



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

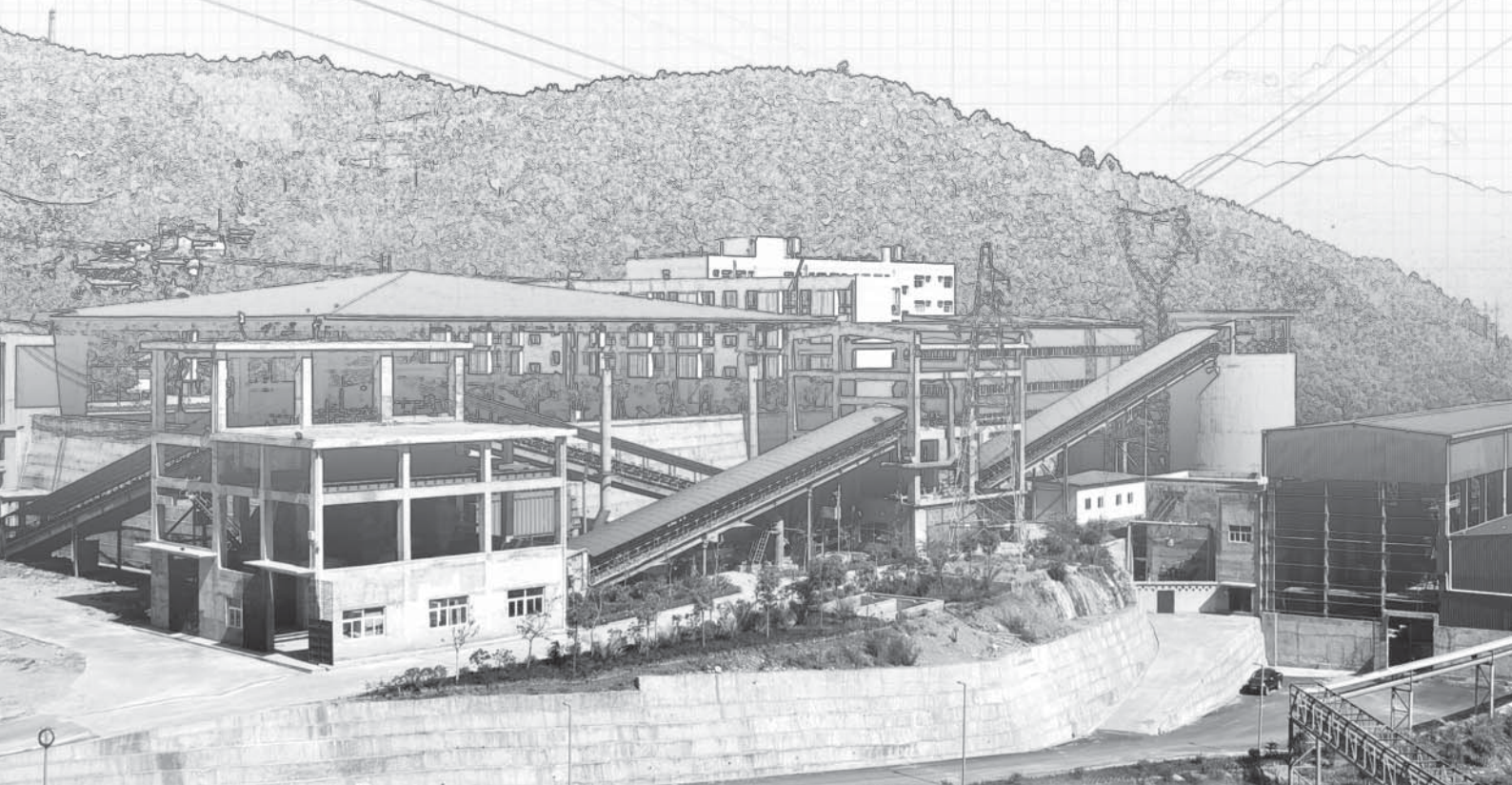


2013
interim report

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China Polymetallic Mining Limited
2013 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 the leading silver, lead and zinc mining companies in China and was the first non-ferrous metals Pure Mining Company listed on the Hong Kong Stock Exchange. With a high quality asset portfolio in ramp-up, the Company continues to develop and explore large and high-grade reserves. With all its current operations in Yunnan Province, we own and operate the Shizishan Mine, a large-scale and high-grade lead-zinc-silver mine, and the Dakuangshan Mine, a lead-zinc-silver polymetallic mine. The Company is developing the Liziping Mine, a lead-zinc-silver polymetallic mine and the Menghu Mine, a lead-zinc polymetallic mine. The Company also obtained an exploration permit to the lead-zinc-silver Dazhupeng Mine and has secured exclusive long-term, low-cost raw ore supply from the Lushan Mine, a tungsten-tin mine. We will leverage our unique position as a leading Chinese mining company and close proximity to our key customers to meet the demand for silver, lead and zinc while maximizing returns for shareholders.



Corporate Information

As at 28 August 2013

Directors

Executive Directors

Mr. Ran Xiaochuan (*Chairman*)
Mr. Wu Wei (*Co-head of Ore Processing and Head of Safety*)
Mr. Zhao Shaohua (*Co-head of Ore Processing*)

Non-Executive Directors

Mr. Lee Kenneth Jue
Mr. Shi Xiangdong

Independent Non-Executive Directors

Mr. Christopher Michael Casey
Mr. William Beckwith Hayden
Mr. Miu Edward Kwok Chi

Audit Committee

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

Nomination and Remuneration Committee

Mr. Miu Edward Kwok Chi (*Chairman*)
Mr. Christopher Michael Casey
Mr. William Beckwith Hayden
Mr. Lee Kenneth Jue

Safety, Health and Environment Committee*

Mr. Lee Kenneth Jue (*Chairman*)
Mr. Ran Xiaochuan
Mr. Wu Wei

Strategy Committee

Mr. Ran Xiaochuan (*Chairman*)
Mr. William Beckwith Hayden
Mr. Miu Edward Kwok Chi
Mr. Shi Xiangdong

Company Secretary

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

Authorised Representatives

Ms. Ho Siu Pik
Mr. Shi Xiangdong

Registered Office

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

* The Safety, Health and Environment Committee was established on 2 July 2013.

Corporate Information

As at 28 August 2013

Head Office

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

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

Auditors

Ernst & Young

Legal Advisers

As to Hong Kong Law

Brandt Chan & Partners in association with
SNR Denton HK LLP

As to PRC Law

Commerce & Finance Law Offices

As to Cayman Law

Conyers Dill & Pearman

Investor Relations Contact

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

Principal Bankers

Agricultural Bank of China
The Bank of China
Citibank

Stock Code

2133

Website Address

www.chinapolymetallic.com

Financial Highlights

The Group's summary of published results during the Review Period and the six months ended 30 June 2012 and the assets, liabilities and non-controlling interests as at 30 June 2013 and 31 December 2012 is set out as follows:

Results

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Revenue	266,823	157,254
Cost of sales	(60,244)	(31,074)
Gross profit	206,579	126,180
Profit and total comprehensive income for the period	90,195	45,950
Attributable to:		
Owners of the Company	89,031	45,266
Non-controlling interests	1,164	684
	90,195	45,950
Earnings per share attributable to ordinary equity holders of the Company		
– Basic and diluted	RMB0.04	RMB0.02

The Board proposed the payment of an interim dividend of HK\$0.010 per share (equivalent to RMB0.008 per share) during the Review Period (2012: nil).

Financial Highlights

Assets, Liabilities and Non-controlling interests

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
Non-current assets	1,313,833	1,223,924
Current assets	724,117	660,852
Current liabilities	344,219	245,468
Non-current liabilities	15,416	74,903
Total equity	1,678,315	1,564,405
Non-controlling interests	51,348	45,799
Equity attributable to owners of the Company	1,626,967	1,518,606



Management Discussion and Analysis

The Company is one of China's leading silver, lead and zinc mining companies and the first non-ferrous metals 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 or refining business.

Market Review

During the Review Period, the US economy has stabilized and there is an increasing expectation for the US to withdraw from quantitative easing monetary policy in the second half of 2013. Meanwhile, the demand for capital is on the rise with the recovery of the US economy, resulting in an upward pressure on the interest rates. The capital in the emerging markets may flow back to the US continuously, thereby leading to a strong US currency for the medium-term, and such an appreciation in US dollar would also cause the price of commodities to decrease further. Domestically, 2013 is the first year of the Chinese government new leadership in office; the new leadership has put economic restructuring as a core task and has stated that no large-scale economic stimulus would be adopted. Therefore, China's economic growth rate of 2013 was expected to slow down to a range of 7.0% to 7.5%.

For the non-ferrous metals industry as a whole, the heavier debt servicing burden of Chinese local governments and the tight liquidity of banks have led to certain limitation on large-scale infrastructure projects, thereby causing a sluggish domestic demand for commodities. In respect of the specific growth of production volume, the production of lead and zinc in China increased by 12.5% and 9.2% respectively as compared to the corresponding period of last year. However, due to a slower-than-expected pace of recovery of the Chinese economy, the prices of non-ferrous metals dropped under the tremendous pressure of high inventory levels. The London Metal Exchange spot prices of base metals such as lead and zinc dropped by 12% and 11% respectively during the Review Period. In the meantime, investors' interest in precious metals was reduced because of the weakening demand, bottoming US rates and the strengthening US dollar. The London Metal Exchange spot price of silver dropped by 35% in the Review Period. (Source: Bloomberg)

Facing this rather challenging economic environment, the Board and the Company's management closely monitored the Company's strategy in response to market changes. The Company's present focus is to generate revenues from existing assets and maintain strong liquidity. In the second half of 2013, the Group will continue to develop the tunnels of the Shizishan Mine with a view to securing the supply of raw ore and improving the operational efficiency. At the Dakuangshan Mine, the Group will continue to increase the production capacity. For those mines in exploration stage, the Group will continue the work to obtain the mining permits with a cost-conscious view and try to commence the production in smaller scale as soon as possible to contribute profits to the Group. Although our downstream smelting sector is facing a difficult operating environment, we will concentrate on cash collection while maintaining our stable relationship with key customers. In view of the current circumstances, the Board and the Company's management are also taking a cautious view on investments and capital expenditure is geared mainly to ensure efficient operations from producing mines.

Management Discussion and Analysis

Looking forward, the medium-term outlook for lead demand is stable. The cheap and efficient nature of lead-acid batteries means that there is no effective substitute at present stage. In China, medium-term lead demand growth is expected to be mainly from telecommunication and automotive industries. The ore reserve base of many of the existing Chinese lead producers is declining and this is likely to lead to mine closures due to reserves depletion. For zinc, the global consumption is projected to grow at a compound average annual growth rate of 3.4% from 2012 to 2030. Without substantial projects in pipeline, the market is rebalancing the current inventories due to oversupply. The Chinese zinc demand growth will be largely influenced by the pace of urbanization.

With key macro features such as overcapacity, a slower-than-expected recovery of the global economy, and a change of rapid to steady growth of the domestic economy, China's non-ferrous metals industry will continue to go through the process of "destocking" and the prices of non-ferrous metals will remain low. However, the PRC government has implemented various policies that aim to stabilize growth and has accelerated the pace of key construction projects under the "Twelfth Five-Year Development Plan". This will expedite the growth of high intensity processing industries, emerging industries and the investment in infrastructure and domestic construction. Such a trend will play an active role in boosting the consumption of non-ferrous metals and provide a favorable environment for the smooth development of the non-ferrous metals industry.

Operating Mine – The Shizishan Mine

Operational results of the Shizishan Mine

The following table summarises the mining and processing results during the Review Period and six months ended 30 June 2012 of the Shizishan Mine operated by the Group:

	Items	Unit	Six months ended 30 June	
			2013	2012
ROM ore	Mined	kt	263.4	114.7
	Effective working days	days	132	122
	Average output	tpd	1,995	940
	Processed	kt	264.1	115.1
Feed grade	Lead	%	6.8	6.5
	Zinc	%	5.2	5.7
	Silver	g/t	157	125
Recovery	Lead	%	86.6	86.2
	Zinc	%	86.8	86.5
	Silver in lead concentrate	%	78.7	77.6
	Silver in zinc concentrate	%	8.0	8.6
Concentrate grade	Lead	%	54.6	54.3
	Zinc	%	46.9	48.9
	Silver in lead concentrate	g/t	1,147	935
	Silver in zinc concentrate	g/t	129	108
Concentrate tonnes	Lead-silver concentrate	t	28,436	11,950
	Zinc-silver concentrate	t	25,510	11,532
Metal contained in concentrate	Lead	t	15,537	6,494
	Zinc	t	11,957	5,640
	Silver in lead concentrate	kg	32,616	11,175
	Silver in zinc concentrate	kg	3,301	1,241

Management Discussion and Analysis

The Shizishan Mine reached the designed mining capacity of 2,000 tpd by the end of December 2012. The total raw ore mined during the Review Period was significantly increased by 148.7 kt to 263.4 kt as compared to the 114.7 kt raw ore mined during the corresponding period in 2012. The production of lead, zinc and silver also increased by 9,043 t, 6,317 t and 23,501 kg respectively, representing an increase of 139.3%, 112.0% and 189.3% respectively in the Review Period.

Production costs at the Shizishan Mine

In line with the growth of mining production at the Shizishan Mine, unit production costs decreased from the corresponding period of 2012. The comparison is set out in the following table:

	Six months ended 30 June		
	2013 RMB	2012 RMB	Variance RMB
Total cash cost per tonne of ore processed	188	241	(53)
Total production cost per tonne of ore processed	266	330	(64)
Total cash cost per tonne of concentrate	920	1,181	(261)
Total production cost per tonne of concentrate	1,303	1,617	(314)

Capital expenditure of the Shizishan Mine

Capital expenditure of the Shizishan Mine during the Review Period is indicated below:

	Six months ended 30 June 2013 RMB million
Mining	80.8
Mining infrastructure	80.8
Processing	2.5
Processing factory and equipment	0.7
Tailing storage facilities	1.8
Total	83.3

Operating Mine – The Dakuangshan Mine

Operational results of the Dakuangshan Mine

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

Items		Unit	Six months ended 30 June 2013
ROM ore	Mined	kt	34.9
	Effective working days	days	105
	Average output	tpd	333
	Processed	kt	23.8
Feed grade	Lead	%	1.6
	Zinc	%	3.3
	Silver	g/t	26
Recovery	Lead	%	80.4
	Zinc	%	79.6
	Silver in lead concentrate	%	66.4
	Silver in zinc concentrate	%	8.6
Concentrate grade	Lead	%	55.2
	Zinc	%	45.2
	Silver in lead concentrate	g/t	726
	Silver in zinc concentrate	g/t	39
Concentrate tonnes	Lead-silver concentrate	t	566
	Zinc-silver concentrate	t	1,380
Metal contained in concentrate	Lead	t	313
	Zinc	t	623
	Silver in lead concentrate	kg	411
	Silver in zinc concentrate	kg	53

Management Discussion and Analysis

The Dakuangshan Mine commenced commercial production in December 2012. The designed mining and processing capacity is 600 tpd. However, during the Review Period, the Dakuangshan Mine could not operate at full production capacity primarily due to the construction of power network infrastructure by the local government. Electric power supply during the review period was capable of supporting only one processing production line with a capacity of 300 tpd. According to the local government's schedule, construction work will be completed by the end of the third quarter of 2013, by then the Dakuangshan Mine is expected to operate at its full production capacity.

During the Review Period, the volume of the raw ore mined and processed was approximately 34.9 kt and 23.8 kt respectively. The average daily volume of raw ore mined and processed was only approximately 333 t and 227 t respectively.

Production costs at the Dakuangshan Mine

During the Review Period, the production costs at the Dakuangshan Mine is set out in the following table:

	Six months ended 30 June 2013 RMB
Total cash cost per tonne of ore processed	225
Total production cost per tonne of ore processed	395
Total cash cost per tonne of concentrate	2,748
Total production cost per tonne of concentrate	4,827

Capital expenditure of the Dakuangshan Mine

Capital expenditure of the Dakuangshan Mine during the Review Period is indicated below:

	Six months ended 30 June 2013 RMB million
Mining	7.2
Mining infrastructure	3.0
Mining rights and exploration	4.2
Processing	16.5
Processing factory and equipment	2.7
Tailing storage facilities	13.8
Building	11.3
Total	35.0

Other Mines

The Liziping Mine

The Liziping Mine, owned by our Group, is a lead-zinc-silver polymetallic mine located approximately 700 km away from the Group's Shizishan Mine in Yunnan Province. The exploration permit covers an area of 18.29 sq.km. and has a validity term from 29 December 2010 to 29 December 2012. As of 14 March 2013, the Liziping Company received the renewed exploration permit which is valid for two years until 14 March 2015.

Currently, the Company is applying for the mining permit pertaining to the first mining area of approximately four sq.km. and will be conducting detailed exploration work in the remaining areas. In the meantime, we expect mining permit for the first mining area to be received by the first half of 2014. During the Review Period, a capital expenditure of RMB7.3 million was incurred.

The Menghu Mine

The Menghu Mine, owned by our Group, is a lead-zinc polymetallic mine located in Meng La County, Yunnan Province. The mining permit of the Menghu Mine covers an area of 0.4 sq. km. and is valid for five years until 2 May 2015. During the Review Period, the Group spent RMB2.6 million on exploration activities with 18 holes drilled area covering a total of approximately 1.6 km and RMB1.7 million on the construction of mining infrastructure.

Management Discussion and Analysis

The Dazhupeng Mine

The Dazhupeng Mine, owned by our Group, is a lead-zinc-silver polymetallic mine with exploration permit valid for three years until April 2014. During the Review Period, the Group spent a total of RMB0.5 million to continue its preliminary exploration work on the mine site, including a general survey of the mine site through geophysical and geochemical exploration activities, systematic analysis of samples and development of the geological area reconnaissance plan.

The Lushan Mine

The Lushan Mine, owned by the Xiangcaopo Mining, is a tungsten-tin polymetallic mine. We entered into an exclusive ore supply agreement with the Xiangcaopo Mining and its owner, Mr. Li Jincheng on 31 December 2010. Under the current agreement, the Xiangcaopo Mining is expected to provide tungsten-tin raw ore by the fourth quarter of 2013. Subject to the initial mining result, we are planning to build a new gravity-selection processing line to process the ore from the Lushan Mine. The gravity-selection processing line will be constructed in several phases. Pilot tests for the early stage processing achieved satisfactory results and the construction work for the first phase of the 250 tpd new gravity-selection processing line is expected to be completed by the fourth quarter of 2013. After fine-tuning of the first phase mining and processing, we will gradually build up capacity. We expect the Lushan Mine to start contributing profit to the Group by 2014.

During the Review Period, a capital expenditure of RMB20.0 million was incurred in relation to the processing line.

FINANCIAL REVIEW

Revenue

During the Review Period, the Group's revenue was approximately RMB266.8 million, primarily through the sales of lead-silver concentrates and zinc-silver concentrates; the sales volume of lead-silver concentrates and zinc-silver concentrates were 20,950 t and 26,132 t respectively. As compared to approximately RMB157.3 million for the six months ended 30 June 2012, the revenue increased by approximately RMB109.5 million or approximately 69.6%, which was primarily due to an increase in the mining and processing output of the Shizishan Mine and the Dakuangshan Mine.

Cost of sales

During the Review Period, the cost of sales was approximately RMB60.2 million, mainly comprising mining subcontracting fees, ancillary material costs, utilities, depreciation and amortization and resource taxes. As compared to the cost of sales of RMB31.1 million for the six months ended 30 June 2012, the cost of sales increased by RMB29.1 million or 93.6%, which was primarily due to the increase in sales volume.

Gross profit and gross profit margin

During the Review Period, gross profit increased by 63.7% or approximately RMB80.4 million from approximately RMB126.2 million for the six months ended 30 June 2012 to RMB206.6 million. The gross profit margin decreased from 80.2% for the six months ended 30 June 2012 to 77.4% during the Review Period. The decrease in gross profit margin was mainly due to the decrease in average selling price of lead-silver concentrates and zinc-silver concentrates which outweighed the decrease in average unit cost of sales.

Other income

During the Review Period, other income was approximately RMB1.0 million, compared to approximately RMB2.0 million for the six months ended 30 June 2012, representing a decrease of approximately RMB1.0 million or approximately 50.0%. This was primarily due to a decrease in bank interest income of RMB0.5 million and sales of spare parts of RMB0.5 million respectively.

Administrative expenses

During the Review Period, administrative expenses were approximately RMB65.2 million, primarily comprising of managerial staff costs, professional consulting fees, depreciation, office administrative fees and other expenses, compared to approximately RMB51.9 million for the six months ended 30 June 2012, representing an increase of approximately RMB13.3 million or approximately 25.6%.

Such an increase was primarily due to (i) an increase in equity-settled share option expenses of RMB21.1 million mainly related to the 2013 Granted Options; (ii) an increase in staff costs of RMB3.8 million as a result of the increase in number of administrative staff; and (iii) an increase in other miscellaneous expenses of RMB1.4 million, such as transportation expenses and office expenses etc, as the Group ramped up operations. The increase was partially offset by the decrease in professional fees of RMB13.1 million primarily in relation to public relations service fees.

Other operating expenses

During the Review Period, other operating expenses were approximately RMB1.1 million, compared to approximately RMB3.0 million for the six months ended 30 June 2012, representing a decrease of approximately RMB1.9 million. This was primarily due to the decrease in foreign exchange losses of RMB2.0 million arising from bank balances denominated in HK\$ and US\$ which were affected by the appreciation of RMB against HK\$ and US\$.

Management Discussion and Analysis

Financing costs

During the Review Period, financing costs were approximately RMB5.8 million, compared to approximately RMB0.5 million for the six months ended 30 June 2012, representing an increase of RMB5.3 million. This was primarily due to (i) interest expense of RMB4.5 million arising from the interest-bearing bank loan granted by the Agricultural Bank of China for the development of the Shizishan Mine, which ceased to be capitalized by the Group due to the substantial completion of part of the construction works for their respective intended use at the Shizishan Mine; and (ii) interest expense of RMB0.8 million arising from an one-year interest-bearing bank loan granted by the China Merchants Bank on 29 March 2013.

Income tax expenses

During the Review Period, income tax expenses were approximately RMB44.8 million, compared to the income tax expenses of approximately RMB26.0 million for the six months ended 30 June 2012, representing an increase of approximately RMB18.8 million or approximately 72.3%, which was in line with the increase in revenue and the taxable profit generated by PRC subsidiaries of the Group.

Total comprehensive income during the Review Period

Total comprehensive income during the Review Period was approximately RMB90.2 million, compared to a total comprehensive income of RMB46.0 million for the six months ended 30 June 2012.

Total comprehensive income attributable to owners of the Company

Total comprehensive income attributable to the owners of the Company during the Review Period was approximately RMB89.0 million, compared to a total comprehensive income attributable to owners of the Company of RMB45.3 million for the six months ended 30 June 2012.

Interim dividend

The Board proposed payment of an interim dividend of HK\$0.010 per share (equivalent to RMB0.008 per share) during the Review Period (2012: nil). The interim dividend is intended to be declared through cancellation of an amount standing to the credit of the share premium account of the Company. The proposed interim dividend is subject to the approval of the Company's shareholders at an extraordinary general meeting, details of which will be announced in due course.

Liquidity and capital resources

The following sets out the information in relation to our Group's condensed consolidated statement of cash flows during the Review Period and the six months ended 30 June 2012:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Net cash flow generated from/(used in) operating activities	146,885	(39,061)
Net cash flow used in investing activities	(90,409)	(314,044)
Net cash flow generated from financing activities	38,875	—
Net increase/(decrease) in cash and cash equivalents	95,351	(353,105)

Net cash flow generated from/(used in) operating activities

During the Review Period, the net cash flow generated from operating activities was RMB146.9 million as compared to the net cash flow used in operating activities of RMB39.1 million for the six months ended 30 June 2012, which primarily included: (i) profit before tax of RMB135.0 million, (ii) a decrease in trade receivables of RMB12.5 million; (iii) an increase in trade payables and other payables aggregated to RMB19.4 million; (iv) certain non-cash expenses such as equity-settled share option expenses aggregated to RMB25.1 million, depreciation of RMB22.5 million, amortization of mining rights amounted to RMB4.7 million and (v) finance costs of RMB5.8 million. Cash generated from operating activities was partially offset by (i) an increase in inventories of RMB11.3 million; (ii) an increase in prepayment, deposits and other receivables of RMB11.4 million mainly arising from a good-faith deposit to conduct a preliminary survey of certain lead and zinc mines and interest-free loans paid to Mr. Li Jincheng, the owner of the Lushan Mine, for the construction of the Lushan Mine; and (iii) payment of income tax amounted to RMB56.3 million.

Net cash flow used in investing activities

The net cash flow used in investing activities decreased by 71.2% from approximately RMB314.0 million for the six months ended 30 June 2012 to approximately RMB90.4 million during the Review Period. It primarily included (i) purchase of property, plant and equipment in connection with the construction of the mining and tailing facilities aggregated to RMB124.6 million and an office building located in Dehong Prefecture, Yunnan Province of RMB11.3 million; and (ii) expenditures in relation to exploration and evaluation assets aggregated to RMB14.5 million. Cash used in investing activities was partially offset by decrease in time deposit with original maturity of six months of RMB60.0 million.

Management Discussion and Analysis

Net cash flow generated from financing activities

During the Review Period, the Company obtained a new bank loan amounted to RMB50.0 million from the China Merchants Bank from 29 March 2013 to 28 March 2014. The cash inflow was partially offset by (i) interest paid for the bank loans of RMB5.3 million, and (ii) payments in respect of the repurchase of shares of the Company of RMB5.8 million.

Analysis of inventories

Inventories increased by 88.3% from approximately RMB12.8 million as at 31 December 2012 to approximately RMB24.1 million as at 30 June 2013. This was in line with the increase in the Group's production volume.

Analysis of trade receivables

Trade receivables decreased by RMB12.5 million, from approximately RMB279.0 million as at 31 December 2012 to approximately RMB266.5 million as at 30 June 2013, which was resulted from the Group's continual working on collection of trade receivables during the Review Period.

Analysis of trade and other payables

The Group's trade and other payables increased by RMB0.9 million, from approximately RMB111.0 million as at 31 December 2012 to approximately RMB111.9 million as at 30 June 2013, primarily due to (i) an increase in trade payables of RMB0.8 million due to the Group's increased purchase of ancillary materials; and (ii) an increase in payables for value added tax and mining resource compensation fees as a result of the increase in sales aggregated to RMB24.0 million during the Review Period. The increase was partially offset by (i) the decrease in payables in relation to assets exploration and evaluation of RMB12.3 million; (ii) the decrease in payables to the non-controlling shareholder of the Dakuangshan Company of RMB4.4 million; (iii) the decrease in accruals of RMB4.1 million due to payment of staff performance bonus for the year 2012; and (iv) the decrease in payables in relation to professional fees and property, plant and equipment aggregated to RMB3.1 million.

Analysis of net current assets position

The Group's net current assets position decreased by RMB35.5 million from approximately RMB415.4 million as at 31 December 2012 to approximately RMB379.9 million as at 30 June 2013, primarily due to (i) a one-year interest-bearing bank loan of RMB50.0 million granted by the China Merchants Bank on 29 March 2013; and (ii) RMB60.0 million interest-bearing bank loan granted by the Agricultural Bank of China to be repayable within one year. The above-mentioned increase in current liabilities was partially offset by (i) an increase in cash and cash equivalents of RMB35.2 million primarily due to operating cash inflows; (ii) an increase in prepayments, deposits and other receivables of RMB29.9 million mainly arising from a good-faith deposit to conduct a preliminary survey of certain lead and zinc mines and interest-free loans paid to Mr. Li Jincheng, the owner of the Lushan Mine, for the construction of the Lushan Mine; and (iii) the decrease in tax payables of RMB12.1 million.

Borrowings

The Group's borrowings increased from approximately RMB120.0 million as at 31 December 2012 to approximately RMB170.0 million as at 30 June 2013, primarily due to the new one-year bank loan of RMB50 million obtained from the China Merchants Bank on 29 March 2013. The bank loan bears an interest at 7.20% per annum, and was secured by mortgage over the Group's certain property, plant and equipment and leasehold land with net carrying amounts of RMB65.2 million and RMB10.4 million respectively. The bank loan was also guaranteed by Mr. Ran Xiaochuan, who is the Chairman and Executive Director of the Company. The loan is granted for the Company's general corporate usage, and established the relationship of the Company with the China Merchants Bank, which broadened the Company's network within the banking sector.

Contingent liabilities

As at 30 June 2013, we did not have any material contingent liabilities or guarantees.

Pledge of assets

As at 30 June 2013, other than the mortgages over the Group's certain building and plant and leasehold land and the mining rights of the Shizishan Mine, we did not have any pledges or charges on assets.

Foreign currency risk

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

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

Interest rate risk

Our revenue and operating cash flow shall not be affected significantly by the interest rate 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. Therefore, we have not used any interest rate swaps to hedge its exposure to interest rate risk.

Management Discussion and Analysis

Contractual obligations

As at 30 June 2013, our contractual obligations amounted to approximately RMB25.9 million, decreased by RMB25.7 million as compared to approximately RMB51.6 million as at 31 December 2012, primarily due to further payment in relation to exploration activities at the Liziping Mine, the Menghu Mine and the Dakuangshan Mine, and partial settlement in relation to the construction of the gravity-selection processing line at the Lushan Mine.

Capital expenditure

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

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Property, plant and equipment	135,897	69,362
Intangible assets	14,512	244,682
Total	150,409	314,044

- (1) Expenditures in connection with property, plant and equipment included (i) expenditures for the construction of mining and processing facilities at the Shizhishan Mine, the Dakuangshan Mine and the Menghu Mine of RMB83.3 million, RMB19.5 million and RMB1.7 million respectively; (ii) expenditures for the construction of gravity-selection processing line at the Lushan Mine of RMB20.0 million; and (iii) expenditures to purchase an office building located in Dehong Prefecture, Yunnan Province of RMB11.3 million. During the corresponding period of 2012, expenditures in connection with property, plant and equipment were all for the construction of mining and tailing storage facilities at the Shizhishan Mine.
- (2) Expenditures in connection with intangible assets included expenditures for assets exploration and evaluation of the Dakuangshan Mine, the Liziping Mine, the Menghu Mine and the Dazhupeng Mine of RMB4.2 million, RMB7.3 million, RMB2.6 million and RMB0.5 million respectively. The significant decrease as compared with the corresponding period of 2012 was mainly because during the six months ended 30 June 2012, the Group completed the acquisition of the exploration right of the Liziping Mine and the mining rights of the Dakuangshan Mine and the Menghu Mine, which aggregated to RMB173.8 million.

Financial instruments

During the Review Period, we did not have any outstanding hedge contract or financial derivative instrument.

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 purpose. Equity includes equity attributable to the owners of the Company and non-controlling interests. As at 30 June 2013, our cash and cash equivalents exceeded the total interest-bearing bank loans. As such, no gearing ratio as at 30 June 2013 was presented.

Use of net proceeds from the initial public offering

	Net proceeds from the IPO	
	Available to utilise RMB million	Utilised (up to 30 June 2013) RMB million
Financing activities relating to investments in acquired mines	485.4	372.2
Financing ramp-up of the mining capacity and expansion of tailing storage facility of the Shizishan Mine	145.6	145.6
Financing activities relating to the Dazhupeng Mine and the Lushan Mine	178.1	35.2
Total	809.1	553.0

Employee and remuneration policy

As at 30 June 2013, the Group had a total of 370 full time employees including 75 management and administrative staff, 188 production staff and 107 operations support staff. During the Review Period, staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB41.3 million, representing an increase of RMB25.0 million or 153.4% as compared to the staff cost of RMB16.3 million for the six months ended 30 June 2012, which was primarily due to the increase in equity-settled share option expenses of RMB21.1 million and the increase in headcount.

Based on individual performance, a competitive remuneration package, which includes salaries, medical insurance, discretionary bonuses, other benefits as well as state-managed retirement benefit schemes for employees in the PRC, is offered to retain elite employees. The Group has also adopted a share option scheme for its Directors and employees, providing incentives and rewards to eligible participants with reference to their contribution.

Management Discussion and Analysis

Occupational Health and Safety

As at the date of this interim report, no accidents relating to the personal injury or property damage was reported to our management and we were not subject to any claims arising from any material accidents involving personal injury or property damage during the Review Period that had a material adverse effect on our business, financial condition or results of operation. We have 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 interim report.

Environmental Protection and Land Rehabilitation

No environmental claims, lawsuits, penalties or administrative sanctions was reported to management, and we are of the view 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 interim report. As at 30 June 2013, the Group has accrued RMB13.7 million, RMB0.8 million and RMB0.9 million for the rehabilitation of the Shizishan Mine, the Dakuangshan Mine and the Menghu Mine respectively.

Other Information and Corporate Governance Highlights

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 2013, 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 Securities and Futures Ordinance ("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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

(i) Long positions in shares

Name of Director/ chief executive	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Ran Xiaochuan <i>(note 1)</i>	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 of the SFO	560,359,664	28.17
Shi Xiangdong <i>(note 1)</i>	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 of the SFO	560,359,664	28.17
Keith Wayne Abell <i>(retired on 11 June 2013)</i>	Beneficial owner and others	2,617,000	0.13
Maarten Albert Kelder <i>(retired on 11 June 2013)</i>	Beneficial owner and others	400,000	0.02
He Ji <i>(note 2) (appointed as Chief Executive Officer on 1 June 2013)</i>	Others	67,012,938	3.37

Other Information and Corporate Governance Highlights

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

Number of share options held by the Directors and chief executives of the Company as at 30 June 2013:

Name of Director/chief executive	Number of options held	Number of underlying Shares
Keith Wayne Abell (<i>retired on 11 June 2013</i>)	7,027,027	7,027,027
Christopher Michael Casey	7,027,027	7,027,027
Richard Wingate Edward Charlton (<i>retired on 11 June 2013</i>)	7,027,027	7,027,027
William Beckwith Hayden	7,027,027	7,027,027
Maarten Albert Kelder (<i>retired on 11 June 2013</i>)	7,027,027	7,027,027
Miu Edward Kwok Chi	7,027,027	7,027,027
Ran Xiaochuan (<i>note 1</i>)	2,000,000	2,000,000
Huang Wei (<i>retired on 11 June 2013</i>)	8,000,000	8,000,000
Wang Fahai (<i>retired on 11 June 2013</i>)	3,000,000	3,000,000
Wu Wei	8,000,000	8,000,000
Zhao Shaohua	8,000,000	8,000,000
Li Tao (<i>ceased to be Acting Chief Executive Officer on 1 June 2013</i>)	12,600,000	12,600,000

The details of share options held by the Directors and chief executives of the Company are disclosed under the section headed “Share Option Scheme” of this interim report.

Notes:

1. Mr. Ran Chenghao, Mr. Ran Xiaochuan, Mr. Shi Xiangdong, Mr. Zhu Xiaolin, Hover Wealth Limited, Silver Lion, Total Flourish Limited, Grow Brilliant Limited and AL Stone Holdings Limited are parties to an agreement which have the meaning ascribed to it under s.317(a) and s.318 of the SFO.
2. Refer to the announcements of the Company dated 29 May 2013, 17 June 2013 and the circular dated 18 July 2013 in relation to the allotment and issuance of the shares to Mr. He Ji.

Save as disclosed above, as at 30 June 2013, 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.



Other Information and Corporate Governance Highlights

Share Option Scheme

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

The purpose of the Share Option Scheme is to provide an incentive for Qualified Participants (defined below) to work with commitment towards enhancing the value of the Company and its shares for the benefit of shareholders of the Company and to retain and attract working partners whose contributions are beneficial to the growth and development of the Company.

The Board may at its discretion grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including Executive, Non-Executive and Independent Non-Executive Directors) of the Company or any of its subsidiaries and suppliers, customers, consultants, agents and advisers who, at the absolute discretion of the Board, have contributed or will contribute to the Group (collectively “Qualified Participants”).

The Share Option Scheme is valid and effective for a period of 10 years from the Listing Date.

As approved by the shareholders of the Company at the AGM, the total number of shares in respect of which options may be granted under the Share Option Scheme was refreshed and increased to 99,461,950 shares which is equivalent to 5% of the shares of the Company in issue as at the date of the AGM.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not, in aggregate, exceed 299,461,950 shares, being 15.06% of the shares of the Company in issue immediately after the AGM which is the refreshment date of such scheme. As at the date of this interim report, 200,000,000 option shares which may be issued upon exercise of the options under the Share Option Scheme have been granted already. As at 30 June 2013, no share option has been exercised and 26,351,349 share options are exercisable under the Share Option Scheme.

Other Information and Corporate Governance Highlights

Movement of share options during the Review Period:

Name	Date of Grant	Granted	Number of Share Options			
			Outstanding at 1/1/2013	Exercised	Cancelled/ Lapsed	Outstanding at 30/6/2013
Directors/Chief Executive						
Keith Wayne Abell (d) <i>(retired on 11 June 2013)</i>	14/12/2011 (a)	7,027,027	7,027,027	—	—	7,027,027
Christopher Michael Casey	14/12/2011 (a)	7,027,027	7,027,027	—	—	7,027,027
Richard Wingate Edward (d) Charlton <i>(retired on 11 June 2013)</i>	14/12/2011 (a)	7,027,027	7,027,027	—	—	7,027,027
William Beckwith Hayden	14/12/2011 (a)	7,027,027	7,027,027	—	—	7,027,027
Maarten Albert Kelder (d) <i>(retired on 11 June 2013)</i>	14/12/2011 (a)	7,027,027	7,027,027	—	—	7,027,027
Miu Edward Kwok Chi	14/12/2011 (a)	7,027,027	7,027,027	—	—	7,027,027
Ran Xiaochuan	16/1/2013 (b)	2,000,000	—	—	—	2,000,000
Huang Wei <i>(retired on 11 June 2013)</i>	16/1/2013 (b)	8,000,000	—	—	—	8,000,000
Wang Fahai <i>(retired on 11 June 2013)</i>	16/1/2013 (b)	3,000,000	—	—	—	3,000,000
Wu Wei	16/1/2013 (b)	8,000,000	—	—	—	8,000,000
Zhao Shaohua	16/1/2013 (b)	8,000,000	—	—	—	8,000,000
Li Tao <i>(ceased to be Acting Chief Executive Officer on 1 June 2013)</i>	16/1/2013 (b)	12,600,000	—	—	—	12,600,000
Other Employees						
Aggregate of other employees	16/1/2013 (b)	116,237,838 (c)	—	—	12,600,000 (e)	103,637,838

Other Information and Corporate Governance Highlights

Notes:

(a) Particulars of share options granted in 2011:

Date of Grant	Tranche	Vesting Period	Exercise Period	Exercise Price Per Share
				HK\$
14/12/2011	1	14/12/2011–13/12/2012	14/12/2012–13/12/2016	2.22
14/12/2011	2	14/12/2011–13/12/2013	14/12/2013–13/12/2016	2.22
14/12/2011	3	14/12/2011–13/12/2014	14/12/2014–13/12/2016	2.22
14/12/2011	4	14/12/2011–13/12/2015	14/12/2015–13/12/2016	2.22

(b) Particulars of the 2013 Granted Options:

Date of Grant	Tranche	Vesting Period	Exercise Period	Exercise Price Per Share
				HK\$
16/1/2013	1	16/1/2013–15/1/2014	16/1/2014–15/1/2018	1.70
16/1/2013	2	16/1/2013–15/1/2015	16/1/2015–15/1/2018	See (1) below
16/1/2013	3	16/1/2013–15/1/2016	16/1/2016–15/1/2018	See (1) below

(1) Exercise price is to be determined by the Board in compliance with the Listing Rules and with reference to the prevailing market price on the first anniversary of 16 January 2013 (the "Grant Date") for Tranche 2 and on the second anniversary of the Grant Date for Tranche 3, but in any case must be at least HK\$1.70 which is the higher of : (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the Grant Date; and (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Grant Date.

(c) The closing price of the shares of the Company on 15 January 2013 (being the business day immediately preceding 16 January 2013 on which the options were granted) was HK\$1.60.

(d) Share options of three of our Independent Non-Executive Directors become immediately vested and exercisable upon their retirement on 11 June 2013.

(e) 12,600,000 share options granted to one of the employees lapsed immediately upon termination of his employment during the six months ended 30 June 2013.

Directors' Interests in Competing Business

The Directors are of the view that none of the Directors has interest in any business which 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.

Other Information and Corporate Governance Highlights

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

As at 30 June 2013, 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 of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
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 of the SFO	560,359,664(L)	28.17
Grow Brilliant Limited	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 of the SFO	560,359,664(L)	28.17
Hover Wealth Limited <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 of the SFO	560,359,664(L)	28.17
Ran Chenghao <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 of the SFO	560,359,664(L)	28.17
Silver Lion Investment Holdings Limited <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 of the SFO	560,359,664(L)	28.17

Other Information and Corporate Governance Highlights

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Total Flourish Limited (note 2)	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 of the SFO	560,359,664(L)	28.17
Zhu Xiaolin	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 of the SFO	560,359,664(L)	28.17
Cititrust (Singapore) Limited	Trustee	302,460,664(L)	15.21
Magic Delight Limited (note 3)	Interest of corporation controlled by the substantial shareholder	302,460,664(L)	15.21
Deutsche Bank Aktiengesellschaft	Beneficial owner and custodian corporation/approved lending agent	294,747,027(L)	14.82
Bellamy Martin James	Interest of corporation controlled by the substantial shareholder	263,077,703(L)	13.23
Challenger Mining 8 Limited	Beneficial owner	263,077,703(L)	13.23
Kedar Sharon Rahamin	Interest of corporation controlled by the substantial shareholder	263,077,703(L)	13.23
Blue Andiamo GP Limited	Interest of corporation controlled by the substantial shareholder	126,277,297(L)	6.35
Salamanca Group Holdings Limited	Interest of corporation controlled by the substantial shareholder	126,277,297(L)	6.35

Other Information and Corporate Governance Highlights

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
SAIF IV GP Capital Ltd.	Interest of corporation controlled by the substantial shareholder	105,243,000(L)	5.29
SAIF IV GP LP	Interest of corporation controlled by the substantial shareholder	105,243,000(L)	5.29
SAIF Partners IV L.P.	Beneficial owner	105,243,000(L)	5.29
Yan Andrew Y.	Interest of corporation controlled by the substantial shareholder	105,243,000(L)	5.29

Notes:

1. The letter "L" denotes the person's long position in such shares.
2. Mr. Ran Chenghao, Mr. Ran Xiaochuan, Mr. Shi Xiangdong, Mr. Zhu Xiaolin, Hover Wealth Limited, Silver Lion, Total Flourish Limited, Grow Brilliant Limited and AL Stone Holdings Limited are parties to an agreement which have the meaning ascribed to it under s.317(a) and s.318 of the SFO.
3. 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 560,359,664 shares of the Company held by The Ran Family Trust, Silver Lion, Hover Wealth Limited and Magic Delight Limited pursuant to Part XV of the SFO and their respective interests duplicate the interests held by The Ran Family, Silver Lion, Hover Wealth Limited and Magic Delight Limited.

Other than as disclosed above, as at 30 June 2013, the Directors have not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

Other Information and Corporate Governance Highlights

Directors' Interests in Contracts

As at 30 June 2013, 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 Review Period.

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

During the Review Period, the Company repurchased a total of 5,863,000 shares of the Company at an aggregate purchase price of HK\$7,292,720 on the Hong Kong Stock Exchange. Details of the repurchases of such shares were as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate consideration paid (excluding expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2013	22,000	1.55	1.55	34,100
March 2013	188,000	1.37	1.34	254,580
April 2013	5,345,000	1.32	1.13	6,667,950
May 2013	308,000	1.10	1.07	336,090
	5,863,000			7,292,720

All the repurchased shares were cancelled before 30 June 2013. The issued share capital of the Company was accordingly reduced by the par value of the repurchased shares so cancelled. The above repurchases were affected by the Directors pursuant to the repurchase mandate from shareholders of the Company, with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the Review Period.

Other Information and Corporate Governance Highlights

Corporate Governance Highlights

Compliance with the Corporate Governance Code

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of a high quality and diversified Board, sound internal controls, transparency, accountability and independence. Corporate governance practices adopted by the Company during the Review Period are in line with those practices set out in the Company's 2012 annual report.

The Board considers that during the Review Period, the Company has complied with the code provisions as set out in the CG Code. Where there is any deviation, appropriate explanation has been provided in this interim report.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

The Board

As at 28 August 2013, the Board is currently composed of three Executive Directors, two Non-Executive Directors and three Independent Non-Executive Directors. The positions of the Chairman of the Board and the Chief Executive Officer have always been held by separate individuals with a view to maintaining an effective segregation of duties in respect of the management of the Board and the day-to-day management of the Group's business.

The Board is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. Up to 28 August 2013, the Board held three meetings with an average attendance rate of 97.43%.

Board Committees

The Board has established the following committees with defined terms of reference, which are on no less exacting terms than those set out in the CG Code, if any:

- Audit Committee
- Nomination and Remuneration Committee
- Safety, Health and Environment Committee
- Strategy Committee



Other Information and Corporate Governance Highlights

Audit Committee

Up to 28 August 2013, the Audit Committee held two meetings with a 100% attendance rate, the Committee's principal work included the following:

- reviewing with management and the Company's internal and external auditors, the Group's significant internal controls and financial matters as set out in the Audit Committee's written terms of reference and making appropriate recommendations to the Board on these subjects.

The Audit Committee's review covers the audit plans and findings of the internal and external auditors, the external auditors' independence and performance, the provision of non-audit services by Ernst & Young, the Group's accounting principles and practices, goodwill assessment, Listing Rules and statutory compliance, internal controls, risk management, financial reporting matters (including the interim financial report for the six months ended 30 June 2013 for the Board's approval). Its current members include:

- Mr. Christopher Michael Casey — *Chairman*
- Mr. Miu Edward Kwok Chi
- Mr. Shi Xiangdong

Nomination and Remuneration Committee

Up to 28 August 2013, the Nomination and Remuneration Committee held two meetings with a 100% attendance rate, the Committee's principal work included the following:

- reviewing the board composition, the retirement of directors by rotation, the re-appointment of retiring directors at 2013 AGM and nominations of directors;
- assessing the independence of Independent Non-Executive Directors;
- reviewing and approving the Group's remuneration policy, management's 2013 remuneration proposals for individual Executive Directors and senior management and make recommendation to refresh the share option scheme mandate limit;
- reviewing and evaluating the performance of the Executive Directors; and
- reviewing the remuneration packages of the Non-Executive Directors.

Other Information and Corporate Governance Highlights

During the Review Period, the Nomination and Remuneration Committee had a strong and independent element, comprising of four Independent Non-Executive Directors and one Executive Director. However, upon the retirement of Mr. Keith Wayne Abell, Mr. Richard Wingate Edward Charlton and Mr. Maarten Albert Kelder as Independent Non-Executive Directors at the conclusion of the AGM, the number of the Nomination and Remuneration Committee members reduced from five to two, comprising of only one Executive Director and one Independent Non-Executive Director. New appointments to the Committee were resolved at the Board meeting held on 28 August 2013 to maintain its independence and comply with Code A.5.1 of the CG Code, which requires a nomination committee to consist of a majority of Independent Non-Executive Directors. With the new appointments, as at 28 August 2013, the Committee's members consist of:

- Mr. Miu Edward Kwok Chi — *Chairman*
- Mr. Christopher Michael Casey
- Mr. William Beckwith Hayden
- Mr. Lee Kenneth Jue

Safety, Health and Environment Committee

The Board recognizes that excellence in managing safety, health and environmental responsibilities is essential to the Group's long-term success. Aiming at ensuring the safety and health of the Group's employees, minimizing any adverse impacts the Group's activities may have on the environment and making a positive contribution to local community life, the Board established the Safety, Health and Environment Committee on 2 July 2013. This Committee, comprising of three Board members, assists the Board in its assessing of safety, health, environment and community risks, oversees the Group's performance in relation to safety, health, environmental and community matters, and the Group's compliance with applicable legal and regulatory requirements associated with safety, health, environmental and community matters.

Up to 28 August 2013, the Committee met once with an attendance rate of 100% to review and discuss the occupational safety, health and environmental issues of the mines of the Company, its members include:

- Mr. Lee Kenneth Jue — *Chairman*
- Mr. Ran Xiaochuan
- Mr. Wu Wei



Other Information and Corporate Governance Highlights

Strategy Committee

Up to 28 August 2013, the Strategy Committee held two meetings to date in 2013 with an attendance rate of 91.66% to review the general strategy of the Group, its members include:

- Mr. Ran Xiaochuan — *Chairman*
- Mr. William Beckwith Hayden
- Mr. Miu Edward Kwok Chi
- Mr. Shi Xiangdong

Board and Chief Executive Officer Changes

As at 28 August 2013, the composition of the Board is as follows:

Executive Directors	Non-Executive Directors	Independent Non-Executive Directors
Mr. Ran Xiaochuan, <i>Chairman</i>	Mr. Lee Kenneth Jue	Mr. Christopher Michael Casey
Mr. Wu Wei	Mr. Shi Xiangdong	Mr. William Beckwith Hyden
Mr. Zhao Shaohua		Mr. Miu Edward Kwok Chi

Between 11 June 2013 to 28 August 2013, there have been a number of changes in the Board and committees of the Board:

- Mr. Huang Wei retired as an Executive Director and ceased to be a member of the Strategy Committee at the conclusion of the AGM.
- Mr. Wang Fahai retired as an Executive Director at the conclusion of the AGM.
- Mr. Keith Wayne Abell retired as an Independent Non-Executive Director and ceased to be a member of the Audit Committee and Nomination and Remuneration Committee at the conclusion of the AGM.
- Mr. Richard Wingate Edward Charlton retired as an Independent Non-Executive Director and ceased to be the Chairman of the Strategy Committee and a member of the Nomination and Remuneration Committee at the conclusion of the AGM.
- Mr. Maarten Albert Kelder retired as an Independent Non-Executive Director and ceased to be the Chairman of the Nomination and Remuneration Committee at the conclusion of the AGM.

Other Information and Corporate Governance Highlights

- Mr. Ran Xiaochuan was appointed as Chairman of the Strategy Committee and a member of the Safety, Health and Environment Committee on 2 July 2013.
- Mr. Wu Wei was appointed as a member of the Safety, Health and Environment Committee on 2 July 2013.
- Mr. Lee Kenneth Jue was appointed as Chairman of the Safety, Health and Environment Committee and a member of the Nomination and Remuneration Committee on 2 July 2013.
- Mr. Miu Edward Kwok Chi was appointed as Chairman of the Nomination and Remuneration Committee on 2 July 2013.
- Mr. Ran Xiaochuan ceased to be a member of the Nomination and Remuneration Committee on 28 August 2013.
- Mr. Christopher Michael Casey was appointed as a member of the Nomination and Remuneration Committee on 28 August 2013.

Since the resignation of Mr. Zhu Xiaolin as an Executive Director and the Chief Executive Officer in September 2012, the role of Acting Chief Executive Officer was fulfilled by Mr. Li Tao, the Chief Financial Officer of the Group. The process to find a successor was ongoing during the interim period until May 2013 whereupon Mr. He Ji was appointed as Chief Executive Officer with effect from 1 June 2013.

Disclosure of Information of Director pursuant to Rule 13.51B(1) of the Listing Rules

Mr. Zhao Shaohua was promoted from deputy general manager of Yingjiang County Kunrun Industry Company Limited, an indirect subsidiary of the Company in China to general manager with effect from 7 May 2013.

Risk Management and Internal Control

The interim financial information is reviewed by the external auditors. The Board is responsible for maintaining a sound and effective system of risk management and internal controls and for reviewing its effectiveness. Such system is designed to manage the risk of failure to achieve corporate objectives and to provide reasonable but not absolute assurance against material misstatement, loss or fraud. Details of the Company's risk management and internal control processes are set out in the Corporate Governance Section on page 77 of the Company's 2012 Annual Report.



Other Information and Corporate Governance Highlights

During the Review Period, the Group's Internal Audit team, under the supervision of our Chairman and with the guidance of an external practitioner, reviewed the internal controls of the Group.

Based on the respective assessments made by management and the Internal Audit team, the Board considered that during the Review Period:

- the internal controls and accounting systems of the Group were in place and functioning effectively and were designed to provide reasonable assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with management's authorization and the interim financial information was reliable for publication.
- there was an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

Model Code for Securities Transactions

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

Having made specific enquiry, the Company confirmed that all members of the Board 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 the unpublished inside information, have been requested to comply with the provision of the Model Code. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

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 39 to 59, which comprises the consolidated statement of financial position of China Polymetallic Mining Limited as at 30 June 2013 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 Stock Exchange of Hong Kong Limited 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

28 August 2013

Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

For the six months ended
30 June

	Notes	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
REVENUE	3	266,823	157,254
Cost of sales		(60,244)	(31,074)
Gross profit		206,579	126,180
Other income	4	1,011	2,001
Selling and distribution expenses		(510)	(778)
Administrative expenses		(65,192)	(51,938)
Other expenses		(1,098)	(3,020)
Finance costs	5	(5,828)	(476)
PROFIT BEFORE TAX	5	134,962	71,969
Income tax expense	6	(44,767)	(26,019)
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		90,195	45,950
Attributable to:			
Owners of the Company		89,031	45,266
Non-controlling interests		1,164	684
		90,195	45,950
Earnings per share attributable to ordinary equity holders of the Company:			
— Basic and diluted	7	RMB0.04	RMB0.02

Interim Consolidated Statement of Financial Position

30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	511,629	430,146
Intangible assets	8	629,190	632,262
Prepaid land lease payments	8	12,722	12,857
Payments in advance	9	42,503	11,883
Prepayments and deposits	9	106,452	124,884
Deferred tax assets		11,337	11,892
Total non-current assets		1,313,833	1,223,924
CURRENT ASSETS			
Inventories		24,141	12,838
Trade receivables	10	266,473	279,013
Prepayments, deposits and other receivables	9	71,267	41,994
Cash and cash equivalents		362,236	327,007
Total current assets		724,117	660,852
CURRENT LIABILITIES			
Trade payables	11	14,519	13,695
Other payables and accruals		97,355	97,311
Tax payable		62,345	74,462
Interest-bearing bank loans	12	170,000	60,000
Total current liabilities		344,219	245,468
NET CURRENT ASSETS		379,898	415,384
Total assets less current liabilities		1,693,731	1,639,308

Interim Consolidated Statement of Financial Position

30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	12	—	60,000
Provision for rehabilitation		15,416	14,903
Total non-current liabilities		15,416	74,903
Net assets		1,678,315	1,564,405
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	17	17
Treasury shares	13	—	(126)
Reserves		1,626,950	1,518,715
Non-controlling interests		1,626,967	1,518,606
		51,348	45,799
Total equity		1,678,315	1,564,405

RAN Xiaochuan
Director

WU Wei
Director

Interim Consolidated Statement of Changes In Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company											
	Issued capital	Share premium account	Treasury shares	Reserve funds	Safety fund surplus reserve	Capital contribution reserve	Share option reserve	Difference arising from changes in non-controlling interests	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000 note 13	RMB'000	RMB'000 note 13	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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	–	–	–	–	–	–	–	–	–	–	33,090	33,090
Equity-settled share option arrangement (note 14)	–	–	–	–	–	–	3,991	–	–	3,991	–	3,991
Total comprehensive income 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)	1,368,912	35,104	1,424,016
At 1 January 2013	17	1,354,770*	(126)	28,852*	2,877*	233,000*	8,362*	(4,115)*	(105,031)*	1,518,606	45,799	1,564,405
Repurchase of shares	–	(5,936)	126	–	–	–	–	–	–	(5,810)	–	(5,810)
Establishment for safety fund surplus reserve	–	–	–	–	2,983	–	–	–	(2,983)	–	–	–
Utilisation of safety fund surplus reserve	–	–	–	–	(539)	–	–	–	539	–	–	–
Capital injection from non-controlling shareholders of a subsidiary **	–	–	–	–	–	–	–	–	–	–	4,385	4,385
Equity-settled share option arrangement (note 14)	–	–	–	–	–	–	25,140	–	–	25,140	–	25,140
Transfer from/(to) reserves	–	–	–	312	–	–	–	–	(312)	–	–	–
Total comprehensive income during the Review Period	–	–	–	–	–	–	–	–	89,031	89,031	1,164	90,195
At 30 June 2013 (unaudited)	17	1,348,834*	–	29,164*	5,321*	233,000*	33,502*	(4,115)*	(18,756)*	1,626,967	51,348	1,678,315

* These reserve accounts comprise the consolidated reserves of RMB1,626,950,000 (31 December 2012: RMB1,518,715,000) in the consolidated statement of financial position.

** Pursuant to the shareholders' resolution of Mang City Xin Di Mining Company Limited ("Dakuangshan Company") dated 2 May 2013, the registered capital of the Dakuangshan Company was increased from RMB45,000,000 to RMB85,000,000. The capital injection was satisfied by way of the capitalisation of payables to shareholders of the Dakuangshan Company, namely Dehong Yinrun Mining Technology Development Company Limited ("Dehong Yinrun"), Mr. Xi Wan li, Mr. Xi Xiaolong and Ms. Gao Qunzhen. Dehong Yinrun, Mr. Xi Wan li, Mr. Xi Xiaolong and Ms. Gao Qunzhen made the capital injection amounted to RMB39,460,000, RMB3,509,000, RMB438,000 and RMB438,000 respectively, in proportion of their equity interest held in Dakuangshan Company of 90%, 8%, 1% and 1% respectively. The difference between the capital injection of RMB43,800,000 and the increase in registered and paid-up capital of RMB40,000,000 was credited to the share premium account of the Dakuangshan Company.

Interim Consolidated Condensed Statement of Cash Flows

For the six months ended 30 June 2013

For the six months ended
30 June

	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Net cash flows generated from/(used in) operating activities	146,885	(39,061)
Net cash flows used in investing activities	(90,409)	(314,044)
Net cash flows from financing activities	38,875	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	95,351	(353,105)
Cash and cash equivalents at beginning of period	267,007	870,311
Effect of foreign exchange rate changes, net	(122)	(2,060)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	362,236	515,146
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	362,236	515,146

Notes to Interim Condensed Financial Information

30 June 2013

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

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

2.1 BASIS OF PREPARATION

The unaudited interim condensed financial information during 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 2012.

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 2012, except for the adoption of new International Financial Reporting Standards ("IFRSs") and amendments to IFRSs issued by the International Accounting Standards Board that are effective for annual periods beginning on or after 1 July 2012 and 1 January 2013. The adoption of these new IFRSs and amendments to IFRSs has had no significant financial effect on the financial position or performance of the Group.

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, China. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products

The following table sets out 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 30 June			
	2013		2012	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Lead-silver concentrates	180,537	67.7	114,187	72.6
Zinc-silver concentrates	86,286	32.3	43,067	27.4
	266,823	100.0	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

30 June 2013

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	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Customer A	196,973	108,348
Customer B	*	36,890

* Less than 10% of total revenue

4. OTHER INCOME

An analysis of other income is as follows:

	For the six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Sale of spare parts	—	550
Bank interest income	985	1,451
Others	26	—
	1,011	2,001

5. PROFIT BEFORE TAX

The Group's profit before tax was arrived at after charging:

	For the six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Cost of inventories sold	60,244	31,074
Interest on bank loans wholly repayable within five years	5,315	5,261
Unwinding of a discount	513	476
	5,828	5,737
Less: Interest capitalised to property, plant and equipment	—	(5,261)
Finance costs	5,828	476
Employee benefit expense (including Directors' remuneration) *	41,257	16,285
Depreciation and amortisation ** (note 8)	27,373	10,332
Auditors' remuneration	1,500	1,100
Foreign exchange losses	127	2,114
Operating lease rentals in respect of:		
— Motor vehicles	111	342
— Office building	933	687

* Total employee benefit expense includes equity-settled share option expense of RMB25,140,000 during the Review Period (six months ended 30 June 2012: RMB3,991,000), out of which RMB2,855,000 was the fair value of share options granted to three Independent Non-Executive Directors who were not re-elected at the Company's annual general meeting held on 11 June 2013. The fair value of share options granted to the three Independent Non-Executive Directors was expensed immediately to profit or loss by their leaving date.

** The amortisation of intangible assets and prepaid land lease payments during the Review Period and the corresponding period of 2012 is included in "Cost of sales" on the face of consolidated statement of comprehensive income.

Notes to Interim Condensed Financial Information

30 June 2013

6. INCOME TAX

The major components of income tax expense were as follows:

	For the six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Current — Mainland China charge for the period	44,212	29,707
Deferred	555	(3,688)
Total tax charge for the period	44,767	26,019

Notes:

- Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Review Period.
- The subsidiaries located in Mainland China are liable to PRC corporate income tax at a rate of 25% on the assessable profits generated during 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 Yingjiang County Kunrun Industry Company Limited ("Kunrun"), a principal operating subsidiary in Mainland China, shareholders of Kunrun have the ultimate power to decide Kunrun's dividend policy. Pursuant to the shareholders' resolution dated 20 July 2013, the net profit of Kunrun during the Review Period, after appropriation 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 during the Review Period have been recorded.

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 during the Review Period of RMB89,031,000 (six months ended 30 June 2012: RMB45,266,000), and the weighted average number of ordinary shares of 1,992,304,367 (six months ended 30 June 2012: 2,000,000,000) in issue during the Review Period.

No adjustment has been made to the basic earnings per share amount presented during the Review Period and prior 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 and prior period.

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:

	Property, plant and equipment RMB'000 (Unaudited) (note (a))	Intangible assets RMB'000 (Unaudited) (note (b))	Prepaid land payments RMB'000 (Unaudited) (note (c))
Carrying amount at 1 January 2013	430,146	632,262	12,857
Additions	104,007	1,642	—
Depreciation/amortisation charged during the Review Period (note 5)	(22,524)	(4,714)	(135)
Carrying amount at 30 June 2013	511,629	629,190	12,722

Notes:

- (a) As at 30 June 2013, the Group was in the process of applying for the relevant building ownership certificates ("BOCs") for certain buildings with an aggregate net carrying amount of RMB26,936,000 (31 December 2012: RMB12,352,000). The Group's buildings can be sold, transferred or mortgaged when the relevant BOCs have been obtained.

As at 30 June 2013, the Group's buildings with a net carrying amount of approximately RMB11,539,000 (31 December 2012: RMB10,450,000) were erected on the land where the Group was still in the process of applying for the land use rights certificate.

As at 30 June 2013, the Group's building and plant with a net carrying amount of RMB65,172,000 (31 December 2012: not applicable) were pledged to secure certain bank loans granted to the Group (note 12).

- (b) As at 30 June 2013, the mining right to the Shizishan Mine with a net carrying amount of RMB67,006,000 (31 December 2012: RMB69,408,000) was pledged to secure certain bank loans granted to the Group (note 12).

- (c) As at 30 June 2013, leasehold land with a net carrying amounts of approximately RMB10,361,000 (31 December 2012: not applicable) was pledged to secure certain bank loans granted to the Group (note 12).

Notes to Interim Condensed Financial Information

30 June 2013

9. PAYMENTS IN ADVANCE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
<i>Current portion:</i>			
Prepayments in respect of:			
— purchase of inventories	(a)	57,787	30,696
— professional fees		1,026	7,285
— prepaid land lease payments to be amortised within one year		270	270
— other prepayments		1,780	1,088
Deposits	(b)	9,141	451
Staff advances		1,263	1,624
Interest income receivable		—	580
		71,267	41,994
<i>Non-current portion:</i>			
Payments in advance in respect of the purchase of:			
— prepaid land lease payments		11,883	11,883
— property, plant and equipment		30,620	—
Prepayment in respect of purchase of inventories	(a)	104,983	123,714
Deposit in respect of:			
— environment rehabilitation		1,469	1,170
		148,955	136,767
		220,222	178,761

Notes:

- (a) The balance mainly represents prepayments of RMB162,021,000 (31 December 2012: RMB154,135,000) made to the Xiangcaopo Mining, an independent third party supplier for tungsten and tin ores, the delivery of which commenced in December 2012. Mr. Li Jincheng, the sole owner of the 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 the Xiangcaopo Mining to the Group as security for the future delivery of the ores.
- (b) The balance mainly represents a good-faith deposit of RMB9,000,000 (31 December 2012: nil) for conducting a preliminary survey of certain lead and zinc mines.

10. TRADE RECEIVABLES

An aged analysis of the trade receivables as at 30 June 2013 and 31 December 2012, based on the invoice date, is as follows:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
Within 3 months	215,678	232,028
3 to 6 months	50,795	46,985
	266,473	279,013

The Group continued to extend the credit term granted to its existing customers from one month to three months, and up to six months for the Group's largest customer during the Review Period given the unfavourable 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 and there has not been a significant change in credit quality of these debtors. As at 30 June 2013, trade receivables were non-interest-bearing and unsecured.

11. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2013 and 31 December 2012, based on the invoice date, is as follows:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
Within 1 month	3,061	2,234
1 to 2 months	80	1,541
2 to 3 months	26	1,101
Over 3 months	11,352	8,819
	14,519	13,695

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

Notes to Interim Condensed Financial Information

30 June 2013

12. INTEREST-BEARING BANK LOANS

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
Bank loans:			
Secured	(a)	120,000	120,000
Secured and guaranteed	(b)	50,000	—
		170,000	120,000
Bank loans repayable:			
Within one year		170,000	60,000
In the second year		—	60,000
		170,000	120,000
Balances classified as current liabilities		(170,000)	(60,000)
Balance classified as non-current liabilities		—	60,000

Notes:

- (a) As at 30 June 2013, the bank loans of RMB120,000,000 were secured by the mortgage over the Group's mining right to the Shizishan Mine with a net carrying amount of RMB67,006,000 (31 December 2012: RMB69,408,000) (note 8). The bank loans were denominated in RMB and bore an interest rate of 7.98% (31 December 2012: 7.98%) per annum.
- (b) As at 30 June 2013, the bank loans of RMB50,000,000 were secured by mortgage over the Group's certain building and plant and leasehold land with net carrying amounts of RMB65,172,000 and RMB10,361,000 respectively (note 8). The bank loans are also guaranteed by Mr. Ran Xiaochuan, who is the Chairman and Executive Director of the Company (note 17(a)). The bank loans were denominated in RMB and bore an interest rate of 7.20% (31 December 2012: not applicable) per annum.

13. SHARE CAPITAL

During the Review Period, the Company repurchased 5,863,000 of its own shares listed on the Stock Exchange of Hong Kong Limited within a price range of HK\$1.07 to HK\$1.55 per share. All of the repurchased shares were cancelled during the Review Period. 100,000 treasury shares as at 31 December 2012 were cancelled on 17 January 2013. The issued capital of the Company was reduced by the par value of the cancelled shares and the premium paid thereon has been charged to the share premium account of the Company accordingly.

The repurchase of the Company's shares during the Review Period was pursuant to the repurchase mandate granted by the shareholders to the Directors at the annual general meeting of the Company held on 12 June 2012.

14. SHARE OPTION SCHEME

The Company adopted the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants including executives or officers (including Executive, Non-Executive and Independent Non-Executive Directors) or employees (whether full time or part time) of any member of the Group and any persons whom the Board considers, in its sole discretion, have contributed or will contribute to the development and growth of the Group. The Share Option Scheme was approved by the Company's shareholders on 24 November 2011 and, unless otherwise cancelled or amended, will remain in force for ten years from that date. Please refer to the 2012 annual report of the Company for details.

Notes to Interim Condensed Financial Information

30 June 2013

14. SHARE OPTION SCHEME (continued)

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

	Notes	Weighted average exercise price HK\$ per share	Number of options
As at 1 January 2013	(a)	2.22	42,162,162
Granted during the Review Period	(b)	**	157,837,838
Forfeited during the Review Period	(c)	**	(12,600,000)
As at 30 June 2013			187,400,000

Notes:

- (a) The share options outstanding as at 1 January 2013 represented share options granted by the Company on 14 December 2011 at the exercise price of HK\$2.22 per share.
- (b) It represented the 2013 Granted Options.
- (c) The share options granted to an eligible participant under the 2013 Granted Options were forfeited following his resignation during the Review Period.

14. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at 30 June 2013 and 31 December 2012 are as follows:

30 June 2013

Number of options	Exercise price per share* HK\$	Exercise period
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
72,618,919	1.70	From 16 January 2014 to 15 January 2018
36,309,460	**	From 16 January 2015 to 15 January 2018
36,309,459	**	From 16 January 2016 to 15 January 2018
187,400,000		

31 December 2012

Number of options	Exercise price per share* HK\$	Exercise period
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 exercise price of the share options is subject to adjustment in the case of rights or bonus issue, or other similar changes in the Company's share capital.

** The exercise price of the first batch is HK\$1.70 per share. The exercise price of the second batch and the third batch per share is to be determined by the Board in compliance with the Listing Rules and with reference to the prevailing market prices on the first anniversary and the second anniversary of 16 January 2013, the grant date, but in any case must be at least HK\$1.70. For details, please refer to the Company's announcement dated 16 January 2013.

Notes to Interim Condensed Financial Information

30 June 2013

14. SHARE OPTION SCHEME (continued)

The fair value of the 2013 Granted Options granted during the Review Period was HK\$74,139,000 (equivalent to approximately RMB60,004,000) or HK\$0.51 each (equivalent to approximately RMB0.41 each) (six months ended 30 June 2012: nil), of which the Group recognised a share option expense of HK\$25,025,000 (equivalent to approximately RMB20,254,000) during the Review Period (six months ended 30 June 2012: nil).

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

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

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

At the 30 June 2013, the Company had 187,400,000 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 187,400,000 additional ordinary shares of the Company and additional share capital of HK\$1,874 and share premium of at least HK\$340,502,450 (before issue expenses).

At the date of approval of this interim condensed financial statements, the Company had 187,400,000 share options outstanding under the Share Option Scheme, which represented approximately 9.4% of the Company's shares in issue as at that date.

15. DIVIDENDS

The Board proposed payment of an interim dividend of HK\$0.010 per share (equivalent to RMB0.008 per share) during the Review Period (2012: nil). The interim dividend is intended to be declared through cancellation of an amount standing to the credit of the share premium account of the Company. The proposed interim dividend is subject to the approval of the Company's shareholders at an extraordinary general meeting, details of which will be announced in due course.

16. COMMITMENTS

The Group had the following capital commitments at the end of the Review Period:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
Contracted, but not provided for:		
– Exploration and evaluation assets	14,767	27,573
– Property, plant and equipment	11,152	23,993
	25,919	51,566
Authorised, but not contracted for:		
– Exploration and evaluation assets	15,872	254,820
– Property, plant and equipment	192,312	138,735
	208,184	393,555
	234,103	445,121

Notes to Interim Condensed Financial Information

30 June 2013

17. RELATED PARTY TRANSACTIONS

- (a) During the Review Period, the Group had the following material transaction with its related party:

	For the six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Bank loans guaranteed by Mr. Ran Xiaochuan	50,000	—

The bank loans were guaranteed by Mr. Ran Xiaochuan free of charge.

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

	For the six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Fees	2,431	1,914
Basic salaries and other benefits	1,901	1,643
Equity-settled share option expense	10,236	3,991
Pension scheme contributions	16	22
	14,584	7,570

18. EVENT AFTER THE PERIOD

The Company held an extraordinary general meeting on 9 August 2013, at which the shareholders approved the service agreement dated 28 May 2013 made between Mr. Ji (Jerry) He (“Mr. He”) and the Company (the “Service Agreement”).

Subject to the Service Agreement, the shares will be granted to Mr. He in three tranches as Award Shares and each tranche represents 1% of the Company’s issued shares on a fully diluted basis on the day when each tranche becomes awardable. The first tranche will be allotted and issued unconditionally forthwith on the date of the completion of 18 continuous months of service, the second tranche will be allotted and issued at the completion of two continuous years of service at the earliest, conditional upon the fulfillment of certain performance conditions and the third tranche will be allotted and issued at the completion of three continuous years of service at the earliest, conditional upon the fulfillment of certain performance conditions.

Particulars of the Award Shares were set out in the Company’s circular to shareholders dated 18 July 2013.

The fair value of the Award Shares as at the date of grant was HK\$49,538,000 (equivalent to approximately RMB39,387,000) or HK\$0.74 each (equivalent to approximately RMB0.59 each), of which the Group will recognise a share expense of HK\$8,273,000 (equivalent to approximately RMB6,578,000) for the year ending 31 December 2013.

19. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information during the Review Period was approved and authorised for issue by the Board on 28 August 2013.

Glossary

“2013 Granted Options”	the 157,837,833 share options which were granted to certain grantees on 16 January 2013
“AGM”	the annual general meeting of the Company held on 11 June 2013
“Board”	the board of directors of our Company
“CG Code”	the Corporate Governance Code as amended from time to time contained in Appendix 14 of the Listing Rules
“China” or “PRC” or “Mainland China”	the People’s Republic of China excluding, for the purpose of this interim report, Hong Kong, the Macau Special Administrative Region and Taiwan
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company” or “our 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 November 30, 2009
“Dakuangshan Company”	Mang City Xindi Mining Company Limited (芒市鑫地礦業有限責任公司), a subsidiary of the Company whose registered office is at Mang City , Yunnan Province, the PRC
“Dakuangshan Mine”	a lead-zinc-silver polymetallic mine to which the Dakuangshan Company owns the mining right
“Dazhupeng Mine”	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, China, with respect to which we hold an exploration permit
“Directors”	the directors of the Company
“g/t”	grams per tonne
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IPO”	the initial public offering and listing of shares of the Company on the main board of Hong Kong Stock Exchange on 14 December 2011



Glossary

“kg”	kilogram(s)
“km”	kilometer(s), a metric unit measure of distance
“kt”	thousand tonne(s), a metric unit of weight
“Listing Date”	14 December 2011
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Liziping Company”	Nujiang Shengjia Chengxin Industrial Company Ltd. (怒江州聖佳誠信實業有限公司), a 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
“Lushan Mine”	a tungsten-tin polymetallic ore mine located in Yingjiang County, Yunnan Province, China, operated by Xiangcaopo Mining, an Independent Third Party
“Menghu Mine”	a lead mine located in Menghu Stockade Village, Na Me Tian Village, Yi Wu Town, Meng La County, Yunnan Province, the PRC
“Pure Mining Company”	mining company which only conducts upstream operations in exploration, mining and primarily conducts the processing of mineral resources with no downstream operations in smelting, refining and others
“RMB”	the lawful currency of the PRC
“Review Period”	the period from 1 January 2013 to 30 June 2013
“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 the British Virgin Islands with company number 1553896, whose registered office address is at PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, the British Virgin Islands

Glossary

“sq.km.”	square kilometer
“t”	tonnes
“tpd”	tonnes per day
“US”	the United States of America
“US\$”	United States dollar(s), the lawful currency of the United States
“Xiangcaopo Mining”	Yunnan Xiangcaopo Mining Co., Ltd, a limited liability company in China, currently wholly owned by Li Jincheng, an independent third party