



# China Polymetallic Mining Limited 中國多金屬礦業有限公司

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code : 2133

**2012**  
Interim Report





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2012 Interim Report

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# Corporate Profile

**China Polymetallic Mining Limited** was incorporated in the Cayman Islands under the Companies Law on 30 November 2009 and was listed on the main board of the Hong Kong Stock Exchange on 14 December 2011.

The Company is one of China's leading silver, lead and zinc mining companies. The Company was the first non-ferrous metal Pure Mining Company listed on the Hong Kong Stock Exchange. With a quality portfolio of assets in ramp-up, development and exploration stages, the Company controls a growing resource base with large and high-grade reserves. With all its current operations in Yunnan Province, we own and operate the Shizishan Mine, a producing large-scale and high-grade lead-zinc-silver mine. The Company is developing the Liziping Mine, a lead-zinc-silver polymetallic mine, the Menghu Mine, a high-grade lead mine and the Dakuangshan Mine, a lead-zinc-silver polymetallic mine. The Company also owns an exploration permit to the lead-zinc-silver Dazhupeng Mine and has secured exclusive long-term, low-cost polymetallic raw ore supply from the Lushan Mine, a tungsten-tin mine. We will leverage our unique position as a leading Chinese mining company and proximity to our key customers to meet the demand for silver, lead and zinc while maximizing returns for shareholders.

# Corporate Information

## Directors

### Executive Directors

Mr. Ran Xiaochuan (*Chairman*)  
Mr. Zhu Xiaolin (*Chief Executive Officer*)  
Mr. Huang Wei (*Head of Geology and Exploration*)  
Mr. Wang Fahai (*Head of Mining*)  
Mr. Wu Wei (*Co-head of Ore Processing and  
Head of Safety*)  
Mr. Zhao Shaohua (*Co-head of Ore Processing*)

### Non-Executive Directors

Mr. Shi Xiangdong  
Mr. Lee Kenneth Jue

### Independent Non-Executive Directors

Mr. Keith Wayne Abell  
Mr. Christopher Michael Casey  
Mr. Richard Wingate Edward Charlton  
Mr. William Beckwith Hayden  
Mr. Maarten Albert Kelder  
Mr. Miu Edward Kwok Chi

## Audit Committee

Mr. Christopher Michael Casey (*Chairman*)  
Mr. Keith Wayne Abell  
Mr. Miu Edward Kwok Chi  
Mr. Shi Xiangdong

## Nomination and Remuneration Committee\*

Mr. Maarten Albert Kelder (*Chairman*)  
Mr. Ran Xiaochuan  
Mr. Zhu Xiaolin  
Mr. Keith Wayne Abell  
Mr. Richard Wingate Edward Charlton  
Mr. William Beckwith Hayden

## Strategy Committee

Mr. Richard Wingate Edward Charlton (*Chairman*)  
Mr. Ran Xiaochuan  
Mr. Zhu Xiaolin  
Mr. Huang Wei  
Mr. Shi Xiangdong  
Mr. William Beckwith Hayden  
Mr. Miu Edward Kwok Chi

## Company Secretary

Ms. Ho Siu Pik (*FCIS, FCS(PE)*)

## Authorized Representatives

Ms. Ho Siu Pik  
Mr. Zhu Xiaolin

## Registered Office

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

## Head Office

22nd Floor, South Building  
145 Tiantai Road  
Hi-tech District  
Chengdu, Sichuan Province  
PRC

\* The Nomination Committee and Remuneration Committee which were established on 24 November 2011 have been consolidated into one single committee, the Nomination and Remuneration Committee, on 20 March 2012.

## Corporate Information

### Principal Place of Business in Hong Kong

Unit 4712, 47/F  
The Center  
99 Queen's Road Central  
Hong Kong

### Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive,  
PO Box 2681, Grand Cayman KY1-1111  
Cayman Islands

### Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### Compliance Advisor

Guotai Junan Capital Limited

### Auditors

Ernst & Young

### Legal Advisers

#### As to Hong Kong Law

O'Melveny & Myers

#### As to PRC Law

Commerce & Finance Law Offices

### Investor Relations Contact

Tel: +852 2180 7577  
Unit 4712, 47/F  
The Center  
99 Queen's Road Central  
Hong Kong

### Principal Bankers

Agricultural Bank of China  
The Bank of China  
Citi Bank

### Stock Code

2133

### Website Address

[www.chinapolymetallic.com](http://www.chinapolymetallic.com)

# Financial Highlights

The Group's summary of published results for the Review Period and the six months ended 30 June 2011 and the assets, liabilities and non-controlling interests as at 30 June 2012 and 31 December 2011 is set forth as follows:

## Results

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000
<b>Revenue</b>	<b>157,254</b>	—
Cost of sales	(31,074)	—
<b>Gross profit</b>	<b>126,180</b>	—
<b>Profit/(loss) and total comprehensive income/(loss) for the period</b>	<b>45,950</b>	(245,629)
<b>Attributable to:</b>		
Owners of the Company	<b>45,266</b>	(245,356)
Non-controlling interests	<b>684</b>	(273)
	<b>45,950</b>	(245,629)
<b>Earnings per share attributable to ordinary equity holders of the Company</b>		
— Basic and diluted	<b>RMB0.02</b>	N/A

The Board does not recommend the payment of an interim dividend for the Review Period.

## Financial Highlights

### Assets, Liabilities and Non-controlling Interests

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000
Non-current assets	997,488	662,890
Current assets	747,661	937,979
Current liabilities	188,479	127,706
Non-current liabilities	132,654	132,178
<b>Total equity</b>	<b>1,424,016</b>	1,340,985
Non-controlling interests	35,104	1,330
Equity attributable to owners of the Company	1,388,912	1,339,655



# Chairman's Statement

## ***“Create Value for Our Shareholders, Employees and Communities”***

Dear Shareholders,

On behalf of the Board of China Polymetallic Mining Limited, I am pleased to present our interim report for the Review Period.

After the official listing on the Hong Kong Stock Exchange on 14 December 2011, we have made a great effort to expand our mining and processing capacity while adopting a prudent and selective approach in acquiring quality resources during the Review Period. Meanwhile, the Group continued to strengthen its strategic relationship with partners and investors.

The deepening of the European debt crisis, which impacted global economic growth, added further uncertainty to the outlook for the PRC economy. As global sentiment remained negative and downstream consumption in the PRC remained at a low level, the domestic non-ferrous metal market experienced a downturn during the Review Period.

This exerted downward pressure on the prices of lead and zinc. Nonetheless, the Chinese government has promulgated various favourable policies to stimulate the mining industry's development. In the “Twelfth Five-Year Plan”, the Chinese government invested substantially in the development of the western region's mineral resource base. This added momentum to the structural adjustment and upgrade and transformation of the non-ferrous metal industry for the purpose of satisfying the demand for non-ferrous metal arising from the strategically emerging industry and the major construction projects in the PRC.

Despite the challenging economy, our Group capitalised on its low-cost structure and industry-leading position in Yunnan Province to record revenue of approximately RMB157.3 million for the Review Period. During the Review Period, the Group recorded a gross profit of RMB126.2 million, representing a gross profit margin of 80.2%. The profit and comprehensive income attributable to the owners of the Company amounted to approximately RMB45.3 million.

During the Review Period, the Group proactively sought opportunities to acquire quality resources and completed strategic acquisitions of the Dakuangshan Mine and the Liziping Mine. The acquisition of these two mines and the acquisition of the Menghu Mine, which was completed on 16 August 2012, represented additional resources and reserve for the Group in Yunnan Province. Leveraging on an enormous potential resource base, the high grades present in these resources and efficient production of the Shizishan Mine, the Group has laid a solid foundation for future production growth and increased investment returns.

## Chairman's Statement

In addition, the Group has made a great effort to ramp up mining and processing capacity. Although there was a one-time power interruption due to local grid upgrade in March, the Shizishan Mine and processing plant achieved satisfactory output. During the Review Period, our total production of lead-silver concentrates and zinc-silver concentrates was 23,482 tonnes, and the average daily production increased from 1,068 tpd in May to 1,211 tpd in June, raising up 13.4%; the production of lead-silver concentrates and zinc-silver concentrates grew from 6,199 tonnes in May to 8,334 tonnes in June, a significant increase of 34.4%. The Group is progressing to full capacity in the second half of 2012 as scheduled to achieve the full planned capacity of 2,000 tpd by the end of 2012.

In order to further enhance corporate governance standards and transparency, the Group has made monthly operational data available for investors and the public by posting public announcements since May 2012, helping to inspire confidence in our targets and provide investors with first-hand insight into operational conditions within the Group.

Going forward, the “Twelfth Five-Year Plan” places great emphasis on “Quality Growth” with a view to developing the western region in the PRC and promoting the transformation from an export-oriented economy to a domestic-consumption-driven economy. Adding an impetus to the growth of local consumption, China Western Development Program, which has benefited the high-end equipment manufacturing industry, will encourage the construction of infrastructure and thus drive the local demand for non-ferrous metal. Meanwhile, the Chinese government is dedicated to facilitating the development of resource bases, especially the mineral resource base in the western region, by focusing on exploring the non-ferrous metal resources in Yunnan, Xinjiang, Gansu, Qinghai, Tibet, Inner Mongolia and Heilongjiang. These favourable factors offer significant opportunities for our future development.

We have formulated a long term development strategy that will ensure that we consolidate our leading position in the non-ferrous metal market in Yunnan Province and in the PRC. In the future, the Group will continue to seek potential acquisition opportunities for the expansion of its resource, reserve and production capacity. Furthermore, the Group will actively optimise existing facilities and technology to further improve our operational efficiency and to increase production volume.

I would like to express my deep appreciation to each of our shareholders, business partners and staff. Looking forward, we are committed to serving as a leading non-ferrous Pure Mining Company in the PRC, and to vigorously promote the development of the industry in general for the purpose of delivering substantial returns to our shareholders.

By order of the Board  
**China Polymetallic Mining Limited**  
**Ran Xiaochuan**  
Chairman

29 August 2012

# Management Discussion and Analysis

The Company is one of China's leading silver, lead and zinc mining companies and was the first non-ferrous Pure Mining Company listed on the main board of the Hong Kong Stock Exchange. The Company confines its operations to "upstream" mining and processing of minerals and does not engage in smelting and refining given the abundant third party smelting and refining operations that are already present in Yunnan Province.

## Market Review

Notwithstanding current depressed metal prices during the Review Period, the Company continues to grow production and increase recoveries at the Shizishan Mine. The Company is encouraged by the fact that the Chinese Government continues to promote the development of the PRC's western region as a significant mineral producing area. The Company has been adversely affected by lower metal prices during the Review Period but has continued to expand production, to grow revenues and manage costs effectively. The Company has also worked to enlarge its portfolio of mining properties in Yunnan Province by acquiring premier mining assets at favorable prices, in order to build the Company's project pipeline to deliver long term growth and returns for its shareholders and key stakeholders.

The "Twelfth Five-Year Plan" and favourable state policies for the development of the mining industry, including the China Western Development Program, indicate the potential for domestic demand for non-ferrous metals to remain stable. As at 30 January 2012, the Ministry of Industry and Information Technology of the PRC officially promulgated the "Development Plan of Non-ferrous Metal Industries under the Twelfth Five-Year Plan" in an effort to encourage the structural adjustment and industrial transformation and upgrading of the non-ferrous metal industry. This policy aims to see the annual growth rate of economic value added by the industry to exceed 10% and the quality and efficiency of industrial development in this sector improve significantly. In

## Management Discussion and Analysis

particular, the targeted annual growth rates of the production volumes of lead and zinc are set at 5.2% and 6.9% respectively. As the dominant player in the region this is expected to materially benefit the Company.

In addition, the Ministry of Industry and Information Technology of the PRC also issued the “Lead Battery Industry Entry Requirements” on 11 May 2012, which were effective from 1 July 2012. These requirements contain conditions relating to the production capacity of enterprises (amongst many other conditions) and it is believed this will encourage many enterprises to rapidly expand output and therefore its demand for lead.

The PRC remains a net importer of lead and zinc concentrates. According to the General Administration of Customs of the PRC, the accumulated import volume of lead concentrates for the first half of 2012 amounted to 757.6 kt, and the accumulated import volume of zinc concentrates for the first half of 2012 amounted to 922.0 kt.

For the first half year of 2012, the prices of lead and zinc declined following the high level achieved in February. Having benefited from macro-economic stimulus policies adopted by the PRC government and the demand for bulk commodities in the future, the outlook for lead and zinc remains stable in the long run. Leveraging our low-cost operating structure and the breadth of experience of our management team, we are well-positioned to cope fluctuation of non-ferrous metals and to navigate the global economic slowdown.

### Operating Results of the Shizishan Mine

The following table summarises the operational mining and processing data of the Shizishan Mine, which was our sole operating mine during the Review Period:

Items		Unit	2012						Total
			January	February	March	April	May	June	
ROM Ore	Mined	kt	4.97	14.45	8.33	22.03	30.98	33.91	114.67
	Working days	days	10	22	9	24	29	28	122
	Average output	t/d	497	657	925	918	1,068	1,211	940
	Processed	kt	2.54	16.05	9.28	18.50	29.37	39.34	115.08
Feed Grade	Lead	%	2.8%	6.1%	6.4%	6.8%	6.7%	6.8%	6.5%
	Zinc	%	5.4%	5.2%	5.6%	5.7%	5.8%	5.8%	5.7%
	Silver	g/t	52	102	109	118	127	145	125
Recovery	Lead	%	82.0%	85.5%	85.6%	86.3%	86.6%	86.3%	86.2%
	Zinc	%	87.8%	85.6%	85.8%	86.1%	86.5%	86.9%	86.5%
	Silver	%	83.1%	87.4%	85.8%	85.5%	85.4%	86.8%	86.2%
Concentrate Grade	Lead	%	53.4%	55.1%	56.0%	55.3%	54.7%	53.1%	54.3%
	Zinc	%	48.2%	50.9%	48.6%	48.3%	48.1%	49.3%	48.9%
	Silver in lead concentrate	g/t	889	878	867	857	899	1,033	935
	Silver in zinc concentrate	g/t	48	73	88	95	123	123	108
Concentrate Tonnes	Lead-silver concentrate	t	110	1,515	907	1,968	3,126	4,324	11,950
	Zinc-silver concentrate	t	251	1,393	916	1,889	3,073	4,010	11,532
Metal Contained in Concentrate	Lead	t	59	835	508	1,088	1,710	2,294	6,494
	Zinc	t	121	709	445	912	1,477	1,976	5,640
	Silver in lead concentrate	kg	98	1,330	787	1,687	2,809	4,464	11,175
	Silver in zinc concentrate	kg	12	101	80	179	377	492	1,241

During the Review Period, the Company has increased production capacity from 840 tpd in December 2011 to 1,211 tpd in June 2012, representing an increase of 44%. Total production volumes of lead-silver concentrates and zinc-silver concentrates were approximately 12.0 kt and 11.5 kt respectively, containing 6.5 kt of lead, 5.6 kt of zinc and 12,416 kg of silver. The Company believes that the full planned mining tonnage of 2,000 tpd will be achieved by the end of 2012. Current mining activities are still exploiting the edges of the main orebody at the Shizishan Mine where management believes grades are lower than the orebody as a whole.

## Management Discussion and Analysis

In line with the growth of mining capacity of the Shizishan Mine, unit production cost was decreased as compared to that in 2011. The details of comparison of unit production cost are set forth in the following table:

	<b>2011</b>	<b>2012</b>	
	<b>Realised</b>	<b>January-June</b>	<b>Variance</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
Total cash cost per tonne of ore processed	410	241	(169)
Total production cost per tonne of ore processed	508	330	(178)
Total cash cost per tonne of concentrate	2,442	1,181	(1,261)
Total production cost per tonne of concentrate	3,025	1,617	(1,408)

## Capital Expenditure of the Shizishan Mine

Capital expenditure of the Shizishan Mine for the periods indicated below (RMB million):

	<b>23 April</b>			<b>2012</b>	
	<b>2009 to</b>			<b>January-June</b>	
	<b>31 December</b>				<b>Total</b>
	<b>2009</b>	<b>2010</b>	<b>2011</b>		
<b>Mining</b>	6.0	34.7	64.7	40.7	146.1
Mining Infrastructure	0.3	0.3	30.1	39.8	70.5
Mining Right and Exploration	5.7	34.4	34.6	0.9	75.6
<b>Processing</b>	1.3	48.7	92.2	3.4	145.6
Processing Factory and Equipment	0.3	40.0	77.5	3.4	121.2
Tailing Storage Facilities	1.0	8.7	14.7	—	24.4
<b>Land Use Right &amp; Building</b>	—	7.2	22.4	0.8	30.4
<b>Total</b>	<b>7.3</b>	<b>90.6</b>	<b>179.3</b>	<b>44.9</b>	<b>322.1</b>

### Other Mineral Resources

#### **Dazhupeng Mine**

The Dazhupeng Mine, owned by our Group, is a lead-zinc-silver polymetallic mine with an exploration permit valid for three years to April 2014. In line with the Group's exploration plan, preliminary exploration has been completed and the exploration drilling activities at the Dazhupeng Mine will commence in the fourth quarter of 2012. The total estimated exploration expenditure for the Dazhupeng Mine is RMB30.1 million, and we also estimate spending RMB195.0 million for the development of the Dazhupeng Mine.

#### **Lushan Mine**

The Lushan Mine, owned by Xiangcaopo Mining (an independent third party), is a tungsten-tin polymetallic mine. We entered into an exclusive ore supply agreement with Xiangcaopo Mining and its owner, Mr. Li Jincheng on 31 December 2010. Under the current agreement, Xiangcaopo Mining will start providing polymetallic tungsten-tin raw ore by the end of 2012, and we plan to build a new gravity-selection processing line with designed daily processing capacity of 1,000 tpd to process the ore from the Lushan Mine. It will be constructed in two phases with daily capacity of 500 tpd each. The construction work of the first phase of the new gravity-selection processing line will be completed by in the first quarter of 2013, and the construction of the second phase is planned to be completed in the second quarter of 2013. As at 30 June 2012, total expenditure of RMB1.3 million had been incurred, in relation to the processing line. We estimate we will incur a total of RMB20.5 million for the new gravity-selection processing line.

### Acquired Mines

#### **Dakuangshan Mine**

On 20 April 2012, the Company exercised the option to purchase 90% of equity interests in the Dakuangshan Company. The consideration for the acquisition was RMB145 million based on the estimated resources of lead and zinc metals of the Dakuangshan Mine. The Dakuangshan Mine is a lead-zinc-silver polymetallic mine located approximately 100 km away from the Shizishan Mine. The mining permit of the Dakuangshan Mine covers an area of 1.56 sq. km. and is valid for eight years, from 9 March 2012 until 9 March 2020.

## Management Discussion and Analysis

According to the geologist report issued by the Sichuan Province Geological Group dated 11 April 2012, the estimated indicated and inferred lead-zinc resources of the Dakuangshan Mine in accordance with Chinese Standard are as follows:

	Contained Metal Resources			Grade		
	Lead (kt)	Zinc (kt)	Silver (t)	Lead (%)	Zinc (%)	Silver (g/t)
Indicated + Inferred	118.3	228.8	216.64	2.69	5.2	54.16

We plan to continue to conduct exploration to further identify the resources available and renovate and upgrade the existing mining and processing facilities of the Dakuangshan Mine to increase its mining and processing capacity. Currently, the existing mining and processing capacity is 500 tpd and 100 tpd respectively, and we plan to expand its mining and processing capacity to 600 tpd by the end of 2012. As at 30 June 2012, we have invested a total of RMB62.7 million in capital expenditure on exploration and renovation of mining infrastructure and processing facilities. We plan to incur a total of RMB130.4 million for the exploration and construction of the Dakuangshan Mine. Please refer to the Company's announcement on 20 April 2012 for more details.

### Liziping Mine

On 18 May 2012, the Company acquired 90% of equity interests in the Liziping Company for a total consideration of RMB152.82 million. The Liziping Mine is a lead-zinc-silver polymetallic mine located approximately 700 km away from the Shizishan Mine. The exploration permit covers an area of 18.29 sq. km. and has a validity term from 29 December 2010 to 29 December 2012.

The Liziping Company engaged the Regional 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. To date, an area of approximately 4 sq. km. has been explored and a geologist report based on such exploration activities was issued on 12 May 2012. A summary of the estimated resources in accordance with Chinese Standard in the aforesaid report is as follows:



## Management Discussion and Analysis

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

The above resources represent an area of 4 sq. km. out of a total 18.29 sq. km. under the exploration permit. Based on the technical due diligence performed by the Group's experts, we believe that there is potential for a large resource base. We are continuing the exploration activities, which are expected to be completed by the third quarter of 2012. We plan to commence construction of the processing and other ancillary facilities for the Liziping Mine in the second quarter of 2013 and commence trial production in the fourth quarter of 2013. As at 30 June 2012, the total capital expenditure on the exploration was RMB37.0 million. We plan to incur a total of RMB405.0 million for the exploration and development of the Liziping Mine. Please refer to the Company's announcement on 18 May 2012 for more details.

### Menghu Mine

On 2 March 2012, the Group entered into a share transfer agreement to acquire 90% of the equity interest in the Menghu Company for a total consideration of RMB85.5 million. The transaction was completed on 16 August 2012.

Menghu Mine is a high-grade lead mine located in Meng La County Yunnan Province. It conducts upstream operations in the exploration and mining of primarily high-grade oxidized lead ore. It is estimated that the total resources within the mining permit are approximately 135,000 tonnes of lead and that the lead grade is approximately 30%.

The Company has implemented the program for further exploration of the mine and the development of mining tunnels with an estimated capital expenditure of RMB25.0 million. Please refer to the Company's announcements dated 5 March 2012, 6 March 2012 and 16 August 2012 for further details.

## Management Discussion and Analysis

### FINANCIAL REVIEW

#### Revenue

For the Review Period, the Group's revenue was approximately RMB157.3 million, arising from the sales of lead-silver concentrates and zinc-silver concentrates. The Group commenced selling concentrates produced from commercial production in November 2011. During the Review Period, the sales volume of lead-silver concentrates and zinc-silver concentrates were 11,933 tonnes and 11,522 tonnes respectively, and the turnover was RMB114.2 million and RMB43.1 million respectively, representing the average selling price of RMB9,570 per tonne for lead-silver concentrates and RMB3,741 per tonne for zinc-silver concentrates.

#### Cost of sales

For the Review Period, the cost of sales was approximately RMB31.1 million accounting for 19.8% of revenue. The cost of sales mainly comprised mining subcontracting fees, ancillary material costs, utilities, depreciation and amortization, and resource taxes.

#### Gross profit and gross profit margin

The gross profit for the Review Period was RMB126.2 million and the gross profit margin was 80.2%.

#### Other income and gains

For the Review Period, the other income and gains were RMB2.0 million, compared to approximately RMB4.4 million for the six months ended 30 June 2011, representing a decrease in other income and gains by approximately RMB2.4 million or approximately 54.5%. This was primarily due to a decrease in foreign exchange gains of RMB4.4 million, which was partially offset by bank interest income of RMB1.5 million.

### **Selling and distribution costs**

For the Review Period, selling and distribution costs were RMB0.8 million, which consisted primarily of marketing related staff costs incurred in line with the business expansion (six months ended 30 June 2011: Nil).

### **Administrative expenses**

For the Review Period, administrative costs were approximately RMB51.9 million, comprising of managerial staff costs, professional consulting fees, office administrative fees and other expenses, compared to approximately RMB16.7 million for the six months ended 30 June 2011, this represents an increase in administrative expenses by approximately RMB35.2 million or approximately 210.8%. This was primarily due to (i) the increased professional fees of RMB20.5 million largely in relation to the annual legal services, audit fees, printing and road show services fees; (ii) equity-settled share option expense of RMB4.0 million incurred in respect of share options granted to the independent non-executive Directors of the Company on 14 December 2011; (iii) an increase in staff costs of RMB6.2 million as a result of the increase in average number of administrative staff as the Group ramped up operations; and (iv) an increase in miscellaneous expenses of RMB4.5 million, such as travelling expenses, office charges and depreciation, etc.

### **Recognition of equity-settled share-based payment**

No one-time equity-settled share-based payments were incurred during the Review Period.

### **Other expenses**

For the Review Period, other expenses were approximately RMB3.0 million, compared to approximately RMB1.2 million for the six months ended 30 June 2011, representing an increase in other expenses of approximately RMB1.8 million. This was primarily due to foreign exchange losses of RMB2.1 million arising from bank balances denominated in HK\$ and US\$ as a result of the appreciation of RMB against HK\$ and US\$.

## Management Discussion and Analysis

### Financing cost

For the Review Period, the financing cost was approximately RMB0.5 million (six months ended 30 June 2011: Nil) representing the incremental interest expenses on the unwinding of discount for the provision for rehabilitation.

### Income tax credit/expense

For the Review Period, income tax expenses were approximately RMB26.0 million, compared to the income tax credit of approximately RMB0.8 million for the six months ended 30 June 2011. This was primarily due to taxable profit generated by our PRC subsidiaries during the Review Period.

### Total comprehensive income/loss for the period

The total comprehensive income for the Review Period was approximately RMB46.0 million, compared to a total comprehensive loss of approximately RMB245.6 million for the six months ended 30 June 2011.

### Total comprehensive income/loss attributable to owners of the Company

The total comprehensive income attributable to the owners of the Company was approximately RMB45.3 million, compared to a total comprehensive loss attributable to owners of the Company of approximately RMB245.4 million for the six months ended 30 June 2011.

### Interim dividend

The Board does not recommend the payment of an interim dividend for the Review Period. The distributable profit generated by our PRC subsidiaries will be used to operate and expand the Group's business, primarily through production ramp-up and selective acquisitions.

### Liquidity and capital resources

The following sets out the information in relation to our Group's consolidated condensed statement of cash flows for the Review Period and the six months ended 30 June 2011:

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
<b>Cash Flows From Operating Activities</b>		
Profit/(loss) before tax	71,969	(246,476)
Non-cash adjustments	16,859	229,214
Increase in inventories	(681)	(1,126)
Increase in prepayments, deposits and other receivables	(12,341)	(4,292)
Increase in trade receivables	(112,714)	—
Decrease in trade payables	(2,851)	—
Increase in other payables and accruals	21,848	4,905
Prepayment to Xiangcaopo Mining	(20,629)	(14,989)
Income tax paid	(521)	(396)
<b>Net cash flows used in operating activities</b>	<b>(39,061)</b>	<b>(33,160)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of items of property, plant and equipment	(69,362)	(73,835)
Purchase of intangible assets	(200,699)	(29,086)
Payment in advance for purchase of land use rights	—	(6,380)
Payment in advance for purchase of a mining right	(43,983)	—
Payment in advance for purchase of an exploration right	—	(70,000)
<b>Net cash flows used in investing activities</b>	<b>(314,044)</b>	<b>(179,301)</b>
<b>Cash Flows From Financing Activities</b>		
Increase in an amount due to the immediate holding company	—	336,959
Proceeds from bank loans	—	62,000
Acquisition of non-controlling interest in a subsidiary	—	(6,160)
<b>Net cash flows from financing activities</b>	<b>—</b>	<b>392,799</b>
<b>Net Increase/(Decrease) In Cash And Cash Equivalents</b>	<b>(353,105)</b>	<b>180,338</b>

## Management Discussion and Analysis

### Inventories

The inventories increased from approximately RMB4.7 million as at 31 December 2011 to approximately RMB7.6 million as at 30 June 2012, primarily due to the raw ore mined from the Dakuangshan Mine during the excavation work.

### Trade receivables

The trade receivables increased from approximately RMB20.3 million as at 31 December 2011 to approximately RMB133.0 million as at 30 June 2012, primarily due to the significant increase in sales during the Review Period.

### Trade and other payables

The Group's trade and other payables increased by RMB31.6 million, from approximately RMB106.1 million as at 31 December 2011 to approximately RMB137.7 million as at 30 June 2012, primarily due to (i) an increase in payable for value added tax as a result of the increase in sales for the Review Period of RMB32.8 million and (ii) an increase in payables in relation to exploration activities at the Dakuangshan Mine and the Liziping Mine aggregated to RMB26.6 million. The increase was partially offset by (i) the decrease in payable related to property, plant, and equipment of RMB18.5 million in connection with the construction of mining site and processing facilities at the Shizishan Mine and (ii) the decrease in professional fees with respect to the Group's Listing of RMB9.6 million.

### Analysis of net current assets position

The Group's net current assets position decreased by RMB251.1 million from approximately RMB810.3 million as at 31 December 2011 to approximately RMB559.2 million as at 30 June 2012, primarily due to the acquisition of the Dakuangshan Company and the Liziping Company as well as the proposed acquisition of the Menghu Company.

### Borrowings

There was no change in borrowings as at 30 June 2012 as compared to the balance as at 31 December 2011.

### Material acquisitions and disposals of subsidiaries and associated companies

During the Review Period, we acquired two subsidiaries, namely Dakuangshan Company and Liziping Company, on 1 June 2012 and 14 June 2012 respectively. The proposed acquisition of the Menghu Company was subsequently completed on 16 August 2012. Details of the acquisitions can be referred to notes 18, 19 and 20 to the interim condensed financial information in this interim report. We did not have any disposal of subsidiaries and associated companies during the Review Period.

### **Contingent liabilities**

As at 30 June 2012, we did not have any material contingent liabilities or guarantees.

### **Pledge of assets**

As at 30 June 2012, other than the mortgage over the mining right of the Shizishan Mine, we did not have any pledges or charges on assets.

### **Foreign currency risk**

Our Group's businesses are located in the PRC and most of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except a small portion of the net proceeds from Listing which are denominated in HK\$.

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

### **Interest rate risk**

Our revenue and operating cash flow will not be affected significantly by the fluctuation of the interest rates in the market. Other than cash and cash equivalents, we do not have any material interest-bearing assets. We manage the interest rate exposure arising from our interest-bearing loans through the use of fixed interest rates. We have not used any interest rate swaps to hedge the Group's exposure to interest rate risk.

### **Contractual obligations**

As at 30 June 2012, our contractual obligations amounted to approximately RMB151.9 million, and decreased by RMB305.6 million as compared to approximately RMB457.5 million as at 31 December 2011, primarily due to the completion of the acquisition of the Dakuangshan Company and the Liziping Company. Details of the Group's contractual obligations can be referred to note 16 of the interim condensed financial information in this interim report.

## Management Discussion and Analysis

### Capital expenditure

The particulars of our capital expenditure for the Review Period are as follows:

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Property, plant and equipment	69,362	73,835
Intangible assets	244,682	99,086
Prepaid Land lease payment	—	6,380
Total	314,044	179,301

For the Review Period, our total capital expenditure was RMB314.0 million, representing an increase by RMB134.7 million or 75.1% as compared to the total capital expenditure for the six months ended 30 June 2011, among which (i) expenditure of RMB69.4 million in connection with the construction of mining and tailing storage facilities at the Shizishan Mine, (ii) expenditure of RMB32.8 million for the purchase of the exploration right to the Liziping Mine, (iii) expenditure of RMB101.0 million for the purchase of the mining right to the Dakuangshan Mine, (iv) a prepayment for the purchase of the mining right to the Menghu Mine and the exploration costs for the Menghu Mine of RMB40.0 million and RMB4.0 million respectively, and (v) expenditure in respect of the exploration and mine construction costs for the Dakuangshan Mine and the Liziping Mine of RMB32.1 million and RMB35.7 million respectively.

### Financial instruments

We did not have any outstanding hedge contracts or financial derivative instruments for the Review Period.

### Gearing ratio

Gearing ratio is calculated by net debt divided by total equity plus net debt. Net debt is defined as interest-bearing bank loans, net of cash and bank balances and it excludes liabilities incurred for working capital purposes. Equity includes equity attributable to the owners of the Company and non-controlling interests. As at 30 June 2012, the Group's cash and bank balances exceeded the total interest-bearing bank loans. As such, no gearing ratio as at 30 June 2012 was presented.



### Use of net proceeds from the IPO

As at 30 June 2012, our use of net proceeds from the IPO was as follows:

Use of proceeds	Net proceeds from the IPO	
	Available to utilise RMB million	Utilised (up to 30 June 2012) RMB million
Financing activities relating to mine acquisitions	485.4	221.60
Financing ramp-up of the mining capacity and expansion of tailing storage facility of the Shizishan Mine	145.6	69.40
Financing activities relating to the Dazhupeng Mine and the Lushan Mine	178.1	0.70
	809.1	291.7

### Employee and remuneration policy

As at 30 June 2012, the Group had a total of 354 full time employees (31 December 2011: 253 employees), including 71 management and administrative staff, 182 production staff and 101 staff supporting operations. For the Review Period, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB16.3 million which included the equity-settled share option expense of RMB4.0 million (for the six months ended 30 June 2011: RMB234.8 million, which included the one-off equity-settled share-based payment of RMB233.0 million).

Based on individual performance, a competitive remuneration package is offered to retain employees including salaries, medical insurance, discretionary bonuses, and other benefits as well as state-managed retirement benefit schemes for employees in the PRC. The Group has also adopted a share option scheme for its independent non-executive Directors.

### Occupational Health and Safety

No accidents or claims relating to personal injury or property damage were reported to our management and we believe that we complied with all relevant PRC laws and regulations regarding occupational health and safety in all material respects during the Review Period and as at the date of this report.

### Environmental Protection and Land Rehabilitation

No environmental claims, lawsuits, penalties or administrative sanctions were reported to management and we believe that we were in compliance with all relevant PRC laws and regulations regarding environmental protection and land rehabilitation in all material respects during the Review Period and as at the date of this report. As at 30 June 2012, the Group has accrued RMB12.7 million for the rehabilitation of the Shizishan Mine.

# Other Information and Corporate Governance Report

## Directors' and Chief Executives' Interests and Short Positions in Shares, underlying Shares and Debentures of the Company or its Associated Corporations

As at 30 June 2012, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code of the Listing Rules were as follows:

### (i) Long positions in shares

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Ran Xiaochuan (note 1)	Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318	660,713,108	33.04
Zhu Xiaolin (note 1)	Interest of corporation controlled by the director and Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318	660,713,108	33.04
Shi Xiangdong (note 1)	Interest of corporation controlled by the director and Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318	660,713,108	33.04
Keith Wayne Abell	Beneficial owner and others	2,617,000	0.13
Maarten Albert Kelder	Beneficial owner and others	400,000	0.02

### (ii) Long positions in share options granted by the Company

Number of share options held by the Directors of the Company as at 30 June 2012:

Name of Director	Number of options held	Number of underlying Shares
Keith Wayne Abell	7,027,027	7,027,027
Christopher Michael Casey	7,027,027	7,027,027
Richard Wingate Edward Charlton	7,027,027	7,027,027
William Beckwith Hayden	7,027,027	7,027,027
Maarten Albert Kelder	7,027,027	7,027,027
Miu Edward Kwok Chi	7,027,027	7,027,027

The details of share options held by the Directors of the Company are disclosed under section headed “Share Options” of this interim report.

*Note:*

1. Ran Chenghao, Ran Xiaochuan, Shi Xiangdong, Zhu Xiaolin, Hover Wealth Limited, Silver Lion, Total Flourish Limited, Grow Brilliant Limited and AL Stone Holdings Limited are the controlling shareholders which have the meaning ascribed to it under the Listing Rules.

Save as disclosed above, as at 30 June 2012, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

### Share Options

The Company conditionally adopted a share option scheme (the “Share Option Scheme”) on 24 November 2011 which came into operation on the Listing Date.

The purpose of the Share Option Scheme is to provide an incentive for qualified participants to work with commitment towards enhancing the value of the Company and the shares for the benefit of our shareholders of the Company and to retain and attract working partners whose contributions are beneficial to the growth and development of the Company.

## Other Information and Corporate Governance Report

The Share Option Scheme is valid and effective for a period of 10 years from 14 December 2011, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

The maximum number of shares in respect of which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not, in aggregate, exceed 200,000,000, being 10% of the shares of the Company in issue immediately after the IPO on the Listing Date which is the effective date of such scheme.

The maximum number of shares issued and to be issued upon exercise of the options granted to any eligible person under the Share Option Scheme shall not in any 12-month period up to the date of grant exceed 1% of the issued share capital of the Company from time to time. Any further grant of share options in excess of this limit is subject to the issue of a circular and shareholders' approval in general meeting. The period within which an option may be exercised under the Share Option Scheme will be determined by the Board at its absolute discretion, save that no option may be exercised later than 10 years from the date of grant of the particular option. Under the Share Option Scheme, the exercise price in relation to each option shall be determined by the Board at its absolute discretion, but in any event shall not be less than the highest of (i) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date of grant of such option; (ii) the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant of such option; and (iii) the nominal value of a share on the date of grant of such option.

Any grant of options to a Director, chief executives or to a substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive Directors (excluding independent non-executive Directors who are the grantees of the options). Any grant of options to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of all options granted and to be granted to such person in the 12 months up to and including the date of the offer of such grant: (1) representing in aggregate over 0.1% of the shares of the Company in issue on the date of the offer; and (2) having an aggregate value in excess of HK\$5 million, based on the closing price of the shares of the Company as quoted on the Hong Kong Stock Exchange at the date of grant, any further grant of options are subject to our shareholders' approval in general meeting at which all connected persons of the Company shall abstain from voting in favour at such meeting and other requirements prescribed under the Listing Rules from time to time.

Pursuant to the Share Option Scheme, each independent non-executive Director of the Company was granted options ("Options") to purchase such number of the Company's shares as having an aggregate value of US\$2 million with the exercise price being the offer price of HK\$2.22 per share, which is the offer price of the Company's Global Offering, which shall vest, and upon vesting become exercisable in four equal tranches on the first, second, third and fourth anniversary of the Listing Date. The Options were approved by the Company's shareholders on 14 December 2011 and, unless otherwise cancelled or amended, will remain in force for five years from that date.

## Other Information and Corporate Governance Report

Details of the Share Option Scheme of the Company as at 30 June 2012 are set out in note 14 to the interim condensed financial information in this interim report.

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

Save as disclosed above, during the Review Period, neither the Company nor any of its subsidiaries is a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any associated corporation and none of the Directors had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

During the Review Period, no share options were granted, exercised, lapsed or cancelled under the Share Option Scheme.

### Non-competition

The Directors are of the view that none of the Directors has competed, or are likely to compete, either directly or indirectly, with our businesses, nor have they caused any harm to any interests owned by the Company during the Review Period.

### Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at 30 June 2012, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company.

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of shareholding %</b>
SAIF Partners IV L.P.	Beneficial owner	105,243,000(L)	5.26
Yan Andrew Y.	Interest of corporation controlled by the substantial shareholder	105,243,000(L)	5.26
SAIF IV GP LP	Interest of corporation controlled by the substantial shareholder	105,243,000(L)	5.26
SAIF IV GP Capital Ltd.	Interest of corporation controlled by the substantial shareholder	105,243,000(L)	5.26

## Other Information and Corporate Governance Report

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Challenger Mining 8 Limited	Beneficial owner	263,077,703(L)	13.15
Salamanca Group Holdings Limited	Interest of corporation controlled by the substantial shareholder	126,277,297(L)	6.31
Blue Andiamo GP Limited	Interest of corporation controlled by the substantial shareholder	126,277,297(L)	6.31
Kedar Sharon Rahamin	Interest of corporation controlled by the substantial shareholder	263,077,703(L)	13.15
Bellamy Martin James	Interest of corporation controlled by the substantial shareholder	263,077,703(L)	13.15
Deutsche Bank Aktiengesellschaft	Beneficial owner and Custodian corporation/ approved lending agent	294,747,027(L)	14.73
Magic Delight Limited ( <i>note 3</i> )	Interest of corporation controlled by the substantial shareholder	302,460,664(L)	15.11
Cititrust (Singapore) Limited	Trustee	302,460,664(L)	15.11
Total Flourish Limited ( <i>note 2</i> )	Beneficial owner and Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318	660,713,108(L)	33.04
Silver Lion ( <i>notes 2 and 3</i> )	Beneficial owner and Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318	660,713,108(L)	33.04

## Other Information and Corporate Governance Report

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Ran Chenghao ( <i>note 2</i> )	Interest of corporation controlled by the substantial shareholder, Founder of a discretionary trust and Beneficial owner and Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318	660,713,108(L)	33.04
Hover Wealth Limited ( <i>notes 2 and 3</i> )	Interest of corporation controlled by the substantial shareholder and Beneficial owner and Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318	660,713,108(L)	33.04
Grow Brilliant Limited ( <i>note 2</i> )	Beneficial owner and Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318	660,713,108(L)	33.04
AL Stone Holdings Limited ( <i>note 2</i> )	Beneficial owner and Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318	660,713,108(L)	33.04

*Notes:*

- The letter "L" denotes the person's long position in such shares.
- Ran Chenghao, Ran Xiaochuan, Shi Xiangdong, Zhu Xiaolin, Hover Wealth Limited, Silver Lion, Total Flourish Limited, Grow Brilliant Limited and AL Stone Holdings Limited are the controlling shareholders of the Company which have the meaning ascribed to it under the Listing Rules.
- The entire issued share capital of Silver Lion is held by Hover Wealth Limited and Magic Delight Limited which are in turn ultimately held by the Cititrust (Singapore) Limited as the trustee of The Ran Family Trust. The Ran Family Trust is a discretionary trust established by Mr. Ran Chenghao as settlor and the Cititrust (Singapore) Limited as trustee on 18 October 2011. The beneficiaries of The Ran Family Trust including family members of Mr. Ran Chenghao are deemed to be interested in the 7,068,484,061 shares held by The Ran Family Trust, Silver Lion, Hover Wealth Limited and Magic Delight Limited pursuant to Part XV of the Securities and Futures Ordinance and their respective interests duplicate the interests held by The Ran Family, Silver Lion, Hover Wealth Limited and Magic Delight Limited.

## Other Information and Corporate Governance Report

Other than as disclosed above, as at 30 June 2012, the Directors of the Company have not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

### Dividends

The Board does not recommend payment of any dividend for the Review Period (six months ended 30 June 2011: Nil).

### Directors' Interests in Contracts

As at 30 June 2012, none of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the same period.

### Purchase, Sale or Redemption of the Company's Listed Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the Review Period.

## Corporate Governance Report

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. In the opinion of the Directors, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices from 1 January 2012 to 31 March 2012 and the Corporate Governance Code from 1 April to 30 June 2012 (the "CG Code") as set out in Appendix 14 of the Listing Rules.

### Board Composition and Board Practices

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value. The Board consists of a total of fourteen Directors, comprising six executive Directors, two non-executive Directors and six independent non-executive Directors. More than one-third of the Board members are independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related



## Other Information and Corporate Governance Report

financial management expertise as required by the Listing Rules. Each of the executive and non-executive Directors of the Company is engaged on a service contract for a term of three years (except for Mr. Lee Kenneth Jue, a non-executive Director of the Company, who is engaged on a service agreement for a term of one year) and the appointment may be terminated by not less than three months' written notice. All Directors (including non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Articles of Association and the CG Code.

All Directors have made active contribution to the affairs of the Board and the Board has always acted in the best interests of the Group. In addition to the regular Board meetings which are scheduled to be held on a quarterly basis, the Directors held conference call every month during the Review Period.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and for ensuring that the Board is briefed on all legislative, regulatory and corporate governance developments and that the Board has regard to them when making decisions.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors have been invited to serve on the Audit, Nomination and Remuneration and Strategy Committees of the Company.

### **Induction and Continuing Development of Directors**

Mr. Lee Kenneth Jue, the new Board member (who was appointed as a non-executive Director of the Company effective on 15 April 2012) has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. A briefing on updates on "Hong Kong Corporate Governance Practices" has been arranged for the Board in June 2012.

### **Model Code for Securities Transactions**

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. The Company has also established "Employees Written Guidelines" on no less exacting terms than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

## Other Information and Corporate Governance Report

Having made specific enquiry, the Company confirmed that all members of the Board and the executive directorate complied with the Model Code throughout the Review Period. Senior managers, executives and staff who, because of their offices in the Company, are likely to be in possession of unpublished price-sensitive information, have been requested to comply with the provision of the Model Code. No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Company.

### Board Committees

Three committees, namely, the nomination and remuneration committee (the “Nomination and Remuneration Committee”), audit committee (the “Audit Committee”) and strategy committee (the “Strategy Committee”) were established for overseeing particular aspects of the Company’s affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company’s website and are available to shareholders upon request.

Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company’s expense.

#### Nomination and Remuneration Committee

As approved at the Board meeting held on 20 March 2012, the nomination committee (the “Nomination Committee”) and remuneration committee (the “Remuneration Committee”), which were established by the Board on 24 November 2011, were merged into a composite Nomination and Remuneration Committee with tailored written terms of reference. The Nomination and Remuneration Committee shall meet regularly to consider the Board structure and remuneration issues and its principal responsibilities include:

- reviewing the structure, size and composition of the Board and make recommendations regarding any proposed changes;
- developing and formulating relevant procedures for nomination and appointment of Directors;
- identifying suitable candidates for appointment as Directors;
- making recommendations to the Board on appointment or re-appointment of and succession planning for Directors; and
- assessing the independence of independent non-executive Directors.

## Other Information and Corporate Governance Report

During the Review Period, prior to the merger of the two Committees, the Nomination Committee and the Remuneration Committee respectively met once on 19 March 2012. After the merger of the two committees, the Nomination and Remuneration Committee met once on 11 June 2012. The structure, size and composition of the Board were reviewed at the meeting in June 2012 to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

The Nomination and Remuneration Committee comprises six members, namely, Mr. Maarten Albert Kelder (Chairman), Mr. Ran Xiaochuan, Mr. Zhu Xiaolin, Mr. Keith Wayne Abell, Mr. Richard Wingate Edward Charlton and Mr. William Beckwith Hayden, four of whom are independent non-executive Directors.

### Audit Committee

The Company established the Audit Committee on 24 November 2011 and has formulated its written terms of reference in accordance with the provisions set out in the CG Code.

The Audit Committee comprises four members, namely, Mr. Christopher Michael Casey (Chairman), Mr. Keith Wayne Abell, Mr. Miu Edward Kwok Chi and Mr. Shi Xiangdong, three of whom are independent non-executive Directors including one with the appropriate professional qualifications.

Audit Committee's main functions are:

- to assist the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group;
- to review the Group's audit plans, scope and results with the external auditors;
- to review the Group's financial reporting, internal control and risk management system with the internal auditors;
- to review and approve the interim results announcement and annual results announcement before submission to the Board;
- to nominate the external auditors for the re-appointment and review their independence.

## Other Information and Corporate Governance Report

The external auditors have reviewed the interim condensed financial information for the Review Period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee together with the management of the Company has reviewed the accounting policies and practices adopted by the Group and discussed, among other things, internal controls and financial reporting matters including a review of the interim report for the Review Period.

The Audit Committee has decided to meet four times a year with the purpose of reviewing the adequacy and effectiveness of the Company’s financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the Review Period on 19 March 2012 and 11 June 2012 to review the financial results and reports, financial reporting and compliance procedures, the report of the internal auditor from the management on the Company’s internal control and risk management systems and processes. After each meeting, the Chairman of the Audit Committee provided the Board with a briefing on the significant issues.

### Strategy Committee

The Company established the Strategy Committee on 24 November 2011 and has formulated its written terms of reference.

The Strategy Committee comprises seven members, namely, Mr. Richard Wingate Edward Charlton (Chairman), Mr. Ran Xiaochuan, Mr. Zhu Xiaolin, Mr. Huang Wei, Mr. Shi Xiangdong, Mr. William Beckwith Hayden and Mr. Miu Edward Kwok Chi, four of whom are non-executive Directors.

The Strategy Committee has decided to meet four times a year with the purpose of giving advice on formulating operation strategies of the Group.

The Strategy Committee held two meetings during the Review Period on 19 March 2012 and 11 June 2012.

### **Internal Controls**

The Company established the internal audit department in early 2012. The Board, through the Audit Committee, has evaluated the effectiveness of the Company's system of internal controls, including the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, effectiveness of risk management functions, adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budgets during the Review Period. There were no significant control failings, weaknesses or significant areas of concern identified which might affect shareholders.

### **Publication of Interim Report**

This interim report is made available for review on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chinapolymetallic.com>) in due course.

# Report on Review of Interim Condensed Financial Information



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**To the Board of Directors of  
CHINA POLYMETALLIC MINING LIMITED**  
*(Incorporated in the Cayman Islands with limited liability)*

## Introduction

We have reviewed the interim condensed financial information set out on pages 37 to 56, which comprises the consolidated statement of financial position of China Polymetallic Mining Limited as at 30 June 2012 and the related consolidated statements of comprehensive income and changes in equity, and consolidated condensed statement of cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on the Hong Kong Stock Exchange require the preparation of a report on interim condensed financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

The Directors are responsible for the preparation and presentation of this interim condensed financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim condensed financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

29 August 2012

# Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	For the six months ended	
		2012	2011
		RMB'000	RMB'000
		(Unaudited)	
<b>REVENUE</b>	3	<b>157,254</b>	—
Cost of sales		<b>(31,074)</b>	—
<b>Gross profit</b>		<b>126,180</b>	—
Other income and gains	4	<b>2,001</b>	4,439
Selling and distribution costs		<b>(778)</b>	—
Administrative expenses		<b>(51,938)</b>	(16,667)
Recognition of equity settled share-based payment		—	(233,000)
Other expenses		<b>(3,020)</b>	(1,248)
Finance costs	5	<b>(476)</b>	—
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>71,969</b>	(246,476)
Income tax credit/(expense)	6	<b>(26,019)</b>	847
<b>PROFIT/(LOSS) FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>45,950</b>	(245,629)
Attributable to:			
Owners of the Company		<b>45,266</b>	(245,356)
Non-controlling interests		<b>684</b>	(273)
		<b>45,950</b>	(245,629)
Earnings per share attributable to ordinary equity holders of the Company:			
— Basic and diluted	7	<b>RMB0.02</b>	N/A

# Interim Consolidated Statement of Financial Position

30 June 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	401,797	311,345
Intangible assets	8	472,955	75,793
Prepaid land lease payments	8	12,992	13,126
Payments in advance	9	62,302	163,952
Prepayments and deposits	10	39,934	94,854
Deferred tax assets		7,508	3,820
<b>Total non-current assets</b>		<b>997,488</b>	662,890
<b>CURRENT ASSETS</b>			
Inventories		7,603	4,701
Trade receivables	11	133,018	20,304
Prepayments, deposits and other receivables	10	91,894	42,663
Cash and cash equivalents		515,146	870,311
<b>Total current assets</b>		<b>747,661</b>	937,979
<b>CURRENT LIABILITIES</b>			
Trade payables	12	1,672	4,523
Other payables and accruals		136,004	101,566
Tax payable		40,803	11,617
Interest-bearing bank loans	13	10,000	10,000
<b>Total current liabilities</b>		<b>188,479</b>	127,706
<b>NET CURRENT ASSETS</b>		<b>559,182</b>	810,273
<b>Total assets less current liabilities</b>		<b>1,556,670</b>	1,473,163



## Interim Consolidated Statement of Financial Position

30 June 2012

	Notes	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans	13	120,000	120,000
Provision for rehabilitation		12,654	12,178
<b>Total non-current liabilities</b>		<b>132,654</b>	132,178
<b>Net assets</b>		<b>1,424,016</b>	1,340,985
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital		17	17
Reserves		1,388,895	1,339,638
		<b>1,388,912</b>	1,339,655
<b>Non-controlling interests</b>		<b>35,104</b>	1,330
<b>Total equity</b>		<b>1,424,016</b>	1,340,985

**Ran Xiaochuan**  
Director

**Zhu Xiaolin**  
Director

# Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

Notes	Attributable to owners of the Company										
	Share capital RMB'000	Share premium account RMB'000	Statutory reserves RMB'000	Safety fund surplus reserve** RMB'000	Capital contribution reserve RMB'000	Share option reserve RMB'000	Difference arising from changes in non-controlling interests RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	9	—	—	—	—	—	(4,115)	(6,018)	(10,124)	7,469	(2,655)
Issue of shares	—	520,964	—	—	—	—	—	—	520,964	—	520,964
Transfer from/(to) reserves	—	—	102	—	—	—	—	(102)	—	—	—
Acquisition of non-controlling interests in a subsidiary	—	—	—	—	—	—	—	—	—	(6,160)	(6,160)
Recognition of equity-settled share-based payments	—	—	—	—	233,000	—	—	—	233,000	—	233,000
Total comprehensive loss for the period	—	—	—	—	—	—	—	(245,356)	(245,356)	(273)	(245,629)
At 30 June 2011	9	520,964	102	—	233,000	—	(4,115)	(251,476)	498,484	1,036	499,520
At 1 January 2012	17	1,360,660*	2,321*	—*	233,000*	379*	(4,115)*	(252,607)*	1,339,655	1,330	1,340,985
Transfer from/(to) reserves	—	—	8,516	—	—	—	—	(8,516)	—	—	—
Establishment for safety fund surplus reserve	—	—	—	1,231	—	—	—	(1,231)	—	—	—
Utilisation of safety fund surplus reserve	—	—	—	(343)	—	—	—	343	—	—	—
Acquisition of subsidiaries	19	—	—	—	—	—	—	—	—	33,090	33,090
Equity-settled share option arrangement	14	—	—	—	—	3,991	—	—	3,991	—	3,991
Total comprehensive loss for the period	—	—	—	—	—	—	—	45,266	45,266	684	45,950
At 30 June 2012 (unaudited)	17	1,360,660*	10,837*	888*	233,000*	4,370*	(4,115)*	(216,745)*	1,388,912	35,104	1,424,016

\* These reserve accounts comprise the consolidated reserves of RMB1,388,895,000 (31 December 2011: RMB1,339,638,000) in the consolidated statement of financial position.

\*\* Pursuant to a Notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC in February 2012, the Group is required to establish for safety fund surplus reserve based on volume of mineral ore extracted.

# Interim Consolidated Condensed Statement of Cash Flows

For the six months ended 30 June 2012

	For the six months ended	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	
Net cash flows used in operating activities	(39,061)	(33,160)
Net cash flows used in investing activities	(314,044)	(179,301)
Net cash flows from financing activities	—	392,799
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(353,105)</b>	180,338
Cash and cash equivalents at beginning of period	870,311	20,320
Effect of foreign exchange rate changes, net	(2,060)	(762)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>515,146</b>	199,896
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	515,146	199,896

# Notes to Interim Condensed Financial Information

For the six months ended 30 June 2012

## 1. CORPORATE INFORMATION

China Polymetallic Mining Limited 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 Unit 4712, 47/F, The Center, 99 Queen's Road Central, Hong Kong.

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

In the opinion of the Directors, the Company does not have an immediate holding company or ultimate holding company. Silver Lion is in a position to exercise significant influence over the Company.

## 2.1 BASIS OF PREPARATION

The unaudited interim condensed financial information for the Review Period has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of amendments issued by the International Accounting Standards Board that are mandatory for annual periods beginning on or after 1 July 2011 and 1 January 2012. The adoption of these amendments has had no significant financial effect on the financial position or performance of the Group.

## Notes to Interim Condensed Financial Information

For the six months ended 30 June 2012

### 3. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is the Group's turnover, represents the net invoiced value of goods sold, net of various types of government surcharges.

The Group's revenue and contribution to profit were mainly derived from its sale of lead-silver concentrates and zinc-silver concentrates, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. In addition, the principal assets employed by the Group are located in Yunnan Province, the PRC. Accordingly, no segment analysis is presented other than entity-wide disclosures.

#### Entity-wide disclosures

Information about products

The following table sets forth the total revenue derived from sales to external customers by product and the percentage of total revenue by product during the Review Period:

	For the six months ended			
	2012		2011	
	RMB'000	%	RMB'000	%
	(Unaudited)			
Lead-silver concentrates	114,187	72.6	—	—
Zinc-silver concentrates	43,067	27.4	—	—
	157,254	100.0	—	—

Geographical information

All external revenue of the Group during the Review Period was attributable to customers established in the PRC, the place of domicile of the Group's operating entities. The Group's non-current assets are all located in the PRC.

## Notes to Interim Condensed Financial Information

For the six months ended 30 June 2012

### 3. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

#### Entity-wide disclosures (continued)

Information about major customers

Revenue derived from each of the major customers accounting for 10% or more of the total revenue is set out below:

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000
Customer A	108,348	—
Customer B	36,890	—

### 4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000
Sale of spare parts	550	—
Bank interest income	1,451	15
Foreign exchange gains, net	—	4,424
	2,001	4,439

## Notes to Interim Condensed Financial Information

For the six months ended 30 June 2012

### 5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	
Cost of inventories sold	31,074	—
Interest on bank loans wholly repayable within five years	5,261	507
Unwinding of a discount	476	—
	5,737	507
Less: interest capitalised to property, plant and equipment (note 8 (a))	(5,261)	(507)
Finance costs	476	—
Employee benefit expense (including Directors' remuneration) *	16,285	234,801
Depreciation and amortisation (note 8)	10,332	638
Auditors' remuneration	1,100	23
Foreign exchange losses/(gains), net	2,114	(4,424)
Operating lease rentals in respect of:		
— Motor vehicles	342	80
— Office building	687	—

\* Total employee benefit expense includes equity-settled share option expense of RMB3,991,000 for the Review Period and equity-settled share-based payment of RMB233,000,000 for the six months ended 30 June 2011.

## Notes to Interim Condensed Financial Information

For the six months ended 30 June 2012

### 6. INCOME TAX EXPENSE/(CREDIT)

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

	For the six months ended	
	30 June	2011
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	
Current — Mainland China		
Charge for the period	29,707	454
Underprovision in prior years	—	396
Deferred	(3,688)	(1,697)
Total tax charge/(credit) for the period	26,019	(847)

Notes:

- (a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (b) 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 Review Period.
- (c) The subsidiaries located in Mainland China are liable to PRC corporate income tax at a rate of 25% on the assessable profits generated for the Review Period.

Pursuant to the income tax rules and regulations in the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from foreign investment enterprises established in the PRC effective from 1 January 2008.

According to the articles of association of Kunrun, an operating subsidiary in the PRC, shareholders of Kunrun have the ultimate power to decide Kunrun's dividend policy. Pursuant to the shareholders' resolution dated 27 July 2012, the net profit of Kunrun for the Review Period, after appropriations to the statutory reserve fund, would be used for business development of Kunrun and would not be distributed to its shareholders. As a result, no deferred tax liabilities relating to withholding tax on the distributable profits of Kunrun for the Review Period have been recorded.



## Notes to Interim Condensed Financial Information

For the six months ended 30 June 2012

### 7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of earnings per share is based on the profit attributable to owners of the Company for the Review Period of RMB45,266,000, and the weighted average number of ordinary shares of 2,000,000,000 in issue during the Review Period.

No adjustment has been made to the basic earnings per share amount presented for the Review Period in respect of a dilution as the exercise price of the Company's outstanding share options was higher than the average market price for the Company's shares during the Review Period.

Loss per share information for the six months ended 30 June 2011 was not considered meaningful due to the group reorganisation, details of which were set out in the Company's prospectus dated 2 December 2011.

### 8. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND PREPAID LAND LEASE PAYMENTS

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

	<b>Property, plant and equipment RMB'000 (Unaudited) (note (a))</b>	<b>Intangible assets RMB'000 (Unaudited) (note (b))</b>	<b>Prepaid land lease payments RMB'000 (Unaudited)</b>
Carrying amount at 1 January 2012	311,345	75,793	13,126
Acquisition of subsidiaries (note 19)	29,167	367,896	—
Additions	70,437	30,312	—
Depreciation/amortisation charged for the period (note 5)	(9,152)	(1,046)	(134)
Carrying amount at 30 June 2012	401,797	472,955	12,992

## Notes to Interim Condensed Financial Information

For the six months ended 30 June 2012

### 8. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND PREPAID LAND LEASE PAYMENTS (continued)

Notes:

- (a) Additions to property, plant and machinery during the Review Period include interest capitalised in respect of bank loans amounting to RMB5,261,000 (six months ended 30 June 2011: RMB507,000). The interest rate of borrowing costs capitalised was 7.98% (six months ended 30 June 2011: 7.68%) per annum.

As at 30 June 2012, the Group was in the process of obtaining the relevant building ownership certificates ("BOCs") for certain buildings with an aggregate net carrying amount of RMB193,235,000 (31 December 2011: RMB147,745,000). The Group's buildings can be sold, transferred or mortgaged when the relevant BOCs have been obtained.

- (b) As at 30 June 2012, the mining right to the Shizishan Mine with a net carrying amount of RMB71,503,000 (31 December 2011: RMB72,549,000) was pledged to secure the Group's bank loans (note 13).

### 9. PAYMENTS IN ADVANCE

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000
<i>In respect of the purchase of:</i>		
Prepaid land lease payments	11,883	3,785
Equity interests in a subsidiary (note 18(c))	40,000	—
Exploration rights and assets	3,983	160,167
Property, plant and equipment	6,436	—
	<b>62,302</b>	163,952

## Notes to Interim Condensed Financial Information

For the six months ended 30 June 2012

### 10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000
<i>Current portion:</i>			
Prepayments in respect of:			
– purchase of inventories	(a)	74,855	38,136
– professional fees	(b)	13,950	–
– prepaid land lease payments to be amortised within one year		270	270
– Other prepayments		896	345
Deposits		383	44
Staff advances		1,540	1,868
Government grants receivable		–	2,000
		<b>91,894</b>	42,663
<i>Non-current portion:</i>			
Prepayment in respect of purchase of inventories	(a)	38,764	54,854
Deposit in respect of:			
– an option to acquire interests in an entity		–	40,000
– environment rehabilitation		1,170	–
		<b>39,934</b>	94,854
		<b>131,828</b>	137,517

*Notes:*

- (a) The balance mainly represents prepayments of RMB111,772,000 (31 December 2011: RMB91,358,000) made to Xiangcaopo Mining, an independent third party supplier for tungsten and tin ores, of which the delivery is expected to commence in the second half of 2012. 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.
- (b) The balance represents professional fees prepaid for the provision of roadshow activities and consultancy services.

## Notes to Interim Condensed Financial Information

For the six months ended 30 June 2012

### 11. TRADE RECEIVABLES

An aged analysis of the trade receivables as at 30 June 2012 and 31 December 2011, based on the invoice date, is as follows:

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000
Within 1 month	81,062	20,304
1 to 2 months	32,535	
2 to 3 months	19,421	—
	<b>133,018</b>	20,304

The Group temporarily extended the credit term of the existing customers from one month in 2011 to three months from May 2012 to December 2012 given unfavorable market conditions. In the opinion of the Directors, no provision for impairment is necessary in respect of these balances as they are not past due under the extended credit term of three months. As at 30 June 2012, trade receivables are non-interest-bearing.

### 12. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2012 and 31 December 2011, based on the invoice date, is as follows:

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000
Within 1 month	1,332	2,232
1 to 2 months	275	1,117
2 to 3 months	—	426
Over 3 months	65	748
	<b>1,672</b>	4,523

Trade payables are non-interest-bearing and are normally settled on 30-day terms.

## Notes to Interim Condensed Financial Information

For the six months ended 30 June 2012

### 13. INTEREST-BEARING BANK LOANS

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000
<i>Secured bank loans and repayable:</i>		
Within one year	10,000	10,000
In the second year	120,000	60,000
In the third year	—	60,000
	130,000	130,000
Portion classified as current liabilities	(10,000)	(10,000)
	120,000	120,000
Non-current portion		

The Group's bank loans are secured by the mortgage over the Group's mining right to the Shizishan Mine with a net carrying amount of RMB71,503,000 as at 30 June 2012 (31 December 2011: RMB72,549,000) (note 8). As at 30 June 2012, all bank loans were denominated in RMB and bear interest at the fixed rate of 7.98% (31 December 2011: 7.83%) per annum.

### 14. SHARE OPTION SCHEME

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to independent non-executive Directors. Each independent non-executive Director was upon Listing of the Company granted options to purchase such number of the Company's shares having an aggregate value of US\$2 million with the exercise price being the offer price of HK\$2.22 per share, which shall vest, and upon vesting become exercisable in four equal tranches on the first, second, third and fourth anniversaries of the Listing Date. The Share Option Scheme was approved by the Company's shareholders on the Listing Date and, unless otherwise cancelled or amended, will remain in force for five years from that date.

The exercise period of the share options granted is determinable by the Directors, and commences after a vesting period of one to four years and ends on 13 December 2016.

## Notes to Interim Condensed Financial Information

For the six months ended 30 June 2012

### 14. SHARE OPTION SCHEME (continued)

The exercise price of share options is determinable by the Board of Directors, but may not be less than the highest of (i) the nominal value of shares of the Company; (ii) the average official closing price of the Company's shares as stated on the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the share options; and (iii) the official closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date of grant of the share options.

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

The following share options were outstanding under the existing Share Option Scheme as at 30 June 2012:

<b>Number of options</b>	<b>Exercise price per share HK\$</b>	<b>Exercise period</b>
10,540,536	2.22	From 14 December 2012 to 13 December 2016
10,540,542	2.22	From 14 December 2013 to 13 December 2016
10,540,542	2.22	From 14 December 2014 to 13 December 2016
10,540,542	2.22	From 14 December 2015 to 13 December 2016
42,162,162		

The fair value of the share options as at the date of grant was HK\$19,626,000 (equivalent to approximately RMB15,953,000) or HK\$0.47 each (equivalent to approximately RMB0.38 each), of which the Group recognised a share option expense of HK\$4,898,000 (approximately RMB3,991,000) during the Review Period (six months ended 30 June 2011: not applicable).

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

Dividend yield (%)	1.83
Expected volatility (%)	63.65
Risk-free interest rate (%)	0.83

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

## Notes to Interim Condensed Financial Information

For the six months ended 30 June 2012

### 14. SHARE OPTION SCHEME (continued)

As at 30 June 2012, the Company had 42,162,162 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 42,162,162 additional shares of the Company and additional share capital of HK\$422 and share premium of HK\$93,599,578 (before issue expenses).

At the date of approval of this interim condensed financial information, the Company had 42,162,162 share options outstanding under the Share Option Scheme, which represented approximately 2.10% of the Company's shares in issue as at that date.

### 15. DIVIDENDS

At a meeting of the Board of Directors held on 28 August 2012, the Directors of the Company resolved not to pay an interim dividend to shareholders (six months ended 30 June 2011: not applicable).

### 16. COMMITMENTS

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000
Contracted, but not provided for:		
– Exploration and evaluation assets	30,277	320,671
– Acquisition of a subsidiary (note 18(c))	45,500	—
– An option to acquire equity interests in an entity	—	105,000
– Property, plant and equipment	76,104	31,830
	<b>151,881</b>	457,501
Authorised, but not contracted for:		
– Exploration and evaluation assets	280,573	—
– Property, plant and equipment	56,341	92,280
	<b>336,914</b>	92,280
	<b>488,795</b>	549,781

## Notes to Interim Condensed Financial Information

For the six months ended 30 June 2012

### 17. RELATED PARTY TRANSACTIONS

- (a) During the Review Period, the Group had no transactions with related parties.
- (b) Compensation of key management personnel of the Group:

	For the six months ended	
	30 June	2011
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	
Basic salaries and other benefits	3,557	1,949
Equity-settled share based payment	—	233,000
Equity-settled share option expense	3,991	—
Pension scheme contributions	22	23
	7,570	234,972

### 18. SIGNIFICANT EVENTS

#### (a) Exercise of an option to acquire 90% equity interests in Dakuangshan Company

Pursuant to an option agreement dated 21 May 2011, the Group has the option to acquire 90% equity interests in Dakuangshan Company which owns the mining right to the Dakuangshan Mine from Mr. Xi Wanli, the controlling shareholder of Dakuangshan Company and an independent third party, at the Group's sole discretion within a period of 18 months starting from 21 May 2011. On 20 April 2012, the Group exercised the option to acquire 90% equity interests in Dakuangshan Company, and a sale and purchase agreement was entered into between Mr. Xi Wanli and the Group on the same day. The consideration for the purchase of 90% equity interests in Dakuangshan Company was RMB145.0 million, which was fully paid on 29 May 2012. The acquisition of Dakuangshan Company was completed on 1 June 2012 when Dakuangshan Company completed its business registration change to reflect the acquisition of 90% equity interests by the Group. Particulars of the exercise of the option to acquire 90% equity interests in Dakuangshan Company were set out in the Company's announcement dated 20 April 2012.



### 18. SIGNIFICANT EVENTS (continued)

#### **(b) Acquisition of 90% equity interests in Liziping Company**

The Group entered into a share transfer agreement on 9 June 2011 with Mr. Song Denghong, the then owner of Liziping Company and an independent third party. Liziping Company owns an exploration right to the Liziping Mine, a lead-zinc-silver polymetallic mine located in Yunnan Province with an exploration permit for a validity term from 29 December 2010 to 29 December 2012. On 18 May 2012, the Group entered into a supplemental sale and purchase agreement with Mr. Song Denghong, pursuant to which the Group agreed to acquire and Mr. Song Denghong agreed to sell 90% equity interests in Liziping Company for a total consideration of RMB152,820,000, which has been fully paid by 30 June 2012. The acquisition of the Liziping Mine was completed on 14 June 2012 when Liziping Company completed its business registration change to reflect the acquisition of 90% equity interests by the Group. Particulars of the acquisition of 90% equity interests in Liziping Company were set out in the Company's announcement dated 18 May 2012.

#### **(c) Proposed acquisition of 90% equity interests in Menghu Company**

On 2 March 2012, the Group entered into a share transfer agreement with Mr. Xi Wanli, the owner of Menghu Company and an independent third party. Menghu Company owns a mining right to the Menghu Mine with a mining permit valid from 2 February 2010 to 2 May 2015. The Menghu Mine conducts upstream operations in the exploration and mining of primarily high-grade oxidized lead ore. Pursuant to the share transfer agreement, the Group has conditionally agreed to acquire 90% equity interests in Menghu Company for a total consideration of RMB85.5 million. Up to 30 June 2012, the Group has prepaid the first instalment of RMB40.0 million (note 9) to Mr. Xi Wanli pursuant to the share transfer agreement. The consideration after deducting the advance payment is disclosed as a capital commitment in note 16 to the interim condensed financial information. Particulars of the acquisition of 90% equity interests in Menghu Company were set out in the Company's announcements dated 5 March 2012 and 6 March 2012.

## Notes to Interim Condensed Financial Information

For the six months ended 30 June 2012

### 19. ACQUISITIONS

The acquisitions of Dakuangshan Company and Liziping Company have been accounted for as asset acquisitions, as neither company had the attributions of a business. The identified assets and liabilities as at the respective dates of acquisition were as follows:

	<b>Dakuangshan Company RMB'000</b>	<b>Liziping Company RMB'000</b>	<b>Total RMB'000</b>
Property, plant and equipment (note 8)	28,731	436	29,167
Intangible assets (note 8)	161,986	205,910	367,896
Cash and bank balances	104	830	934
Inventories	1,314	—	1,314
Prepayments	166	—	166
Other payables	(31,190)	(37,377)	(68,567)
Non-controlling interests	(16,111)	(16,979)	(33,090)
<b>Total identifiable net assets at fair value</b>	<b>145,000</b>	<b>152,820</b>	<b>297,820</b>

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	<b>Dakuangshan Company RMB'000</b>	<b>Liziping Company RMB'000</b>	<b>Total RMB'000</b>
Cash consideration	145,000	152,820	297,820
Prepayment/deposit paid in 2011	(120,000)	(40,000)	(160,000)
Cash and bank balances acquired	(104)	(830)	(934)
<b>Net outflow of cash and cash equivalents during the Review Period</b>	<b>24,896</b>	<b>111,990</b>	<b>136,886</b>

### 20. EVENT AFTER THE REVIEW PERIOD

Pursuant to the Company's announcement dated 16 August 2012, the Group completed the acquisition of the Menghu Mine on 16 August 2012. The remaining consideration of RMB45.5 million for the acquisition of Menghu Company was paid by the Group at the same day.

### 21. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information was approved and authorised for issue by the Board of Directors on 29 August 2012.

# Glossary

“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 of the Company
“China” or “PRC” or “Mainland China”	the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended from time to time
“Company”	China Polymetallic Mining Limited (中國多金屬礦業有限公司), a limited liability company incorporated under the laws of the Cayman Islands on 30 November 2009
“Dakuangshan Company”	Mang City Xin Di Mining Company Limited (芒市鑫地礦業有限責任公司), a company owned by Xi Wanli, an Independent Third Party, who entered into an option agreement in relation to the Dakuangshan Mine with the Group on 21 May 2011
“Dakuangshan Mine”	a lead-zinc-silver polymetallic mine to which the Dakuangshan Company owns the mining right
“Dazhupeng Mine”	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, China, with respect to which we hold an exploration permit
“Director(s)”	director(s) of the Company or any one of them
“g/t”	grams per tonne
“Group”, “we” or “us”	the Company and its subsidiaries, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were the subsidiaries of the Company at the time

## Glossary

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IPO” or “Listing”	the initial public offering and listing of shares of the Company on the main board of Hong Kong Stock Exchange on 14 December 2011
“km”	kilometre(s), a metric unit measure of distance
“kg”	kilogram, a metric unit measure of weight
“kt”	thousand tonnes
“Kunrun”	Yingjiang County Kunrun Industry Company Limited (盈江縣昆潤實業有限公司), incorporated in China with business license number 533123100002302, whose registered office is opposite the Chinese Medicine Hospital, Yingdong Road, Pingyuan Town, Yingjiang County, Yunnan Province, China, and is currently an indirect subsidiary of the Company
“Listing Date”	14 December 2011
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Lushan Mine”	a tungsten-tin polymetallic mine located in Yingjiang County, Yunnan Province, China, operated by Xiangcaopo Mining, an Independent Third Party
“Liziping Company”	Nujiang Shengjia Chengxin Industrial Company Ltd. (怒江州聖佳誠信實業有限責任公司), a company owned by Song Denghong who entered into a share transfer agreement in relation to the Liziping Mine with the Group on 9 June 2011

“Liziping Mine”	a lead-zinc-silver polymetallic mine to which the Liziping Company owns the exploration right
“Menghu Company”	Meng La Chen Feng Mining Development Company Limited (勐腊縣宸豐礦業開發有限公司), incorporated in the PRC with business licence number 532823100001912, whose registered office is at Menghu Stockade Village, Na Me Tian Village, Yi Wu Town, Meng La County, Yunnan Province, the PRC
“Menghu Mine”	a lead mine located in Menghu Stockade Village, Na Me Tian Village, Yi Wu Town, Meng La County, Yunnan Province, the PRC
“Model Code”	the Model Code for Securities Transactions by Directors of the Listed Issuers
“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
“Pure Mining Company”	a mining company which only conducts upstream operations in exploration, mining and primary processing of mineral resources with no downstream operations in smelting, refining and others
“RMB”	the lawful currency of the PRC
“Review Period”	the six months ended 30 June 2012
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time

## Glossary

“Shizishan Mine”	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, China, and operated by Kunrun
“Silver Lion”	Silver Lion Investment Holdings Limited, a limited liability company incorporated in British Virgin Islands with company number 1553896, whose registered office address is at PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
“sq.km.”	square kilometer
“t”	tonne
“The Ran Family Trust”	a discretionary trust established by Mr. Ran Chenghao on 18 October 2011, the beneficiaries of which include Mr. Ran Chenghao and his designated beneficiaries
“tpd” or “t/d”	tonnes per day
“Twelfth Five-Year Plan”	the Communist Party of China Central Committee’s proposal on formulating the 12th five-year programme (from year 2011 to 2015) on National Economic and Social Development
“US\$”	the lawful currency of the United States
“Xiangcaopo Mining”	Yunnan Xiangcaopo Mining Co., Ltd, a limited liability company in China, currently wholly owned by Mr. Li Jincheng, an independent third party