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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 2017

The Board announces the audited consolidated results of the Group together with the comparative information for the year ended 31 December 2017, 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 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
REVENUE	*4*	**113,294**	22,801
Cost of sales		**(100,662)**	(23,861)
Gross profit/(loss)		**12,632**	(1,060)
Other income and gains	*5*	**2,589**	2,540
Gain on a bargain purchase		**88,369**	—
Selling and distribution expenses		**(1,363)**	(605)
Administrative expenses		**(36,069)**	(51,708)
Impairment loss on property, plant and equipment	*6*	**(44,468)**	—
Impairment loss on intangible assets	*6*	**(17,000)**	—
Impairment loss on prepaid land lease payments	*6*	**(835)**	—
Impairment loss on payments in advance	*6*	**(297)**	—
Impairment loss on trade receivables	*6*	**(1,061)**	(14,893)
Impairment loss on other receivables	*6*	—	(36,049)
Other expenses		**(6,230)**	(503)
Finance costs		**(30,775)**	(43,971)
LOSS BEFORE TAX	*6*	**(34,508)**	(146,249)
Income tax credit/(expense)	*7*	**(8,558)**	18,031
LOSS FOR THE YEAR		**(43,066)**	(128,218)

	Notes	**2017**	2016
		RMB'000	*RMB'000*
OTHER COMPREHENSIVE LOSS:			
Other comprehensive loss to be reclassified to profit or loss in subsequent years:			
Exchange differences on translation of foreign operations		**(578)**	—
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(43,644)**	(128,218)
Loss attributable to:			
Owners of the Company		**(40,754)**	(126,865)
Non-controlling interests		**(2,312)**	(1,353)
		(43,066)	(128,218)
Total comprehensive loss attributable to:			
Owners of the Company		**(41,332)**	(126,865)
Non-controlling interests		**(2,312)**	(1,353)
		(43,644)	(128,218)
Loss per share attributable to ordinary equity holders of the Company:			Restated
— Basic and diluted	*8*	**RMB(0.016)**	RMB(0.063)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**776,653**	715,890
Investment property		**7,916**	8,400
Intangible assets	*10*	**1,007,982**	735,370
Prepaid land lease payments		**10,673**	11,800
Payments in advance	*11*	**447,601**	509,937
Prepayments and deposits		**216,362**	215,635
Deferred tax assets		**65,351**	73,909
Total non-current assets		**2,532,538**	2,270,941
CURRENT ASSETS			
Inventories		**42,372**	23,216
Trade receivables	*12*	**9,253**	1,061
Prepayments, deposits and other receivables	*13*	**70,565**	4,517
Due from a related party		**200**	—
Available-for-sale investments		**6,500**	—
Cash and cash equivalents		**18,574**	40,778
Total current assets		**147,464**	69,572
CURRENT LIABILITIES			
Trade payables	*14*	**7,742**	10,928
Other payables and accruals		**168,866**	153,377
Tax payable		**93,616**	93,616
Due to a related party		**—**	14,221
Interest-bearing bank and other loans	*15*	**448,990**	505,182
Total current liabilities		**719,214**	777,324
NET CURRENT LIABILITIES		**(571,750)**	(707,752)
Total assets less current liabilities		**1,960,788**	1,563,189

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES			
Other payables		**46,549**	14,307
Provision for rehabilitation		**26,952**	19,613
Deferred tax liabilities		**22,233**	—
Total non-current liabilities		**95,734**	33,920
Net assets		**1,865,054**	1,529,269
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**30**	17
Reserves		**1,614,971**	1,466,908
		1,615,001	1,466,925
Non-controlling interests		**250,053**	62,344
Total equity		**1,865,054**	1,529,269

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

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

	Notes	*2017* *RMB'000*	*2016* *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(19,724)**	(88,268)
Advance of loans to third parties		**(63,743)**	—
Purchase of available-for-sale investments		**(6,500)**	—
Interests received from loans to third parties		**947**	—
Proceeds from disposal of items of property, plant and equipment		**—**	32
Acquisition of a subsidiary	*19*	**(6,448)**	(25,000)
Expenditures on exploration and evaluation		**(1,789)**	—
Prepayment for acquisition of subsidiaries		**—**	(470,550)
Prepayment for acquisition of non-controlling interests in a subsidiary		**—**	(17,000)
Net cash flows used in investing activities		**(97,257)**	(600,786)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**193,056**	—
Share issue expenses		**(3,648)**	—
Interest paid		**(32,095)**	(39,604)
Proceeds from bank and other loans		**468,990**	200,323
Repayment of bank and other loans		**(525,182)**	(200,984)
Advance from a related party		**—**	16,673
Repayment of advance to a related party		**(14,996)**	(3,368)
Net cash flows generated from/(used in) financing activities		**86,125**	(26,960)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(22,435)**	(631,960)
Cash and cash equivalents at beginning of year		**40,778**	672,738
Effect of foreign exchange rate changes		**231**	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		**18,574**	40,778

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP INFORMATION

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

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

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

During the year, the Group acquired a 100% equity interest in Hua Xing Global Limited ("**Hua Xing Global**") and its subsidiaries ("**Hua Xing Group**") from an independent third party. Further details of this acquisition are included in note 19 to the financial statements.

2. BASIS OF PREPARATION

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

Going concern basis

During the year ended 31 December 2017, the Group incurred a consolidated net loss of RMB43,066,000 (2016: RMB128,218,000) and had net cash outflows from operating activities of RMB11,303,000 (2016: RMB4,214,000). As at 31 December 2017, the Group had net current liabilities of RMB571,750,000 (2016: RMB707,752,000).

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

(a) As at 31 December 2017, the Group's total bank loans amounted to RMB448,990,000, all of which will be due within twelve months from 31 December 2017. The Group has not experienced any significant difficulties in renewing its short-term bank loans upon their maturities and there is no indication that the bank will not renew the existing bank loans if the Group applies for renewal. The Group will actively negotiate with the bank for the renewal of its borrowings when they fall due to secure necessary facilities to meet the Group's working capital and financial requirements. The Directors have evaluated all the relevant facts available to them and are of the opinion that they have a good track record or relationship with the bank so that the bank loans will be renewed upon maturity.

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

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

(c) The Group is taking measures to tighten cost controls over administrative and other operating expenses aiming at improving the working capital and cash flow position of the Group including closely monitoring the daily operating expenses.

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

The Directors have reviewed the Group's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2017 on a going concern basis.

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

The Audit Committee of the board of Directors (the "**Board**") has confirmed that it has objectively and critically reviewed the measures mentioned above. The Audit Committee of the Board and the Board have confidence in the Group's management and concurred with management's view that the Group's business plan for the next twelve months is feasible and achievable.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

None of the above amendments to IFRSs has had a significant financial effect on these financial statements. Disclosure has been made in the financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

4. REVENUE AND OPERATING SEGMENT INFORMATION

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

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

Entity-wide disclosures

Information about products and service

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

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

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

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

Information about major customers

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

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

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

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

6. LOSS BEFORE TAX

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

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Cost of inventories sold		**99,765**	23,861
Cost of service rendered		**897**	—
Staff costs (including directors' and chief executive's remuneration):			
Wages and salaries and relevant benefits		**12,354**	13,876
Equity-settled share option expense		**—**	87
Pension scheme contributions			
— Defined contribution fund		**407**	673
		12,761	14,636
Depreciation of items of property, plant and equipment	*9*	**31,536**	23,921
Depreciation of an investment property		**484**	436
Amortisation of intangible assets ^	*10*	**16,542**	5,328
Amortisation of prepaid land lease payments ^		**292**	247
Depreciation and amortisation		**48,854**	29,932
Impairment losses recognised on:			
Property, plant and equipment	*9*	**44,468**	—
Intangible assets	*10*	**17,000**	—
Prepaid land lease payments		**835**	—
Payments in advance	*11*	**297**	—
Trade receivables	*12*	**1,061**	14,893
Other receivables	*13(b)*	**—**	36,049
Total impairment losses recognised		**63,661**	50,942
Gain on a bargain purchase	*19*	**(88,369)**	—
Auditor's remuneration		**4,300**	4,500
Operating lease rentals		**632**	1,001
Foreign exchange losses, net		**1,645**	921

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

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 profits derived from or earned in Hong Kong during the year.

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

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

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

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

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

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

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

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

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 year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,542,202,000 (Restated 2016: 2,015,640,000) in issue during the year. The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2016 have been adjusted and restated for the rights issue on the basis of one rights share for every two existing shares held by shareholders of the Company at the price of HK$0.12 per share.

No adjustment has been made to the respective basic loss per share amount presented for the year ended 31 December 2017 in respect of a dilution as all outstanding share options have been forfeited during the year. No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2016 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Company's shares during the year.

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Mining infra-structure	Construction in progress ("CIP")	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2017							
Cost:							
At 1 January 2017	38,233	293,434	5,934	8,324	520,401	22,086	888,412
Additions	—	945	29	—	8,320	1,901	11,195
Acquisition of a subsidiary *(note 19)*	—	78,868	260	6,322	10,799	46,343	142,592
Transferred from CIP	—	43,416	—	—	—	(43,416)	—
Disposals	—	—	—	(83)	—	—	(83)
Exchange realignment	(117)	(54)	(4)	—	(51)	—	(226)
At 31 December 2017	38,116	416,609	6,219	14,563	539,469	26,914	1,041,890
Accumulated depreciation and impairment:							
At 1 January 2017	8,006	88,637	4,992	7,538	63,349	—	172,522
Provided for the year	1,956	22,600	172	903	5,905	—	31,536
Acquisition of a subsidiary *(note 19)*	—	13,257	157	3,349	—	—	16,763
Impairment recognised during the year	164	11,271	—	—	33,033	—	44,468
Disposals	—	—	—	(50)	—	—	(50)
Exchange realignment	(1)	(1)	—	—	—	—	(2)
At 31 December 2017	10,125	135,764	5,321	11,740	102,287	—	265,237
Net carrying amount:							
At 1 January 2017	30,227	204,797	942	786	457,052	22,086	715,890
At 31 December 2017	27,991	280,845	898	2,823	437,182	26,914	776,653

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Mining infra-structure *RMB'000*	Construction in progress ("CIP") *RMB'000*	Total *RMB'000*
31 December 2016							
Cost:							
At 1 January 2016	48,487	291,805	5,838	8,318	403,743	22,863	781,054
Additions	—	1,365	96	6	115,467	2,676	119,610
Transferred from CIP	1,679	583	—	—	1,191	(3,453)	—
Transferred to investment property	(11,933)	—	—	—	—	—	(11,933)
Disposals	—	(319)	—	—	—	—	(319)
At 31 December 2016	38,233	293,434	5,934	8,324	520,401	22,086	888,412
Accumulated depreciation and impairment:							
At 1 January 2016	9,192	70,716	4,634	6,500	60,724	—	151,766
Provided for the year	1,911	17,989	358	1,038	2,625	—	23,921
Transferred to investment property	(3,097)	—	—	—	—	—	(3,097)
Disposals	—	(68)	—	—	—	—	(68)
At 31 December 2016	8,006	88,637	4,992	7,538	63,349	—	172,522
Net carrying amount:							
At 1 January 2016	39,295	221,089	1,204	1,818	343,019	22,863	629,288
At 31 December 2016	30,227	204,797	942	786	457,052	22,086	715,890

Note:

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

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

10. INTANGIBLE ASSETS

	Mining rights *RMB'000*	Exploration and evaluation assets *RMB'000*	Total *RMB'000*
31 December 2017			
Cost at 1 January 2017, net of accumulated amortisation and impairment	**453,589**	**281,781**	**735,370**
Additions	**36**	**10,644**	**10,680**
Acquisition of a subsidiary *(note 19)*	**296,000**	**—**	**296,000**
Amortisation provided during the year	**(16,542)**	**—**	**(16,542)**
Impairment recognised for the year *(b)*	**(17,000)**	**—**	**(17,000)**
Exchange realignment	**(526)**	**—**	**(526)**
At 31 December 2017	**715,557**	**292,425**	**1,007,982**
Analysed as:			
Cost	**831,393**	**292,425**	**1,123,818**
Accumulated amortisation	**(54,164)**	**—**	**(54,164)**
Impairment	**(61,146)**	**—**	**(61,146)**
Exchange realignment	**(526)**	**—**	**(526)**
Net carrying amount	**715,557**	**292,425**	**1,007,982**

	Mining rights *RMB'000*	Exploration and evaluation assets *RMB'000*	Total *RMB'000*
31 December 2016			
Cost at 1 January 2016, net of accumulated amortisation and impairment	458,210	281,781	739,991
Additions	707	—	707
Amortisation provided during the year	(5,328)	—	(5,328)
At 31 December 2016	453,589	281,781	735,370
Analysed as:			
Cost	535,357	281,781	817,138
Accumulated amortisation	(37,622)	—	(37,622)
Impairment	(44,146)	—	(44,146)
Net carrying amount	453,589	281,781	735,370

(a) As at 31 December 2017, the Group's intangible assets with a net carrying amount of approximately RMB61,849,000 (2016: RMB61,902,000) were pledged to secure certain bank and other loans granted to the Group (note 15).

(b) Impairment

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

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

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

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

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

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

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

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

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

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

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

Impairment loss recognised on property, plant and equipment

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

Impairment loss recognised on intangible assets

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

Impairment loss recognised on prepaid land lease payments

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

Impairment loss recognised on payments in advance

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

The determination of VIU for Menghu CGU and Shizishan CGU are considered to be Level 3 fair value measurements for the year ended 31 December 2017, as they are derived from valuation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

11. PAYMENTS IN ADVANCE

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

Notes:

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

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

12. TRADE RECEIVABLES

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

The Group granted a credit term of three months to all customers. In view of the fact that the Group sells all of its products to a small number of customers, there is a high level of concentration of credit risk. The Group seeks to maintain strict control over the settlement of its outstanding receivables and has a credit control department to minimise credit risk. The Group does not hold any collateral or other credit enhancements over trade receivables. Trade receivables are non-interest-bearing and unsecured.

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

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

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

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

Impairment of trade receivables recognised during the year ended 31 December 2017 represented a provision for individually impaired trade receivables of RMB1,061,000 (2016: RMB14,893,000) with a carrying amount before provision of RMB1,061,000 (2016: RMB33,390,000). The individually impaired trade receivables related to certain customers that were in financial difficulties, and the Group had stopped supplying goods to the customers, initiated discussions on repayment terms and is in the midst of monitoring their repayment schedules. Whilst the Group will continue to follow up closely on the receivable status, the recoverability of part of the receivables has specifically been affected by the weak market condition, and may be delayed by a longer-than-expected period or the receivables may not be recoverable. As such, the Group has further made an impairment provision of RMB1,061,000 for the year ended 31 December 2017. Despite such provision and longer-than-expected repayment periods, the Group will initiate necessary actions to recover these receivables in part or in full.

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

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

As of the reporting date, except for the above-mentioned provisions, the Directors are of the opinion that no further provision for impairment is necessary in respect of receivables of RMB257,000 which are past due but not impaired as the balances are still considerably fully recoverable based on the recent credit review conducted by management.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Notes:

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

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

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

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

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

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

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

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

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

14. TRADE PAYABLES

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

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

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

15. INTEREST-BEARING BANK AND OTHER LOANS

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

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

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

(a) Mortgages over the following assets:

	Net book amount as at 31 December 2017 *RMB'000*
Property, plant and equipment	**60,547**
Intangible assets	**61,849**
Prepaid land lease payments	**10,673**

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

(i) 99% of equity interest in Kunrun;

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

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

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

In addition, the bank loans are guaranteed by Mr. Ran Xiaochuan, who is the Company's former executive director (note 20(a)).

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.

16. DIVIDENDS

At a meeting of the Directors held on 12 February 2018, the Directors did not recommend a final dividend for the year ended 31 December 2017 (2016 final dividend: Nil).

17. COMMITMENTS

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

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

18. CONTINGENT LIABILITIES

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

19. BUSINESS COMBINATION

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

The acquisition has been accounted for using the acquisition method.

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

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

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

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

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

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

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

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

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

20. RELATED PARTY TRANSACTIONS

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

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

The bank and other loans were guaranteed by Mr. Ran Xiaochuan, the Company's former executive director, for nil consideration (note 15).

(b) Outstanding balances with related parties:

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

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

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

21. APPROVAL OF THE FINANCIAL STATEMENTS

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

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 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2.1 to the financial statements, which indicates that the Group incurred a net loss of RMB43,066,000 for the year ended 31 December 2017 and, as at that date, the Group's current liabilities exceeded its current assets by RMB571,750,000. As stated in note 2.1, these conditions, along with other matters as set forth in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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

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

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

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

BUSINESS OVERVIEW

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

OPERATING MINES — AUNG JIUJIA MINE

Mineral resources and reserves of Aung Jiujia Mine

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

Aung Jiujia Mine is owned by Harbor Star which engaged a qualified geological survey team based in China, an independent third party exploration entity, to conduct exploration at Aung Jiujia Mine in June 2014. A report of the geological exploration conducted at Aung Jiujia Mine was issued in April 2015. Based on the report, a summary of the estimated resources of the Aung Jiujia Mine as at 31 December 2017 in accordance with the Chinese Standard is as follows:

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

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

Exploration, Development and Mining Activities of Aung Jiujia Mine

I) Exploration

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

II) Development

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

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

III) Mining and processing activities

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

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

Exploration, Development and Mining Cost of Aung Jiujia Mine

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

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

OPERATING MINE — GPS JV MINE

Mineral resources and reserves of GPS JV Mine

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

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

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

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

Exploration, Development and Mining Activities of GPS JV Mine

I) Exploration

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

II) Development

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

III) Mining and processing activities

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

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

Exploration, Development and Mining Cost of GPS JV Mine

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

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

OPERATING MINE — DAKUANGSHAN MINE

Mineral resources and reserves of Dakuangshan Mine

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

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

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

Exploration, Development and Mining Activities of Dakuangshan Mine

I) Exploration

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

II) Development

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

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

III) Mining and processing activities

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

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

Exploration, Development and Mining Cost of Dakuangshan Mine

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

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

OPERATING MINE — SHIZISHAN MINE

Mineral resources and reserves of the Shizishan Mine

Shizishan Mine, owned by the Group, is a lead-zinc-silver underground polymetallic mine located at Yingjiang County of Yunnan Province. Shizishan Mine located at the southern extension of the Hengduan Mountain Range and along the north-south stretching secondary ridge of the western part of Gaoligong Mountains in western Yunnan with the undulating terrain as well as in the vicinity of the Binlang River. According to the report of resource and estimation on Shizishan Mine as disclosed in the "Competent Person's Report" set out in Appendix V to the Prospectus, a summary of the estimated resources and reserves of Shizishan Mine under the JORC Code as at 31 December 2017 is set out below:

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

Mineral Resource at 0.5% Pb Cut Off

Class	Quantity *(t)*	Pb *(%)*	Zn *(%)*	Ag *(g/t)*	Pb metal *(t)*	Zn metal *(t)*	Ag metal *(t)*
Measured	1,212,760	10.9	6.6	271.0	193,736	104,089	546
Indicated	6,398,000	9.0	5.9	250.0	575,200	378,500	1,600
Inferred	516,000	7.7	4.8	247.0	39,600	24,500	100
Total	8,126,760	9.4	6.0	276.0	808,536	507,089	2,246

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

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

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

Exploration, Development and Mining Activities of Shizishan Mine

I) Exploration

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

II) Development

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

In the summer of 2015 and 2016, in the area where Shizishan Mine is located, there were a number of intense, torrential rain storms in a short period of time, resulting in a dramatic increase in downhole water. Such continuous heavy rainfalls together with the previous earthquakes have affected its geological structure and geomorphology, and the tunnels were severely damaged.

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

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

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

III) Mining and processing activities

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

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

Exploration, Development and Mining Cost of Shizishan Mine

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

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

OPERATING MINE — MENGHU MINE

Mineral resources and reserves of Menghu Mine

Menghu Mine, owned by the Group, is a lead-zinc polymetallic mine located at Mengla County of Yunnan Province. The mining permit of the Menghu Mine covers an area of 0.4 sq. km.

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

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

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

Exploration, Development and Mining Activities of Menghu Mine

I) Exploration

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

II) Development

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

III) Mining and processing activities

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

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

Exploration, Development and Mining Cost of Menghu Mine

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

OTHER MINES

Liziping Mine

Liziping Mine, owned by the Group, is a lead-zinc-silver polymetallic mine located at Lanping County of Yunnan Province and approximately 700 km away from Shizishan Mine. The exploration permit of Liziping Mine covers an area of 13.87 sq. km.

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

	Metal Resources				Grade			
	Lead *(kt)*	**Zinc** *(kt)*	**Copper** *(kt)*	**Silver** *(t)*	**Lead** *(%)*	**Zinc** *(%)*	**Copper** *(kt)*	**Silver** *(g/t)*
Indicated	23.1	41.5	7.7	120.6	3.8	4.8	0.99	123.4
Inferred	73.5	99.8	18.5	276.7	12.5	2.9	0.78	278.8

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

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

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

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

Dazhupeng Mine

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

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

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

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

Lushan Mine

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

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

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

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

Mineral ores trading

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

FINANCIAL REVIEW

Revenue

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

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

Cost of sales

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

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

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

Other income and gains

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

Gain on a bargain purchase

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

Administrative expenses

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

Impairment losses

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

Finance costs

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

Income tax credit

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

Final dividend

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

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

During the year, the Company's significant investment events included (i) on 8 January 2017, the Company and Mr. Wang entered into a sale and purchase agreement in respect of the acquisition of the entire equity interest in Hua Xing Global at a consideration of RMB101.5 million. Particulars of such acquisition were set out in the Company's announcement dated 8 January 2017, and the GPS Joint Venture Company Limited, which is controlled by Hua Xing Global, is one of the largest mining companies in Myanmar; (ii) on 27 April 2017, the Company and the Seller (an independent third party) entered into a sale and purchase agreement in respect of the acquisition of the entire equity interest in Seven Gold Lamp Mining Company Limited ("**Seven Gold Lamp**") at a consideration of RMB56 million. Seven Gold Lamp is a mining company in Myanmar, which legally holds the copper and lead mining license issued by the Ministry of Mines of Myanmar. Particulars of such acquisition were set out in the Company's announcement dated 27 April 2017; (iii) on 8 May 2017, the Company and the Seller (an independent third party) entered into a sale and purchase agreement in respect of the acquisition of the entire equity interest in Horeb Mounting Mining Company Limited ("**Horeb Mounting**") at a consideration of RMB98.0 million. Horeb Mounting is a mining company in Myanmar, which legally holds the copper and lead mining license issued by the Ministry of Mines of Myanmar. Particulars of such acquisition were set out in the Company's announcement dated 8 May 2017; and (iv) on 13 June 2017, the Company and the Seller (an independent third party) entered into a mining right transfer agreement in respect of the acquisition of the legitimate copper and lead mining right located in Mandalay, Myanmar, at a consideration of RMB49 million. Particulars of such acquisition were set out in the Company's announcement dated 13 June 2017.

Liquidity and capital resources

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

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

Net cash flow used in operating activities

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

Net cash flow used in investing activities

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

Net cash flow generated from financing activities

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

Inventories

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

Trade receivables

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

Payment in advance, prepayment, deposits and other receivables

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

Trade and other payables

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

Borrowings

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

Contingent liabilities

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

Foreign currency risk

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

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

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

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

Interest rate risk

We are exposed to interest rate risk resulting from fluctuations in interest rates on our floating rate debt. Floating interest rates are subject to published interest rate changes in People's Bank of China. If the People's Bank of China increases interest rates, our finance cost will increase. In addition, to the extent that we may need to raise debt financing or roll over our short-term loans in the future, any upward fluctuations in interest rates will increase the cost of debt obligations. We do not currently use any derivative instruments to modify the nature of our debt for risk management purpose.

Charge on assets

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

Contractual obligations

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

Capital expenditure

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

Financial instruments

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

Gearing ratio

Gearing ratio is calculated by net debt divided by total equity plus net debt. Net debt refers to the interest-bearing bank and other loans, net of cash and bank balances, excluding liabilities incurred for working capital purpose. Equity includes equity attributable to the owners of the Company and non-controlling interests. The Group's gearing ratio as at 31 December 2017 was as follows:

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

Net current liabilities

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

Use of net proceeds from the IPO

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

Description	**Amount designated in Prospectus** *RMB million*	**Utilised (up to 31 December 2017)** *RMB million*
Financing activities related to the investments in acquired mines	485.4	**485.4**
Financing activities conducted for increasing the mining capacity and expanding tailing storage facilities at the Shizishan Mine	145.6	**145.6**
Financing activities related to the Dazhupeng Mine and the Lushan Mine	37.0	**37.0**
General overseas mergers and acquisitions or proposed acquisitions	141.1	**141.1**
Total	809.1	**809.1**

Use of proceeds from the share placing

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

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

Use of proceeds from the rights issue

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

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

Employee and remuneration policy

As at 31 December 2017, the Group had a total of 136 full-time employees in PRC, Myanmar and Hong Kong, including 46 management and administrative staff, 72 production staff and 18 operations support staff. During the year, staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB12.8 million, representing a decrease of RMB1.8 million or 12.33% as compared to the staff costs of RMB14.6 million in 2016. Based on individual performance, a competitive remuneration package, which includes salaries, medical insurance, discretionary bonuses, other benefits as well as state-managed retirement benefit schemes for employees in the PRC, is offered to retain elite employees. The 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 year are generally appreciated and recognised.

OCCUPATIONAL HEALTH AND SAFETY

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

ENVIRONMENTAL PROTECTION AND LAND REHABILITATION

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

STRATEGY AND OUTLOOK

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

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

OTHER INFORMATION

Annual General Meeting

The 2018 annual general meeting of the Company will be held on Friday, 18 May 2018 (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 Monday, 14 May 2018 to Friday, 18 May 2018 (both days inclusive), during which period no share transfers of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 11 May 2018.

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

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

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

2. On 18 August 2017, the Company proposed to issue and allot to the qualifying shareholders 1,193,259,000 new shares on the basis of one rights share for every two existing shares at the subscription price of HK$0.12 per rights share. Particulars of the rights issue were set out in the prospectus of the Company dated 8 September 2017 and announcement of the Company dated 29 September 2017.

Corporate Governance Practices

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

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

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

Code provision A.5.1

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

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

Code provision C.1.2

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

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

Code provision E.1.2

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

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

Model Code For Securities Transactions

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

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

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

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

Directors' Interests in Transactions, Arrangements or Contracts

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

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.

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

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

The 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 year ended 31 December 2017.

Financial Information

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2017, but represents an extract from those accounts. The financial information has been reviewed by the Audit Committee and approved by the Board.

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 year ended 31 December 2017 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.

Past Performance and Forward Looking Statements

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

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
"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 to which the Dakuangshan Company owns the mining right
"Dazhupeng Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, the PRC, with respect to which we hold an exploration permit
"Director(s)"	directors of the Company or any one of them
"GPS JV Mine"	a lead-silver mine to which GPS Joint Venture Company Limited owns the mining rights and the exploration rights
"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"	The Stock Exchange of Hong Kong Limited
"IFRS"	International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board (the "**IASB**") and the International Accounting Standards (the "**IAS**") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect

"IPO"	the initial public offering and listing of shares of the Company on the main board of the Hong Kong Stock Exchange on 14 December 2011
"JORC"	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 edition), as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy and used to determine resources and reserves, as amended from time to time
"kg"	kilogram(s)
"km"	kilometre(s), a metric unit measure of distance
"kt"	thousand tonnes
"Kunrun"	Yingjiang County Kunrun Industry Company Limited (盈江縣昆潤實業有限公司), a subsidiary of the Company whose registered office is at Yingjiang County, Yunnan Province, the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Liziping Company"	Nujiang Shengjia Chengxin Industrial Company Ltd. (怒江州聖佳誠信實業有限公司), a subsidiary of the Company whose registered office is at Lanping County, Yunnan Province, the PRC
"Liziping Mine"	a lead-zinc-silver polymetallic mine to which the Liziping Company owns the exploration right
"Lushan Mine"	a tungsten-tin polymetallic ore mine located in Yingjiang County, Yunnan Province, the PRC, operated by Xiangcaopo Mining, an independent third party

"Menghu Company"	Meng La Chen Feng Mining Development Company Limited (勐臘縣宸豐礦業開發有限公司), a subsidiary of the Company whose registered office is at Mengla County, Yunnan Province, the PRC
"Menghu Mine"	a lead mine to which the Menghu Company owns the mining right
"mineral resource(s)" or "resource(s)"	a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction, as defined in the JORC Code. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into "inferred," "indicated," and "measured" categories
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"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 2017
"RMB"	the lawful currency of the PRC
"Shareholder(s)"	shareholder(s) of the Company
"Shizishan Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, the PRC, and operated by Kunrun
"sq.km."	square kilometer
"t"	tonne
"tpd"	tonnes per day
"US" or "United States"	the United States of America
"USD"	United States dollar(s), the lawful currency of the United States
"Xiangcaopo Mining"	Yunnan Xiangcaopo Mining Co., Ltd, a limited liability company in the PRC, currently wholly owned by Li Jincheng, an independent third party
"Zn"	the chemical symbol for zinc

By Order of the Board
China Polymetallic Mining Limited
Lei Dejun
Executive Director

Hong Kong, 12 February 2018

As at the date of this announcement, the Board comprises Mr. Lei Dejun as executive director; Mr. Yin Bo, Mr. Chan Suk Ching and Mr. Zhang Yonghua as non-executive directors; and Mr. Ma Shirong and Mr. Chi Hongji as independent non-executive directors.