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Greenway Mining Group Limited
信盛礦業集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2133)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The Board announces that it has approved the consolidated results of the Group together with the comparative information for the year ended 31 December 2019 on 20 March 2020, 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 2019

		2019	2018
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**109,483**	195,012
Cost of sales		**(100,031)**	(150,455)
Gross profit		**9,452**	44,557
Other income and gains	*5*	**4,845**	15,299
Selling and distribution expenses		**(5,553)**	(5,650)
Administrative expenses		**(37,297)**	(37,386)
Other expenses		**(5,562)**	(6,434)
Share of losses of an associate		**(2,618)**	—
Finance costs		**(25,776)**	(21,110)
LOSS BEFORE TAX	*6*	**(62,509)**	(10,724)
Income tax expense	*7*	**(19,769)**	(5,440)
LOSS FOR THE YEAR		**(82,278)**	(16,164)

	Note	2019 RMB'000	2018 RMB'000
OTHER COMPREHENSIVE LOSS:			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent years:			
Exchange differences on translation of foreign operations		**5,483**	(3,151)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(76,795)**	(19,315)
Loss attributable to:			
Owners of the Company		**(70,789)**	(8,639)
Non-controlling interests		**(11,489)**	(7,525)
		(82,278)	(16,164)
Total comprehensive loss attributable to:			
Owners of the Company		**(66,077)**	(11,089)
Non-controlling interests		**(10,718)**	(8,226)
		(76,795)	(19,315)
Loss per share attributable to ordinary equity holders of the Company:			
— Basic and diluted	*8*	**RMB(0.020)**	RMB(0.002)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**805,747**	809,901
Investment properties		**6,658**	7,239
Intangible assets	10	**985,541**	992,162
Investment in an associate		**19,126**	—
Right-of-use assets		**11,198**	—
Prepaid land lease payments		—	10,403
Payments in advance	11	**213,815**	414,188
Prepayments and deposits	13	**215,126**	216,919
Pledged deposits		**1,999**	—
Deferred tax assets		**49,649**	61,636
Total non-current assets		**2,308,859**	2,512,448
CURRENT ASSETS			
Inventories		**11,484**	35,979
Trade receivables	12	**2,889**	3,536
Prepayments, deposits and other receivables	13	**13,417**	29,758
Due from an associate		**9,086**	—
Cash and cash equivalents		**2,760**	4,502
Total current assets		**39,636**	73,775
CURRENT LIABILITIES			
Trade payables	14	**17,884**	12,586
Contract liabilities		**10,904**	4,960
Other payables		**119,741**	169,478
Tax payable		**5,347**	95,341
Lease liabilities		**532**	—
Due to a related party		**31,068**	—
Interest-bearing bank loans	15	**35,549**	66,520
Total current liabilities		**221,025**	348,885
NET CURRENT LIABILITIES		**(181,389)**	(275,110)
Total assets less current liabilities		**2,127,470**	2,237,338

	Note	**2019**	2018
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Other payables		**3,734**	40,983
Lease liabilities		**221**	—
Interest-bearing bank loans	*15*	**308,990**	297,932
Provision for rehabilitation		**34,239**	30,224
Deferred tax liabilities		**30,015**	22,233
Total non-current liabilities		**377,199**	391,372
Net assets		**1,750,271**	1,845,966
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**30**	30
Reserves		**1,547,067**	1,609,369
		1,547,097	1,609,399
Non-controlling interests		**203,174**	236,567
Total equity		**1,750,271**	1,845,966

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(62,509)**	(10,724)
Adjustments for:			
Finance costs		**25,776**	21,110
Unrealised foreign exchange gains		**(43)**	(316)
Bank interest income	5	**(43)**	(151)
Interest income from loans to third parties		**—**	(1,982)
Depreciation of property, plant and equipment	6	**28,580**	33,130
Depreciation of investment properties	6	**581**	677
Impairment losses recognised	6	**2,932**	677
Loss on disposal of items of property, plant and equipment		**—**	71
Amortisation of intangible assets	6	**6,832**	11,173
Depreciation of right-of-use assets/ recognition of prepaid land lease payments	6	**850**	270
Reversal of a loss allowance for other receivables	6	**(145)**	(2,941)
Income on waiver of debts by other payables	5	**(172)**	(8,515)
Gain on disposal of a subsidiary	5	**(2,890)**	—
Share of losses of an associate		**2,618**	—
		2,367	42,479
Decrease in trade receivables		**298**	4,940
Decrease in inventories		**5,437**	6,393
Decrease/(increase) in prepayments, deposits, and other receivables		**3,830**	(6,984)
Decrease/(increase) in an amount due from a related party		**(9,086)**	200
Increase in trade payables		**5,298**	4,844
Increase in contract liabilities		**5,944**	4,960
Increase in other payables		**25,165**	9,988
Cash generated from operations		**39,253**	66,820
Interest received		**43**	151
Net cash flows generated from operating activities		**39,296**	66,971

	2019	2018
	RMB'000	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	**(38,136)**	(34,111)
Advance of loans to third parties	—	(13,300)
Repayment of loans from third parties	**13,300**	62,693
Proceeds from disposal of financial assets at fair value through profit or loss	—	6,500
Proceeds from by-product due to construction of exploration and evaluation assets	**119**	—
Interest received from loans to third parties	—	1,982
Proceeds from disposal of items of property, plant and equipment	—	79
Payment for acquisition of non-controlling interests in a subsidiary	**(1,200)**	—
Increase in pledged deposits	**(1,999)**	—
Expenditures on exploration and evaluation assets	—	(240)
Net cash flows generated from/(used in) investing activities	**(27,916)**	23,603
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal portion of lease payments	**(667)**	—
Interest paid	**(17,498)**	(20,424)
Proceeds from a loan from a related party	**30,000**	—
Repayment of bank loans	**(25,000)**	(80,000)
Transaction costs on the renewal of bank loans	—	(4,538)
Net cash flows used in financing activities	**(13,165)**	(104,962)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,785)**	(14,388)
Cash and cash equivalents at beginning of year	**4,502**	18,574
Effect of foreign exchange rate changes	**43**	316
CASH AND CASH EQUIVALENTS AT END OF YEAR	**2,760**	4,502

NOTES TO FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE AND GROUP INFORMATION

Greenway Mining Group Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is Room 2510, 25/F, Harcourt House, No. 39 Gloucester Road, Wanchai, Hong Kong.

Pursuant to the Shareholder's approval obtained from the Annual General Meeting held on 31 May 2019, the Certificate of Incorporation on Change of Name of the Company issued by the Registry of Companies in the Cayman Islands on 5 June 2019 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company issued by the Registrar of Companies in Hong Kong on 27 June 2019, the Company changed its name to Greenway Mining Group Limited (formerly known as China Polymetallic Mining Limited) and adopted the Chinese name of "信盛礦業集團有限公司" which has been used for identification purposes only to replace "中國多金屬礦業有限公司".

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 the trading of commodities.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"), and International Accounting Standards ("**IASs**") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

During the year ended 31 December 2019, the Group incurred a consolidated net loss of RMB82,278,000 (2018: RMB16,164,000) and had net cash flows generated from operating activities of RMB39,296,000 (2018: RMB66,971,000). As at 31 December 2019, the Group had net current liabilities of RMB181,389,000 (2018: RMB275,110,000).

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

(a) The Directors have evaluated all the relevant facts available to them and are of the opinion that the Group is improving creditability with the bank by generating positive cash inflow from its operations during the year ended 31 December 2019. Meanwhile, the Group is actively exploring the availability of alternative sources of financing.

(b) The Group has budgeted and laid out its business plan for the next twelve months, and seeks to become profitable and generate positive cash flows from operation. The Group is actively monitoring the production activities of these mines so as to fulfill the forecast production volume and meet sales orders.

(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 daily operating expenses.

(d) The Group is actively monitoring the mining production so as not to incur any unexpected significant capital cash outflow.

(e) The Group is actively following up with its debtors on outstanding receivables with the aim of agreeing a repayment schedule with each of them so as to expedite collection.

(f) The Group has successfully completed the rights issue to raise gross proceeds amounted to HK$49.2 million (equivalent to approximately RMB44.4 million) subsequent to 31 December 2019.

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. The Group has taken into consideration of the existing epidemic outbreak of COVID-19 (the "**Epidemic**") when preparing the cash flow forecast. In light of the Epidemic, the operation of the mines in Myanmar and China have been temporary suspended. Management expects the operation of these mines will gradually begin as the Group's employees (including the employees of the Group's contractors) have gradually returned to the mines. In addition, the Group expects that save and except for any extraordinary circumstances which are beyond the expectation of the management, following the gradual recovery of the Epidemic and the planned production expansion in the second half of 2020, any reasonable adverse price fluctuation of the Group's major products as a result of the Epidemic will not significantly cause severe negative impact to the Group's cash flow. Therefore, the management does not believe the Epidemic will materially affect the Group's operations and cash flows significantly during the forecasted period.

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 2019 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 16	*Leases*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9, IAS 28 and IAS 19, *and Annual Improvements to IFRSs 2015-2017 Cycle*, the adoption of which has had no significant financial effect on the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 Determining whether an Arrangement contains a *Lease*, SIC 15 *Operating Leases — Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of office premises, warehouse. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately in the statement of financial position. The right-of-use assets for leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at cost, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at cost applying IAS 40.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/(decrease)
	RMB'000
Assets	
Increase in right -of-use assets	11,956
Decrease in prepaid land lease payments	(10,403)
Decrease in prepayments, deposits and other receivables	(290)
Increase in total assets	1,263
Liabilities	
Increase in lease liabilities	1,263

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	1,518
Weighted average incremental borrowing rate as at 1 January 2019	6.17%
Discounted operating lease commitments at 1 January 2019	1,263
Lease liabilities as at 1 January 2019	1,263

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

4. REVENUE AND OPERATING SEGMENT INFORMATION

Operating segment information

The Group's revenue and contribution to profit were mainly derived from its sale of self-produced lead-silver concentrates and zinc-silver concentrates and trading business.

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

Entity-wide disclosures:

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	**107,832**	190,717
Revenue from other sources		
Gross rental income	**1,651**	4,295
	109,483	195,012

Revenue from contracts with customers

(i) Disaggregated revenue information

	2019	2018
	RMB'000	*RMB'000*
Type of goods or services		
Sales of lead-silver concentrates	**45,715**	97,320
Sales of zinc-silver concentrates	**6,458**	9,861
Sales of raw ores	**1,006**	2,209
Trading activities	**50,559**	77,344
Rendering of processing services	**4,094**	3,983
Total revenue from contracts with customers	**107,832**	190,717
Timing of revenue recognition		
Goods transferred at a point in time	**103,738**	186,734
Services transferred over time	**4,094**	3,983
Total revenue from contracts with customers	**107,832**	190,717

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

	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**4,960**	442

(ii) *Performance obligations*

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

Sales of goods

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

Processing services

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

At 31 December 2019 and 2018, the remaining performance obligations (unsatisfied or partially unsatisfied) which are expected to be recognised as revenue within one year relate to sales of goods. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Geographical information

(a) *Revenue from external customers*

	2019	2018
	RMB'000	*RMB'000*
Geographical markets		
Domestic* — Mainland China	**107,832**	162,621
Overseas — Myanmar	**—**	28,096
Total revenue from contracts with customers	**107,832**	190,717

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

(b) Non-current assets

	2019	2018
	RMB'000	*RMB'000*
Mainland China	**1,402,030**	1,417,728
Myanmar ^	**857,180**	1,033,084
	2,259,210	2,450,812

^ This includes the payments in advance in respect of acquisition of subsidiaries amounting to RMB201,500,000 (note 11(a)) (2018: RMB383,877,000).

Information about major customers

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

	2019	2018
	RMB'000	*RMB'000*
Customer A	**34,093**	*
Customer C	*	22,027
Customer D	*	110,729
Customer E	**N/A**	27,168

* Less than 10%

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2019	2018
	RMB'000	*RMB'000*
Reversal of a loss allowance for other receivables	—	2,941
Bank interest income	**43**	151
Interest income from loans to third parties	—	1,982
Income on waiver of debts by other payables	**172**	8,515
Gain on disposal of a subsidiary	**2,890**	—
Gross rental income from investment properties operating leases:		
Other lease payments, including fixed payments	**816**	842
Others	**924**	868
	4,845	15,299

6. LOSS BEFORE TAX

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

	Notes	**2019** **RMB'000**	2018 *RMB'000*
Cost of inventories sold		**95,831**	149,032
Cost of services rendered		**4,200**	1,423
Staff costs (including directors' and chief executive's remuneration:			
Wages and salaries and relevant benefits		**15,827**	15,477
Pension scheme contributions			
— Defined contribution funds		**413**	535
		16,240	16,012
Depreciation of property, plant and equipment	*9*	**28,580**	33,130
Depreciation of an investment property		**581**	677
Depreciation of right-of-use assets (2018: amortisation of land lease payments) ^		**850**	270
Amortisation of intangible assets ^	*10*	**6,832**	11,173
Depreciation and amortisation		**36,843**	45,250
Impairment losses recognised on:			
Financial assets in prepayments, deposits and other receivables		**—**	665
Trade receivables, net	*12*	**349**	12
Inventories		**2,583**	—
Total impairment losses recognised		**2,932**	677
Auditor's remuneration		**3,976**	4,200
Lease payments not included in the measurement of lease liabilities		**61**	—
Operating lease rentals		**—**	933
Reversal of loss allowance for other receivables	*13*	**(145)**	(2,941)
Foreign exchange losses/(gains), net		**70**	(316)

^ The amortisation of intangible assets and depreciation of right-of-use assets (2018: amortisation of land lease payments) for the current year and the prior year are included in "Cost of sales" in profit or loss.

7. INCOME TAX

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

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

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

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

Pursuant to the income tax rules and regulations in Singapore, the Group's subsidiary located in Singapore is liable to Singapore corporate income tax at a rate of 8.5% on the assessable profits generated for the year.

The major components of income tax expense were as follows:

	2019	2018
	RMB'000	*RMB'000*
Current – Myanmar		
Charge for the year	**—**	1,725
Deferred	**19,769**	3,715
	19,769	5,440

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

	2019	2018
	RMB'000	*RMB'000*
Loss before tax	**(62,509)**	(10,724)
Add: disallowed expenses/(non-assessable gains) incurred by BVI subsidiary	**7**	(9,860)
Loss before tax incurred by companies other than the BVI subsidiary	**(62,502)**	(20,584)
Tax at the respective statutory tax rates:		
— PRC subsidiaries, at 25%	**(10,531)**	(6,704)
— Myanmar subsidiaries, at 25%	**(4,922)**	(764)
— the Company and its Hong Kong subsidiary, at 16.5%	**(105)**	1,533
— Singapore subsidiary, at 8.5%	**(5)**	—
Gains not subject to tax	**(4,245)**	(10,560)
Tax losses not recognised	**17,741**	10,545
Utilisation of previously not recognised tax losses	**(148)**	(4,762)
Expenses not deductible for tax	**7,638**	14,147
Losses attributable to an associate	**655**	—
Effect on opening deferred tax of increase in rates	**5,911**	—
Withholding income tax on the intra-group management fee charged	—	247
Reversal of deferred tax recognised in prior years	**7,780**	1,758
Income tax expense	**19,769**	5,440

The share of tax attributable to an associate amounting to RMB2,618,000 (2018: Nil) is included in "Share of losses of an associate" in profit or loss.

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

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares of 3,579,777,000 (2018: 3,579,777,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2019 and 2018.

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Mining infra-structure *RMB'000*	Construction in progress ("CIP") *RMB'000*	Total *RMB'000*
31 December 2019							
Cost:							
At 1 January 2019	66,949	430,492	6,225	13,650	559,104	30,167	1,106,587
Additions	—	286	12	—	40,782	3,613	44,693
Transferred from CIP	1,688	650	—	—	—	(2,338)	—
Attributable to change of a subsidiary to an associate	—	(47,288)	—	—	—	—	(47,288)
Disposals	—	(1,115)	—	—	—	—	(1,115)
Exchange realignment	1,929	724	—	48	—	56	2,757
At 31 December 2019	70,566	383,749	6,237	13,698	599,886	31,498	1,105,634
Accumulated depreciation and impairment:							
At 1 January 2019	12,509	159,234	5,409	11,062	108,472	—	296,686
Provided for the year	3,343	20,317	60	905	3,955	—	28,580
Attributable to change of a subsidiary to an associate	—	(24,378)	—	—	—	—	(24,378)
Disposals	—	(1,115)	—	—	—	—	(1,115)
Exchange realignment	58	52	—	4	—	—	114
At 31 December 2019	15,910	154,110	5,469	11,971	112,427	—	299,887
Net carrying amount:							
At 1 January 2019	54,440	271,258	816	2,588	450,632	30,167	809,901
At 31 December 2019	54,656	229,639	768	1,727	487,459	31,498	805,747

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

Notes:

(a) As at 31 December 2019, 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 RMB3,878,000 (2018: RMB4,379,000) as the Group was still in the 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 2019, the Group's property, plant and machinery with a net carrying amount of RMB57,888,000 (2018: RMB60,967,000) were pledged to secure bank loans granted to the Group (note 15).

10. INTANGIBLE ASSETS

	Mining rights *RMB'000*	Exploration and evaluation assets *RMB'000*	Total *RMB'000*
31 December 2019			
Cost at 1 January 2019, net of accumulated amortisation and impairment	**700,628**	**291,534**	**992,162**
Additions	**1,516**	**1,743**	**3,259**
Reduction in cost	**—**	**(3,525)**	**(3,525)**
Amortisation provided during the year	**(6,832)**	**—**	**(6,832)**
Exchange realignment	**477**	**—**	**477**
At 31 December 2019	**695,789**	**289,752**	**985,541**
Analysed as:			
Cost	**829,776**	**289,752**	**1,119,528**
Accumulated amortisation	**(72,169)**	**—**	**(72,169)**
Impairment	**(61,146)**	**—**	**(61,146)**
Exchange realignment	**(672)**	**—**	**(672)**
Net carrying amount	**695,789**	**289,752**	**985,541**

	Mining rights *RMB'000*	Exploration and evaluation assets *RMB'000*	Total *RMB'000*
31 December 2018			
Cost at 1 January 2018, net of accumulated amortisation and impairment	715,557	292,425	1,007,982
Additions	37	203	240
Reduction in cost	(3,170)	(1,094)	(4,264)
Amortisation provided during the year	(11,173)	—	(11,173)
Exchange realignment	(623)	—	(623)
At 31 December 2018	700,628	291,534	992,162
Analysed as:			
Cost	828,260	291,534	1,119,794
Accumulated amortisation	(65,337)	—	(65,337)
Impairment	(61,146)	—	(61,146)
Exchange realignment	(1,149)	—	(1,149)
Net carrying amount	700,628	291,534	992,162

As at 31 December 2019, the Group's intangible assets with a net carrying amount of approximately RMB61,794,000 (2018: RMB61,810,000) were pledged to secure bank loans granted to the Group (note 15).

11. PAYMENTS IN ADVANCE

	Notes	**2019** **RMB'000**	2018 RMB'000
In respect of the purchase of:			
Prepaid land lease payments		**11,883**	11,883
Property, plant and equipment		**729**	1,725
Acquisition of subsidiaries	*(a)*	**201,500**	383,877
Acquisition of a non-controlling interest in a subsidiary	*(b)*	**—**	17,000
		214,112	414,485
Impairment		**(297)**	(297)
		213,815	414,188

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. During the year, framework agreements of equity transfer amounted to RMB182,377,000 which has been transferred to the associate by way of split.

(b) On 20 May 2019, the Group completed the acquisition of a 10% equity interest in Harbor Star Mining Company Limited from an independent individual at a consideration of RMB17,000,000.

12. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**38,583**	38,881
Impairment	**(35,694)**	(35,345)
	2,889	3,536

It is the Group's trading term that payment in advance is normally required with its customers, except for major customers, where the Group grants a credit term of one month. In view of the fact that the Group sells all of its products to a small number of customers, there is a high level of concentration of credit risk. The Group seeks to maintain strict control over the settlement of its outstanding receivables and has a credit control department to minimise credit risk. The Group does not hold any collateral or other credit enhancements over trade receivables. Trade receivables are non-interest-bearing and unsecured.

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

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**2,889**	3,536

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

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**35,345**	35,333
Impairment losses, net *(note 6)*	**349**	12
At end of year	**35,694**	35,345

Impairment

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

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

As at 31 December 2019

		Past due		
	Current	**Less than 1 year**	**Over 1 year**	**Total**
Expected credit loss rate	**10.5%**	**40%**	**100%**	
Gross carrying amount (RMB'000)	**2,878**	**520**	**35,185**	**38,583**
Expected credit losses (RMB'000)	**302**	**207**	**35,185**	**35,694**

As at 31 December 2018

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

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2019** **RMB'000**	2018 RMB'000
Current portion:			
Prepayments in respect of:			
— purchase of inventories		**9,779**	9,846
— professional fees		**130**	846
— prepaid land lease payments to be amortised within one year		**—**	270
— deposits		**638**	444
— others		**1,811**	4,522
Loans receivable	*(a)*	**—**	13,300
Prepaid expenses		**83**	84
Other receivables in respect of:			
— transfer from trade receivables	*(b)*	**43,991**	43,991
— other receivables		**375**	—
— staff advances		**1,121**	1,111
		57,928	74,414
Impairment allowance	*(c)*	**(44,511)**	(44,656)
		13,417	29,758
Non-current portion:			
Prepayment in respect of purchase of inventories	*(d)*	**214,165**	214,165
Deposits in respect of:			
— environmental rehabilitation		**—**	1,170
— others		**961**	1,584
		215,126	216,919
		228,543	246,677

Notes:

(a) Pursuant to a resolution of the Board dated 27 June 2018, a loan with an amount of RMB13,300,000 was made by the Group to an independent third party, with a term of one year and a fixed interest rate per annum. The Group has fully collected the principal due in June 2019.

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

However, the transferred balance had not been collected according to the agreed repayment terms in 2016 as a result of the weak market condition. As such, the Group made an additional impairment provision of RMB36,049,000 in 2016. Despite such provision and the longer-than-expected repayment period, the Group had continued to initiate necessary actions to recover the receivable in part or in full. The Group collected RMB2,941,000 and the related impairment allowance was reversed accordingly in 2018.

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

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**44,656**	46,932
Impairment losses	**—**	665
Reversal of a provision for loss allowance *(note 6)*	**(145)**	(2,941)
At end of year	**44,511**	44,656

Where applicable, an impairment analysis is performed at each reporting date by considering expected credit losses, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2019 ranged from 0.5% to 10% (2018: from 0.5% to 10%).

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

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:

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**2,100**	2,559
1 to 2 months	**1,117**	1,521
2 to 3 months	**1,881**	1,715
Over 3 months	**12,786**	6,791
	17,884	12,586

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

15. INTEREST-BEARING BANK LOANS

	2019			2018		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Secured and guaranteed:						
Current	**4.81-5.30**	**2020**	**35,549**	5.70-6.15	2019	66,520
Non-current	**4.81-5.30**	**2021-2022**	**308,990**	5.70-6.15	2020	297,932
			344,539			364,452

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

As at 31 December 2019, the Group's bank loans are secured by:

(a) Mortgages over the following assets:

	Net book amount as at 31 December 2019
	RMB'000
Property, plant and equipment *(note 9(b))*	**57,888**
Intangible assets *(note 10)*	**61,794**
Right-of-use assets:	
Prepaid land lease payments	**10,403**

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

(i) 99% of equity interest in Kunrun;

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

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

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

In addition, the bank loans are guaranteed by Mr. Ran Xiaochuan and his spouse, Ms. Luo Chaohua for nil consideration. Mr. Ran Xiaochuan is the Company's former executive director. At the same time, the Company has given corporate guarantee to Ms. Luo Chaohua to counter guarantee her personal guarantee over the Group's bank loans. The corporate guarantee given by the Company will expire when Ms. Luo Chaohua ceases to be the guarantor.

16. DIVIDENDS

At a meeting of the Directors held on 20 March 2020, the Directors did not recommend a final dividend for the year ended 31 December 2019 (2018 final dividend: Nil).

17. COMMITMENTS

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

	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for:		
— Property, plant and equipment	**125**	1,697
— Acquisition of subsidiaries	**2,000**	4,000
	2,125	5,697

18. CONTINGENT LIABILITIES

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

19. RELATED PARTY TRANSACTIONS

(a) During the year, the Group obtained an interest-bearing loan from Shenzhen Blue Ocean Strategy Trading Co., Ltd., ("**Blue Ocean**"), a wholly-owned subsidiary of CITIC Dameng Holdings Limited, amounting to RMB30,000,000 (2018: Nil) with a term of one year and a fixed interest rate per annum of 8%. The outstanding balance due to Blue Ocean with an amount of RMB31,068,000 (2018: Nil) as at the end of the reporting period is repayable on demand.

(b) The Group had an outstanding balance due from its associate of RM9,086,000 (2018: Nil) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.

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

	2019	2018
	RMB'000	*RMB'000*
Fees	**2,100**	2,931
Other emoluments:		
Salaries, allowances and benefits in kind	**1,266**	650
Pension scheme contributions		
— Defined contribution fund	**9**	10
	1,275	660
	3,375	3,591

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 Greenway Mining Group Limited (the "**Company**") and its subsidiaries (the "**Group**") which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 RMB82,278,000 for the year ended 31 December 2019 and, as at that date, the Group's current liabilities exceeded its current assets by RMB181,389,000. As stated in note 2.1, these conditions, along with other matters as set forth in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2019, the global tensions intensified and the trade disputes erupt frequently. Against such a circumstance of increasingly complicated international relations and tense regional geopolitics, the market was hit by anti risk sentiment. With the escalating friction in Sino-US trade, the domestic economic growth in the PRC slowed down with significant downward pressure on its economic development. As a result, the domestic end-user demand for lead and zinc in the PRC declined gradually, with the selling prices of these metals remained at a low level. The selling price for zinc had rallied before dropping to a low level, while the lead price dropped steadily as the processing costs for lead concentrates kept growing. As compared with the previous year, the selling prices of these metals volatiled with a weakening trend, as the industry was under increasing pressure to undergo structural adjustments.

On the supply side, the integration of resources and the excess capacity reduction policy promulgated by the government further amplified the industrial concentration for lead production industry. As the green upgrading of old capacities was completed and newly added capacities were released in a concentrated manner, the supply pressure gradually built up, and the domestic lead concentrate processing costs increased steadily, which led to a continual decrease in supply of raw lead concentrates in the PRC. In addition, the domestic market's reliance on overseas supply of lead concentrates further increased, while the production cost of recycled lead concentrates decreased as a result of the continual decrease in the price of waste batteries, being the main raw material for making recycled lead concentrates. All these driving forces boost the production of recycled lead concentrates, as the production proportion of recycled lead grew compared with 2018. Overall, the lead market had a sufficient supply in 2019, and the selling price for lead was consequently under pressure.

On the demand side, the supply of raw lead ores was abundant during the year, with the distributors mostly depleting their inventories and the downstream consumption remained weak. On the end-users consumption side, although the sales of automotive picked up momentum during the year, the market of consumer goods as a whole only showed limited improvement. Moreover, the declining investment in the domestic manufacturing industry, the saturated markets of infrastructures, real estate and major appliance, and the continued soften demand for lead-acid batteries due to the development of the new energy industry all led to a lowering demand side and a weak lead price. The government continued to tighten policies on lead-acid batteries due to more stringent environmental issues, imposing stricter standards on the industry. The industry of lead-acid batteries thus entered into a reshuffling process with the strongest survived. As a result, the lead battery industry further centralised on those qualified top players, with some of the small and medium enterprises being eliminated. The market further centred around those top players, and thus the Group's customer groups further concentrated on those top players that were further growing. Although this had no significant impact on the sales of the Group's products as a whole, the Group's bargaining power in various aspects of sale was undermined.

In view of the above factors, the selling prices of the Group's major products, namely lead and zinc concentrates, fluctuated downwards in 2019. Notwithstanding such prices rallied in the middle of 2019, the average selling prices for the year recorded a decrease as compared with 2018, which created great pressures and obstacles to the development of the Group.

In addition, benefiting from the economic reforms and the influx of foreign capital, the economy of Myanmar, where the Group's major mines are located, grew rapidly. The mutually beneficial and friendly relationship between China and Myanmar has provided the Group with a good foundation of an external environment for its investment in Myanmar, which is beneficial to the Group's sustained and stable business development in Myanmar. During the year, China continued to steadily promote the Belt and Road Initiative, and the construction of the China-Myanmar Economic Corridor and the China-ASEAN industrial cooperation were further strengthened. All these have given momentum to the sustainable development of the two countries. The China-Myanmar relationship has continued to flourish steadily in recent years, with their comprehensive strategic cooperative partnership continuing to deepen. For instance, China being Myanmar's biggest trading partner, the economic and trade cooperation between the two countries has gone from strength to strength in recent years, as shown by the bilateral trade volumes between them that have continued to rise annually.

As consumption demand continues to diminish and the environmental protection requirements of mines are becoming more stringent, it is necessary and inevitable for the future development of the lead and zinc industry (and for the long-term growth of lead and zinc production enterprises) to undergo structural adjustments, transformation and upgrading as well as green development. The Group will seize the opportunity of the transformation of the international environment and the close cooperation between China and Myanmar, and continue to shift resources and focus to Myanmar, which has more cost advantages and more development prospects.

BUSINESS OVERVIEW

Under the cyclical fluctuations of lead and zinc prices and weak markets as well as the adverse effects caused by the gradual tightening of the environmental protection measures, inspection and rectification policies and requirements of the Myanmar and Chinese governments, we, as an upstream mining company, continued to consolidate our mining businesses in China and Myanmar. During the year, the major production and operation activities of the Group continued to focus on our three key mines, Aung Jiujia Mine and GPS JV Mine in Myanmar, and Dakuangshan Mine in the PRC, which provided important revenue to the Group. Shizishan Mine and Menghu Mine in the PRC continued low-level operations. For Liziping Mine and Dazhupeng Mine in the PRC, we have obtained its exploration permit and are processing to apply for the mining permit. For Lushan Mine, we accelerated the renewal of exploration permits and conducted all necessary works in preparation of the application for mining permit.

OPERATING MINE IN MYANMAR — AUNG JIUJIA MINE

Mineral resources and reserves of Aung Jiujia Mine

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

According to the production exploration report issued by Yunnan Huapeng Aidi Resources Exploration Limited Company (雲南華鵬愛地資源勘查有限公司) in July 2018, a summary of the estimated resources of the Aung Jiujia Mine as at 31 December 2018 and 31 December 2019 prepared in accordance with the Chinese Standard is as follows:

	31 December 2019		31 December 2018	
	Metal Resources Lead ***(kt)***	**Grade Lead** ***(%)***	Metal Resources Lead *(kt)*	Grade Lead *(%)*
Measured	**336.7**	**7.88**	339.4	7.88
Indicated	**125.8**	**7.80**	125.8	7.80
Inferred	**288.1**	**7.87**	288.1	7.87
Total	**750.6**	**7.87**	753.3	7.87

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

Assumptions:

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

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

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

Overview

The mining operation of Aung Jiujia Mine remained in operation, but due to the gradual increase in mining cost for open-pit mining and the increase in the mining dilution rate, the Group started the adjustment plan of the mining system and accelerated the construction of underground mining projects in accordance with the mining development plan under the current market price conditions. However, subject to the intermittent interlayer in the lower part of the open pit operation, the mining production of Aung Jiujia Mine was affected during the year. Furthermore, Myanmar has strengthened its regulatory requirements for environmental protection, energy saving and emission reduction in mining industry so as to ensure its mineral resources be developed and utilized effectively and efficiently. Nearly towards the year end, we underwent phased short term suspension for underground mining construction and environmental protection infrastructure and ancillary facilities construction in order to strengthen the management of the resource development for Aung Jiujia Mine and improve its utilization level of mineral resources, thereby enhancing the orderly protection of geological environment and the construction of ecological environment system in accordance with the relevant requirements and relevant environmental protection enhancement proposals prepared by the professional parties.

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

Exploration, Development and Mining Activities of Aung Jiujia Mine

(I) Exploration Activities

During the year, we have been consistently conducting production exploration works through our mining operations within the area of mining rights and its adjacent areas of Aung Jiujia Mine in order to accelerate the production operation and increase our resources reserves as well as the resources categories.

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

(II) Development Activities

During the year, the Group continued to carry out the open pit mining construction project in the Aung Jiujia Mine and a multi-layered mining working platform of around 140 meters in length and around 25 meters in width has been built up and a medium-large sized open pit is gradually formed. In addition, the underground tunnel mining project with 70 meters depth below is also in process. In addition, our 1,000 tpd processing plant has come into stable production.

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

(III) Mining and Processing Activities

The following table summarises the mining and processing results of Aung Jiujia Mine during the year and 2018:

	Items	**Unit**	**2019**	2018
ROM Ore	Mined	kt	**111.5**	204.7
	Processed	kt	**116.2**	200.7
Feed Grade	Lead	%	**2.9**	3.5
	Silver	g/t	**9.5**	9.6
Recovery	Lead	%	**80.6**	80.1
	Silver in lead concentrate	%	**60.0**	60.0
Concentrate Grade	Lead	%	**57.8**	62.3
	Silver in lead concentrate	g/t	**120.0**	127.0
Concentrate Tonnes	Lead-silver concentrate	t	**4,731**	9,105

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

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

Exploration, Development and Mining Cost of Aung Jiujia Mine

Expenses of exploration, development and mining activities of Aung Jiujia Mine during the year and 2018 are set out below:

	2019	2018
	RMB million	*RMB million*
Exploration activities	**0.4**	—
Development activities		
Mining infrastructure	**22.8**	15.7
Processing plant and equipment	**2.0**	40.5
Subtotal	**24.8**	56.2
Mining activities*		
Subcontracting fee	**2.4**	5.6
Administrative and related costs (including labour costs)	**0.4**	0.4
Amortisation and others#	**0.1**	0.4
Subtotal	**2.9**	6.4
Total	**28.1**	62.6

(* Processing not included)

(# Please be noted that the production taxes and royalties recorded in previous years are excluded from this item since all these expenses are relocated as expenses for concentrates production.)

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

OPERATING MINE IN MYANMAR — GPS JV MINE

Mineral resources and reserves of GPS JV Mine

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

According to the production exploration reports issued by Yunnan Sanyuan Geological Exploration Limited Company (雲南三源地質勘查有限公司) in October 2018, a summary of the estimated resources of the GPS JV Mine as at 31 December 2019 and 31 December 2018 in accordance with the Chinese Standard is as follows:

	31 December 2019		31 December 2018	
	Metal Resources Lead *(kt)*	**Grade Lead *(%)***	Metal Resources Lead *(kt)*	Grade Lead *(%)*
Measured	**61.2**	**4.1**	62.8	4.1
Indicated	**403.1**	**6.3**	403.1	6.3
Inferred	**1,487.0**	**7.8**	1,487.0	7.8
Total	**1,951.3**	**7.4**	1,952.9	7.4

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

Assumptions:

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

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

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

Overview

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

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

Exploration, Development and Mining Activities of GPS JV Mine

(I) Exploration Activities

During the year, we continued to conduct production exploration works within the areas of the mining rights of GPS JV Mine and committed to accelerating the production operation and increasing our resources reserves as well as the resources categories. In addition, we continued to enhance the exploration activities in other mining zones of GPS JV Mine in order to provide a reliable guarantee for the subsequent continuous production of the project so as to supply our mining and processing.

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

(II) Development Activities

During the year, we actively carried out the mining operation at Jiabao mining zone and continued the mining operations at Bamushan and Xiandao mining zones in the GPS JV Mine. In the meantime, in order to overcome the insufficient investment in production system, the Group is actively exploring other mining zones with resource potential and commercial viability.

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

(III) Mining and Processing Activities

The following table summarises the mining and processing results of GPS JV Mine during the year and 2018:

	Items	Unit	2019	2018
ROM Ore	Mined	kt	**39.8**	49.0
	Processed	kt	**56.7**	76.6
Feed Grade	Lead	%	**5.2**	3.0
	Silver	g/t	**11.4**	21.0
Recovery	Lead	%	**80.0**	80.5
	Silver in lead concentrate	%	**75.0**	70.6
Concentrate Grade	Lead	%	**53.1**	52.6
	Silver in lead concentrate	g/t	**153.3**	325.0
Concentrate Tonnes	Lead-silver concentrate	t	**4,440**	3,495

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

Exploration, Development and Mining Cost of GPS JV Mine

Expenses of exploration, development and mining activities of GPS JV Mine during the year and 2018 are set out below:

	2019	2018
	RMB million	*RMB million*
Exploration activities *(Note (1))*	**—**	—
Development activities		
Mining infrastructure	**13.5**	5.4
Mining activities*		
Subcontracting fee	**1.6**	1.3
Administrative and related costs (including labour costs)	**0.2**	1.0
Amortisation and others#	**0.5**	1.7
Subtotal	**2.3**	4.0
Total	**15.8**	9.4

(* Processing not included)

(# Please be noted that the production taxes and royalties recorded in previous years are excluded from this item since all these expenses are relocated as expenses for concentrates production.)

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

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

OPERATING MINE IN CHINA — DAKUANGSHAN MINE

Mineral resources and reserves of Dakuangshan Mine

Dakuangshan Mine is an underground lead-zinc-silver polymetallic mine located at Dehong prefecture of Yunnan Province, the PRC. The mining permit of the Dakuangshan Mine covers an area of approximately 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 2019 and 31 December 2018 prepared in accordance with the Chinese Standard is as follows:

	31 December 2019						31 December 2018					
	Metal Resources			**Grade**			Metal Resources			Grade		
	Lead	**Zinc**	**Silver**	**Lead**	**Zinc**	**Silver**	Lead	Zinc	Silver	Lead	Zinc	Silver
	(kt)	***(kt)***	***(t)***	***(%)***	***(%)***	***(g/t)***	*(kt)*	*(kt)*	*(t)*	*(%)*	*(%)*	*(g/t)*
Indicated+Inferred	**113.3**	**218.7**	**209.6**	**2.7**	**5.2**	**54.2**	113.7	219.3	210.1	2.7	5.2	54.2

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

Assumptions:

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

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

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

Overview

The production of Dakuangshan Mine decreased during the year compared to the historical record. Its production was impacted by the complexity of geological composition and low grade of the existing mining zones and new mining zones.

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

Exploration, Development and Mining Activities of Dakuangshan Mine

(I) Exploration Activities

During the year, we continued the production exploration at the mining level located at 1,420 and 1,470 metres in height.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of exploration work or conducted any formal geological exploration work at Dakuangshan Mine.

(II) Development Activities

During the year, we have finished the underground production enhancement construction work at Dakuangshan Mine with another mining level located at 1,470 metres in height. In addition, we have implemented technical improvement projects at the processing plant, thereby optimizing and enhancing the processing capacity.

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

(III) Mining and Processing Activities

The following table summarises the mining and processing results of Dakuangshan Mine during the year and 2018:

	Items	Unit	2019	2018
ROM Ore	Mined	kt	**28.9**	63.7
	Processed	kt	**29.6**	58.2
Feed Grade	Lead	%	**1.3**	0.9
	Zinc	%	**3.2**	1.9
	Silver	g/t	**15.0**	13.0
Recovery	Lead	%	**82.0**	75.2
	Zinc	%	**62.0**	72.4
	Silver in lead concentrate	%	**14.6**	71.0
	Silver in zinc concentrate	%	**14.6**	3.5
Concentrate Grade	Lead	%	**54.3**	51.2
	Zinc	%	**44.6**	43.8
	Silver in lead concentrate	g/t	**662.2**	715.0
	Silver in zinc concentrate	g/t	**70.0**	14.3
Concentrate Tonnes	Lead-silver concentrate	t	**662**	751
	Zinc-Silver concentrate	t	**1,272**	1,848

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

Exploration, Development and Mining Cost of Dakuangshan Mine

Expenses of exploration, development and mining activities of Dakuangshan Mine during the year and 2018 are set out below:

	2019	2018
	RMB million	*RMB million*
Exploration activities	**0.6**	—
Development activities		
Mining infrastructure	**3.0**	2.7
Processing plant and equipment	**0.6**	1.1
Subtotal	**3.6**	3.8
Mining activities*		
Subcontracting fee	**1.9**	4.0
Materials cost, electricity and water	**—**	0.9
Maintenance and others	**0.4**	1.2
Administrative and related costs (including labour costs)	**0.3**	0.7
Production tax and royalties, amortisation and others	**0.5**	3.7
Subtotal	**3.1**	10.5
Total	**7.3**	14.3

(* Processing not included)

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

OPERATING MINE IN CHINA — SHIZISHAN MINE

Mineral resources and reserves of Shizishan Mine

Shizishan Mine is an underground lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province, the PRC. Shizishan Mine is located at the southern extension of the Hengduan Mountain Range and along the north-south stretching secondary ridge of the western part of Gaoligong Mountains in western Yunnan with the undulating terrain as well as in the vicinity of the Binlang River. The mining permit of the Shizishan Mine covers an area of approximately 3.25 sq. km. According to the report of resources and reserves estimation on Shizishan Mine as disclosed in the "Competent Person's Report" set out in Appendix V to the Prospectus, a summary of the estimated resources and reserves of Shizishan Mine under the JORC Code as at 31 December 2019 and 31 December 2018 is set out below:

JORC Mineral Resources as at 31 December 2019

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	**1,206,683**	**10.9**	**6.6**	**271.0**	**193,302**	**104,089**	**546**
Indicated	**6,398,000**	**9.0**	**5.9**	**250.0**	**575,200**	**378,500**	**1,600**
Inferred	**516,000**	**7.7**	**4.8**	**247.0**	**39,600**	**24,500**	**100**
Total	**8,120,683**	**9.4**	**6.0**	**276.0**	**808,102**	**507,089**	**2,246**

JORC Mineral Resources as at 31 December 2018

Mineral Resource at 0.5% Pb Cut Off

Class	Quantity *(t)*	Pb *(%)*	Zn *(%)*	Ag *(g/t)*	Pb metal *(t)*	Zn metal *(t)*	Ag metal *(t)*
Measured	1,208,489	10.9	6.6	271.0	193,302	104,089	546
Indicated	6,398,000	9.0	5.9	250.0	575,200	378,500	1,600
Inferred	516,000	7.7	4.8	247.0	39,600	24,500	100
Total	8,122,489	9.4	6.0	276.0	808,102	507,089	2,246

JORC Ore Reserves Estimates as at 31 December 2019

Class	**Quantity** *(t)*	**Pb** *(%)*	**Zn** *(%)*	**Ag** *(g/t)*	**Pb metal** *(t)*	**Zn metal** *(t)*	**Ag metal** *(t)*
Proved	**1,086,683**	**10.0**	**6.1**	**251.0**	**160,903**	**84,489**	**446**
Probable	**5,713,000**	**9.0**	**5.9**	**250.0**	**514,500**	**336,900**	**1,400**
Total	**6,799,683**	**9.3**	**5.9**	**250.0**	**675,403**	**421,389**	**1,846**

JORC Ore Reserves Estimates as at 31 December 2018

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

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

Assumptions:

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

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

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

Overview

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

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

Exploration, Development and Mining Activities of Shizishan Mine

(I) Exploration Activities

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

(II) Development Activities

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

Since 2017, we continued to clear and reinforce the damaged tunnels of Shizishan Mine and resumed pumping water from the tunnels. In September 2017, we started to carry out the drainage tunnel works and continued such works during the year. As at 31 December 2019, the tunnel construction works amounted to 1,115.9 meters in length and the construction works amounted to 6,675 m^3.

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

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

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

(III) Mining and Processing Activities

The following table summarises the mining and processing results of Shizishan Mine during the year and 2018:

	Items	**Unit**	**2019**	2018
Ores Processed		kt	**30.4**	33.6
Feed Grade	Lead	%	**15.2**	4.1
	Zinc	%	**6.0**	6.5
	Silver	g/t	**150.0**	44.2
Recovery	Lead	%	**80.0**	81.4
	Zinc	%	**85.0**	82.3
	Silver in lead concentrate	%	**75.0**	78.7
	Silver in zinc concentrate	%	**10.0**	16.9
Concentrate Grade	Lead	%	**58.0**	62.9
	Zinc	%	**47.0**	48.7
	Silver in lead concentrate	g/t	**1,200.0**	650.0
	Silver in zinc concentrate	g/t	**80.0**	68.0
Concentrate Tonnes	Lead-silver concentrate	t	**1,876**	1,796
	Zinc-silver concentrate	t	**2,657**	3,692

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

Exploration, Development and Mining Cost of Shizishan Mine

Expenses of exploration, development and mining activities of Shizishan Mine during the year and 2018 are set out below:

	2019	2018
	RMB million	*RMB million*
Exploration activities	**—**	—
Development activities		
Mining infrastructure	**1.9**	—
Tailing storage facilities	**—**	0.1
Subtotal	**1.9**	0.1
Mining activities*		
Materials cost, electricity and water	**—**	—
Administrative and related costs (including labour costs)	**0.2**	0.1
Production tax and royalties, amortisation and others	**—**	0.2
Subtotal	**0.2**	0.3
Total	**2.1**	0.4

(* Processing not included)

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

OPERATING MINE IN CHINA — MENGHU MINE

Mineral resources and reserves of Menghu Mine

Menghu Mine is an underground lead-zinc polymetallic mine located at Mengla County of Yunnan Province, the PRC. It is a lead and zinc mine with potential in mineral resources. The mining permit of the Menghu Mine covers an area of approximately 0.38 sq. km.

Menghu Company has engaged the Regional Geologic Survey Team of the Sichuan Bureau of Geological Exploration of Mineral Resources (四川省地質礦產勘查開發局區域地質調查隊), an independent third party exploration entity, to conduct exploration at Menghu Mine in March 2012. A report on the geological exploration conducted at Menghu Mine was issued on 30 November 2012. A summary of the estimated resources of the Menghu Mine as at 31 December 2019 and 31 December 2018 in accordance with the Chinese Standard in the aforesaid report is set out as follows:

	31 December 2019				31 December 2018			
	Metal Resources		**Grade**		Metal Resources		Grade	
	Lead	**Zinc**	**Lead**	**Zinc**	Lead	Zinc	Lead	Zinc
	(kt)	***(kt)***	***(%)***	***(%)***	*(kt)*	*(kt)*	*(%)*	*(%)*
Indicated and inferred	**31.1**	**18.0**	**13.8**	**7.8**	31.7	18.2	13.8	7.8

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

Assumptions:

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

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

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

Overview

During the year, under the subcontracting arrangement, the Group continued to provide its necessary supervision and guidance to the sub-contractor(s) for the operation of Menghu Mine. As compared with 2018, the output of the Menghu Mine improved and became more stable, which provides a good foundation for us either to operate by ourselves or to increase our subcontracting income in the future.

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

Exploration, Development and Mining Activities of Menghu Mine

(I) Exploration Activities

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

(II) Development Activities

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

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

(III) Mining and Processing Activities

The following table summarises the mining results of Menghu Mine during the year and 2018:

	Items	**Unit**	**2019**	2018
ROM Ore	Mined	kt	**3.0**	1.0
Grade	Lead	%	**19.0**	28.5
	Zinc	%	**5.0**	7.5

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

Exploration, Development and Mining Cost of Menghu Mine

No material expenses of exploration, development and mining activities of Menghu Mine were incurred during the year (2018: Nil).

OTHER MINES UNDER DEVELOPMENT IN CHINA

Liziping Mine

Liziping Mine is a lead-zinc-copper-silver polymetallic mine located at Lanping County of Yunnan Province, the PRC and approximately 700 km. away from Shizishan Mine. The exploration permit of Liziping Mine covers an area of approximately 8.44 sq. km.

Liziping Company engaged the Northwest Sichuan Geological Survey Team of the Sichuan Bureau of Geological Exploration of Mineral Resources (四川省地質礦產勘查開發局川西北地質隊), an independent third party exploration entity, to conduct exploration at the Liziping Mine in July 2011. Prior to the acquisition, an area of approximately 4 sq. km. had been explored and a geologist report based on such exploration activities was issued on 12 May 2012. Based on the report, a summary of the estimated resources of the Liziping Mine as at 31 December 2019 and 31 December 2018 in accordance with the Chinese Standard in the aforesaid report is as follows:

	31 December 2019							
	Metal Resources				**Grade**			
	Lead *(kt)*	**Zinc** *(kt)*	**Copper** *(kt)*	**Silver** *(t)*	**Lead** *(%)*	**Zinc** *(%)*	**Copper** *(kt)*	**Silver** *(g/t)*
Indicated	**23.1**	**41.5**	**7.7**	**120.6**	**3.8**	**4.8**	**0.99**	**123.4**
Inferred	**73.5**	**99.8**	**18.5**	**276.7**	**12.5**	**2.9**	**0.78**	**278.8**
Total	**96.6**	**141.3**	**26.2**	**397.3**	**10.4**	**3.5**	**6.84**	**231.6**

	31 December 2018							
	Metal Resources				Grade			
	Lead *(kt)*	Zinc *(kt)*	Copper *(kt)*	Silver *(t)*	Lead *(%)*	Zinc *(%)*	Copper *(kt)*	Silver *(g/t)*
Indicated	23.1	41.5	7.7	120.6	3.8	4.8	0.99	123.4
Inferred	73.5	99.8	18.5	276.7	12.5	2.9	0.78	278.8
Total	96.6	141.3	26.2	397.3	10.4	3.5	0.84	231.6

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

Assumptions:

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

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

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

During the year, we have obtained the exploration permit for Liziping Mine and are processing to apply for the mining permit.

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 (2018: Nil).

Dazhupeng Mine

Dazhupeng Mine is a lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province, the PRC. It is located at approximately 20 km. away from the Shizishan Mine and has certain potential in lead, zinc and silver resources. The exploration permit of the Dazhupeng Mine covers an area of approximately 4.62 sq. km.

During the year, we have successfully obtained the exploration permit for Dazhupeng Mine and are processing to apply for the mining 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 (2018: Nil).

Lushan Mine

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

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

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

No material capital expenditures were incurred for Lushan Mine during the year (2018: Nil).

MINERAL ORES TRADING

During the year, the Group continued to cautiously carry out the mineral ores trading business, expanded its sale channels and enlarged the operation scale, with a view to increase the income of the Group and create new momentum for the Group's growth. The trading business is one of the strategic moves by the Group, which can enlarge the Group's market share and enhance its economy of scale as well as strengthen our sales bargaining power in negotiating commercial terms with the customers. 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 RMB109.5 million (2018: RMB195.0 million). As compared to 2018, revenue decreased by RMB85.5 million or 44%, which was primarily due to (i) decrease in sales volume of our self-produced products; (ii) decrease in average selling price of lead-silver concentrates and zinc-silver concentrates; and (iii) decrease in mineral ores trading during the year.

In 2019, the revenue of sales of self-produced products accounted for 48.6% (2018: 56.1%) of our total revenue.

Sales of self-produced products segment

	Sales Volume (tonnes)	Average Selling Price *(RMB'000/ tonne)*	Revenue *(RMB'000)*	Unit Cost of Sales *(RMB'000)*	Cost of Sales *(RMB'000)*	Gross Profit *(RMB'000)*	Gross Profit Margin *(%)*
2019							
Lead-silver concentrates	**8,904.2**	**5.1**	**45,714.7**	**4.2**	**37,203.4**	**8,511.3**	**18.6**
Zinc-silver concentrates	**1,674.0**	**3.9**	**6,457.6**	**5.9**	**9,908.6**	**(3,451.0)**	**(53.4)**
Raw ores	**1,750.0**	**0.6**	**1,005.8**	**0.2**	**382.2**	**623.6**	**62.0**
Total			**53,178.1**			**5,683.9**	
2018							
Lead-silver concentrates	12,554.7	7.8	97,319.4	4.6	58,098.3	39,221.1	40.3
Zinc-silver concentrates	1,922.1	5.1	9,860.9	7.1	13,642.1	(3,781.2)	(38.3)
Raw ores	4,271.0	0.5	2,209.1	0.1	329.9	1,879.2	85.1
Total			109,389.4			37,319.1	

Sales of self-produced products remains the major income of the Group notwithstanding its decrease by 51.4% to RMB53.2 million (2018: RMB109.4 million) which was primarily attributable to the adverse effects caused by the gradual tightening of the environmental protection measures, inspection and rectification policies and requirements of the Myanmar and Chinese governments, and the existence of faults in the undergoing mining zone of Aung Jiujia Mine which affected the mining production and the significant drop in the average selling price of lead-silver concentrates and zinc-silver concentrates during the year, therefore the total revenue of the sales of self-produced products recorded a substantial decrease as compared with year 2018.

The unit cost of lead-silver concentrates decreased by 9.7% to RMB4,178/tonne during the year 2019 (2018: RMB4,628/tonne), which was mainly attributable to the decrease in unit prices of raw materials, auxiliary materials, labour costs as well as other production costs as a result of our continuous efforts in enhancing the operation and management efficiency.

The unit cost of zinc-silver concentrates decreased by 16.6% to RMB5,919/tonne during the year 2019 (2018: RMB7,098/tonne), which was mainly attributable to the increase in the grade of zinc ores produced by Dakuangshan Mine.

Accordingly, the sales of self-produced products segment recorded a profit of RMB5.7 million (2018: RMB37.3 million), represented a decrease of 84.8%.

Processing service segment

Revenue of processing service segment increased by 2.5% to RMB4.1 million (2018: RMB4.0 million), which was primarily due to the increase of ores supplied by the surrounding miners to Shizishan Mine.

Trading business segment

	Revenue	Cost of Sales	Gross Profit	Gross Profit Margin
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(%)*
2019				
Trade	**50,559.0**	**48,336.6**	**2,222.4**	**4.4%**
2018				
Trade	77,344.3	76,961.4	382.9	0.5%

Revenue of trading business segment decreased by 34.6% to RMB50.6 million (2018: RMB77.3 million). The gross profit contribution and gross profit margin from trading business improved as the Group conducted trading for copper products which are more profitable comparing to the sluggish lead and zinc market during the year.

Subcontracting income segment

Revenue from subcontracting income decreased by 61.6% to RMB1.7 million (2018: RMB4.3 million), which was mainly due to the temporary suspension of the provision of the subcontracting service in Menghu Mine during the renewal process of the mining license in 2019 which were not happened in 2018.

Cost of sales

During the year, the cost of sales was RMB100.0 million (2018: RMB150.5 million), decreased by RMB50.5 million or 33.5%, which was primarily due to the decrease in the scale of trading operation.

Gross profit and gross profit ratio

In 2019, the Group recorded a gross profit of RMB9.5 million (2018: RMB44.6 million) and the gross profit ratio was 8.6% (2018: 22.8%). The decrease in overall gross profit margin was primarily due to the decrease in sales volume of our self-produced products and decrease in average selling price of lead-silver concentrates and zinc-silver concentrates during the year.

Other income and gains

During the year, the other income and gains were RMB4.8 million (2018: RMB15.3 million), primarily comprising gain on disposal of a subsidiary during the year and no such income was recorded in year 2018.

Administrative expenses

During the year, the administrative expenses were RMB37.3 million (2018: RMB37.4 million), primarily comprising expenses previously accounted for cost of sales which have been directly charged to administrative expenses as a result of temporary suspension of the mining operation of Shizishan Mine and decreased production scale of GPS JV Mine and the staff costs in the respective sums of RMB11.0 million and RMB13.0 million and the remaining others were professional consulting fees, depreciation, office administrative fees and other expenses.

Finance costs

During the year, the finance costs increased to RMB25.8 million (2018: RMB21.1 million), primarily because certain professional consultation charges relating to the renewal of bank loans in 2018 was fully amortised when the renewal agreements were further extended during 2019.

Income tax expense

During the year, the income tax expense increased by RMB14.4 million to RMB19.8 million (income tax expense for 2018: RMB5.4 million), which was primarily because (i) deferred tax assets arising from tax losses were written off as a result of expiry or being used during 2019; and (ii) the recognition of deferred tax liabilities as a result of temporary differences arising from depreciation allowance in excess of related depreciation.

Final dividend

At a meeting of the Board held on 20 March 2020, the Board resolved not to recommend any final dividend for the year 2019 to the Company's shareholders (2018: no final dividend).

Net cash flow generated from operating activities

During the year, the net cash flow generated from operating activities decreased to approximately RMB39.3 million. The RMB62.5 million loss was adjusted by (i) the bank interest income and unrealised foreign exchange gains of RMB0.1 million; (ii) the reversal of loss allowance on other receivables and Income on waiver of debts by other payables in total of RMB0.3 million; (iii) an increase in an amount due from related parties of RMB9.1 million; and (iv) gain on disposal of a subsidiary of RMB2.9 million, which was offset by (i) an increase in other payables, trade payables and contract liabilities of RMB36.4 million; (ii) a decrease in trade receivables, inventories and prepayments, deposits and other receivables of RMB9.6 million; (iii) interest expenses from bank and other loans of RMB25.8 million; and (iv) non-cash expenses, including, depreciation, amortization, impairment loss and share of losses of an associate in total amounted to RMB42.4 million;

Net cash flow used in investing activities

The net cash flow used in investing activities was approximately RMB27.9 million, which was due to (i) repayment of loans from third parties in the sum of RMB13.3 million; and (ii) proceeds from by-product due to construction of exploration and evaluation assets of RMB0.1 million, which was offset by (i) the purchase of items of property, plant and equipment of RMB38.1 million; (ii) payment for acquisition of non-controlling interests in a subsidiary of RMB1.2 million; and (iii) increase in pledged deposits of RMB2.0 million.

Net cash flow used in financing activities

The net cash flow used in financing activities was approximately RMB13.2 million, which was mainly due to the payment of certain loan principals and interests upon renewal of bank loans with Ping An Bank, which was offset by the proceeds received from a loan granted by a related party.

Cash and bank balances

As at 31 December 2019 and 31 December 2018, the cash and bank balances of the Group were denominated in the following currencies:

	2019	2018
	RMB'000	*RMB'000*
RMB	**3,025**	2,342
HK$	**825**	1,779
US$	**166**	135
MMK	**535**	44
SG$	**208**	202
Total	**4,759**	4,502

Borrowings

As at 31 December 2019 and 31 December 2018, the Group's borrowing structure and maturity profile are as follows:

	2019			2018		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Secured and guaranteed:						
Current	**4.81-5.30**	**2020**	**35,549**	5.70-6.15	2019	66,520
Non-current	**4.81-5.30**	**2021-2022**	**308,990**	5.70-6.15	2020	297,932
Total			**344,539**			364,452

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

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

The Group's bank loans as at 31 December 2019 was RMB344.5 million, decreased by RMB20.0 million as compared to the balance of RMB364.5 million as at 31 December 2018, which was primarily due to the repayment of certain bank loan principals during the year.

Charge on assets

As at 31 December 2019, the bank loans of the Group were secured by (i) the property, plant, equipment of RMB57.9 million; (ii) intangible assets of RMB61.8 million; (iii) prepaid land lease payments of RMB10.4 million; (iv) 99% of equity interest in Kunrun; (v) 90% of equity interest in Dakuangshan Company; (vi) 90% of equity interest in Liziping Company; (vii) 90% of equity interest in Menghu Company; and guaranteed by Mr. Ran Xiaochuan, the Company's former executive director and his spouse.

Net gearing ratio

Consistent with industry norms, the Group uses the net gearing ratio to measure our debt level. Net gearing ratio is calculated by net debt divided by total equity. Net debt refers to the interest-bearing bank and other loans, net of cash and cash equivalents, excluding liabilities incurred for working capital purpose. Equity includes equity attributable to the owners of the Company and non-controlling interests. As at 31 December 2019 and 31 December 2018, the Group's net gearing ratio was as follows:

	2019.12.31	2018.12.31
	RMB'000	*RMB'000*
Interest-bearing bank loans	**344,539**	364,452
Due to a related party	**31,068**	—
Less: cash and cash equivalents	**(2,760)**	(4,502)
Net debt	**372,847**	359,950
Total equity	**1,750,271**	1,845,966
Net gearing ratio	**21.3%**	19.5%

Net current liabilities

The Group's net current liabilities as at 31 December 2019 decreased to RMB181.4 million as compared to the net current liabilities of RMB275.1 million as at 31 December 2018, which mainly due to (i) the decrease of RMB31.0 million in the short-term bank loan, the repayment date of which was restructured to more than one year; (ii) the decrease of RMB202.9 million of other payables and corresponding taxes upon derecognition of a subsidiary; and (iii) an increase of RMB9.1 million of due from a related party which were partially offset by (i) RMB0.5 million short-term lease liabilities which were recognized as a result of the application of IFRS 16; (ii) borrowings from related parties increased by RMB31.1 million; (iii) trade payables, other payables and contract liabilities increased by RMB74.4 million; and (iv) the decrease of RMB43.3 million in current assets such as inventories, trade receivables, prepayments, deposits, other receivables and cash.

Going concern basis

As at 31 December 2019, the Group incurred a consolidated net loss of RMB82.3 million (2018: RMB16.2 million) and had net cash flows generating from operating activities of RMB39.3 million (2018: RMB67.0 million). As at 31 December 2019, the Group had net current liabilities of RMB181.4 million (2018: RMB275.1 million).

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

(a) The Directors have evaluated all the relevant facts available to them and are of the opinion that the Group is improving creditability with the bank by generating positive cash inflow from its operations during the year ended 31 December 2019. Meanwhile, the Group is actively exploring the availability of alternative sources of financing.

(b) The Group has budgeted and laid out its business plan for the next twelve months, and seeks to become profitable and generate positive cash flows from operation. The Group is actively monitoring the production activities of these mines so as to fulfill the forecast production volume and meet sales orders.

(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 daily operating expenses.

(d) The Group is actively monitoring the mining production so as not to incur any unexpected significant capital cash outflow.

(e) The Group is actively following up with its debtors on outstanding receivables with the aim of agreeing a repayment schedule with each of them so as to expedite collection.

(f) The Group has successfully completed the rights issue to raise gross proceeds amounted to HK$49.2 million (equivalent to approximately RMB44.4 million) subsequent to 31 December 2019.

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. The Group has taken into consideration of the existing epidemic outbreak of COVID-19 (the "**Epidemic**") when preparing the cash flow forecast. In light of the Epidemic, the operation of the mines in Myanmar and China have been temporary suspended. Management expects the operation of these mines will gradually begin as the Group's employees (including the employees of the Group's contractors) have gradually returned to the mines. In addition, the Group expects that save and except for any extraordinary circumstances which are beyond the expectation of the management, following the gradual recovery of the Epidemic and the planned production expansion in the second half of 2020, any reasonable adverse price fluctuation of the Group's major products as a result of the Epidemic will not significantly cause severe negative impact to the Group's cash flow. Therefore, the management does not believe the Epidemic will materially affect the Group's operations and cash flows significantly during the forecasted period.

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 2019 on a going concern basis.

Contingent liabilities

As at 31 December 2019, the Group did not have significant contingent liabilities.

Significant acquisitions and disposals

On 10 May 2019, Kunrun entered into a capital increase agreement with two independent third parties. Pursuant to which, Kunrun's equity interest in Kunrun Gongmao has decreased from 100% to 44.44%. On 10 June 2019, Kunrun Gongmao was derecognised as a subsidiary of the Company and excluded from the scope of the consolidation.

Capital expenditure

During the year, the aggregated amount of the capital expenditure of the Group was RMB40.1 million, which was primarily due to the expenditures on the mining infrastructures, construction in process works and the property, plant and equipment for the processing plant of Aung Jiujia Mine, GPS JV Mine and Dakuangshan Mine.

Contract liabilities

As at 31 December 2019, the Group's contract liabilities amounted to approximately RMB10.9 million, which was primarily due to the increase in recovery efficiency in order to minimise the credit risk, therefore there was increase in short term advances from customers in relation to the delivery of concentrates at the end of the year.

Financial and other risk management

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

(a) Commodity price risk

The prices of lead, zinc and silver affected by numerous factors and events that are beyond the control of the Group. These metal prices change on a daily basis and can vary significantly up and down over time. The factors impacting metal prices include both broader macro-economic developments and micro-economic considerations relating more specifically to the particular metal concerned. There were no commodity hedges in place as at 31 December 2019.

(b) Foreign exchange risk

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

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.

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

(c) Interest rate risk

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

(d) Credit risk

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

During the year, the largest customer of the Group was 永興欣怡礦產品貿易有限公司, the copper, zinc and lead concentrates merchants in the PRC which the Group has established and maintained good and close cooperation relationship for years. During the year, all sales transactions with that company were duly paid in advance before goods were delivered and the Group did not have disagreement with it in all material aspects.

(e) Sovereign risk

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

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2019, the Group had a total of 204 full-time employees (31 December 2018: 227 employees) in the PRC, Myanmar and Hong Kong, including 68 management and administrative staff, 102 production staff and 34 operations support staff. During the year, staff costs (including Directors' remuneration in the form of salaries and other benefits) were approximately RMB16.2 million, representing an increase of RMB228,000 or 1.4% as compared to the staff costs of RMB16.0 million for 2018. 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.

OCCUPATIONAL HEALTH AND SAFETY

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

ENVIRONMENTAL PROTECTION AND LAND REHABILITATION

No environmental claims, lawsuits, penalties or administrative sanctions were reported to management during the year. We are of the view that we were in compliance with all relevant PRC and Myanmar laws and regulations, regarding environmental protection and land rehabilitation in all material respects during the year and as at the date of this announcement. The Group has also adopted and implemented environmental policies on a standard which is not less stringent than the prevailing environmental laws and regulations of the PRC and Myanmar. As at 31 December 2019, the Group has accrued a provision of RMB1.9 million, RMB7.3 million, RMB1.0 million, RMB22.8 million and RMB1.3 million for the rehabilitation of the Aung Jiujia Mine, the GPS JV Mine, the Dakuangshan Mine, the Shizishan Mine and the Menghu Mine, respectively.

EVENTS AFTER THE REPORTING PERIOD

(i) The Company entered into an underwriting agreement and supplemental agreement on 13 December 2019 and 24 December 2019 respectively with Astrum Capital Management Limited (the "**Underwriter**") (the "**Underwriting Agreements**"), the rights issue on the basis of one rights share for every four existing shares held on 22 January 2020 as a record date (the "**Rights Issue**") at the subscription price (the "**Subscription Price**") of HK$0.055 per rights share. Pursuant to the Underwriting Agreements, the Rights Issue is fully underwritten by the Underwriter. The gross proceeds from the Rights Issue are approximately HK$49.2 million. The net proceeds from the Rights Issue, after deducting professional fees and all other relevant expenses, are approximately HK$48.0 million.

    Further details regarding the Rights Issue and Underwriting Agreements were as set out in the announcements of the Company dated 13 December 2019, 18 December 2019, 19 December 2019, 24 December 2019 and 24 February 2020, and the prospectus dated 3 February 2020.

(ii) The Epidemic outbreak of COVID-19 in early 2020 temporarily causing disruptions to the Group's businesses and economic activities and the management of the Group has closely monitored its impact on the operations. Up to the date of this announcement, the Group has taken several measures to resume work and ensure safety of the Group's employees, and the operation in operating mines are gradually resuming. The Group expects that save and except for any extraordinary circumstance which are beyond the expectation of the management, following the gradual recovery of the Epidemic and the planned production expansion in second half of 2020, any reasonable adverse price fluctuation of the Group's major products as a result of the Epidemic will not significantly cause severe negative impact to the Group's cash flow. The management will continue to monitor and assess the ongoing development and respond accordingly.

STRATEGY AND OUTLOOK

Despite the ongoing disputes and tensions of trade and the outbreak of the Epidemic have made the world economic and political situation more complicated, the Group continues to make every efforts to improve its operation and will take the following measures, including but not limited to:

1. With the increasingly stringent laws and regulations regarding environmental protection and emission reduction standard in Myanmar and China, we will continue to accelerate the transformation and upgrading progress of our businesses and strengthen and enhance the management and control on the health, safety and environmental systems of the mines of the Group, striving to be an international professional miner;

2. We will continue to strengthen the resource exploration for existing mines in Myanmar and China, in order to explore and develop mines with abundant resources and high quality;

3. We will enhance the operational efficiency and effectiveness of the Group by further enhancing the cost-cutting measures, and further enhance our management and control level and efficiency;

4. In terms of financing, we will continue to strive to restructure our financing structure to seek for means with lower cost and longer repayment term by all different possible means, including but not limited to equity or debt financing or other alternative means; and

5. We will grasp the historical opportunities brought by the Belt and Road Initiative and continue to actively explore the markets in Myanmar or other emerging regions, and prudently grasp the mergers and acquisitions opportunities in overseas.

OTHER INFORMATION

Annual General Meeting

The 2020 AGM of the Company is tentatively scheduled to be held on Friday, 22 May 2020. A notice convening the 2020 AGM will be published and dispatched to the Shareholders in accordance with the requirements of the Articles of Association and the Listing Rules in due course.

Closure of Register of Members

To determine the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Friday, 15 May 2020 to Friday, 22 May 2020 (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 2020 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 14 May 2020.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 under review, the Company has complied with all of the applicable code provisions as set out in the CG Code.

Model Code For Securities Transactions

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry with all Directors, each of the Directors has confirmed that he has complied with the required standard as set out in the Model Code during the year ended 31 December 2019.

The Company has also established the "Employees Written Guidelines" on terms no less exacting than the Model Code for securities transactions by employees who are likely to possess inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2019.

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 2019 or at any time during the year ended 31 December 2019.

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 ended 31 December 2019.

Audit Committee

The Audit Committee comprised of three members, namely Mr. Ma Shirong, Mr. Chan Suk Ching and Mr. Dong Tao. Mr. Ma Shirong is the chairman 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 2019.

Financial Information

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2019, but represents an extract from the consolidated financial statements for the year ended 31 December 2019 which have been audited by the auditor of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. 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.greenwaymining.com), and the annual report of the Company for the year ended 31 December 2019 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

"2020 AGM"	the annual general meeting of the Company which is tentatively scheduled to be held on 22 May 2020 (Friday)
"Audit Committee"	the audit committee of the Board
"Aung Jiujia Mine"	an open pit and underground lead mine located at Depanbing Village, Ruian County, Shan State, Myanmar which is owned by Harbor Star
"Ag"	the chemical symbol for silver
"Articles of Association"	the articles of association of the Company, conditionally adopted on 24 November 2011 and as amended from time to time
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules, as amended from time to time
"China" or "PRC" or "Mainland China"	the People's Republic of China which, for the purpose of this announcement and unless the context suggests otherwise, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Company"	Greenway Mining Group Limited (信盛礦業集團有限公司), formerly known as China Polymetallic Mining Limited (中國多金屬礦業有限公司), a limited liability company incorporated under the laws of the Cayman Islands on 30 November 2009
"Chinese Standard"	the PRC classification of solid mineral resources and reserves (中國固體礦產資源／儲備分類標準)
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time

"Competent Person's Report"	the Competent Person's Report, dated 25 November 2011, prepared by Runge Asia Limited, trading as Minarco-MineConsult with respect to the independent technical review and assessment of the Shizishan Mine; under such report, Minarco reviewed the geological and exploration information, completed a mineral resource and ore reserve estimation in compliance with the recommendations of the JORC Code, and reviewed and commented on the appropriateness of the planned mining methods and mine design, potential production profiles, forecast operating and capital expenditure, short and long term development plans, and environmental and social setting, for the Shizishan Mine, which was disclosed as appendix V to the Prospectus
"Dakuangshan Company"	Mang City Xindi Mining Company Limited (芒市鑫地礦業有限責任公司), an indirect non-wholly owned subsidiary of the Company
"Dakuangshan Mine"	an underground lead-zinc-silver polymetallic mine located at Dehong Prefecture, Yunnan Province, China which is owned by Dakuangshan Company
"Dazhupeng Mine"	an underground lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province, China which is owned by Kunrun
"Director(s)"	director(s) of the Company
"g/t"	grams per tonne
"GPS JV Mine"	an underground lead mine located at Bawsaing Track, Kalaw Township, Southern Shan State, Myanmar which is owned by GPS Joint Venture Company Limited
"Harbor Star"	Harbor Star Mining Company Limited, an indirect wholly owned subsidiary of the Company

"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Stock Exchange" or "HKSE"	The Stock Exchange of Hong Kong Limited
"IFRS"	International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board (the "**IASB**") and the International Accounting Standards (the "**IAS**") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect
"JORC"	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 edition), as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy and used to determine resources and reserves, as amended from time to time
"kg"	kilogram(s)
"km"	kilometre(s), a metric unit measure of distance
"kt"	thousand tonnes
"Kunrun"	Yingjiang County Kunrun Industry Company Limited (盈江縣昆潤實業有限公司), an indirect wholly owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"Liziping Company"	Nujiang Shengjia Chengxin Industrial Company Ltd. (怒江州聖佳誠信實業有限公司), an indirect non-wholly owned subsidiary of the Company
"Liziping Mine"	a lead-zinc-copper-silver polymetallic mine located at Lanping County of Yunnan Province, China which is owned by Liziping Company
"Lushan Mine"	a tungsten-tin polymetallic mine located at Yingjiang County, Yunnan Province, the PRC, owned by Xiangcaopo Mining, an independent third party
"Menghu Company"	Meng La Chen Feng Mining Development Company Limited (勐臘縣宸豐礦業開發有限公司), an indirect non-wholly owned subsidiary of the Company
"Menghu Mine"	an underground lead-zinc polymetallic mine located at Mengla County of Yunnan Province, China which is owned by Menghu Company
"mineral resource(s)" or "resource(s)"	a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction, as defined in the JORC Code. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into "inferred," "indicated," and "measured" categories
"MMK"	Kyats, the lawful currency of Myanmar
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

“ore reserve(s)” or “reserve(s)”	the economically mineable part of a measured and/or indicated mineral resource, as defined by the JORC Code. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are subdivided, in order of increasing geological confidence, into probable reserves and proved reserves
“Pb”	the chemical symbol for lead
“Prospectus”	the prospectus of the Company dated 2 December 2011 and issued in connection with the IPO
“RMB”	the lawful currency of the PRC
“SG$”	the lawful currency of Singapore
“Shareholder(s)”	shareholder(s) of the Company
“Shizishan Mine”	an underground lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province, China which is owned by Kunrun
“sq. km.”	square kilometre
“t”	tonne
“the Group”	the Company and its subsidiaries
“tpd”	tonnes per day
“US$” or “USD”	United States dollar(s), the lawful currency of the United States

"Xiangcaopo Mining"	Yunnan Xiangcaopo Mining Co., Ltd, (雲南香草坡礦業有限公司) a limited liability company in the PRC, currently wholly owned by Li Jincheng, an independent third party
"Zn"	the chemical symbol for zinc
"%"	per cent.

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

By Order of the Board
Greenway Mining Group Limited
Lei Dejun
Executive Director

Hong Kong, 22 March 2020

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, Mr. Chi Hongji and Mr. Dong Tao as independent non-executive directors.