中国多金属矿业
CHINA POLYMETALLIC MINING

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

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Board announces the audited consolidated results of the Group for the Reporting Period, together with the comparative information for the year ended 31 December 2015, which have been prepared in accordance with the IFRS as below.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	**2016** ***RMB'000***	2015 *RMB'000*
REVENUE	*4*	**22,801**	92,509
Cost of sales		**(23,861)**	(56,569)
Gross profit/(loss)		**(1,060)**	35,940
Other income and gains	*5*	**2,540**	19,127
Selling and distribution expenses		**(605)**	(953)
Administrative expenses		**(51,708)**	(42,766)
Impairment loss on property, plant and equipment		**–**	(6,205)
Impairment loss on intangible assets		**–**	(44,146)
Impairment loss on trade receivables	*6*	**(14,893)**	(29,380)
Impairment loss on other receivables	*6*	**(36,049)**	–
Other expenses		**(503)**	(34)
Finance costs	*6*	**(43,971)**	(59,029)
LOSS BEFORE TAX	*6*	**(146,249)**	(127,446)
Income tax credit	*7*	**18,031**	31,887
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(128,218)**	(95,559)
Attributable to:			
Owners of the Company		**(126,865)**	(94,084)
Non-controlling interests		**(1,353)**	(1,475)
		(128,218)	(95,559)
Loss per share attributable to ordinary equity holders of the Company:			
— Basic and diluted	*8*	**RMB(0.064)**	RMB(0.047)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**715,890**	629,288
Investment property		**8,400**	–
Intangible assets	*9*	**735,370**	739,991
Prepaid land lease payments	*9*	**11,800**	12,047
Payments in advance	*10*	**509,937**	47,691
Prepayments and deposits	*12*	**215,635**	215,635
Deferred tax assets		**73,909**	55,878
Total non-current assets		**2,270,941**	1,700,530
CURRENT ASSETS			
Inventories		**23,216**	26,940
Trade receivables	*11*	**1,061**	66,197
Prepayments, deposits and other receivables	*12*	**4,517**	19,256
Cash and cash equivalents		**40,778**	672,738
Total current assets		**69,572**	785,131
CURRENT LIABILITIES			
Trade payables	*13*	**10,928**	9,349
Other payables and accruals		**153,377**	199,640
Tax payable		**93,616**	95,132
Due to a related party		**14,221**	–
Interest-bearing bank and other loans	*14*	**505,182**	200,984
Total current liabilities		**777,324**	505,105
NET CURRENT ASSETS/(LIABILITIES)		**(707,752)**	280,026
Total assets less current liabilities		**1,563,189**	1,980,556

	Note	**2016**	2015
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	*14*	**–**	304,859
Other payables		**14,307**	–
Provision for rehabilitation		**19,613**	18,297
Total non-current liabilities		**33,920**	323,156
Net assets		**1,529,269**	1,657,400
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**17**	17
Reserves		**1,466,908**	1,593,686
		1,466,925	1,593,703
Non-controlling interests		**62,344**	63,697
Total equity		**1,529,269**	1,657,400

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2016

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

	2016	2015
	RMB'000	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	**(88,268)**	(32,500)
Decrease in structured deposits	**–**	302,021
Decrease in available-for-sale investments	**–**	200,000
Interest income from structured deposits	**–**	7,650
Dividend income from available-for-sale investments	**–**	8,785
Proceeds from disposal of items of property, plant and equipment	**32**	352
Acquisition of a subsidiary	**(25,000)**	(100,000)
Prepayment for acquisition of subsidiaries	**(470,550)**	–
Prepayment for acquisition of non-controlling interests in a subsidiary	**(17,000)**	–
Expenditures on exploration and evaluation assets	**–**	(27,732)
Net cash flows from/(used in) investing activities	**(600,786)**	358,576
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(39,604)**	(60,552)
Proceeds from bank and other loans	**200,323**	555,843
Repayment of bank and other loans	**(200,984)**	(1,016,485)
Advance from a related party	**16,673**	–
Repayment to a related party	**(3,368)**	–
Consultation fees paid on financing	**–**	(12,800)
Service charges paid on financing activities	**–**	(161)
Dividends paid	**–**	(153)
Net cash flows used in financing activities	**(26,960)**	(534,308)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(631,960)**	(108,776)
Cash and cash equivalents at beginning of year	**672,738**	781,558
Effect of foreign exchange rate changes	**–**	(44)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**40,778**	672,738

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

2.1 Going concern basis

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

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

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

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

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

(d) 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.

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

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

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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

4. REVENUE AND OPERATING SEGMENT INFORMATION

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

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

Entity-wide disclosures

Information about products

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

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

Geographical information

(a) *Revenue from external customers*

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

(b) *Non-current assets*

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

* It includes payments in advance in respect of acquisition of subsidiaries amounted to RMB478,877,000 (note 10(a) & (b)) (2015: Nil) and acquisition of non-controlling interest in a subsidiary amounted to RMB17,000,000 (note 10(c)) (2015: Nil).

Information about major customers

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

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

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

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

6. LOSS BEFORE TAX

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

	Notes	2016 RMB'000	2015 RMB'000
Cost of inventories sold		**23,861**	56,569
Interest on bank and other loans		**35,339**	49,765
Consultation fees in respect of financing		**6,400**	6,400
Service charges paid on financing activities		**–**	161
Interest on discounted bills receivable		**–**	1,484
Unwinding of a discount		**1,316**	1,219
Foreign exchange losses		**916**	–
		43,971	59,029
Staff costs (including Directors' and chief executives' remuneration):			
Wages and salaries		**13,876**	18,550
Equity-settled share option expense *(note 15)*		**87**	(486)
Pension scheme contributions			
— Defined contribution fund		**673**	781
		14,636	18,845
Depreciation of items of property, plant and equipment	*9*	**23,921**	32,289
Depreciation of an investment property		**436**	–
Amortisation of intangible assets ^	*9*	**5,328**	7,157
Amortisation of prepaid land lease payments ^	*9*	**247**	270
Depreciation and amortisation		**29,932**	39,716
Impairment losses recognised on:			
Property, plant and equipment		**–**	6,205
Intangible assets		**–**	44,146
Trade receivables	*11*	**14,893**	29,380
Other receivables	*12(c)*	**36,049**	–
Total impairment losses recognised		**50,942**	79,731
Auditors' remuneration		**4,500**	4,500
Operating lease rentals		**1,001**	1,286
Foreign exchange losses		**921**	29

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

7. INCOME TAX

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

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

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

The major components of income tax expense were as follows:

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

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

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

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

8. 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 Reporting Period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,988,765,000 (2015: 1,988,765,000) in issue during the Reporting Period.

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

9. PROPERTY, PLANT AND EQUIPMENT AND LAND LEASE PAYMENTS

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

	Property, Plant and equipment *RMB'000*	**Intangible assets** *RMB'000*	**Prepaied land lease payment** *RMB'000*
Carrying amount at 1 January 2016	629,288	739,991	12,047
Additions	119,610	707	–
Transferred to investment property	(8,836)	–	–
Disposal	(251)	–	–
Depreciation/amortisation charged for the Reporting Period	(23,921)	(5,328)	(247)
Carrying amount at 31 December 2016	715,890	735,370	11,800

(a) As at 31 December 2016, the Group was in the customary process of obtaining the relevant building ownership certificates ("BOCs") for the Group's plants with a net carrying amount of RMB7,555,000 (2015: RMB8,081,000). The Group's plants can only be sold, transferred or mortgaged when the relevant BOCs have been obtained.

(b) As at 31 December 2016, the Group's plant with a net carrying amount of approximately RMB7,555,000 (2015: RMB8,081,000) was erected on the land where the Group was still in the process of applying for the land use rights certificate.

(c) As at 31 December 2016, the Group's property, plant and machinery with a net carrying amount of RMB63,997,000 (2015: RMB72,479,000) were pledged to secure certain bank and other loans granted to the Group (note 14(a) & (b)).

10. PAYMENTS IN ADVANCE

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

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

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

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

11. TRADE RECEIVABLES

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

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

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

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

The movements in provision for impairment of trade receivables during the Reporting Period as follows:

	RMB'000
At 1 January 2016	29,380
Impairment losses recognised *(note 6)*	14,893
Transfer to impairment of other receivables *(note 12(c))*	(10,883)
	33,390

Impairment of trade receivables recognised during the year ended 31 December 2016 represented a provision for individually impaired trade receivables of RMB14,893,000 (2015: RMB18,497,000) with a carrying amount before provision of RMB33,390,000 (2015: RMB47,930,000). The individually impaired trade receivables related to a certain customer that were in financial difficulties, which the Group had stopped supplying goods, initiated discussions on repayment terms and is in the midst of monitoring their repayment schedules. Whilst the Group will continue to follow up closely on the receivable status, the recoverability of part of the receivables has specifically been affected by the weak market condition, may be delayed by a longer-than-expected period or the receivables may not be recoverable. As such, the Group had further made an impairment provision of RMB14,893,000 for the year ended 31 December 2016. Despite such provision and longer-than-expected repayment periods, the Group will initiate necessary actions to recover these receivables in part or in full.

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

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

As of the reporting date, except for the above-mentioned provisions, the Directors are of the opinion that no further provision for impairment is necessary in respect of the receivables of RMB715,000 which are past due but not impaired as the balances are still considered fully recoverable based on the recent credit reviews conducted by management.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2016 RMB'000	2015 RMB'000
Current portion:			
Prepayments in respect of:			
— purchase of inventories		**1,093**	1,094
— professional fees	*(a)*	**260**	6,529
— prepaid land lease payments to be amortised within one year	*9*	**270**	270
— others		**1,609**	1,568
Deposits in respect of:			
— preliminary survey for certain lead and zinc mines	*(b)*	**–**	8,327
— others		**473**	610
Other receivables in respect of:			
— transfer from trade receivables	*(c)*	**46,932**	–
— staff advances		**812**	858
		51,449	19,256
Impairment	*(c)*	**(46,932)**	–
		4,517	19,256
Non-current portion:			
Prepayment in respect of purchase of inventories	*(d)*	**214,165**	214,165
Deposits in respect of:			
— environmental rehabilitation		**1,170**	1,170
— others		**300**	300
		215,635	215,635
		220,152	234,891

Notes:

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

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

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

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

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

13. TRADE PAYABLES

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

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

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

14. INTEREST-BEARING BANK AND OTHER LOANS

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

Notes:

(a) The balance as at 31 December 2016 consists of four tranches of one-year interest-bearing bank loans aggregating RMB99,000,000 granted by Ping An Bank in December 2016, which bears interest at a fixed rate of 5.66% per annum and is guaranteed by Mr. Ran Xiaochuan (note 19(a)). Such loans were withdrawn from the Second Banking Facility Agreement guaranteed by Mr. Ran Xiaochuan. In addition, the Group and Ping An Bank entered into a mortgage agreement regarding the Second Banking Facility Agreement in January 2015, which is secured by:

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

(b) Balances as at 31 December 2016 consist of (i) an other loan borrowed from Ping An Bank by way of a gold lease arrangement, with the principal of RMB101,323,000 on 28 July 2016 withdrawn from the First Banking Facility Agreement, which bears interest at a fixed rate of 7.5% per annum with maturity date on 27 July 2017, and is guaranteed by Mr. Ran Xiaochuan (note 19(a)) and secured by 99% of the equity interests in Kunrun, 90% of the equity interests in Dakuangshan Company, 90% of the equity interests in Liziping Company and 90% of the equity interests in Menghu Company; and (ii) an other loan borrowed from Ping An Bank by way of a gold lease arrangement, with the principal of RMB304,859,000 on 24 June 2015 withdrawn from the Second Banking Facility Agreement, which is guaranteed by Mr. Ran Xiaochuan (note 19(a)) and bears interest at a fixed rate of 7.5% per annum with maturity date on 23 June 2017. The Group has undertaken to settle both the other loans mentioned above by delivery of a pre-specified quantity of gold through a forward purchase contract at a price which equals the principal plus interest due.

Management has assessed that the fair values of the Group's short-term interest-bearing bank and other loans approximate to their carrying amounts largely due to the short-term maturities of these instruments.

15. SHARE OPTION SCHEME

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

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

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

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

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

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

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

	Notes	**Weighted average exercise price** *HK$ per share*	**Number of options**
As at 1 January 2016			
— share options granted to the independent non-executive Directors ("INEDs")	*(i)*	2.22	42,162,162
— the 2013 Granted Options (as defined in note 15(i))	*(i)*	1.70	70,091,892
Forfeited during the year			
— share options granted to the INEDs	*(ii)*	2.22	(14,054,054)
— the 2013 Granted Options	*(iii)*	1.70	(34,545,946)
Expired during the year			
— share options granted to the INEDs	*(ii)*	2.22	(28,108,108)
As at 31 December 2016			35,545,946

Notes:

(i) The share options outstanding as at 1 January 2016 represented 42,162,162 share options granted by the Company on 14 December 2011 at the exercise price of HK$2.22 per share and 70,091,892 share options granted by the Company on 16 January 2013 at the exercise price of HK$1.70 to certain of the eligible participants of the Company in respect of their services to the Group in the forthcoming year (the "2013 Granted Options") under the Share Option Scheme.

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

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

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

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

2016

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

2015

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

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

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

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

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

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

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

At the end of the Reporting Period, the Company had 35,545,946 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 35,545,946 additional ordinary shares of the Company and additional share capital of HK$355 and share premium of at least HK$60,427,753 (before issue expenses).

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

16. DIVIDEND

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

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

17. COMMITMENTS

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

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

18. CONTINGENT LIABILITIES

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

19. RELATED PARTY TRANSACTIONS

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

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

The bank and other loans were guaranteed by Mr. Ran Xiaochuan, the Company's executive Director, for nil consideration (note 14(a) & (b)).

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

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

20. APPROVAL OF THE FINANCIAL STATEMENTS

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

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of independent auditor's report issued by the Group's independent auditor:

"Opinion

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

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

Material uncertainty related to going concern

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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

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

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

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

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

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

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

OPERATING MINE — SHIZISHAN MINE

Mineral resources and reserves of the Shizishan Mine

The Shizishan Mine is a large-scale, high-grade lead-zinc-silver underground polymetallic mine located at Yingjiang County of Yunnan Province. Compared to the resources and reserves estimates for the Shizishan Mine as at 25 October 2011 as disclosed in the Competent Person's Report set out in Appendix V to the Prospectus, there have been no material changes in the resources and reserves estimated and under the JORC Code as at 31 December 2016 as shown below:

The Shizishan Mine — JORC Mineral Resources as at 31 December 2016
Mineral Resource at 0.5% Pb Cut Off

Class	Quantity *(t)*	Pb *(%)*	Zn *(%)*	Ag *(g/t)*	Pb metal *(t)*	Zn metal *(t)*	Ag metal *(t)*
Measured	1,216,360	10.9	6.6	271.0	193,956	104,458	546
Indicated	6,398,000	9.0	5.9	250.0	575,200	378,500	1,600
Inferred	516,000	7.7	4.8	247.0	39,600	24,500	100
Total	8,130,360	9.4	6.0	256.0	808,756	507,458	2,246

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

Class	Quantity *(t)*	Pb *(%)*	Zn *(%)*	Ag *(g/t)*	Pb metal *(t)*	Zn metal *(t)*	Ag metal *(t)*
Proved	1,096,360	10.0	6.1	251.0	161,556	84,858	446
Probable	5,713,000	9.0	5.9	250.0	514,500	336,900	1,400
Total	6,809,360	9.3	5.9	250.0	676,056	421,758	1,846

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

Operational results of the Shizishan Mine

The following table summarises the mining and processing results during the Reporting Period and 2015 of the Shizishan Mine operated by the Group:

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

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

The Shizishan Mine 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.

During the Reporting Period, in the area where the Shizishan Mine is located, there were a number of intense, torrential rain storms in a short period of time, resulting in a dramatic increase in downhole water with tunnels' maximum water reserves reaching 16,000 m^3 and the maximum daily water flowing volume reaching 800 m^3. Such continuous heavy rainfalls have effected its geological structure and geomorphology. The tunnels were severely damaged and the dredging and reinforced works for the pits and tunnels damaged did not start until late December 2015 as it took several months to pump out the water. Due to the slow work progress, only one mining area has resumed production during the Reporting Period, which resulted in the low production volumes. During the rainy season in 2016, the pits and tunnels were flooded again. The previously restored tunnels were submerged once again, and the production has not been restored as at the end of the Reporting Period.

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

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

Production costs of the Shizishan Mine

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

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

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

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

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

Capital expenditure of the Shizishan Mine

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

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

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

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

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

OPERATING MINE — DAKUANGSHAN MINE

Mineral resources and reserves of the Dakuangshan Mine

The Dakuangshan Mine is a lead-zinc-silver polymetallic mine located approximately 100 km away from the Shizishan Mine. The mining permit of the Dakuangshan Mine covers an area of 1.56 sq. km. and is valid through 9 March 2020. Based on the geologist report issued by the Sichuan Province Geological Group dated 11 April 2012, the Group is of the view that there are no material changes in resources and reserves estimates, and the indicated and inferred lead-zinc resources of the Dakuangshan Mine as at 31 December 2016 are estimated in accordance with the Chinese Standard as follows:

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

	Metal Resources			**Grade**		
	Lead	**Zinc**	**Silver**	**Lead**	**Zinc**	**Silver**
	(kt)	*(kt)*	*(t)*	*(%)*	*(%)*	*(g/t)*
Indicated+Inferred	115.0	221.9	211.7	2.69	5.20	54.16

Operational results of the Dakuangshan Mine

The following table summarises the mining and processing results during the Reporting Period and 2015 of the Dakuangshan Mine operated by the Group:

	Items	Unit	2016	2015
ROM Ore	Mined	kt	**56.6**	67.2
	Effective working days	days	**154**	149
	Average output	tpd	**367**	451
	Processed	kt	**58.6**	67.8
Feed Grade	Lead	%	**1.5**	1.4
	Zinc	%	**3.1**	2.6
	Silver	g/t	**25**	21
Recovery	Lead	%	**81.2**	81.1
	Zinc	%	**83.1**	81.0
	Silver in lead concentrate	%	**64.1**	69.4
	Silver in zinc concentrate	%	**8.8**	4.7
Concentrate Grade	Lead	%	**51.7**	50.4
	Zinc	%	**43.8**	45.4
	Silver in lead concentrate	g/t	**699**	667
	Silver in zinc concentrate	g/t	**38**	22
Concentrate Tonnes	Lead-silver concentrate	t	**1,268**	1,516
	Zinc-silver concentrate	t	**3,192**	3,191
Metal Contained in Concentrate	Lead	t	**655**	764
	Zinc	t	**1,397**	1,450
	Silver in lead concentrate	kg	**887**	1,012
	Silver in zinc concentrate	kg	**122**	69

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

Production costs of the Dakuangshan Mine

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

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

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

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

Capital expenditure of the Dakuangshan Mine

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

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

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

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

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

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

OPERATING MINE — AUNG JIUJIA MINE

Mineral resources and reserves of the Aung Jiujia Mine

The Aung Jiujia Mine is a lead-zinc mine located at Depanbing Village, Ruian County, Shan State, Myanmar (緬甸撣邦省瑞安縣德攀丙村). The mining permit of the Aung Jiujia Mine, which has been renewed successfully, covers an area of 0.2 sq. km. and is valid until 28 March 2017.

The Aung Jiujia Mine is owned by Harbor Star which engaged a qualified geological survey team based in China, an independent third party exploration entity, to conduct exploration at the Aung Jiujia Mine in June 2014. A report of the geological exploration conducted at the Aung Jiujia Mine was issued in April 2015. Based on the report, the Group is of the view that there are no material changes in the resources and reserves estimates, and a summary of the estimated resources of the Aung Jiujia Mine as at 31 December 2016 in accordance with the Chinese Standard is as follows:

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

Operational results of the Aung Jiujia Mine

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

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

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

Capital expenditure of the Aung Jiujia Mine

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

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

	2016 ***RMB million***
Mining	**39.80**
Mining infrastructure	**39.80**
Processing	**3.23**
Processing plant and equipment	**3.23**
Total	**43.03**

OTHER MINES

Liziping Mine

The Liziping Mine, owned by the Group, is a lead-zinc-silver polymetallic mine located at Lanping County of Yunnan Province and approximately 700 km away from the Shizishan Mine. The exploration permit, which has been renewed successfully, covers an area of 13.87 sq. km. and is valid until 9 October 2017. Currently, the mining permit pertaining to the first mining area of approximately 4 sq. km. is still undergoing application process and its geological report is being finalised.

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

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

During the Reporting Period, for the purpose of preparation of the formal geological reports, the Liziping Mine mainly carried out in-depth explorations, tunnel explorations and geological data compilation and supplement for field catalog (including small volumetric weight test, etc.). During the Reporting Period, the Liziping Mine did not incur any material capital expenditure (2015: RMB25.7 million). As at 31 December 2016, the Group was of the view that there were no material changes in the resources and reserves estimates of the Liziping Mine.

Menghu Mine

The Menghu Mine, owned by the Group, is a lead-zinc polymetallic mine located at Mengla County of Yunnan Province. The mining permit of the Menghu Mine, which has been renewed successfully, covers an area of 0.4 sq. km. and is valid until 31 July 2019.

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

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

During the Reporting Period, the Menghu Mine did not incur any material capital expenditure (2015: RMB0.5 million). As at 31 December 2016, the Group was of the view that there were no material changes in the resources and reserves estimates of the Menghu Mine.

Dazhupeng Mine

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

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

Lushan Mine

The Lushan Mine, owned by Xiangcaopo Mining, is a tungsten-tin polymetallic mine. The Group entered into an exclusive ore supply agreement with the Xiangcaopo Mining and its owner, Mr. Li Jincheng on 31 December 2010.

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

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

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue was approximately RMB22.8 million (2015: RMB92.5 million), primarily from the sale of lead-silver concentrate and zinc-silver concentrate. Sales volume of lead-silver concentrate and zinc-silver concentrate for the Reporting Period was 1,520 t and 3,472 t, respectively (2015: 8,046 t and 9,962 t, respectively).

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

Cost of sales

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

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

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

Other income and gains

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

Administrative expenses

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

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

Impairment losses

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

Finance costs

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

Income tax credit

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

Final dividend

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

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

There were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period. The investment plan authorised by the Board for material investments or additions of capital assets as on the date of this announcement includes (i) prepayment of RMB95.0 million made to Mr. Wang, an independent third party in respect of the proposed acquisition of the entire equity interest in Hua Xing Group, pursuant to a framework agreement of equity transfer entered between the Group and Mr. Wang dated 14 December 2016. On 8 January 2017, the Group and Mr. Wang entered into an equity transfer agreement in respect of the foresaid acquisition at a consideration of RMB101.5 million. Particulars of such acquisition were set out in the Company's announcement dated 8 January 2017, and the GPS Joint Venture Company Limited controlled by Huaxing Group is one of the largest mining companies in Myanmar. The Company expects that GPS Mine can be put into production in the first half of 2017; (ii) prepayment of an aggregate of RMB383.8 million made to the Sellers in respect to proposed acquisitions of the entire equity interest in six copper, lead, zinc, silver mining companies in Myanmar, pursuant to six framework agreements of equity transfer entered between the Group and the Sellers in December 2016 and (iii) prepayment of RMB17.0 million made to Ms. OHN in respect of the proposed further acquisition of 9% equity interest in Harbor Star (the Aung Jiujia Mine is owned by Harbor Star), pursuant to a framework agreement of equity transfer entered between the Group and Ms. OHN on 26 December 2016. Pursuant to the above-mentioned framework agreements of equity transfer, each of the Sellers and Ms. OHN have to immediately and unconditionally refund the entire prepayment to the Group if official transaction cannot be completed within ten months of the commencement of these framework agreements.

Liquidity and capital resources

The following table sets out the information in relation to the Group's consolidated statement of cash flows during the Reporting Period and for the year ended 31 December 2015:

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

Net cash flow used in operating activities

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

Net cash flow used in investing activities

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

Net cash flow used in financing activities

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

Inventories

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

Trade receivables

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

Payment in advance, prepayment, deposits and other receivables

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

Trade and other payables

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

Net current assets/(liabilities) position

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

Borrowings

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

Contingent liabilities

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

Foreign currency risk

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

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

Interest rate risk

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

Charge on assets

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

Contractual obligations

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

Capital expenditure

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

Financial instruments

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

Gearing ratio

Gearing ratio is calculated by net debt divided by total equity plus net debt. Net debt refers to the interest-bearing bank and other loans, net of cash and bank balances, excluding liabilities incurred for working capital purpose. Equity includes equity attributable to the owners of the Company and non-controlling interests. The Group's gearing ratio as at 31 December 2016 was as follows:

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

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

Change in use of net proceeds from the initial public offering

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

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

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

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

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

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

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

Use of net proceeds from the initial public offering

	Net proceeds from the IPO	
	Available for use *RMB million*	**Utilised (up to 31 December 2016)** ***RMB million***
Financing activities related to the investments in acquired mines	485.4	**485.4**
Financing activities conducted for increasing the mining capacity and expanding tailing storage facilities at the Shizishan Mine	145.6	**145.6**
Financing activities related to the Dazhupeng Mine and the Lushan Mine	178.1	**37.0**
Total	809.1	**668.0**

Employee and remuneration policy

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

OCCUPATIONAL HEALTH AND SAFETY

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

ENVIRONMENTAL PROTECTION AND LAND REHABILITATION

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

STRATEGY AND OUTLOOK

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

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

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

OTHER INFORMATION

Annual General Meeting

The 2017 annual general meeting of the Company will be held on Tuesday, 6 June 2017 (the "AGM"). A notice convening the AGM will be published and dispatched to the Shareholders in accordance with the requirements of the articles of association of the Company and the Listing Rules in due course.

Closure of Register of Members

To determine the entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Friday, 2 June 2017 to Tuesday, 6 June 2017 (both days inclusive), during which period no share transfers of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 1 June 2017.

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

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

Corporate Governance Practice

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

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

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

Code Provision A.2.1

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

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

On 8 September 2016, Mr. Miu Edward Kwok Chi was appointed as the interim non-executive Chairman. As was before and ever since Mr. Miu Edward Kwok Chi has taken up the position, he has not been involved in the day-to-day operation of the Company and his independence as an independent non-executive Director remains intact. Mr. Miu Edward Kwok Chi oversees the internal control and corporate governance compliance of the Company. He also promotes and encourages visibility of the Board to ensure that in-depth communication internally and externally is achieved.

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

Whilst the position of Chief Executive Officer remains vacant, the day-to-day operations of the Company are overseen by Mr. Ran Xiaochuan, the executive Director. Such arrangement is deemed appropriate because Mr. Ran Xiaochuan has accumulated extensive experience in the mining industry and the Company's long-term business strategies and plans can be implemented effectively.

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 the Directors, each one of them has confirmed compliance with the required standard as set out in the Model Code during the Reporting Period.

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 Reporting Period.

Contracts of Significance

Save as disclosed in this announcement, no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder of the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

Directors' Interests in Transactions, Arrangements or Contracts

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

Audit Committee

The Audit Committee was established by the Board at the time of the listing of the Company's shares on the Hong Kong Stock Exchange on 14 December 2011. The Audit Committee has its written terms of reference revised and adopted by the Board on 8 December 2016 in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprises two independent non-executive Directors and one non-executive Director.

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

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

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

Glossary

"Ag"	the chemical symbol for silver
"Audit Committee"	the audit committee of the Board
"Aung Jiujia Mine"	a lead-zinc mine to which the Harbor Star owns the mining right
"Board"	the board of directors of the Company
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules, as amended from time to time
"China" or "PRC" or "Mainland China"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Chinese Standard"	the PRC classification of solid mineral resources and reserves (中國固體礦產資源／儲備分類標準)
"Company"	China Polymetallic Mining Limited (中國多金屬礦業有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of HKSE
"Companies Ordinance"	the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time

"Competent Person's Report"	the Competent Person's Report, dated 25 November 2011, prepared by Runge Asia Limited, trading as Minarco-MineConsult with respect to the independent technical review and assessment of the Shizishan Mine; under such report, Minarco reviewed the geological and exploration information, completed a mineral resource and ore reserve estimation in compliance with the recommendations of the JORC Code, and reviewed and commented on the appropriateness of the planned mining methods and mine design, potential production profiles, forecast operating and capital expenditure, short and long term development plans, and environmental and social setting, for the Shizishan Mine, which was disclosed as appendix V to the Prospectus
"Dakuangshan Company"	Mang City Xindi Mining Company Limited (芒市鑫地礦業有限責任公司), a subsidiary of the Company whose registered office is at Mang City, Yunnan Province, the PRC
"Dakuangshan Mine"	a lead-zinc-silver polymetallic mine located in Mang City, Yunnan Province, the PRC, and operated by Dakuangshan Company
"Dazhupeng Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, the PRC, with respect to which we hold an exploration permit
"Directors"	directors of the Company or any one of them
"GPS Mine"	a lead-silver mine located at Bawsaing Track, Kalan Township, Taunggyi City, Shan State, Myanmar, and operated by GPS Joint Venture Company Limited
"Group"	the Company and its subsidiaries
"g/t"	grams per tonne
"Harbor Star"	Harbor Star Mining Company Limited, a subsidiary of the Company whose registered office is at Ruian County, Shan State, Myanmar
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "HKSE"	The Stock Exchange of Hong Kong Limited

"IFRS"	International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board (the " IASB ") and the International Accounting Standards (the "IAS") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect
"IPO"	the initial public offering and listing of shares of the Company on the main board of the Hong Kong Stock Exchange on 14 December 2011
"JORC"	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy and used to determine resources and reserves, as amended from time to time
"kg"	kilogram(s)
"km"	kilometre(s), a metric unit measure of distance
"kt"	thousand tonnes
"Kunrun"	Yingjiang County Kunrun Industry Company Limited (盈江縣昆潤實業有限公司), a subsidiary of the Company whose registered office is at Yingjiang County, Yunnan Province, the PRC
"Listing Date"	14 December 2011
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Liziping Company"	Nujiang Shengjia Chengxin Industrial Company Ltd. (怒江州聖佳誠信實業有限公司), a subsidiary of the Company whose registered office is at Lanping County, Yunnan Province, the PRC
"Liziping Mine"	a lead-zinc-silver polymetallic mine to which the Liziping Company owns the exploration right

"Lushan Mine"	a tungsten-tin polymetallic ore mine located in Yingjiang County, Yunnan Province, the PRC, operated by Xiangcaopo Mining, an independent third party
"Menghu Company"	Meng La Chen Feng Mining Development Company Limited (勐臘縣宸豐礦業開發有限公司), a subsidiary of the Company whose registered office is at Mengla County, Yunnan Province, the PRC
"Menghu Mine"	a lead mine to which the Menghu Company owns the mining right
"mineral resource(s)" or "resource(s)"	a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction, as defined in the JORC Code. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into "inferred," "indicated," and "measured" categories
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"ore reserve(s)" or "reserve(s)"	the economically mineable part of a measured and/or indicated mineral resource, as defined by the JORC Code. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of Reporting that extraction could reasonably be justified. Ore reserves are subdivided, in order of increasing geological confidence, into probable reserves and proved reserves
"Pb"	the chemical symbol for lead
"Prospectus"	the prospectus of the Company dated 2 December 2011 issued in connection with the IPO
"Reporting Period"	the year ended 31 December 2016
"RMB"	Renminbi, the lawful currency of the PRC

"Shareholder(s)"	shareholder(s) of the Company
"Shizishan Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, the PRC, and operated by Kunrun
"sq.km."	square kilometer
"t"	tonne
"tpd"	tonnes per day
"US" or "United States"	the United States of America
"US$" or "US dollar(s)"	United States dollar(s), the lawful currency of the United States
"Xiangcaopo Mining"	Yunnan Xiangcaopo Mining Co., Ltd, a limited liability company in the PRC, currently wholly owned by Li Jincheng, an independent third party
"Zn"	the chemical symbol for zinc

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

Hong Kong, 14 February 2017

As at the date of this announcement, the Board comprises Mr. Ran Xiaochuan as executive Director; Mr. Lee Kenneth Jue as non-executive Director; and Mr. Huang Guoxin, Mr. Barry Sang Quan and Mr. Miu Edward Kwok Chi as independent non-executive Directors.