businesses, 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, covers 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	2016	2017	2018
Safe Production & Labour Protection	Fatalities	0	0	**0**
	Injured	2	0	**1**
	Safety Management Expenses (ten thousand yuan)	101.40	193.41	**256.78**
Energy Saving and Environmental Protection	Electricity Consumption (kWh)	13,751,202	14,852,349	**16,927,129**
	Electricity Intensity (kWh/t) (Note (1))			
	Mining	N/A	N/A	**12.82**
	Concentrating	N/A	N/A	**55.33**
	Water Consumption (t)	451,201	508,177	**648,873**
	Water Intensity (m^3/t) (Note (2))			
	Mining	N/A	N/A	**0.20**
	Concentrating	N/A	N/A	**1.70**
	Greenhouse Gas Emission (t)	27	30	**28**
	Waste Water Emission(t)	42,825	50,755	**63,875**
	Volume of Mining Waste (t)	840,215	783,729	**392,404**
	Volume of Packaging Materials (t)	1.8	3.9	**23.0**
Operation System and Staff Training	Number of Suppliers	18	22	**22**
	Cases involving Corruption and Litigation	0	0	**0**
	Number of products related complaints received and/or recalled	0	0	**0**
	Number of Employees (Note(3))	859	239	**227**
	Ratio of Females (%)	11.62	12.60	**21.52**
	Average Hours of Employees Receiving Training (Hour)	60	12	**20**
Social Contribution	Donation (RMB)	800,000	140,000	**210,000**

Note:

(1) The figures include the consolidated average electricity usage (kWh) per tonnes for our mining and concentrationg production by Aung Jiujia Mine, Shizishan Mine, Dakuangshan Mine and GPS JV Mine during the year ended 31 December 2018. But no such figures were collected for the year ended 31 December 2016 and 31 December 2017.

(2) The figures include the consolidated average water usage (m^3) per tonnes for our mining and concentrationg production by Aung Jiujia Mine, Shizishan Mine, Dakuangshan Mine and GPS JV Mine during the year ended 31 December 2018. But no such figures were collected for the year ended 31 December 2016 and 31 December 2017.

(3) For the year ended 31 December 2016, all employees including employees recruited by our sub-contractors are counted while for the year ended 31 December 2017 and 31 December 2018, only our employees are counted and the employees recruited by the sub-contractors are not included in our calculation.

(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, our guiding ideology is "leadership as the major, grassroots as the core, position as the emphasis, and employees as the key". We continuously strengthened the leadership's awareness of safety production management, improved the production safety accident hazard investigation and management system, adopted advanced technology and management measures, timely discoverd and eliminated hidden dangers, and improved employees' safety measures and accident emergency measures to deal with the risk factors in the workplace so as to achieve safe and orderly production. During the year, no casualties, or material injuries were recorded within the Group. Our measures adopted include but are 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. We gradually enhanced the safety production system and implemented the 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. The relevant safety management system of the Group is summarized as follows:

- **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) We conducted regular comprehensive safety inspection with risk investigation as the main focus, and recorded all types of hidden dangers, so as to effectively implemented rectification measures. After the rectification, the supervisory departments in charge organized the subsequent acceptance check;

(d) We held weekly safety meetings to inspect, review and summarize the safety production works. The security managers tracked, inspected, rectified and implemented the safety production requirements at anytime and at anywhere. We carried out safety trainings and technical operation procedures training from time to time. For new employees, we would carry out pre-job safety trainings, three-level safety education and trainings, etc. At the same time, we organized safety training examinations and the employees need to obtain relevant safety post certificates before they commenced their works; and

(e) We supervised the internal security management and the safety and environmental protection department of the Group organized regular routine inspections on the safety production of mines, in order to have a comprehensive review on the safety production problems and supervised our subsidiaries to complete the rectification and implementation of safety measures. We carried out safety production month activities, issued notice(s) to each mine, implemented the safety management requirements, and through means of the sharing of safety operation experience, we improved our security management and control capabilities.

(ii) Our Subcontracting Management

We kept 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. At the same time, we strengthened the safety inspection, supervision and safety rectification and implementation of the contractors, and strictly regulated on-site safety management.

(iii) Our Workplace Management Measures

(a) We installed ventilation system, oxygen supply system, power supply system, drainage system, etc. in the downhole working surface so as to provide safety for underground workers;

(b) We posted and hoisted the safety operation procedures, safety reminders, safety notice cards, etc. at major workplaces, and reminded the employees to pay attention to the safety, environmental protection and occupational disease prevention. We checked the safety equipments for the employees at the site on a regular basis, and employees who without safety protection measures were prohibited to enter into the workplace; and

(c) If the implementation of safety management measures was not in place, the rectification notice would be issued and the rectification measures would be carried out immediately. We also prepared security management and inspection logs for recorded purpose.

(iv) Our Emergency Management

We divided emergency management into four phases, including prevention, preparation, response and resumption of production. We also formulated standardized emergency plans and drills system, and minimized casualties, property damage and environmental pollution through pre-planned and purposeful emergency drills. Under the supervision and guidance of the safety supervision and environmental protection departments, we carried out the three-level standardization construction of mines and the construction of "six major systems" to standardize the safety production management of mines.

(v) Our Operation and Management with Information Technologies

We continued to carry out information technology work management so as to facilitate our management to resolve the hidden safety problems (if cannot be avoided). Our measures adopted include, but are not limited to the followings:

(a) We installed fully monitored information technology system for explosives warehouses, tailings ponds and material warehouses to eliminate potential safety hazards and to prevent major safety incidents; and

(b) We installed communication and personnel positioning systems for the operations to keep track of the safety information and location of them and to effectively implement emergency rescue measures.

As a result of our continuous stringent control in respect of the production safety, we continued to keep zero fatalities and the number of injuries in respect of our employees continued to remain at a relatively low level. Set out below is a summary of the fatalities and number of injuries during the year:

	2016	2017	**2018**
Number of Fatalities	0	0	**0**
Injured	2	0	**1**

Compliance with Safety Production Rules and Regulations

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

(2) Energy Saving & Environment Protection

Strict Supervision of Resource Consumption

Our electricity are provided by the local electricity companies or generated by our electricity generators. Our water are either extracted from the rivers or provided by the water supplies authority of the local regions which we operate. The supply of electricity and water, which are fit for our operation or production purposes, are provided to us in a stable and effective manner.

We continue to strictly monitor our resources consumption on an ongoing basis and electricity consumption and water consumption are our top priorities. Set out below is a summary of electricity consumption and water consumption and our electricity intensity and water intensity of mining and concentrating by Aung Jiujia Mine, Shizishan Mine, Dakuangshan Mine and GPS JV Mine during the year:

	2016	2017	**2018**
Electricity consumption (kWh)	13,751,202	14,852,349	**16,927,129**
Electricity Intensity (kWh per tonne)			
Mining	N/A	N/A	**12.82**
Concentrating	N/A	N/A	**55.33**
Water consumption (t)	451,201	508,177	**648,873**
Water Intensity (m^3 per tonne)			
Mining	N/A	N/A	**0.20**
Concentrating	N/A	N/A	**1.70**

During the year, our electricity and water consumption increased which was mainly due to our increase in scale of operation.

Reduction of Waste Production

Waste is a by-product of the construction, demolition and operation of our productions. Due to the different nature of our businesses, different types of waste are generated. Throughout the whole production process from our upstream mining up to downstream operations, the biggest volume of hazardous wastes generated are greenhouse gas and waste water while the biggest volume of non-hazardous wastes generated are mining waste. Beyond that, the volume of solid and liquid waste we generate is small and the risk of significant environmental spills or leakages is low.

(i) Greenhouse Gas Emissions

Our greenhouse gas mainly carbon dioxide emissions are produced during our upstream mining operation and downstream floating process production. During the year, our greenhouse gas emissions remained stable. We improved the production technology, reduced energy consumption and continuously and regularly detect greenhouse gas emissions in our mines, so as to reduce the total amount of greenhouse gas emissions and its impact on the natural environment, and meet the environmental impact assessment implementation standards. Set out below is a summary of our greenhouse gas emissions during the year:

	2016	2017	**2018**
Greenhouse Gas Emissions (t)	27	30	**28**

(ii) Waste Water

Water is mainly used for our processing operation and floating process production. However, the majority of the water are recycled for usage to ensure no adverse impact to the environment and the remaining will only be discharged after appropriate treatment. Set out below is a summary of our waste water emissions during the year:

	2016	2017	**2018**
Waste Water Emission(t)	42,825	50,755	**63,875**

(iii) Non-hazardous Wastes — Mining Waste

Mining waste are produced during our upstream mining operation. All these mining waste are non-hazardous and are discharged into our designated places and when full, replantation will be carried out thereof in order to restore their original ecological structure. Details of our mining waste produced during the year are set out as follows:

	2016	2017	**2018**
Mining Waste (t)	840,215	783,729	**392,404**

For the year ended 31 December 2018, we mainly mined along the ore veins, therefore there were less mining waste, while during the year ended 31 December 2016 and 31 December 2017, we enhanced our scale to carry out exploration mining, therefore resulting in more mining waste.

(iv) Packaging Materials

Packaging bags are used to contain our finished products in accordance with the need of our customers. Details of our packaging materials produced during the year are set out as follows:

	2016	2017	**2018**
Packaging Materials (t)	1.8	3.9	**23.0**

Compared with the year ended 31 December 2016 and 31 December 2017, our production has increased significantly during the year, therefore the consumption for packaging materials has also increased significantly accordingly.

We will continue to monitor the environmental effect in respect of our production, continuing to reduce our waste production, so as to minimise the impact on the surrounding ecosystem.

Environmental Regulation: Compliance and Beyond

In China, the implementation of rules and regulations such as 2008-2015 National Mineral Resources Plan, National Land Remediation Plan (2016-2020) and Yunnan Province Green Mines Construction Management Rules have enhanced the green mine constructions regulations and requirements regarding the legal operation, comprehensive utilization, environmental protection, land reclamation, etc. for the mining companies including the Group.

In Myanmar, the local government also enhanced its rules and requirements regarding the environmental protection matters.

Notwithstanding that, during the year, we continued our investment in environmental protection measures in compliance with environmental rules and regulations. We have not breached any environmental rules or regulations which resulted in fines or prosecutions. We believe that rule compliance is only the minimum standard. We are committed to the responsible management of both the short and long-term impacts of our business on the environment. This commitment goes beyond compliance and applies to all stages of our business — from planning, building, operation, maintenance to the decommissioning of our facilities and equipment.

Energy Savings and Reduction: Continuous Research and Implementation

By strengthening our management method, improving our production facilities and streamlining our production process, we continue our research on and implement various energy savings and reduction measures. During the year, we have implemented the following measures:

(i) Electricity Facilities and Recycle Water System Installation

(a) We installed different power transformer equipments in accordance with our actual demand, to avoid unnecessary wastage of electricity and save production costs; and

(b) We established production water circulation system to discharge the production tail water to the tailings pond. After the third-stage sedimentation, the tail water would be pumped back to the processing plant and be recycled for reusage in order to ensure zero discharge of production water.

(ii) Tailings Dam Installation and Restoration Works

(a) We have built tailings storage ponds in accordance with the relevant safety and environmental protection requirements in the PRC and Myanmar for tailings discharge and storage; and

(b) We actively carried out land reclamation and vegetation restoration works to transform our mines into green mines and ecological mines.

(3) Operation System and Staff Training

(i) Operation System

(a) Supply Chain Management

Our suppliers and contractors provide us with a wide range of products and services, including equipment, fuels, 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. Before entering into the Group's supply chain, all of our suppliers are required to be assessed strictly in accordance with the Company's suppliers approval system, and such comprehensive review and evaluation are based on a combination of different and various factors such as their background information, reputation, production capacity, etc. During the year, the number of our suppliers remained stable. Details of the number of our suppliers are set out as follows:

	2016	2017	**2018**
Number of our suppliers	18	22	**22**

(b) Product Quality Supervision and Customer Privacy Protection

The whole production process, commencing from procurement, production, advertising, labelling, production safety checking up to after sales services, are strictly complied with our quality management requirements. All our products strictly meet the national and our sector standards and our client's requirements.

We monitor and periodically document any complaints related to breaches of customer privacy and loss of customer data. No customer privacy and data loss cases have been reported or noted during the year.

We continued to provide our clients with quality after sales service and comply with our stringent products quality control system. As a result of our continuous stringent control in respect of the quality of our products, we did not receive any complaints and/or recalls in respect of our products. During the year, the complaints and/or recalls we received in respect of our products are as follows:

	2016	2017	**2018**
Number of products related complaints received and/or recalled	0	0	**0**

(c) Monitoring of anti-corruption

We have established the anti-corruption management system according to the anti-corruption and bribery laws in the PRC, Hong Kong 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, extortion, fraud and money laundering, etc. During the year, we have not received any complaints or any legal cases regarding corruption, details are set out as follows:

	2016	2017	**2018**
Number of Complaints and/or Legal Cases regarding Corrupt Practices	0	0	**0**

(d) Employment and Labour Standards

Our employment policies strictly followed the prevailing laws and regulations regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, 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. High commercial accident insurances were provided to those employees engaged in high-risk works (such as the underground mining workers); and

2. We prohibited 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 and young workers exposed to hazardous work, or forced or compulsory labour.

Compliance with Labour Standards

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

(ii) Staff Training

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

(a) Three-levels safety training for newly recruited employees: 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 3 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 20 hours per annum on an average basis, particularly:

1. 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 in strict accordance with relevant regulations, received professional training and maintained 100% qualified for their positions; and

2. 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;

(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; and

(e) Other trainings: In addition to occupational safety, our training covers areas such as technical knowledge, communication and management skills. The training programs were reviewed at the end of the year so as to assess whether the program is well designed and adequate for employees to continuously improve future training programs.

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 trainings and promotion opportunities 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, the Company will provide more trainings to our employees in a progressive manner and review and improve the training courses on an ongoing basis so as to meet the need of our business operation and our employees.

(4) Establishing Friendly and Harmonious Relationship with Local Communities

With the goal to create an eco-friendly environment, we treasure the communication with the local governmental departments. We consistently and proactively join the local villagers in discussion and participation of environmental construction, reconstructing infrastructure facilities for local villagers and safeguarding the development of local agricultural production so as to build a harmonious society. Details are set out as follows:

(1) We continued to enhance, improve and upgrade the surrounding living facilities for our mines and processing plants:

(a) We donated approximately 2 kilometers of drinking iron pipes to the surrounding villagers;

(b) We donated 18 sets of solar power generation equipments to the surrounding poor villagers;

(c) We constructed approximately 800 meters of sand and stone pavement works for the villagers to resolve the problem of difficulties in travelling during rainy days,

(d) We built standardized public toilets.

(2) We cared the surrounding education environment:

(a) We organized leveling works for 2 primary school foundations and 1 village activity site;

(b) We participated in various competitions such as intelligence and sports for small and middle school students and encouraged physical exercise;

(c) We gave our consolation and subsidies for surrounding work teachers.

(3) We participated in regional ethnic cultural activities and buddhist propaganda activities:

(a) We donated several times for regional cultural donations and village cultural associations to promote cultural development;

(b) We donated educational materials such as village-level library rooms, textbooks, and stationery;

(c) We arranged three large-scale blessing activities.

(4) We organized employees to carry out various cultural activities:

(a) We organized singing competition for welcoming the new year;

(b) We arranged soup activities during the new year festival;

(c) We organized kick volleyball competition.

We treasure serving our community and therefore we spent money into the community where our businesses are situated. During the year, our cash donations to local communities reached RMB210,000. Details are as follows:

	2016	2017	**2018**
Donation (RMB)	800,000	140,000	**210,000**

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

As at 15 February 2019

EXECUTIVE DIRECTOR

Mr. Lei Dejun

Mr. Lei Dejun, aged 41, has been the Chief Operating Officer of the Group since April 2012, and was appointed as an executive Director on 12 June 2017. He is also a director of several subsidiaries of the Group. 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 21 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

Mr. Yin Bo, aged 57, 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

Mr. Chan Suk Ching, aged 42, was appointed as a non-executive Director on 12 June 2017. He is also a director of several subsidiaries of the Group. He is 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 15 years' experience in mergers and acquisitions, corporate finance, regulatory and commercial work in mining and mineral sectors.

As at 15 February 2019

Mr. Zhang Yonghua

Mr. Zhang Yonghua, aged 56, 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 29 years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Shirong

Mr. Ma Shirong, aged 67, 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

Mr. Chi Hongji, aged 67, 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.

Mr. Dong Tao

Mr. Dong Tao, aged 44, was appointed as an independent non-executive Director on 5 March 2018. He is a Chinese Certified Public Accountant and Chinese Certified Tax Agent. He holds a bachelor degree in accounting from Shandong Economic University (now known as Shandong University of Finance and Economics) and a master degree in business administration from Asia International Open University (Macau) (now known as City University of Macau). He worked as the chief financial officer of Shenzhen Heungkong Holding Co., Ltd. (Stock Code: 600162.SH) from 2008 to 2011, and as the general manager of financial management centre in Maoye International Holdings Limited (HKSE Stock Code: 848) from 2011 to 2013. Since 2014, he worked at 廣州廣電房地產開發集團股份有限公司 (Guangzhou Guangdian Property Development Group Shares Co., Ltd.), and served as the assistant general manager and general manager of financial management centre and his current position is deputy general manager, responsible for the financial works. Mr. Dong has extensive experience and knowledge in financial operations.

SENIOR MANAGEMENT

Mr. Guo Zhonglin, Chief Technical Officer

Mr. Guo Zhonglin, aged 56, 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 33 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.

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), IMAX China Holding, Inc. (HKSE Stock Code: 1970) and Razer Inc. (HKSE Stock Code: 1337) as well as the company secretary of Sun Art Retail Group Limited (HKSE Stock Code: 6808). Ms. Chan was also a former company secretary of TCC International Holdings Limited (HKSE Stock Code: 1136, delisted on 20 November 2017) and China Maple Leaf Educational Systems Limited (HKSE Stock Code: 1317, resigned on 28 August 2018) .

REPORT OF DIRECTORS

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 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its major subsidiaries are focused on the exploration, 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 continued to develop mineral ore trading business. There were no significant changes in the nature of business of the Group during the year. Details of the major subsidiaries of the Company as at 31 December 2018 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 staffs 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 form part of this Report of the Directors.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 84 of this annual report.

The Board did not recommend the payment of any dividend.

The amount of dividend declared by the Board in the future will depend upon: (a) our overall results of operation; (b) our financial position; (c) our capital expenditure requirements; (d) our shareholders interests; (e) our future prospects; and (f) other factors that the Board deems relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law, including, inter alia, the approval of our shareholders.

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 27 to the financial statements in this annual report.

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

For the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 86 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2018, 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.

REPORT OF DIRECTORS

USE OF THE PROCEEDS FROM PLACING AND RIGHTS ISSUE

Details of use of proceeds are set out under the section "Management Discussion and Analysis" on pages 30 and 31 of this annual report.

FINANCIAL HIGHLIGHTS

A summary of the results for the years ended 31 December 2014 to 2018 and the assets, liabilities and non-controlling interests of the Group as at 31 December 2014, 2015, 2016, 2017 and 2018 are set out on pages 6 to 7 of this annual report.

LOANS AND BORROWINGS

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

CHARITABLE DONATIONS

The total charitable donations of the Group during the year were RMB210,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the reporting period and the year ended 31 December 2017, sales to the Group's five largest customers accounted for approximately 96.0% and approximately 94.0% of the Group's total revenue, respectively, with sales to the largest customer accounting for approximately 60.3% and approximately 29.8% of the Group's total revenue, respectively.

For the reporting period and the year ended 31 December 2017, purchases attributable to the Group's five largest suppliers were approximately 58.2% and approximately 92.5% of the Group's total purchases, respectively, with purchases from the largest supplier accounting for approximately 23.5% and approximately 56.2%, 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 2018 and up to the date of this annual report are as follows:

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
Mr. Dong Tao (appointed on 5 March 2018)

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. Accordingly, Mr. Lei Dejun, Mr. Yin Bo and Mr. Chan Suk Ching will retire and be eligible for re-election at the next annual general meeting.

DIRECTORS' INTERESTS IN CONTRACTS

Mr. Yin Bo is the Chairman and Chief Executive Officer and executive director of CITIC Dameng Holdings Limited (HKSE Stock Code:1091) ("**CITIC Dameng**"). Mr. Chan Suk Ching is the Counsel of CITIC Dameng. CITIC Dameng is a vertically integrated manganese producer that produces and sells manganese products. That company has manganese mining, ore processing and downstream processing operations in the PRC as well as manganese mining and ore processing operations in Gabon. Further details of the nature, scope and size of the businesses of CITIC Dameng as well as its management can be found in its latest annual report. In the event that there are transactions between CITIC Dameng and the Company, Mr. Yin and Mr. Chan will abstain from voting.

Save as disclosed herein, each of the Directors is not directly or indirectly interested in any business that constitutes or may constitute a competing business of the Company.

Save as disclosed herein and so far as is known to the Directors, as at 31 December 2018, none of the Directors or their respective associates was materially interested in any contract or arrangement which is significant in relation to the businesses of the Group taken as a whole.

DIRECTORS' 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 2018.

COMPANY SECRETARY

Ms. Chan Wai Ling

AUTHORISED REPRESENTATIVES

Ms. Chan Wai Ling
Mr. Lei Dejun

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 49 to 52 of this annual report.

SERVICE AGREEMENTS OR APPOINTMENT LETTERS OF THE DIRECTORS

None of the Directors proposed for re-election at the 2019 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 staffs 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 band:

	Number of Individual(s)	
Remuneration band (HK$)	**2018**	2017
Below 1,000,000	**4**	3

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 2018, 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 and, unless otherwise cancelled or amended, will remain in force for 10 years from that 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.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not, in aggregate, exceed 99,461,950 shares. There is no general requirement that an option must be held for any minimum period before it can be exercised.

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

During the year and up to the date of this annual report, no share options were granted, exercised, lapsed or cancelled under the Share Option Scheme and there were no outstanding share options under the Share Option Scheme as at 31 December 2018 and as at the date of this annual report.

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

As at 31 December 2018, 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
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 2018, 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.

RELATED PARTY TRANSACTION

Details of related party transactions of the Group for the year ended 31 December 2018 are set out in note 33 to the consolidated financial statements. None of the related party transactions as disclosed in Note 33 to the consolidated financial statements constitutes a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

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 2018.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor any connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which 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 during the year ended 31 December 2018.

REPORT OF DIRECTORS

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 2018.

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 2018.

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 2018.

CLOSURE OF REGISTER OF MEMBERS

To determine the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Friday, 10 May 2019 to Friday, 17 May 2019 (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 2019 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 9 May 2019.

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 2018.

AUDITORS

The Company has appointed Ernst & Young as the auditors of the Company for the year ended 31 December 2018. A resolution will be proposed for approval by shareholders at the 2019 AGM to re-appoint Ernst & Young as the auditors of the Company.

On behalf of the Board
Yin Bo
Chairman

Hong Kong, 19 February 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

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

The 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.

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. Currently there are seven 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 4 and 5 of this annual report. Biographical details of the Board members and the senior management are set out in the "Directors and Senior Management's Profile" section on pages 49 to 52 of this annual report.

Chairman and Chief Executive Officer

Mr. Yin Bo serves as the Chairman of the Company. 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 are currently overseen by Mr. Lei Dejun, the executive Director, since 12 June 2017. 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.

Mr. Yin Bo and Mr. Chan Suk Ching, as non-executive Directors of the Company, have both signed the service agreements with the Company, with a fixed tenure of three years and were effect from 12 June 2017. Mr. Zhang Yonghua, a non-executive Director of the Company, has signed the service agreement with the Company for a fixed tenure of three years, and has come into effective since 19 October 2017.

Independent Non-Executive Directors

Following the retirement of Mr. Miu Edward Kwok Chi as an independent non-executive Director on 13 December 2017, 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. On 5 March 2018, Mr. Dong Tao was appointed as the independent non-executive Director to fill the vacancy.

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	✓	✓
Mr. Dong Tao	✓	✓

Board Meetings

The Board meets on a regular basis and held eight meetings during 2018 to discuss the overall strategy as well as the operations and financial performance of the Group, etc.. In addition, other matters such as 2018 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, chairman's meeting with non-executive directors and independent non-executive directors, 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**	**Chairman's meeting with non-executive directors and independent non-executive directors**	**Audit Committee Meeting**	**Nomination and Remuneration Committee**	**Safety, Health and Environment Committee**	**Strategy Committee**	**2018 AGM**
Number of meetings	8	1	4	2	2	2	1
Executive Director							
Mr. Lei Dejun	8/8	–	–	–	2/2	2/2	1/1
Non-Executive Directors							
Mr. Yin Bo	6/8	1/1	–	2/2	–	2/2	1/1
Mr. Chan Suk Ching	8/8	1/1	4/4	–	–	2/2	1/1
Mr. Zhang Yonghua	6/8	1/1	–	–	2/2	2/2	1/1
Independent Non-Executive Directors							
Mr. Ma Shirong	6/8	1/1	4/4	2/2	–	–	1/1
Mr. Chi Hongji	6/8	1/1	–	2/2	2/2	–	1/1
Mr. Dong Tao[1]	4/5	–	3/3	1/1	–	–	1/1
Average attendance rate	82.9%	100%	100%	100%	100%	100%	100%

Note: Mr. Dong Tao was appointed as an independent non-executive Director, and as a member of Audit Committee and Nomination and Remuneration Committee on 5 March 2018.

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

Members: Mr. Chan Suk Ching, non-executive Director
Mr. Dong Tao, independent non-executive Director
(appointed as its member on 5 March 2018)

During the period from 3 December 2017 to 5 March 2018, 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. Dong Tao as a member of the Audit Committee on 5 March 2018 to fill the vacancy.

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 four 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 67 under the section "Attendance Record of Directors and Committee Members".

Nomination and Remuneration Committee

Chairman: Mr. Chi Hongji, independent non-executive Director

Members: Mr. Yin Bo, non-executive Director
Mr. Ma Shirong, independent non-executive Director
Mr. Dong Tao, independent non-executive Director
(appointed as its member on 5 March 2018)

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 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, other qualities of the members of the Board as well as potential contributions to 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.

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 two 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;

(e) formulated and approved director nomination policy, including the nomination procedures and criterials for selecting and recommending director candidates; and

(f) 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 67 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 2018 are set out in note 8 to the financial statements on pages 129 to 132 of this annual report.

Safety, Health and Environment Committee

Chairman: Mr. Lei Dejun, executive Director

Members: Mr. Zhang Yonghua, non-executive Director
Mr. Chi Hongji, independent non-executive Director

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

Strategy Committee

Chairman: Mr. Lei Dejun, executive Director

Members: Mr. Yin Bo, non-executive Director
Mr. Chan Suk Ching, non-executive Director
Mr. Zhang Yonghua, non-executive Director

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 67 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 2018. 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 2018, 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 2018, 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 2018 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 78 to 83 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 2018 are as follows:

Assurance service:	RMB4,200,000
Non-assurance service:	
— Tax service	RMB28,038
Total	RMB4,228,038

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; and
- 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, 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 2018, the remuneration paid/payable by the Group to Ernst & Young is set out in the "Remuneration of External Auditors" section on page 71 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 2510, 25/F, Harcourt House, 39 Gloucester Road, Wanchai, 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 head office in Hong Kong at 25/F, Harcourt House, 39 Gloucester Road, Wanchai, 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, investment highlights and other information are posted.

The 2018 AGM of the Company further provided a platform and opportunity for our shareholders to exchange views with the Company. The 2019 AGM of the Company is tentatively scheduled to be held on Friday, 17 May 2019, the notice of which will be sent to shareholders at least 20 clear business days before the meeting. The circular to shareholders for the 2019 AGM is tentatively scheduled to be despatched to the shareholders before Friday, 12 April 2019.

SHAREHOLDING ANALYSIS AND INFORMATION FOR SHAREHOLDERS

SHAREHOLDING ANALYSIS AND INFORMATION FOR SHAREHOLDERS

OUR SHARE INFORMATION AND OUR SHAREHOLDING STRUCTURE

As at 31 December 2018, a summary of our share information is set out below:

Our Share Information as at 31 December 2018	
Authorised Share Capital	HK$380,000
Issued Share Capital	HK$35,797.77
Board Lot	1,000 shares
Market Capitalisation	HK$286,382,160
Number of Issued Shares	3,579,777,000
Closing Price	HK$0.08

As at 31 December 2018, a summary of our shareholding structure is set out below:

Our shareholding structure as at 31 December 2018

Size of Registered Shareholdings	No. of Shareholders	% of Shareholders (Note)	No. of Shares
0 – 1,000	42	60.87	25,672
1,001 – 5,000	19	27.54	43,500
5,001 – 10,000	1	1.45	10,000
10,001 – 100,000	1	1.45	50,000
More than 100,001	6	8.70	3,579,647,828
Total	69	100.00	3,579,777,000

Note: Figures are rounded to two decimal place and these figures may show apparent addition errors.

As at 31 December 2018, the Company has 69 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 individual, 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 2019

Set out below are the major events and tentative dates of the Company in 2019 in which shareholders or investors need to pay attention to:

Date	Event
19 February 2019	Announcement of 2018 final results
17 May 2019	2019 AGM
19 July 2019	Announcement of 2019 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 84 to 159, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 RMB16,164,000 for the year ended 31 December 2018 and, as at that date, the Group's current liabilities exceeded its current assets by RMB275,110,000. 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 on 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, and 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 and the volatility in expected future commodity prices, 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, Aung Jiujia Mine, GPS JV Mine and 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 2018, the net carrying amounts of the above-mentioned non-current assets aggregated RMB2,023,027,000. The Group's disclosures related to significant accounting estimates about impairment assessment for these CGUs and assets are included in note 3 to the financial statements.	The audit procedures for assessing impairment include the following: • We evaluated the assessment of impairment indicators of non-current assets prepared by management; • We tested the impairment models selected for each CGU and asset 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, publicly available information and historical data, where it existed; • We involved our internal valuation specialists to assist us in evaluating the key valuation parameters such as the discount rate calculation, the terminal growth rate applied, and the valuation model used in 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
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 initially engaged external experts to perform mineral reserve estimation in relation to the areas covered by the Group's mining rights. Subsequently, the Group's internal experts regularly review and compare the estimates of mineral reserves performed by external experts with the actual production data. If management considers it appropriate, management will arrange new independent professional geological studies to be performed. Adjustments will be made should there by a material change in the mineral reserves. 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 interviewed the Group's internal experts and understood their process associated with the review of estimates of the mineral reserves; • For new independent professional geological studies issued during the year, we assessed the competence, capabilities and objectivity of external experts as well as internal experts involved in the estimation process; • We also read reports issued by the external experts to gain an understanding of 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 2018.
Deferred tax assets	
As at 31 December 2018, the balance of deferred tax assets amounted to RMB61,636,000, which mainly related to accumulated tax losses from the Group's operating subsidiaries in Mainland China, impairment provision relating to the Group's mining CGUs and loss allowances relating to 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 are 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 checked whether the 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.

Ernst & Young
Certified Public Accountants
Hong Kong

19 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	4	**195,012**	113,294
Cost of sales		**(150,455)**	(100,662)
Gross profit		**44,557**	12,632
Other income and gains	5	**15,299**	2,589
Gain on a bargain purchase		**—**	88,369
Selling and distribution expenses		**(5,650)**	(1,363)
Administrative expenses		**(37,386)**	(36,069)
Impairment loss on property, plant and equipment		**—**	(44,468)
Impairment loss on intangible assets		**—**	(17,000)
Impairment loss on prepaid land lease payments		**—**	(835)
Impairment loss on payments in advance		**—**	(297)
Other expenses		**(6,434)**	(7,291)
Finance costs	6	**(21,110)**	(30,775)
LOSS BEFORE TAX	7	**(10,724)**	(34,508)
Income tax expense	9	**(5,440)**	(8,558)
LOSS FOR THE YEAR		**(16,164)**	(43,066)
OTHER COMPREHENSIVE LOSS:			
Other comprehensive loss that may be reclassified to profit or loss in subsequent years:			
Exchange differences on translation of foreign operations		**(3,151)**	(578)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(19,315)**	(43,644)
Loss attributable to:			
Owners of the Company		**(8,639)**	(40,754)
Non-controlling interests		**(7,525)**	(2,312)
		(16,164)	(43,066)
Total comprehensive loss attributable to:			
Owners of the Company		**(11,089)**	(41,332)
Non-controlling interests		**(8,226)**	(2,312)
		(19,315)	(43,644)
Loss per share attributable to ordinary equity holders of the Company:			
— Basic and diluted	11	**RMB(0.002)**	RMB(0.016)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**809,901**	776,653
Investment property	13	**7,239**	7,916
Intangible assets	14	**992,162**	1,007,982
Prepaid land lease payments	15	**10,403**	10,673
Payments in advance	16	**414,188**	447,601
Prepayments and deposits	20	**216,919**	216,362
Deferred tax assets	17	**61,636**	65,351
Total non-current assets		**2,512,448**	2,532,538
CURRENT ASSETS			
Inventories	18	**35,979**	42,372
Trade receivables	19	**3,536**	9,253
Prepayments, deposits and other receivables	20	**29,758**	70,565
Due from a related party		**—**	200
Available-for-sale investments		**—**	6,500
Cash and cash equivalents	21	**4,502**	18,574
Total current assets		**73,775**	147,464
CURRENT LIABILITIES			
Trade payables	22	**12,586**	7,742
Contract liabilities	23	**4,960**	—
Other payables and accruals	24	**169,478**	168,866
Tax payable		**95,341**	93,616
Interest-bearing bank loans	25	**66,520**	448,990
Total current liabilities		**348,885**	719,214
NET CURRENT LIABILITIES		**(275,110)**	(571,750)
Total assets less current liabilities		**2,237,338**	1,960,788
NON-CURRENT LIABILITIES			
Other payables	24	**40,983**	46,549
Interest-bearing bank loans	25	**297,932**	—
Provision for rehabilitation	26	**30,224**	26,952
Deferred tax liability	17	**22,233**	22,233
Total non-current liabilities		**391,372**	95,734
Net assets		**1,845,966**	1,865,054
EQUITY			
Equity attributable to owners of the Company			
Issued capital	27	**30**	30
Reserves	28	**1,609,369**	1,614,971
		1,609,399	1,615,001
Non-controlling interests		**236,567**	250,053
Total equity		**1,845,966**	1,865,054

Lei Dejun
Director

Chan Suk Ching
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the Company											
	Issued capital	Share premium account	Reserve funds	Safety fund surplus reserve	Capital contribution reserve	Exchange fluctuation reserve	Share option reserve	Difference arising from changes in non-controlling interests	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	note 27	note 28(a)	note 28(b)	note 28(c)	note 28(d)							
At 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 related to foreign operation	–	–	–	–	–	(578)	–	–	–	(578)	–	(578)
Total comprehensive loss for the year	–	–	–	–	–	(578)	–	–	(40,754)	(41,332)	(2,312)	(43,644)
Issue of shares	13	193,043	–	–	–	–	–	–	–	193,056	–	193,056
Share issue expenses	–	(3,648)	–	–	–	–	–	–	–	(3,648)	–	(3,648)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	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
At 1 January 2018	**30**	**1,504,337**	**29,115**	**8,912**	**233,000**	**(578)**	**–**	**(4,115)**	**(155,700)**	**1,615,001**	**250,053**	**1,865,054**
Effect of adoption of IFRS 9	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(882)**	**(882)**	**–**	**(882)**
At 1 January 2018 (restated)	**30**	**1,504,337**	**29,115**	**8,912**	**233,000**	**(578)**	**–**	**(4,115)**	**(156,582)**	**1,614,119**	**250,053**	**1,864,172**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,639)**	**(8,639)**	**(7,525)**	**(16,164)**
Other comprehensive loss for the year:												
Exchange differences related to foreign operation	**–**	**–**	**–**	**–**	**–**	**(2,450)**	**–**	**–**	**–**	**(2,450)**	**(701)**	**(3,151)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(2,450)**	**–**	**–**	**(8,639)**	**(11,089)**	**(8,226)**	**(19,315)**
Acquisition of non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,260**	**–**	**5,260**	**(5,260)**	**–**
Waiver of debts by non-controlling Shareholder (note 28(d))	**–**	**–**	**–**	**–**	**1,109**	**–**	**–**	**–**	**–**	**1,109**	**–**	**1,109**
Provision for safety fund surplus reserve	**–**	**–**	**–**	**679**	**–**	**–**	**–**	**–**	**(679)**	**–**	**–**	**–**
Utilisation of safety fund surplus reserve	**–**	**–**	**–**	**(617)**	**–**	**–**	**–**	**–**	**617**	**–**	**–**	**–**
At 31 December 2018	**30**	**1,504,337***	**29,115***	**8,974***	**234,109***	**(3,028)***	**–***	**1,145***	**(165,283)***	**1,609,399**	**236,567**	**1,845,966**

* These reserve accounts comprise the consolidated reserves of RMB1,609,369,000 (2017: RMB1,614,971,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(10,724)**	(34,508)
Adjustments for:			
Finance costs		**21,110**	30,773
Unrealised foreign exchange losses/(gains)		**(316)**	1,594
Bank interest income	5	**(151)**	(135)
Interest income from loans to third parties	5	**(1,982)**	(947)
Depreciation of property, plant and equipment	7	**33,130**	31,536
Depreciation of an investment property	7	**677**	484
Impairment losses recognised	7	**677**	63,661
Loss on disposal of items of property, plant and equipment		**71**	32
Amortisation of intangible assets	7	**11,173**	16,542
Amortisation of prepaid land lease payments	7	**270**	292
Reversal of a loss allowance on other receivables	5	**(2,941)**	—
Income on waiver of debts by other payables	5	**(8,515)**	—
Gain on a bargain purchase		**—**	(88,369)
		42,479	20,955
Decrease/(increase) in trade receivables		**4,940**	(9,253)
Decrease/(increase) in inventories		**6,393**	(17,246)
Increase in prepayments, deposits, and other receivables		**(6,984)**	(1,296)
Decrease in an amount due from a related party		**200**	—
Increase/(decrease) in trade payables		**4,844**	(4,385)
Increase in contract liabilities		**4,960**	—
Increase/(decrease) in other payables and accruals		**9,988**	(213)
Cash generated from/(used in) operations		**66,820**	(11,438)
Interest received		**151**	135
Net cash flows generated from/(used in) operating activities		**66,971**	(11,303)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(34,111)**	(19,724)
Advance of loans to third parties		**(13,300)**	(63,743)
Repayment of loans from third parties		**62,693**	—
Purchase of available-for-sale investments		**—**	(6,500)
Proceeds from disposal of financial assets at fair value through profit or loss		**6,500**	—
Interests received from loans to third parties		**1,982**	947
Proceeds from disposal of items of property, plant and equipment		**79**	—
Acquisition of a subsidiary		**—**	(6,448)
Expenditures on exploration and evaluation asset		**(240)**	(1,789)
Net cash flows generated from/(used in) investing activities		**23,603**	(97,257)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**—**	193,056
Share issue expenses		**—**	(3,648)
Interest paid		**(20,424)**	(32,095)
Proceeds from bank loans		**—**	468,990
Repayment of bank loans		**(80,000)**	(525,182)
Transaction costs on the renewal of bank loans		**(4,538)**	—
Repayment of advances to a related party		**—**	(14,996)
Net cash flows generated from/(used in) financing activities		**(104,962)**	86,125
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(14,388)**	(22,435)
Cash and cash equivalents at beginning of year		**18,574**	40,778
Effect of foreign exchange rate changes		**316**	231
CASH AND CASH EQUIVALENTS AT END OF YEAR	21	**4,502**	18,574

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 2510, 25/F, Harcourt House, No. 39 Gloucester Road, Wanchai, 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, a company incorporated in the British Virgin Islands ("**BVI**"), is in a position to exercise significant influence over the Company.

Information about subsidiaries

(i) 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	BVI 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 Harbor Star Mining Limited ("**Yunnan Harbor Star**") (i)	Mainland China 17 April 2012	RMB600 million	100.0	Sale of ore products
Dehong Yinbang Mining Technology Development Company Limited ("**Dehong Yinbang**") (i)	Mainland China 23 December 2009	US$48.5 million	100.0	Sale of ore products
Dehong Yinrun Mining Group Company Limited ("**Dehong Yinrun**") (ii)	Mainland China 7 January 2010	RMB800 million	100.0	Sale of ore products and trading of commodities

NOTES TO FINANCIAL STATEMENTS

31 December 2018

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

(i) Particulars of the Company's subsidiaries are as follows (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)/(iv)	Mainland China 7 January 2010	RMB56 million	100.0	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 million	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 million	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 million	90.0	Mining and sale of lead-zinc ore products
Harbor Star Mining Company Limited ("**Harbor Star**")	Myanmar 11 June 2014	Myanmar Kyats ("**MMK**") 500 million	90.0	Mining and sale of lead-zinc ore products
Harbor Star Joint Venture Company Limited ("**Harbor Star JV**")	Myanmar 16 October 2015	US$50 million	99.0	Investment holding
Hua Xing Global Limited ("**Hua Xing**")	BVI 25 November 2016	US$50,000	100.0	Investment holding
Venture Million Enterprises Limited ("**Venture Million**")	BVI 11 May 2016	US$1,000	51.0	Investment holding
GPS Joint Venture Company Limited ("**GPS JV**")	Myanmar 9 January 2013	MMK25,000 million	98.0	Mining, ore processing and sale of lead ore products
Blue Mountain Resources Pte Limited ("**Blue Mountain**")	Singapore 23 October 2017	Singapore Dollar ("**SG$**") 50,000	100.0	Investment holding

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

(i) Particulars of the Company's subsidiaries are as follows: (continued)

Notes:

(i) Yunnan Harbor Star (previously known as Yunnan Next Horizon Polymetallic Investment Limited) 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 2018 and 2017, all equity interests of these subsidiaries were pledged to secure the Group's bank loans (note 25).

(iv) During the year, the Group further acquired a 1% equity interest in Kunrun from the Company's former executive director at nil consideration. Upon completion of the acquisition, the Group indirectly owned 100% effective equity interests in Kunrun.

(ii) Partly-owned subsidiaries with material non-controlling interests:

Details of the Group's subsidiaries namely Hua Xing and its subsidiaries ("**Hua Xing Group**"), that has material non-controlling interests are set out below:

	2018 **RMB'000**	2017 RMB'000
Percentage of effective equity interest held by non-controlling interests:	**50.02%**	50.02%
Loss for the year allocated to non-controlling interests:	**(8,162)**	(1,895)
Dividends paid to non-controlling interests:	**–**	–
Accumulated balances of non-controlling interests at the reporting date:	**179,964**	188,126

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

(ii) Partly-owned subsidiaries with material non-controlling interests (continued):

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

	2018 RMB'000	For the period from 31 March 2017 (date of acquisition to) 31 December 2017 RMB'000
Revenue	**13,368**	6,349
Total expenses	**(29,686)**	(10,138)
Loss for the year	**(16,318)**	(3,789)
Total comprehensive loss for the year	**(16,318)**	(3,789)
Current assets	**28,818**	24,365
Non-current assets	**399,519**	408,488
Current liabilities	**(43,792)**	(30,585)
Non-current liabilities	**(27,791)**	(26,167)
Net cash flows from operating activities	**736**	4
Net cash flows from investing activities	**(683)**	—
Net cash flows from financing activities	**—**	—
Net increase in cash and cash equivalents	**53**	4

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 and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

During the year ended 31 December 2018, the Group incurred a consolidated net loss of RMB16,164,000 (2017: RMB43,066,000) and had net cash flows generated from operating activities of RMB66,971,000 (2017: net cash flows used in operating activities RMB11,303,000). As at 31 December 2018, the Group had net current liabilities of RMB275,110,000 (2017: RMB571,750,000).

2.1 BASIS OF PREPARATION (CONTINUED)

Going concern basis (continued)

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 has implemented or is in the process of implementing the following measures:

(a) The Group has reached agreements with the bank to extend the payment term of its short-term bank loans. As at 31 December 2018, the Group's total bank loans amounted to RMB364,452,000, of which RMB66,520,000 and RMB297,932,000 will be due within twelve months from 31 December 2018 and in April 2020, respectively. The Directors have evaluated all the relevant facts available to them and are of the opinion that the Group is improving creditability with the bank by generating positive cash inflow from its operations during the year ended 31 December 2018. Meanwhile, the Group is actively exploring the availability of alternative sources of financing.

(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 the operation at Aung Jiujia Mine and GPS JV 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 2018 on a going concern basis.

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.

2.1 BASIS OF PREPARATION (CONTINUED)

Going concern basis (continued)

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 2018. 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.

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.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Other than as explained below regarding the impact of IFRS 9, IFRS 15 and the amendments to IFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

Further information about IFRS 9 and IFRS 15 applied by the Group is described below:

(a) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances of equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the consolidated statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("**ECLs**").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

Classification and measurement (continued)

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

		IAS39 measurement		Re-classification	ECL	IFRS9 measurement	
	Notes	Category	Amount RMB'000	RMB'000	RMB'000	Amount RMB'000	Category
Financial assets							
Trade receivables	(i)	L&R[1]	9,253	–	(882)	8,371	AC[2]
Financial assets included in prepayments, deposits and other receivables		L&R	69,146	–	–	69,146	AC
Due from a related party		L&R	200	–	–	200	AC
Available-for-sale investments	(ii)	AFS[3]	6,500	(6,500)	–	–	N/A
To: Financial assets at fair value through profit or loss	(ii)		–	(6,500)	–	–	
Financial assets at fair value through profit or loss	(ii)	N/A	–	6,500	–	6,500	FVPL[4]
From: Available-for-sale investments	(ii)		–	6,500	–	–	
Cash and cash equivalents		L&R	18,574	–	–	18,574	AC
			103,673	–	(882)	102,791	
Total assets			2,680,002	–	(882)	2,679,120	

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

Classification and measurement (continued)

1. L&R: Loans and receivables
2. AC: Financial assets or financial liabilities at amortised cost
3. AFS: Available-for-sale investments
4. FVPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has remeasured the carrying amount of the trade receivables based on the ECL allowance.

(ii) The Group has elected the option to irrevocably designate certain of its previous wealth management products as financial assets at fair value through profit or loss.

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9. Further details are disclosed in note 19 to the financial statements.

	Impairment allowances under IAS 39 at 31 December 2017	Re-measurement	ECL allowances under IFRS 9 at 1 January 2018
	RMB'000	RMB'000	RMB'000
Trade receivables	34,451	882	35,333

Impact on accumulated losses

The impact of transition to IFRS 9 on accumulated losses is as follows:

	RMB'000
Balance as at 31 December 2017 under IAS 39	(155,700)
Recognition of expected credit losses for trade receivables under IFRS 9	(882)
Balance as at 1 January 2018 under IFRS 9	(156,582)

(b) IFRS 15 and its amendments replace IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a 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 disclosures are included in note 4 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) (continued)

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of accumulated losses as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 18 and related interpretations.

There was no financial impact of the transition to IFRS 15 on the Group's accumulated losses at 1 January 2018. However, upon adoption of IFRS 15, the Group recognised revenue-related contract liabilities for the unsatisfied performance obligation which were previously recognised as "Advances from customers" under "Other payables and accruals (current)". Accordingly, upon adoption of IFRS 15, "Contract liabilities" were increased by RMB442,000 and "Advances from customers" included in "Other payables and accruals (current)" were decreased by RMB442,000 at the date of initial application of IFRS 15 (1 January 2018).

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 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

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

2 Effective for annual periods beginning on or after 1 January 2020

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

4 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

IFRS 16, replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective 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 will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. As at 31 December 2018, the Group had payment commitments under non-cancellable operating leases of approximately RMB1,518,000 as disclosed in note 29(b) to the financial statements. Based on the detailed assessment prepared by the Group on the impact of adoption of IFRS 16, the Group expects that the adoption of IFRS 16 would not have a material impact on the Group.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS (CONTINUED)

IFRIC 23 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the 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 financial assets at fair value through profit or loss (under IAS 39 applicable before 1 January 2018: available-for-sale investments at fair value) 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 capitalised in 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 marketplace.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

Subsequent measurement (continued)

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. 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 (applicable before 1 January 2018)" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) (continued)

Subsequent measurement (continued)

Available-for-sale financial investments (continued)

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.

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 (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

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 (policies under IFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018) (continued)

Financial assets carried at amortised cost (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, 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, and payables, 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 the Group's financial liabilities is as follows:

After initial recognition, the Group's financial liabilities 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.

Derecognition of financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

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 (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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**") and the Republic of the Union of Myanmar ("**Myanmar**"). The obligation generally arises when an 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, the 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 (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) ***Sale of goods***

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) ***Provision of processing services***

Revenue from the provision of processing services is recognised over time when the relevant services have been provided to which the Group has the right to invoice.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised 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.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (applicable before 1 January 2018)

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) from the rendering of services, when the services have been rendered;

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

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

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

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Pension schemes

The Group participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. In particular, (i) the subsidiaries in Mainland China 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, (ii) the Hong Kong incorporated companies in the Group 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 Group's contributions have been capped to HK$1,500 per month for each of its employees in Hong Kong 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, and (iii) the Myanmar incorporated companies contribute to the Social Security Board in Myanmar.

The contributions are charged to profit or loss as they become payable in accordance with the rules of the defined contribution retirement benefit plans.

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:

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables (continued)

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

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 2018 was RMB95,341,000 (2017: RMB93,616,000).

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 2018 was RMB809,901,000 (2017: RMB776,653,000).

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 2018 was RMB61,636,000 (2017: RMB65,351,000). Further details are given in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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 could change significantly. The Group reviews regularly the estimates of proved and probable mineral reserves and if it is considered appropriate, independent professional geological studies will be performed. Appropriate adjustment will be made should there be a material change in the estimates of proved and probable mineral reserves. 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.

The Group appointed appropriately qualified persons to compile the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates of Aung Jiujia Mine and GPS JV Mine. The Group provided depreciation of mining infrastructure and amortisation of mining rights charged in profit or loss using the UOP method based on the adjusted mineral reserves according to the results of geological studies. This change in estimate has been accounted for prospectively from the Board approval date on the change in estimate and has resulted in a decrease in amortisation of mining rights and depreciation of mining infrastructure by approximately RMB22,419,000 a decrease in loss for the year by approximately RMB19,102,000 and a decrease in inventories by approximately RMB3,317,000 at 31 December 2018.

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)

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 5.88% as at 31 December 2018) 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 2018 was RMB30,224,000 (2017: RMB26,952,000).

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 2018 was RMB35,979,000 (2017: RMB42,372,000).

Impairment of non-current assets

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 2018 were RMB112,951,000 (2017: RMB112,951,000).

4. REVENUE AND OPERATING SEGMENT INFORMATION

An analysis of revenue is as follows:

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers	**190,717**	—
Sales of goods	**—**	45,642
Trading activities	**—**	64,452
Rendering of processing services	**—**	1,984
Revenue from other sources		
Gross rental income	**4,295**	1,216
	195,012	113,294

Revenue from contracts with customers

(i) ***Disaggregated revenue information***

For the year ended 31 December 2018

	RMB'000
Type of goods or services	
Sales of lead-silver concentrates	**97,320**
Sales of zinc-silver concentrates	**9,861**
Sales of raw ores	**2,209**
Trading activities	**77,344**
Rendering of processing services	**3,983**
Total revenue from contracts with customers	**190,717**
Geographical markets	
Domestic* — Mainland China	**162,621**
Overseas — Myanmar	**28,096**
Total revenue from contracts with customers	**190,717**

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

	RMB'000
Timing of revenue recognition	
Goods transferred at a point in time	**186,734**
Services transferred over time	**3,983**
Total revenue from contracts with customers	**190,717**

4. REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018 **RMB'000**
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of goods	**442**

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of goods

The performance obligation is satisfied upon delivery of the concentrates and payment in advance is normally required.

Processing services

The performance obligation is satisfied over time as services are rendered and a proportional payment in advance is normally required. Payment is generally due upon completion of processing services.

At 31 December 2018, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Operating segment information

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.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resource to segments and to assess their performance. The information reported to the Group's senior management, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the Group's senior management reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is present, other than the entity-wide disclosures.

4. REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segment information (continued)

Entity-wide disclosures

Information about products and service

Other than those disclosed above in accordance with IFRS 15, 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 ended 31 December 2017:

	2017 RMB'000	2017 %
Sales of self-produced products:		
Lead-silver concentrates	29,270	25.8
Zinc-silver concentrates	16,372	14.5
Trading activities	64,452	56.9
Rendering of processing services	1,984	1.8
Gross rental income	1,216	1.0
	113,294	100.0

Geographical information

(a) Revenue from external customers

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

(b) Non-current assets

	2018 RMB'000	2017 RMB'000
Mainland China	**1,417,728**	1,461,272
Myanmar^	**1,033,084**	997,964
	2,450,812	2,459,236

^ This includes the payments in advance in respect of acquisition of subsidiaries amounting to RMB383,877,000 (note 16(a)) (2017: RMB383,877,000) and acquisition of a non-controlling interest in a subsidiary amounting to RMB17,000,000 (note 16(b)) (2017: RMB17,000,000).

4. REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segment information (continued)

Entity-wide disclosures (continued)

Information about major customers

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

	2018 RMB'000	2017 RMB'000
Customer A	110,729	32,684
Customer B	27,168	*
Customer C	22,027	*
Customer D	N/A	33,723
Customer E	*	28,985

* Less than 10%

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2018 RMB'000	2017 RMB'000
Reversal of a loss allowance on other receivables (note 20)	2,941	—
Bank interest income	151	135
Interest income from loans to third parties	1,982	947
Income on waiver of debts by other payables	8,515	—
Rental income for an investment property	842	844
Others	868	663
	15,299	2,589

6. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on bank and other loans	19,463	29,247
Unwinding of a discount (note 26)	1,647	1,526
Others	—	2
	21,110	30,775

7. LOSS BEFORE TAX

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

	Notes	2018 RMB'000	2017 RMB'000
Cost of inventories sold		**149,032**	99,765
Cost of services rendered		**1,423**	897
Staff costs (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries and relevant benefits		**15,477**	12,354
Pension scheme contributions — Defined contribution funds		**535**	407
		16,012	12,761
Depreciation of items of property, plant and equipment	12	**33,130**	31,536
Depreciation of an investment property	13	**677**	484
Amortisation of intangible assets ^	14	**11,173**	16,542
Amortisation of prepaid land lease payments ^	15	**270**	292
Depreciation and amortisation		**45,250**	48,854
Impairment losses recognised on:			
Property, plant and equipment		**—**	44,468
Intangible assets		**—**	17,000
Prepaid land lease payments		**—**	835
Payments in advance		**—**	297
Financial assets in prepayments, deposits and other receivables	20	**665**	—
Trade receivables, net	19	**12**	1,061
Total impairment losses recognised		**677**	63,661
Gain on a bargain purchase		**—**	(88,369)
Auditor's remuneration		**4,200**	4,300
Operating lease rentals		**933**	632
Reversal of a loss allowance on other receivables		**(2,941)**	—
Foreign exchange losses/(gains), net		**(316)**	1,645

^ 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:

	2018 **RMB'000**	2017 RMB'000
Fees	**2,931**	1,140
Other emoluments:		
Salaries, allowances and benefits in kind	**650**	751
Termination benefits	**—**	121
Pension scheme contributions		
— Defined contribution fund	**10**	9
	660	881
	3,591	2,021

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 and prior year were as follows:

	Fees RMB'000	Termination benefits RMB'000	Total RMB'000
2018			
Mr. Ma Shirong	**464**	**–**	**464**
Mr. Chi Hongji	**464**	**–**	**464**
Mr. Dong Tao[(i)]	**250**	**–**	**250**
	1,178	**–**	**1,178**
2017			
Mr. Huang Guoxin	75	14	89
Mr. Barry Sang Quan	75	14	89
Mr. Ma Shirong	–	–	–
Mr. Chi Hongji	–	–	–
Mr. Miu Edward Kwok Chi	642	–	642
	792	28	820

(i) Mr. Dong Tao was appointed as the Company's independent non-executive director on 5 March 2018.

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	Termination benefits RMB'000	Total RMB'000
2018					
Executive director					
Mr. Lei Dejun	**464**	**650**	**10**	**–**	**1,124**
Non-executive directors					
Mr. Yin Bo	**464**	**–**	**–**	**–**	**464**
Mr. Chan Suk Ching	**464**	**–**	**–**	**–**	**464**
Mr. Zhang Yonghua	**361**	**–**	**–**	**–**	**361**
	1,289	**–**	**–**	**–**	**1,289**
	1,753	**650**	**10**	**–**	**2,413**
2017					
Executive directors					
Mr. Ran Xiaochuan	–	260	–	50	310
Mr. Choi Tat Ying Jacky	33	–	–	43	76
Mr. Lei Dejun	–	491	9	–	500
	33	751	9	93	886
Non-executive directors					
Mr. Lee Kenneth Jue	315	–	–	–	315
Mr. Yin Bo	–	–	–	–	–
Mr. Chan Suk Ching	–	–	–	–	–
Mr. Zhang Yonghua	–	–	–	–	–
	315	–	–	–	315
	348	751	9	93	1,201

The position of chief executive of the Company has remained 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 (2017: Nil).

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

(c) Five highest paid employees

The five highest paid employees during the year included four (2017: two) directors, details of whose remuneration are set out above. Details of the remuneration for the year of the remaining one (2017: three) highest paid employee who is neither director nor chief executive of the Company are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**480**	948
Pension scheme contributions	**–**	5
	480	953

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	
	2018	2017
Nil to HK$1,000,000	**1**	3

9. INCOME TAX

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

No provision for Hong Kong profits tax has been made as the Group had no assessable 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 for GPS JV, which has been exempted from Myanmar corporate income tax for the first five years since March 2014 by the Myanmar Investment Commission.

9. INCOME TAX (CONTINUED)

The major components of income tax expense were as follows:

	2018 RMB'000	2017 RMB'000
Current — Myanmar		
Charge for the year	**1,725**	—
Deferred (note 17)	**3,715**	8,558
	5,440	8,558

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

	2018 RMB'000	2017 RMB'000
Loss before tax	**(10,724)**	(34,508)
Add: disallowed expenses/(non-assessable gains) incurred by BVI subsidiary*	**(9,860)**	4
Loss before tax incurred by companies other than the BVI subsidiary	**(20,584)**	(34,512)
Tax at the respective statutory tax rates:		
— PRC subsidiaries, at 25%	**(6,704)**	(1,038)
— Myanmar subsidiaries, at 25%	**(764)**	(937)
— the Company and its Hong Kong subsidiary, at 16.5%	**1,533**	(4,391)
Gains not subject to tax	**(10,560)**	(31,743)
Tax losses not recognised	**10,545**	10,981
Utilisation of previously not recognised tax losses	**(4,762)**	(998)
Expenses not deductible for tax	**14,147**	31,387
Withholding income tax on the intra-group management fee charged	**247**	—
Reversal of deferred tax assets recognised in prior years (note 17)	**1,758**	5,297
Income tax expense	**5,440**	8,558

* Gains incurred during the year ended 31 December 2018 mainly consisted of intra-group management service income earned by BVI subsidiary which are not assessable under the rules and regulations of BVI.

10. DIVIDENDS

At a meeting of the Directors held on 19 February 2019, the Directors did not recommend a final dividend for the year ended 31 December 2018 (2017 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 number of ordinary shares of 3,579,777,000 (2017: weighted average number of ordinary shares of 2,542,202,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2018.

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 were forfeited during 2017.

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 2018							
Cost:							
At 1 January 2018	38,116	416,609	6,219	14,563	539,469	26,914	1,041,890
Additions	–	788	6	971	23,629	45,440	70,834
Transferred from CIP	29,011	13,176	–	–	–	(42,187)	–
Disposals	–	–	–	(1,884)	–	–	(1,884)
Reduction in cost	–	–	–	–	(3,994)	–	(3,994)
Exchange realignment	(178)	(81)	–	–	–	–	(259)
At 31 December 2018	66,949	430,492	6,225	13,650	559,104	30,167	1,106,587
Accumulated depreciation and impairment:							
At 1 January 2018	10,125	135,764	5,321	11,740	102,287	–	265,237
Provided for the year	2,392	23,479	88	986	6,185	–	33,130
Disposals	–	–	–	(1,664)	–	–	(1,664)
Exchange realignment	(8)	(9)	–	–	–	–	(17)
At 31 December 2018	12,509	159,234	5,409	11,062	108,472	–	296,686
Net carrying amount:							
At 1 January 2018	27,991	280,845	898	2,823	437,182	26,914	776,653
At 31 December 2018	54,440	271,258	816	2,588	450,632	30,167	809,901

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 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	–	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	–	13,257	157	3,349	–	–	16,763
Impairment recognised during the year	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

Notes:

(a) As at 31 December 2018, 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 RMB4,379,000 (2017: RMB7,120,000) 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 2018, the Group's property, plant and machinery with a net carrying amount of RMB60,967,000 (2017: RMB60,547,000) were pledged to secure bank loans granted to the Group (note 25).

13. INVESTMENT PROPERTY

	2018 RMB'000	2017 RMB'000
Cost	**11,933**	11,933
Accumulated depreciation	**(4,694)**	(4,017)
Net carrying amount	**7,239**	7,916
Opening net carrying amount	**7,916**	8,400
Depreciation provided during the year	**(677)**	(484)
Closing net carrying amount	**7,239**	7,916

As at 31 December 2018, the fair value of the investment property was estimated to be approximately RMB11,720,000 (2017: RMB11,311,000). The valuation was performed by Sichuan Gongchengxin Real Estate and Land Appraisal Company Limited, independent professionally qualified valuer. 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 inputs (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 2018			
Cost at 1 January 2018, net of accumulated amortisation and impairment	**715,557**	**292,425**	**1,007,982**
Additions	**37**	**203**	**240**
Reduction in cost	**(3,170)**	**(1,094)**	**(4,264)**
Amortisation provided during the year	**(11,173)**	**—**	**(11,173)**
Exchange realignment	**(623)**	**—**	**(623)**
At 31 December 2018	**700,628**	**291,534**	**992,162**
Analysed as:			
Cost	**828,260**	**291,534**	**1,119,794**
Accumulated amortisation	**(65,337)**	**—**	**(65,337)**
Impairment	**(61,146)**	**—**	**(61,146)**
Exchange realignment	**(1,149)**	**—**	**(1,149)**
Net carrying amount	**700,628**	**291,534**	**992,162**

14. INTANGIBLE ASSETS (CONTINUED)

	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	296,000	—	296,000
Amortisation provided during the year	(16,542)	—	(16,542)
Impairment recognised for the year	(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

As at 31 December 2018, the Group's intangible assets with a net carrying amount of approximately RMB61,810,000 (2017: RMB61,849,000) were pledged to secure bank loans granted to the Group (note 25).

15. PREPAID LAND LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	**10,943**	12,070
Recognised during the year	**(270)**	(292)
Impairment during the year	**—**	(835)
Carrying amount at 31 December	**10,673**	10,943
Current portion included in prepayments, deposits and other receivables (note 20)	**(270)**	(270)
Non-current portion	**10,403**	10,673

As at 31 December 2018, the Group's prepaid land lease payments with a net carrying amount of approximately RMB10,403,000 (2017: RMB10,673,000) were pledged to secure bank loans granted to the Group (note 25).

16. PAYMENTS IN ADVANCE

	Notes	2018 RMB'000	2017 RMB'000
In respect of the purchase of:			
Prepaid land lease payments		**11,883**	11,883
Property, plant and equipment		**1,725**	35,138
Acquisition of subsidiaries	(a)	**383,877**	383,877
Acquisition of a non-controlling interest in a subsidiary	(b)	**17,000**	17,000
		414,485	447,898
Impairment		**(297)**	(297)
		414,188	447,601

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 and liabilities during the year are as follows:

Deferred tax assets

	Provision for impairment and loss allowances RMB'000	Accrued interest expenses RMB'000	Losses available for offsetting against taxable profits RMB'000	Unrealised profit from intra-group sales RMB'000	Provision for rehabi-litation RMB'000	Excess tax depreciation over book value of fixed assets RMB'000	Total RMB'000
At 1 January 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
At 1 January 2018	32,933	6,282	22,930	289	1,729	1,188	65,351
Deferred tax charged to profit or loss during the year (note 9)	–	–	(1,076)	(68)	–	(78)	(1,222)
Write-off during the year (note 9)	(735)	–	(1,758)	–	–	–	(2,493)
At 31 December 2018	32,198	6,282	20,096	221	1,729	1,110	61,636

Deferred tax liability

Deferred tax liability of RMB22,233,000 (2017: RMB22,233,000) related to fair value adjustments arising from the acquisition of a 100% equity interest in Hua Xing.

The Group has tax losses arising in Mainland China of RMB217,267,000 (2017: RMB201,950,000) that expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of RMB136,883,000 (2017: RMB110,230,000) of these losses as they have arisen in certain subsidiaries that have been loss-making in 2018 and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Deferred tax assets have been recognised in respect of RMB80,384,000 (2017: RMB91,720,000) of these losses arising from certain other subsidiaries that have been loss-making in 2018. Based on management's profit forecast projections, it is considered probable that 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 2018, the Group had tax losses arising in Hong Kong of RMB144,628,000 (2017: RMB134,131,000) 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 2018, 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 and Myanmar. 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 and Myanmar for which deferred tax liabilities have not been recognised totalled approximately RMB241,931,000 (2017: RMB269,216,000) and RMB11,346,000 (2017: Nil), respectively.

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

18. INVENTORIES

	2018 **RMB'000**	2017 RMB'000
Raw materials	**10,893**	16,963
Spare parts and consumables	**3,756**	3,470
Finished goods	**21,330**	21,939
	35,979	42,372

19. TRADE RECEIVABLES

	2018 **RMB'000**	2017 RMB'000
Trade receivables	**38,881**	43,704
Impairment	**(35,345)**	(34,451)
	3,536	9,253

It is the Group's trading term that payment in advance is normally required with its customers, except for major customers, where the Group grants a credit term of one month. 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.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018 **RMB'000**	2017 RMB'000
Within 3 months	**3,536**	8,996
6 to 9 months	**—**	257
	3,536	9,253

19. TRADE RECEIVABLES (CONTINUED)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018 RMB'000	2017 RMB'000
At beginning of year	**34,451**	33,390
Effect of adoption of IFRS 9	**882**	—
At beginning of year (restated)	**35,333**	33,390
Impairment losses, net (note 7)	**12**	1,061
At end of year	**35,345**	34,451

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate	**9.2%**	**30%**	**100%**	
Gross carrying amount (RMB'000)	**3,894**	**—**	**34,987**	**38,881**
Expected credit losses (RMB'000)	**358**	**—**	**34,987**	**35,345**

19. TRADE RECEIVABLES (CONTINUED)

Impairment under IAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under IAS 39, as at 31 December 2017 was a provision for individually impaired trade receivables of RMB34,451,000 with a carrying amount before provision of RMB34,451,000.

The individually impaired trade receivables as at 31 December 2017 related to certain customers that were 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 its 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. 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 as at 31 December 2017 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017 RMB'000
Neither past due nor impaired	8,996
4 to 6 months past due	257
	9,253

The Directors were of the opinion that no further provision for impairment under IAS 39 was necessary in respect of receivables of RMB257,000 which were past due but not impaired as the balances were still considerably fully recoverable based on the credit review conducted by management during 2017.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2018 RMB'000**	2017 RMB'000
Current portion:			
Prepayments in respect of:			
— purchase of inventories		**9,846**	1,595
— professional fees		**846**	557
— prepaid land lease payments to be amortised within one year	15	**270**	270
— deposits		**444**	934
— others		**4,522**	3,317
Loans receivable	(a)	**13,300**	62,693
Rental receivables		**—**	143
Prepaid expenses		**84**	117
Other receivables in respect of:			
— transfer from trade receivables	(b)	**43,991**	46,932
— staff advances		**1,111**	939
		74,414	117,497
Impairment allowance	(c)	**(44,656)**	(46,932)
		29,758	70,565
Non-current portion:			
Prepayment in respect of purchase of inventories	(d)	**214,165**	214,165
Deposits in respect of:			
— environmental rehabilitation		**1,170**	1,170
— others		**1,584**	1,027
		216,919	216,362
		246,677	286,927

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) A loan receivable as at 31 December 2018 represents an interest-bearing loan that the Group made to an independent third party with an amount of RMB13,300,000 pursuant to a resolution of the Board dated 27 June 2018, with a term of one year and a fixed interest rate per annum.

Loans receivable as at 31 December 2017 represented interest-bearing loans that the Group made to three independent third parties (collectively, the "**Borrowers**") in an aggregate amount of HK$75,000,000 (equivalent to approximately RMB62,693,000) pursuant to a resolution of the Board dated 16 October 2017, with a term of six months and a fixed interest rate per annum. These loans were repaid in full in May 2018 by the Borrowers.

(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 had 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 had continued to initiate necessary actions to recover the receivable in part or in full. During the year, the Group collected RMB2,941,000 and the related impairment allowance was reversed accordingly.

(c) The movements in the loss allowance for impairment of financial assets in prepayments, deposits and other receivables are as follows:

	2018 **RMB'000**	2017 RMB'000
At beginning of year	**46,932**	46,932
Impairment losses (note 7)	**665**	—
Reversal of a provision for loss allowance (note 5)	**(2,941)**	—
At end of year	**44,656**	46,932

Where applicable, an impairment analysis is performed at each reporting date by considering expected credit losses, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2018 ranged from 0.5% to 10%.

(d) 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. CASH AND CASH EQUIVALENTS

	2018 RMB'000	2017 RMB'000
Cash and bank balances	**4,502**	18,574

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

	2018 RMB'000	2017 RMB'000
RMB	**2,342**	14,347
HK$	**1,779**	2,845
US$	**135**	1,008
MMK	**44**	374
SG$	**202**	—
	4,502	18,574

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.

22. TRADE PAYABLES

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

	2018 RMB'000	2017 RMB'000
Within 1 month	**2,559**	1,987
1 to 2 months	**1,521**	132
2 to 3 months	**1,715**	1,007
Over 3 months	**6,791**	4,616
	12,586	7,742

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

23. CONTRACT LIABILITIES

	31 December 2018 RMB'000
Short-term advances received from customers	
Sales of goods	**2,963**
Trading activities	**1,780**
Others	**217**
Total contract liabilities	**4,960**

Contract liabilities include short-term advances received in relation to the delivery of lead-silver concentrates and zinc-silver concentrates and the rendering of processing services. The increase in contract liabilities in 2018 was mainly due to the increase in short-term advances received from customers in relation to the delivery of lead-silver concentrates and zinc-silver concentrates at the end of the year.

Changes in contract liabilities during the year are as follows:

	RMB'000
At 1 January 2018	442
Revenue recognised that was included in the contract liabilities at the beginning of the year	(442)
Increase due to cash received, excluding amounts recognised as revenue during the year	4,960
At 31 December 2018	4,960

24. OTHER PAYABLES AND ACCRUALS

	2018 RMB'000	2017 RMB'000
Current portion:		
Advance from customers	–	442
Advance from individuals*	24,502	20,694
Payables relating to:		
Professional fees	3,637	4,396
Taxes other than income tax	104,488	99,931
Payroll and welfare	180	160
Mining resource compensation fees	18,370	18,370
Mining resource usage fees	916	1,415
Deposits received	6,534	11,515
Interest expenses payable	426	1,387
Others	3,702	4,140
	162,755	162,450
Accruals	6,723	6,416
	169,478	168,866
Non-current portion:		
Payables relating to:		
Exploration and evaluation assets	2,986	6,714
Deposits received	–	800
Property, plant and equipment	37,997	39,035
	40,983	46,549
	210,461	215,415

* The balances due to individual third parties as at 31 December 2018 and 31 December 2017 bear interest at a rate of 12% per annum.

25. INTEREST-BEARING BANK LOANS

	2018			2017		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Secured and guaranteed:						
Current	**5.70-6.15**	**2019**	**66,520**	4.35-4.75	2018	448,990
Non-current	**5.70-6.15**	**2020**	**297,932**	—	—	—
			364,452			448,990

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

As at 31 December 2018, the Group's bank loans are secured by:

(a) Mortgages over the following assets:

	Net book amount as at 31 December 2018 RMB'000
Property, plant and equipment (note 12(b))	**60,967**
Intangible assets (note 14)	**61,810**
Prepaid land lease payments (note 15)	**10,403**

(b) Pledges of equity interests 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.

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

26. PROVISION FOR REHABILITATION

	2018 RMB'000	2017 RMB'000
At beginning of year	**26,952**	19,613
Additions	**1,625**	5,813
Unwinding of a discount (note 6)	**1,647**	1,526
At end of year	**30,224**	26,952

27. SHARE CAPITAL

Shares

	2018 RMB'000	2017 RMB'000
Authorised: 38,000,000,000 (2017: 38,000,000,000) ordinary shares of HK$0.00001 each	**342**	342
Issued and fully paid: 3,579,777,000 (2017: 3,579,777,000) ordinary shares of HK$0.00001 each	**30**	30

28. 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 86 of the financial statements.

(a) Share premium account

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

(b) Reserve funds

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

As Dehong Yinbang and Yunnan Harbor Star 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 Harbor Star, Dehong Yinbang and Yunnan Harbor Star 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.

28. RESERVES (CONTINUED)

(b) Reserve funds (continued)

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 surplus reserve 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.

During the year, the then non-controlling shareholder waived the amount due from the Group of RMB1,109,000, with a corresponding amount credited to the capital contribution reserve.

29. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property (note 13 to the financial statements) under operating lease arrangements, with lease 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 lease terms from 1 April 2017 to 31 March 2019.

At 31 December 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**1,400**	2,600
In the second to fifth years, inclusive	**2,682**	3,052
	4,082	5,652

29. OPERATING LEASE ARRANGEMENTS (CONTINUED)

(b) As lessee

The Group has entered into commercial leases on certain office buildings as it is not in the best interest of the Group to purchase these assets. These leases have an average term of 1 to 3 years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**732**	—
In the second to fifth years, inclusive	**786**	—
	1,518	—

30. COMMITMENTS

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

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for:		
— Exploration and evaluation assets	**—**	524
— Property, plant and equipment	**1,697**	1,505
— Acquisition of subsidiaries	**4,000**	4,000
	5,697	6,029

31. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no significant contingent liabilities.

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank loans RMB'000	Interest payable RMB'000	Amount due to a related party RMB'000
At 1 January 2018	**448,990**	**1,387**	**—**
Changes from financing cash flows	**(84,538)**	**(20,424)**	**—**
Non-cash changes:			
Interest expense	**—**	**19,463**	**—**
At 31 December 2018	**364,452**	**426**	**—**
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	—

33. RELATED PARTY TRANSACTIONS

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.

34. 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:

2018

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	3,536
Financial assets included in prepayments, deposits and other receivables	14,567
Cash and cash equivalents	4,502
	22,605

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	12,586
Financial liabilities included in other payables and accruals	79,784
Interest-bearing bank loans	364,452
	456,822

34. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

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 loans	448,990
	545,411

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, and trade and other payables, which arise directly from its operations.

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

As disclosed in note 4, the Group sells its products to a small number of customers. The Group manages this risk by requiring payment in advance from customers and offering standardised credit terms to major customers for a credit period of one month. 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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade receivables*	—	—	—	38,881	38,881
Financial assets included in prepayments, deposits and other receivables					
— Normal**	15,232	—	—	—	15,232
— Doubtful**	—	—	43,991	—	43,991
Cash and cash equivalents					
— Not yet past due	4,502	—	—	—	4,502
	19,734	—	43,991	38,881	102,606

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 December 2017

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 comprise cash and cash equivalents and trade receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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 a concentration of credit risk in the refined lead and zinc industry.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

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.

35. 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 2018				
	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	**36,708**	**1,993**	**—**	**41,083**	**79,784**
Trade payables	**6,791**	**5,795**	**—**	**—**	**12,586**
Interest-bearing bank loans	**—**	**5,271**	**84,870**	**304,440**	**394,581**
	43,499	**13,059**	**84,870**	**345,523**	**486,951**

	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 loans	—	4,973	456,233	—	461,206
	36,902	13,327	457,752	49,646	557,627

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits and interest-bearing bank loans. The interest rates and terms of repayment of interest-bearing borrowings are disclosed in note 25 to the financial statements. The Group manages its interest rate exposure arising from its interest-bearing bank 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 rates.

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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair values (continued)

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values due to short term to maturity, are as follows:

	Carrying amounts		Fair values	
	2018 **RMB'000**	2017 RMB'000	**2018** **RMB'000**	2017 RMB'000
Financial liabilities for which fair values are disclosed:				
Interest-bearing bank loans, non-current portion	**297,932**	—	**297,932**	—
Other payables and accruals, non-current portion	**40,983**	46,549	**39,125**	44,438
	338,915	46,549	**337,057**	44,438

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables and current portion of financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of the Group's interest-bearing bank loans and other payables and accruals have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, adjusted by the Group's or the subsidiaries' own non-performance risk where appropriate. The fair values of these financial instruments are 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 3 fair value measurement.

Financial assets measured at fair value

The fair value of the available-for-sale investments as at 31 December 2017 was based on the quoted price in a non-active market obtained from the bank at the end of each reporting period, which was considered to be Level 2 fair value measurement.

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.

36. 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:

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,429,095**	1,364,745
CURRENT ASSETS		
Prepayments, deposits and other receivables	**403**	160
Cash and cash equivalents	**415**	3,033
Total current assets	**818**	3,193
CURRENT LIABILITIES		
Due to subsidiaries	**9,081**	6,911
Other payables and accruals	**2,429**	2,798
Total current liabilities	**11,510**	9,709
NET CURRENT LIABILITIES	**(10,692)**	(6,516)
NET ASSETS	**1,418,403**	1,358,229
EQUITY		
Issued capital	**30**	30
Reserves (note)	**1,418,373**	1,358,199
Total equity	**1,418,403**	1,358,229

36. 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 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 loss for the year	—	—	—	(84,449)	(84,449)
At 31 December 2017 and 1 January 2018	1,504,337	233,000	—	(379,138)	1,358,199
Total comprehensive income for the year	—	—	—	60,174	60,174
At 31 December 2018	1,504,337	233,000	—	(318,964)	1,418,373

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 February 2019.

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.

GLOSSARY

"2018 AGM"	the annual general meeting of the Company held on 18 May 2018 10:30 am at Room 3, United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong
"2019 AGM"	the annual general meeting of the Company which is tentatively scheduled to be held on 17 May 2019 (Friday)
"Audit Committee"	the audit committee of the Board
"Aung Jiujia Mine"	an open pit and underground lead mine located at Depanbing Village, Ruian County, Shan State, Myanmar which is owned by Harbor Star
"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

GLOSSARY

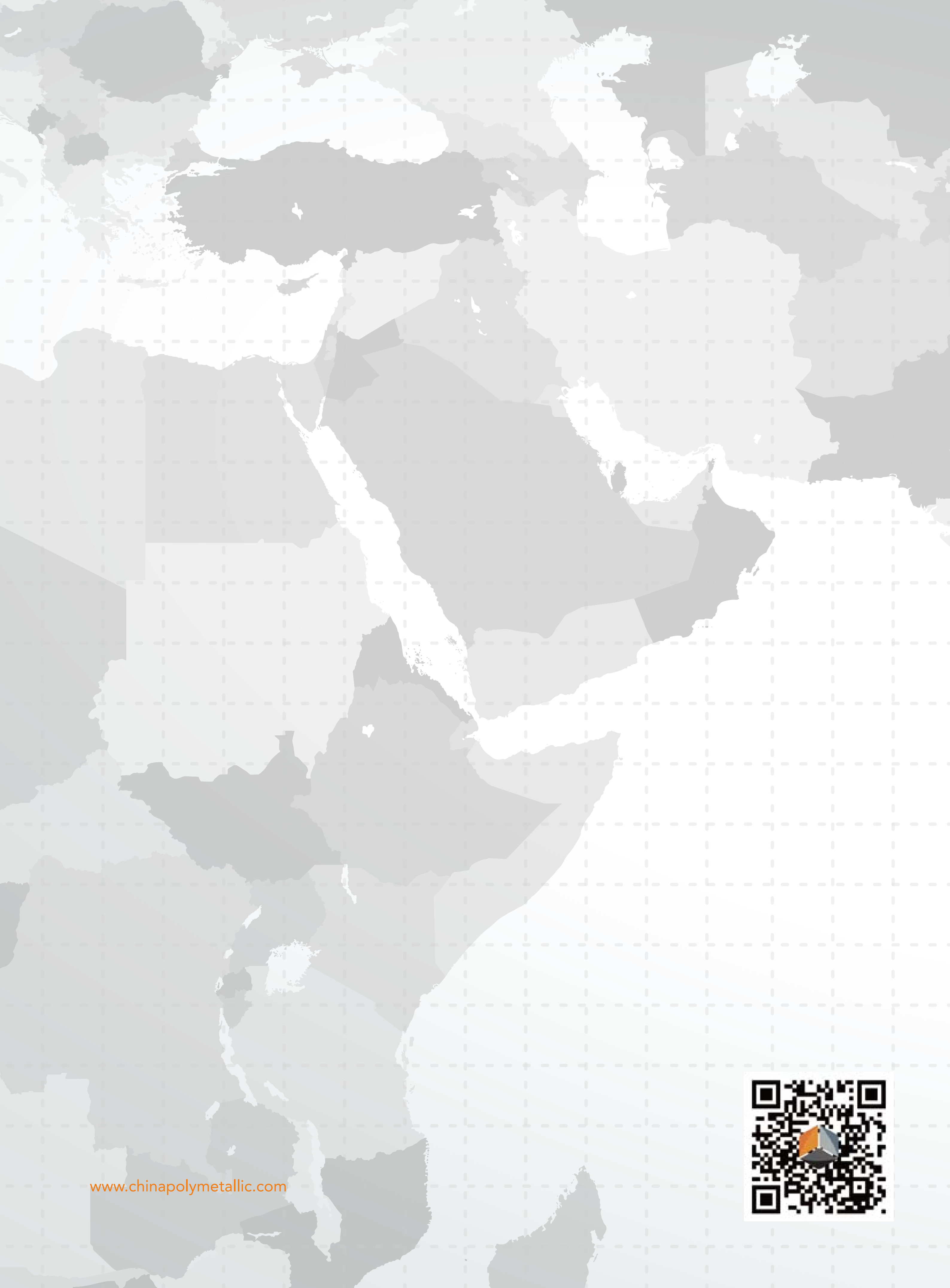
"Dakuangshan Company"	Mang City Xindi Mining Company Limited (芒市鑫地礦業有限責任公司), an indirect non-wholly owned subsidiary of the Company
"Dakuangshan Mine"	an underground lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province, China which is owned by Dakuangshan Company
"Dazhupeng Mine"	an underground lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province, China which is owned by Kunrun
"Director(s)"	director(s) of the Company
"g/t"	grams per tonne
"GPS JV Mine"	an underground lead-silver polymetallic mine located at Bawsaing Track, Kalaw Township, Southern Shan State, Myanmar which is owned by GPS Joint Venture Company Limited
"Harbor Star"	Harbor Star Mining Company Limited, an indirect non-wholly owned subsidiary of the Company
"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
"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), an indirect non-wholly owned subsidiary of the Company
"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), an indirect non-wholly owned subsidiary of the Company
"Liziping Mine"	a lead-zinc-copper-silver polymetallic mine located at Lanping County of Yunnan Province, China which is owned by Liziping Company
"Lushan Mine"	a tungsten-tin polymetallic ore mine located in Yingjiang County, Yunnan Province, the PRC, owned 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), an indirect wholly owned subsidiary of the Company
"Menghu Mine"	an underground lead-zinc polymetallic mine located at Mengla County of Yunnan Province, China which is owned by Menghu Company
"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
"MMK"	Kyats, the lawful currency of Myanmar
"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
"SG$"	the lawful currency of Singapore
"Shareholder(s)"	shareholder(s) of the Company
"Shizishan Mine"	an underground lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province, China which is owned by Kunrun
"sq. km."	square kilometre
"t"	tonne
"the Group"	the Company and its subsidiaries
"tpd"	tonnes per day
"US$" 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.



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