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

INTERIM REPORT 2017

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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 Myanmar and was the first company which solely engaged in mining non-ferrous metals to list on the Hong Kong Stock Exchange. We will further leverage our unique position as a leading mining company in Asia and close proximity to our major customers to meet the demand for silver, lead and zinc while maximising returns for our shareholders.

Corporate Information

As at 25 July 2017

DIRECTORS

Executive Directors

Mr. Lei Dejun *(appointed on 12 June 2017)*
Mr. Ran Xiaochuan *(retired on 6 June 2017)*
Mr. Choi Tat Ying Jacky *(appointed on 15 May 2017 and ceased to be a director with effect from 6 June 2017)*

Non-Executive Directors

Mr. Lee Kenneth Jue
Mr. Yin Bo *(appointed on 12 June 2017)*
Mr. Chan Suk Ching *(appointed on 12 June 2017)*

Independent Non-Executive Directors

Mr. Miu Edward Kwok Chi *(Interim Non-executive Chairman)*
Mr. Ma Shirong *(appointed on 16 June 2017)*
Mr. Chi Hongji *(appointed on 16 June 2017)*
Mr. Barry Sang Quan *(retired on 6 June 2017)*
Mr. Huang Guoxin *(retired on 6 June 2017)*

AUDIT COMMITTEE

Mr. Ma Shirong *(Chairman)*
(appointed as its chairman on 16 June 2017)
Mr. Miu Edward Kwok Chi *(re-designated as its member with effect from 16 June 2017)*
Mr. Chan Suk Ching *(appointed as its member on 16 June 2017)*
Mr. Lee Kenneth Jue *(ceased to be its member with effect from 16 June 2017)*
Mr. Barry Sang Quan *(ceased to be its member with effect from 6 June 2017)*

NOMINATION AND REMUNERATION COMMITTEE

Mr. Chi Hongji *(Chairman)*
(appointed as its chairman on 16 June 2017)
Mr. Miu Edward Kwok Chi *(re-designated as its member with effect from 16 June 2017)*
Mr. Ma Shirong *(appointed as its member on 16 June 2017)*
Mr. Yin Bo *(appointed as its member on 16 June 2017)*
Mr. Lee Kenneth Jue *(appointed as its member on 16 June 2017)*
Mr. Choi Tat Ying Jacky *(appointed as its member on 22 May 2017 and ceased to be its member with effect from 6 June 2017)*
Mr. Huang Guoxin *(ceased to be its member with effect from 6 June 2017)*
Mr. Ran Xiaochuan *(ceased to be its member with effect from 6 June 2017)*
Mr. Barry Sang Quan *(ceased to be its member with effect from 6 June 2017)*

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

Mr. Lei Dejun *(Chairman)*
(appointed as its chairman on 16 June 2017)
Mr. Miu Edward Kwok Chi *(appointed as its member on 16 June 2017)*
Mr. Chi Hongji *(appointed as its member on 16 June 2017)*
Mr. Lee Kenneth Jue *(ceased to be its member with effect from 16 June 2017)*
Mr. Huang Guoxin *(ceased to be its chairman with effect from 6 June 2017)*
Mr. Ran Xiaochuan *(ceased to be its member with effect from 6 June 2017)*

STRATEGY COMMITTEE

Mr. Lee Kenneth Jue *(Chairman)*
Mr. Lei Dejun *(appointed as its member on 16 June 2017)*
Mr. Yin Bo *(appointed as its member on 16 June 2017)*
Mr. Chan Suk Ching *(appointed as its member on 16 June 2017)*
Mr. Huang Guoxin *(ceased to be its member with effect from 6 June 2017)*
Mr. Ran Xiaochuan *(ceased to be its member with effect from 6 June 2017)*
Mr. Choi Tat Ying Jacky *(appointed as its member on 22 May 2017 and ceased to be its member with effect from 6 June 2017)*

Corporate Information

As at 25 July 2017

COMPANY SECRETARY

Ms. Chan Wai Ling

AUTHORISED REPRESENTATIVES

Mr. Lei Dejun *(appointed with effect from 13 June 2017)*
Ms. Chan Wai Ling
Mr. Ran Xiaochuan *(ceased to act on 6 June 2017)*

REGISTERED OFFICE

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P.O. Box 2681
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Cayman Islands

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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As to Cayman Islands Law
Conyers Dill & Pearman

AUDITORS

Ernst & Young

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PRINCIPAL BANKERS

Ping An Bank Co., Ltd
Agricultural Bank of China
China Merchants Bank
Citibank

STOCK CODE

2133

WEBSITE ADDRESS

www.chinapolymetallic.com

Financial Highlights

The Group's summary of published results during the Period and the corresponding period of 2016, and the figures of assets, liabilities and non-controlling interests as at 30 June 2017 and 31 December 2016 are set out below:

RESULTS

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	15,715	11,035
Cost of sales	(12,353)	(11,604)
Gross profit/(loss)	3,362	(569)
Loss for the period	(19,537)	(64,458)
Attributable to:		
Owners of the Company	(18,122)	(63,909)
Non-controlling interests	(1,415)	(549)
	(19,537)	(64,458)
Loss per share attributable to ordinary equity holders of the Company — Basic and diluted	RMB(0.009)	RMB(0.032)
Other comprehensive income for the period, net of tax	279	–
Total comprehensive income/(loss) for the period	(19,258)	(64,458)
Attributable to:		
Owner of the Company	(17,843)	(63,909)
Non-controlling interests	(1,415)	(549)
	(19,258)	(64,458)

Financial Highlights

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Non-current assets	2,473,399	2,270,941
Current assets	110,998	69,572
Current liabilities	799,808	777,324
Non-current liabilities	81,948	33,920
Total equity	1,702,641	1,529,269
Attributable to:		
Owners of the Company	1,519,877	1,466,925
Non-controlling interests	182,764	62,344
	1,702,641	1,529,269

Management Discussion and Analysis

MARKET REVIEW

In the first half of 2017, the global economy continued to improve. Economic recovery of developed economies was relatively steady as a whole, and the economy in the USA, Eurozone and Japan generally recovered somewhat. Economic trends of emerging economies continued to vary, with China and India leading the growth. Domestically, China's economic growth continued its moderately upward trend since the four quarters of last year, characterized by the stability gaining traction, an improved economic structure, advanced supply-side reforms, and application of internal impetus to simulate economic growth. In the first half of 2017, the economic growth hit 6.9%, while value of designated industrial enterprises grew by 6.9%. A new round of economic strategic pattern – "Regional Revitalization + Reform + Opening-up" is emerging.

During the Period, the average price of international bulk commodities generally rebounded as compared to last year, albeit with considerable fluctuations. International basic metal and iron & steel market prices ascended slightly before retracting. There were numerous disruptions of the global copper mine supply, resulting in copper price increases before copper mine production output recovered. Eventually, copper price dropped slightly due to contraction of demand expectations. The shut down of several large zinc mines resulted in the sharp decline in supply of zinc ores worldwide, which led to zinc price increases despite continual decline in the LME zinc stock. Eventually, zinc price dropped primarily because of a dip in the automobile and real estate markets. In the first half of 2017, the average price of LME copper price was US$5,741.35/ton, while that of LME zinc price was US$2,681.62/ton, representing a year-on-year increase of 22.17% and 49.35%, respectively.

As per information from the Shanghai Futures Exchange, copper price dropped by approximately 4.68% as compared to the beginning of this year, but was up by approximately 24.45% on a year-on-year basis. Lead price dropped by about 0.25% as compared to the beginning of this year, and increased by about 38.50% on a year-on-year basis. Zinc price grew by 7.37% from the beginning of this year, and rose by approximately 37.89% on a year-on-year basis. Silver price dropped slightly by 1.95% within the half year, and was slightly down by roughly 1.07% on a year-on-year basis.

Management Discussion and Analysis

The Chinese government has actively launched numerous policies to guide and support the development of the non-ferrous metals industry. The "One Belt and One Road" Summit Forum for International Cooperation was held in Beijing in May this year, which is expected to create new development opportunities for the non-ferrous metals industry. Many countries participating in the "One Belt and One Road" initiative are rich in mineral resources, which is strongly complementary with China as the major consuming country. Strengthening investments in mineral resources exploration and development and cooperation with countries within the "One Belt and One Road" sphere would play a vital role in strengthening China's diversified supply sourcing and enhancing its risk protection capabilities. Furthermore, "One Belt and One Road" would promote the trade development of bulk commodities, thus potentially driving up commodity prices from the import and export perspective.

As an important participant of China's "One Belt and One Road" initiative, Myanmar has a strategic geographical location and is the largest neighbor of China in terms of size, with a long border between the two countries. In April, Htin Kyaw, President of Myanmar who has taken office for more than a year, visited China for the first time. During the visit, he proclaimed that the participation in "One Belt and One Road" would strengthen Myanmar's cooperation with other countries, and also provide development opportunities for the country in trade, investment and infrastructure construction. Cooperation in the field of mineral resources is an important integral part of the "One Belt and One Road" strategy. Myanmar has rich mineral resources. However, its mineral resource exploration, development, and mining capabilities are relatively antiquated, and its infrastructure is lacking. By making use of China's strength in equipment, technology and capital, Myanmar could develop the mining industry and its economy, and at the same time, help optimize China's mining industry structure.

Looking forward to the second half of 2017 at the international market, the basic metal market is expected to experience some adjustment fluctuations. In terms of LME copper, as the anticipated impact of U.S. interest rate increase is falling, the LME copper setback would stabilize. Conversely, copper demand may stall because of the upcoming consumption decline during the off season, so the LME copper is expected to experience some adjustments. For LME zinc, cancelled warehouse warrants for LME zinc have increased apparently, indicating that the zinc stock is in decline. Couple that with the anticipated tight supply should lend support to the zinc price, experiencing some fluctuations.

In the domestic market, the development of the non-ferrous metal industry will face both challenges and opportunities in the second half of 2017. The commodity market will be subject to a cautiously-optimistic environment and continue to be slightly fluctuative. Being an important development sector in the "One Belt and One Road" strategy, the non-ferrous metal industry should seek opportunities to make positive reforms on the supply side, and increase profitability and stabilize development simultaneously.

Management Discussion and Analysis

OPERATING MINE — SHIZISHAN MINE

Operational results of the Shizishan Mine

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

The Shizishan Mine is located at the southern extension of the Hengduan Mountain Range along the north-south stretching secondary ridge of the western part of Gaoligong Mountains in western Yunnan, the PRC, which has undulating terrain as typical in the Binlang River vicinity.

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

During the Period, Shizishan Mine resumed pumping water from the tunnel, and has started safety inspection, dredging and collapse debris clearing work progressively since June 2017. Clearing of tunnel silt for 500 meters, and the collapse debris for 500 cubic meters was completed.

Due to the aforementioned factors, during the Period, the mining process in Shizishan Mine has only recovered partially since June 2017, with a small amount of raw ore produced.

Through preliminary research, the Group, barring any unforeseen circumstances, the current plan is to take measures to dig a drainage tunnel, to resolve the water inflow problem in order to resume production progressively. The Group will actively monitor and adjust the future operational mining plans of the Shizishan Mine as appropriate.

Capital expenditure of the Shizishan Mine

During the Period, there was no significant capital expenditure incurred in the Shizishan Mine (six months ended June 30 2016: RMB1,050,000).

Management Discussion and Analysis

OPERATING MINE — DAKUANGSHAN MINE

Operational results of the Dakuangshan Mine

The following table summarises the mining and processing results during the Period and the corresponding period of 2016 of the Dakuangshan Mine operated by the Group:

	Items	Unit	Six months ended 30 June 2017	Six months ended 30 June 2016
ROM Ore	Mined	kt	29.4	30.4
	Effective working days	days	69	72
	Average output	tpd	426	423
	Processed	kt	23	26.4
Feed Grade	Lead	%	1.22	1.5
	Zinc	%	3.14	3.2
	Silver	g/t	21.3	25
Recovery	Lead	%	80.9	80.6
	Zinc	%	81.6	83.5
	Silver in lead concentrate	%	70.5	63.9
	Silver in zinc concentrate	%	8.9	8.8
Concentrate Grade	Lead	%	47.5	49.9
	Zinc	%	43.7	44.0
	Silver in lead concentrate	g/t	722	722
	Silver in zinc concentrate	g/t	62	39
Concentrate Tonnes	Lead-silver concentrate	t	478	596
	Zinc-silver concentrate	t	1,348	1,495
Metal Contained in Concentrate	Lead	t	227	298
	Zinc	t	588	658
	Silver in lead concentrate	kg	345	430
	Silver in zinc concentrate	kg	27	59

The Dakuangshan Mine has reached the designed mining and processing capacity of 600 tpd since September 2013. However, it was unable to operate at full production capacity during the Period, primarily due to (i) disruptions from cross safety inspections conducted by the prefectures and the cities; and (ii) delayed exploration and mining preparation works, which constrained the production capacity.

Due to the aforementioned reasons, the total raw ore mined during the Period decreased by 0.1 kt to 29.4 kt, representing a drop of 0.3% as compared to the corresponding period of 2016.

Management Discussion and Analysis

Production costs at the Dakuangshan Mine

The comparison of unit production costs of the Dakuangshan Mine is shown below:

Cost item		Six months ended 30 June 2017 RMB	2016 RMB	Variance RMB
Mining cost	(RMB/t of ore mined)	69	69	–
— subcontracting fee	(RMB/t of ore mined)	69	69	–
Processing cost	(RMB/t of ore processed)	111	110	1
— materials cost	(RMB/t of ore processed)	25	23	2
— labour	(RMB/t of ore processed)	40	33	7
— electricity and water	(RMB/t of ore processed)	34	37	(3)
— maintenance and others	(RMB/t of ore processed)	12	17	(5)
Administrative and other costs	(RMB/t of ore processed)	2	3	(1)
Production taxes and royalties	(RMB/t of ore processed)	10	30	(20)
Total cash cost	(RMB/t of ore processed)	199	212	(13)
Total cash cost	(RMB/t of concentrate)	2,553	2,677	(124)
Depreciation and amortisation	(RMB/t of ore processed)	174	153	21
Total production cost	(RMB/t of ore processed)	366	365	1
Total production cost	(RMB/t of concentrate)	4,699	4,608	91

As compared to the corresponding period of 2016, the unit production cost per tonne of concentrate during the Period increased by RMB91 or approximately 2.0%.

Capital expenditure of the Dakuangshan Mine

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

1. Completed the 1,570 level development and drifting excavation of 246.8 meters (cross-sectional area: 2 members*2.2 members), and the mining and cutting excavation of 314.60 meters (cross-sectional area: 1.4 meters*1.8 meters);

2. completed the 1,470 level ramp development of 124.2 meters (cross-sectional area: 2.2 meters *2.4 meters), and the mining and cutting excavation of 260.2 meters (cross-sectional area: 1.4 meters *1.8 meters); and

3. completed the 1,470 level drifting and sump excavation of 44 meters (cross-sectional area: 2 meters *2.2 meters).

Management Discussion and Analysis

Capital expenditures of the Dakuangshan Mine during the Period and the corresponding period of 2016 are shown below:

	Six months ended 30 June	
	2017 RMB million	2016 RMB million
Mining	0.96	0.89
Mining infrastructure	0.96	0.89
Mining rights and exploration	–	–
Processing	0.11	0.33
Processing factory and equipment	–	–
Tailing storage facilities	0.11	0.33
Total	1.07	1.22

Management Discussion and Analysis

OPERATING MINE — AUNG JIUJIA MINE

Mineral resources and reserves of the Aung Jiujia Mine

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

Operational results of the Aung Jiujia Mine

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

	Items	Unit	Six months ended 30 June 2017	From October to December of 2016
ROM Ore	Mined	Kt	8.4	9.9
	Effective working days	Days	45	38
	Average output	Tpd	186	261
	Processed	Kt	12.4	4.4
Feed Grade	Lead	%	4.5	4.4
	Silver	g/t	17	16
Recovery	Lead	%	82.0	81.0
	Silver in lead concentrate	%	32	30.2
Concentrate Grade	Lead	%	62.0	62.6
	Silver in lead concentrate	g/t	91	83
Concentrate Tonnes	Lead-silver concentrate	T	738	251
Metal Contained in Concentrate	Lead	T	458	157
	Silver in lead concentrate	Kg	67.2	21

The designed mining and processing capacity of the Aung Jiujia Mine is 200 tpd. However, it was unable to operate at full production capacity during the Period, primarily due to (i) disruptions from Chinese Spring Festival holiday and the Myanmar Water-Splashing Festival; and (ii) the local dry season, resulted in the water sources not adequate to meet the requirements of full-load operations. The Group has identified a new water source, and is designing a systematic water utilization solution capable of meeting the present and future needs.

Management Discussion and Analysis

Capital expenditure of the Aung Jiujia Mine

During the Period, the Aung Jiujia Mine completed the 1,050 level tunnel excavation of 167 meters with a cross-sectional area of 2.1 meters and 2.3 meters and the 1,050 level incline shaft excavation of 4.3 meters with a cross-sectional area of 1.4 meters and 1.8 meters.

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

	Six months ended 30 June	
	2017	2016
	RMB million	RMB million
Mining	**0.4**	0.07
Mining infrastructure	**0.4**	0.07

OPERATING MINE — GPS JV MINE

The GPS JV Mine is a lead-zinc mine located in Bawsaing Track, Kalaw Township, Southern Shan State, Myanmar. The mining permit of the GPS JV Mine covers an area of 2 sq.km..

Operational Results of the GPS JV Mine

Bamushan Ore Spot, which is subordinate to the GPS JV Mine, has started mining operations since May 2017. Its total output of raw ores reached 900 tons in May and June 2017 with 21 effective working days. The average output was 43 tpd, and the grade of lead contained in raw ores was 4.6%. When the raw ore output is accumulated to a certain scale, the ore processing work will be conducted by the Group.

Capital Expenditure of the GPS JV Mine

During the Period, the GPS JV Mine did not incur any material capital expenditure.

OTHER MINES

Liziping Mine

The Liziping Mine, owned by the Group, is a lead-zinc-silver polymetallic mine located at Lanping County, Yunnan Province, the PRC, approximately 700 km away from the Shizishan Mine. The exploration permit covers an area of 13.87 square kilometers. Currently, the mining permit pertaining to the first mining area of approximately 4 square kilometers is still undergoing application process and its geological report is being finalised.

During the Period, the Liziping Mine mainly carried out supplemental pit testing, field cataloging, and conducting indoor geological research for the preparation of formal reserve reports for filing purposes. During the Period, the Liziping Mine did not incur any material capital expenditure (six months ended 30 June 2016: Nil).

Management Discussion and Analysis

Menghu Mine

The Menghu Mine, owned by the Group, is a lead-zinc polymetallic mine located in Meng La County, Yunnan Province, the PRC. The mining permit of the Menghu Mine covers an area of 0.4 square kilometers.

During the Period, the Menghu Mine did not incur any material capital expenditure (six months ended 30 June 2016: Nil).

Dazhupeng Mine

The Dazhupeng Mine, owned by the Group, is a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, the PRC. Currently, the Group is working on the renewal of the exploration permit.

During the Period, the Dazhupeng Mine mainly worked on the renewal of the exploration permit. During the Period, the Dazhupeng Mine did not incur any material capital expenditure (six months ended 30 June 2016: Nil).

Lushan Mine

The Lushan Mine, owned by Xiangcaopo Mining, is a tungsten-tin polymetallic mine. The Group entered into an exclusive ore supply agreement on Xiangcaopo Mining with its owner, Mr. Li Jincheng, on 31 December 2010. The exploration permit of the Lushan Mine expired on 19 April 2017 and Xiangcaopo Mining is currently in the process of renewing the exploration permit. Xiangcaopo Mining has made no substantial progress for the mining rights application despite significant efforts made in that regard.

During the Period, Xiangcaopo Mining performed routine maintenance for the site of the Lushan Mine and improvement of geological works. During the Period, the Lushan Mine did not incur any material capital expenditure (six months ended 30 June 2016: Nil).

FINANCIAL REVIEW

Revenue

During the Period, the Group's revenue was approximately RMB15.7 million (six months ended 30 June 2016: RMB11.0 million), primarily from the sales of lead-silver concentrates and zinc-silver concentrates. As compared to the corresponding period of 2016, revenue increased by approximately RMB4.7 million or approximately 42.7%, which was mainly due to the average selling price of lead-silver concentrates and zinc-silver concentrates being higher by RMB956 per ton and RMB2,514 per ton during the Period, respectively, compared to the first half of 2016.

Cost of sales

During the Period, cost of sales was approximately RMB12.4 million (six months ended 30 June 2016: RMB11.6 million), mainly comprising mining subcontracting fees, ancillary material costs, utilities, depreciation and amortisation. As compared to the corresponding period of 2016, cost of sales increased by RMB0.8 million or 6.9%, which was primarily due to the increased revenues and also the cost of sales of Aung Jiujia Mine being relatively high since it still is in its initial stage.

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

The Group achieved a gross profit ratio of 21.4% during the Period as compared to gross loss ratio of 5.16% during the corresponding period of 2016. This was due to the increase in average selling prices of lead and zinc concentrates.

Management Discussion and Analysis

Other income and gains

During the Period, other income and gains were approximately RMB0.9 million (six months ended 30 June 2016: RMB1.0 million), primarily comprising (i) rental income of RMB0.4 million from the Group's building located in Chengdu; and (ii) a compensation for mining infrastructure of RMB0.5 million.

Gain on a bargain purchase

On 7 March 2017, the Group acquired 100% equity interests of Hua Xing Global Limited ("**Hua Xing**") and its subsidiary ("**Hua Xing Group**") from Mr. Wang Deyong ("**Mr. Wang**"), an independent individual. A bargain purchase gain of approximately RMB20.2 million resulted from the need of the seller to dispose of the investment in short order for financial return due to his lack of management experience in mining operations was recognized.

Administrative expenses

During the Period, administrative expenses were approximately RMB19.7 million (six months ended 30 June 2016: RMB28.5 million), primarily comprising managerial plant suspension cost, staff costs, professional consulting fees, depreciation, office administrative fees, mining resource compensation fees and other expenses.

As compared to the corresponding period of 2016, administrative expenses decreased by RMB8.8 million or approximately 31%, primarily due to (i) a decrease in plant suspension cost of RMB5.7 million resulted from the decrease in staff cost of the production department and depreciation expense of production equipment; (ii) a decrease in consultation expenses of RMB1.2 million due to the termination of several consultation services; and (iii) a decrease in staff cost of RMB1.0 million as a result administrative staff headcount reductions.

Impairment losses

During the Period, the management has conducted strategic review on the overdue receivables, and made provisions for impairment on trade receivables of RMB1.1 million (six months ended 30 June 2016: RMB36.0 million, all being impairment loss on other receivables).

Finance costs

During the Period, finance costs were approximately RMB14.8 million (six months ended 30 June 2016: RMB20.0 million). As compared to the corresponding period of 2016, finance costs decreased by RMB5.2 million, primarily due to (i) a decrease in interest on other loans of RMB3.3 million granted by Ping An Bank, (ii) a decrease of RMB3.2 million in financial consultation fees from Sichuan Mingdong Investing Company Limited; and (iii) the occurrence of an interest penalty of RMB1.0 million due to the overdue repayment of gold leasing fees.

Income tax credit/(expense)

During the Period, income tax expense were approximately RMB6.1 million (income tax credit for the six months ended 30 June 2016: tax credit RMB20.5 million). This was due to the reserve of former years' deferred tax assets by Group's operating subsidiaries.

Interim dividend

On 25 July 2017, the Board resolved not to recommend declaring any interim dividend for the Period to the Company's shareholders (2016: no interim dividend and no final dividend).

Management Discussion and Analysis

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

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

Liquidity and capital resources

The following table sets out the information in relation to our Group's consolidated statement of cash flows during the Period and the six months ended 30 June 2017:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Net cash flow generated from/(used in) operating activities	**(999)**	12,442
Net cash flow used in investing activities	**(35,397)**	(25,559)
Net cash flow generated from/(used in) financing activities	**64,237**	(2,905)
Net increase/(decrease) in cash and cash equivalents	**27,841**	(16,022)

Management Discussion and Analysis

Net cash flow used in operating activities

During the Period, the net cash flow used in operating activities was RMB1.0 million (net cash flow generated from the corresponding period: RMB12.4 million). The RMB13.4 million loss was adjusted by (i) interest expenses from bank and other loans of RMB14.8 million; (ii) non-cash expenses including depreciation, amortisation ,unrealised foreign exchange loss and impairment loss on trade receivables aggregated to RMB16.8 million; (iii) a provisional gain on bargain purchase of RMB20.2 million raised from the business acquisition conducted by the Group; (iv) an increase in other payables and trade payables in relation to operating activities of RMB7.6 million; (v) an increase in inventories resulted from daily purchase of RMB2.8 million; and (vi) an increase in trade receivables, prepayments, deposits and other receivables of RMB3.8 million.

Net cash flow used in investing activities

The net cash flow used in investing activities was approximately RMB35.4 million, which primarily included (i) payments in advance for mining infrastructure aggregated to RMB26.3 million; (ii) a consideration of RMB6.5 million for an acquisition of a subsidiary; (iii) expenditures on exploration and evaluation totalling to RMB2.6 million.

Net cash flow generated from financing activities

The net cash flow generated from financing activities was approximately RMB64.2 million, which was primarily due to (i) cash inflow of RMB70.8 million from the proceeds generated from issuance of shares during the period; and (ii) advances from third parties of RMB7.9 million. The cash inflow was partially offset by the payment of interest amounting to RMB14.5 million.

Inventories

Inventories increased slightly by RMB4.7 million, or 20% from approximately RMB23.2 million as at 31 December 2016 to approximately RMB27.9 million as at 30 June 2017. The increase is primarily due to (i) an increase in materials and spare parts of RMB4.0 million due to the acquisition of GPS JV; and (ii) an increase in raw materials and lead and zinc concentrates as a result of the production commencement of Aung Jiujia mine and the increase in the production of Dakuangshan mine, which was also in line with the resumption of the market price.

Trade receivables

Trade receivables increased from approximately RMB1.1 million as at 31 December 2016 to approximately RMB2.6 million as at 30 June 2017, primarily due to (i) an increase in sales of new customers the Group has developed; and (ii) an impairment provision for overdue trade receivables was increased by RMB1.1 million during the Period.

Payment in advance, prepayment, deposits and other receivables

The Group's payment in advance, prepayment, deposits and other receivables decreased by RMB61.4 million from RMB730.1 million as at 31 December 2016 to RMB668.7 million as at 30 June 2017, primarily due to a decrease in payment in advance by RMB95.0 million due to the completion of acquisition of subsidiaries, partially offset by an increase in the exploration rights and assets amounting to RMB26.3 million.

Trade and other payables

The balance of trade and other payables increased by RMB44.5 million from approximately RMB178.6 million as at 31 December 2016 to approximately RMB223.1 million as at 30 June 2017, primarily due to (i) an increase in payables related to plant, property and equipment amounting to RMB21.6 million; (ii) advances from individuals were increased by RMB9.6 million; and (iii) the balance of payable related to exploration and evaluation assets was recognized for RMB7.2 million.

Management Discussion and Analysis

Net current assets position/(liabilities) position

The Group's net current liabilities as at 30 June 2017 was RMB688.8 million as compared to the net current assets of RMB707.8 million as at 31 December 2016, primarily due to (i) increases in cash and cash equivalents amounting to RMB27.8 million; (ii) increases in trade receivables and prepayments, deposits and other receivables aggregated to RMB8.9 million; and (iii) an increase in inventories of RMB4.7 million. The increases in current assets were partially offset by increases in trade payables, other payables and accruals totalling RMB22.8 million.

Borrowings

There was no change of the balance in the Group's bank and other loans as at 30 June 2017 of RMB505.2 million as compared to the balance as at 31 December 2016, and the credit of RMB3.2 billion granted by Ping An Bank has expired at the end of June 2017. The loan with a principal of RMB305 million will be replaced by a bank loan with a principal of RMB300 million in July 2017.

Contingent liabilities

As at 30 June 2017, the Group did not have any outstanding material contingent liabilities or guarantees.

Foreign currency risk

Previously, the Group's principal businesses were exclusively located in Mainland China and most of the transactions were conducted in RMB. Most of the Group's assets and liabilities were denominated in RMB than, except for a small portion of the net proceeds from the IPO being denominated in HK$ and US$. However, during the past two years, the Group started to expand the main business to Myanmar. As a result, the Group now carries some foreign currency risks.

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

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, the Group does not have any material interest-bearing assets. It manages the interest rate exposure arising from our interest-bearing loans through the use of fixed interest rates. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

Charge on assets

Other than those disclosed in this Interim Report, none of the Group's assets was pledged as at 30 June 2017.

Contractual obligations

As at 30 June 2017, the Group's contractual obligations amounted to approximately RMB2.4 million, decreased by RMB4.4 million as compared to approximately RMB6.8 million as at 31 December 2016, primarily due to the settlement of the acquisition of a subsidiary in Myanmar. The decrease was partially offset by the remaining consideration of acquisition of two other subsidiaries in Myanmar.

Management Discussion and Analysis

Capital expenditure

During the Period, capital expenditures of the Group included (i) construction costs in relation to the mining infrastructures at the Aung Jiujia Mine; (ii) the remaining consideration paid for the acquisition of the GPS JV, and (iii) expenditures on exploration and evaluation assets. The aggregated amount of capital expenditure of the Group during the Period was RMB35.4 million.

Financial instruments

During the Period, the Group 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 and other 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 2017 and 31 December 2016, the Group's gearing ratio was as follows:

	Six Months Ended 30 June	
	2017 RMB'000	2016 RMB'000
Interest-bearing bank and other loans	505,182	505,182
Less: cash and cash equivalents	(68,619)	(40,778)
Net debt	436,563	464,404
Total equity	1,702,641	1,529,269
Total equity and net debt	2,139,204	1,993,673
Gearing ratio	20.4%	23.3%

Use of net proceeds from the initial public offering

	Net proceeds from the IPO	
	Available to utilise RMB million	Utilised (up to 30 June 2017) RMB million
Financing activities relating to investments in acquired mines	485.4	485.4
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	37	37
General overseas mergers and acquisitions or posed acquisitions	141.1	141.1
Total	809.1	809.1

Management Discussion and Analysis

Use of proceeds from placing

The net proceeds from the issuance of new shares of the Group on 26 May 2017 ("**Date of Listing**") through a placement of 397,753,000 shares at the placing price of HK$0.206 per share, after deduction of the related placing fee, legal expenses and issuance expenses paid by the Group in connection thereto, were approximately HK$80.3 million. The plans of the Group on the usages of the proceeds are as follows:

	Intended use of proceeds from the listing as described in the Announcement Total (HK$ Million)	Actual use of proceeds Up to 30 June 2017 (HK$ Million)
Proceeds from the placing		
— to repay a part of the financial facilities provided by Ping An Bank to the Group	44.17	7.10
— to develop newly acquired mines in Myanmar	26.49	0.06
— Working capital and other general operating expenses	9.64	0.68
Total	80.3	7.84

The planned use of proceeds as stated in the announcement dated 17 May 2017 ("**Announcement**") of the Company were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Announcement, whereas the actual usage of the proceeds were driven and affected by the actual development of the Group's business and the industry.

Employee and remuneration policy

As at 30 June 2017, the Group had a total of 186 full time employees (31 December 2016: 127 employees), including 65 management and administrative staff, 84 production staff and 37 operations support staff. During the Period, staff costs (including Directors' remuneration in the form of salaries and other benefits) were approximately RMB5.5 million, representing a decrease of RMB1.8 million or 25% as compared to the staff costs of RMB7.3 million for the corresponding period of 2016. This was primarily due to streamlining of staff. Based on individual performances, 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, are 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 commensurate with their contribution. The dedication and hard work of the Group's staff during the Period are generally appreciated and recognised.

Management Discussion and Analysis

Occupational Health and Safety

As at the date of this Interim Report, no accident 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 Period that had a material adverse effect on our business, financial condition or results of operation. The Group has complied with all relevant PRC laws and regulations regarding occupational health and safety in all material respects during the 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. We are of the view that it was in compliance with all relevant PRC laws and regulations, in particular the Regulation on Land Reclamation (《土地復墾條例》), the provision on the protection of the Geologic Environment of Mines (《礦山地質環境保護規定》) and the Law of the People's Republic of China on water and soil conservation (《中華人民共和國水士保持法》), regarding environmental protection and land rehabilitation in all material respects during the Period and as at the date of this Interim Report. The Group has also adopted and implemented the environmental policies on a standard which is not less stringent than the prevailing environmental laws and regulations of the PRC and Myanmar. As at 30 June 2017, the Group has accrued a provision of RMB18.6 million, RMB0.8 million, RMB0.9 million, RMB1.7 million and RMB4.7 million for the rehabilitation of the Shizishan Mine, the Dakuangshan Mine, the Menghu Mine, the Aung Jiujia Mine and the GPS JV Mine, respectively.

Strategy

The Company is committed to developing into a sizable polymetallic mining company with attractive profitability and strong competitiveness. During the Period, the Company had implemented the acquisition proposal including GPS JV Mine in Myanmar according to its plan. The Company continues to seek opportunities in high-quality resources, including visits to prospective mining areas in the Jiaose, Baldwin and other mining areas in Myanmar. Its aim is to identify high-quality polymetallic acquisition, prospects in order to fuel the development of the Group.

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 2017, 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 (the "SFO")) which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are 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 pursuant to the Model Code were as follows:

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 2017:

Name of Director	Number of options held	Number of underlying Shares
Lei Dejun	8,000,000	8,000,000

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.

Save as disclosed above, as at 30 June 2017, 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 required to be kept by the Company 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.

1. Purpose of the Share Option Scheme

   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.

2. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

   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, the "**Qualified Participants**").

3. Maximum number of shares

   As approved by the shareholders of the Company at the annual general meeting held on 11 June 2013 (the "**2013 AGM**"), the total number of shares in respect of which options may be granted under the Share Option Scheme was refreshed to 99,461,950 shares which is equivalent to 5% of the issued shares of the Company as at the date of the 2013 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 99,461,950 shares, being 4.17% of the issued shares of the Company as at the date of this Interim Report. 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 2017, no share option had been exercised and 35,545,946 share options were exercisable under the Share Option Scheme.

   Notwithstanding anything to the contrary in the Share Option Scheme, the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other scheme of the Company must not in aggregate exceed 30% of the shares in issue from time to time.

4. Maximum entitlement of each participant

   Unless approved by our shareholders in general meeting in the manner prescribed by the Listing Rules, the Board shall not grant options to any Qualified Participants (the "**Grantee**") if the acceptance of those options would result in the total number of shares issued and to be issued to that grantee on exercise of his/her options during any 12-month period exceeding 1% of the total shares then in issue.

Other Information and Corporate Governance Highlights

5. Offer period and amount payable for options

   An offer shall remain open for acceptance for a period of 14 business days from the date on which it is made provided that no such offer shall be open for acceptance after the expiry of the Scheme Period (defined below) or after the termination of the Share Option Scheme.

   An option shall be deemed to have been granted to (subject to certain restrictions in the Share Option Scheme), and accepted by, the Grantee and to have taken effect upon the issue of an option certificate after the duplicate offer letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance as set out above.

6. Minimum period for which an option must be held before it can be exercised

   There is no general requirement that an option must be held for any minimum period before it can be exercised. The period during which an option may be exercised in accordance with the terms of the Share Option Scheme shall be the period of time to be notified by the Board to each Grantee, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the date on which the option is offered (the "**Offer Date**").

7. Basis of determining the exercise price

   The exercise price shall be determined by the Directors, but in any event shall be at least the highest of (i) the closing price per share as stated in the Hong Kong Stock Exchange's daily quotations sheets on the Offer Date; (ii) the average closing price per share as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the shares.

Other Information and Corporate Governance Highlights

8. Remaining life of the Share Option Scheme

The Share Option Scheme is valid and effective for a period of 10 years from the Listing Date (the "**Scheme Period**"), after which time no further option will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects.

Details of the Share Option Scheme are set out in note 16 to the financial statements.

Movement of share options during the Period:

		Number of Share Options				
Name	Date of Grant	Granted	Outstanding at 1/1/2017	Exercised	Cancelled/ Lapsed	Outstanding at 30/06/2017
Directors/Chief Executive						
Lei Dejun						
(appointed on 12 June 2017)	16/1/2013 (a)	8,000,000	8,000,000	–	–	8,000,000
Other Grantees						
Aggregate of other grantees	16/1/2013 (a)	27,545,946	27,545,946	–	–	27,545,946

Notes:

(a) Particulars of share options granted in 2013:

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	1.70
16/1/2013	3	16/1/2013–15/1/2016	16/1/2016–15/1/2018	1.70

Other Information and Corporate Governance Highlights

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of 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 Shares of the Company.

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
CITIC Dameng Investments Limited (note 2)	Beneficial owner	592,775,421 (L)	24.84
CITIC Dameng Holdings Limited (note 2)	Interest of corporation controlled by the substantial shareholder	592,775,421 (L)	24.84
Apexhill Investments Limited (note 2)	Interest of corporation controlled by the substantial shareholder	592,775,421 (L)	24.84
CITIC Metal Group Limited (note 2)	Interest of corporation controlled by the substantial shareholder	592,775,421 (L)	24.84
Metal and Mining Link Limited (note 2)	Interest of corporation controlled by the substantial shareholder	592,775,421 (L)	24.84
Highkeen Resources Limited (note 2)	Interest of corporation controlled by the substantial shareholder	592,775,421 (L)	24.84
Group Smart Resources Limited (note 2)	Interest of corporation controlled by the substantial shareholder	592,775,421 (L)	24.84
Starbest Venture Limited (note 2)	Interest of corporation controlled by the substantial shareholder	592,775,421 (L)	24.84
CITIC Resources Holdings Limited (note 2)	Interest of corporation controlled by the substantial shareholder	592,775,421 (L)	24.84
Keentech Group Limited (note 2)	Interest of corporation controlled by the substantial shareholder	592,775,421 (L)	24.84
CITIC Projects Management (HK) Limited (note 2)	Interest of corporation controlled by the substantial shareholder	592,775,421 (L)	24.84

Other Information and Corporate Governance Highlights

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
CITIC Corporation Limited (note 2)	Interest of corporation controlled by the substantial shareholder	592,775,421 (L)	24.84
CITIC Limited (note 2)	Interest of corporation controlled by the substantial shareholder	592,775,421 (L)	24.84
CITIC Glory Limited (note 2)	Interest of corporation controlled by the substantial shareholder	592,775,421(L)	24.84
CITIC Polaris Limited (note 2)	Interest of corporation controlled by the substantial shareholder	592,775,421(L)	24.84
CITIC Group Corporation (note 2)	Interest of corporation controlled by the substantial shareholder	592,775,421(L)	24.84
Shi Xiaozhou	Beneficial owner	302,460,664(L)	12.67
Triway International Limited (裕明國際有限公司) (note 3)	Beneficial owner	139,909,000 (L)	5.86
Xi'an Maike Metal International Group Co., Ltd (西安邁科金屬國際集團有限公司) (note 3)	Interest of corporation controlled by the substantial shareholder	139,909,000 (L)	5.86
Maike Investment Holding Co., Ltd (邁科投資控股有限公司) (note 3)	Interest of corporation controlled by the substantial shareholder	139,909,000 (L)	5.86
He Jinbi (note 3)	Interest of corporation controlled by the substantial shareholder	139,909,000 (L)	5.86
Zhang Chunling (note 3)	Interest of spouse	139,909,000 (L)	5.86
Blue Andiamo GP Limited (note 4)	Interest of corporation controlled by the substantial shareholder	126,277,297 (L)	5.29
Salamanca Group Holdings Limited (note 4)	Interest of corporation controlled by the substantial shareholder	126,277,297 (L)	5.29

Other Information and Corporate Governance Highlights

Notes:

1. The letter "L" denotes the person's long position in such shares.

2. The entire issued share capital of CITIC Dameng Investments Limited is held by CITIC Dameng Holdings Limited, which is in turn 9.35% owned by Apexhill Investments Limited and 35.43% owned by Highkeen Resources Limited. Apexhill Investments Limited ("**Apexhill**") is wholly owned by CITIC Metal Group Limited ("**CITIC Metal**"), which is in turn wholly owned by Metal and Mining Link Limited ("**MML**"). MML is wholly owned by CITIC Corporation Limited ("**CITIC Corporation**"). Highkeen Resources Limited is wholly owned by Group Smart Resources Limited, which is in turn wholly owned by Starbest Venture Limited. The entire issued share capital of Starbest Venture Limited is held by CITIC Resources Holdings Limited (Stock Code: 1205). 49.5% of the issued share capital of CITIC Resources Holdings Limited is held by Keentech Group Limited, which is in turn wholly owned by CITIC Projects Management (HK) Limited. CITIC Projects Management (HK) Limited is wholly owed by CITIC Corporation Limited, which is in turn wholly owned by CITIC Limited (Stock Code: 267). 25.60% and 32.53% of the issued share capital of CITIC Limited are held by CITIC Glory Limited and CITIC Polaris Limited respectively, both of which are in turn wholly owed by CITIC Group Corporation.

3. Triway International Limited is wholly owned by Xi'an Maike Metal International Group Co., Ltd, and Xi'an Maike Metal International Group Co., Ltd is 49.40% owned by Maike Investment Holding Co., Ltd and Maike Investment Holding Co., Ltd is 95% owned by Mr. He Jinbi. Therefore, each of Mr. He Jinbi, Maike Investment Holding Co., Ltd and Xi'an Maike Metal International Group Co., Ltd is deemed to be interested in all the shares of the Company held by Triway International Limited. Ms. Zhang Chunling is the spouse of Mr. He Jinbi and therefore, Ms. Zhang Chunling is deemed to be interested in all the shares of the Company in which Mr. He Jinbi was interested or deemed to be interested under the SFO.

4. The entire issued share capital of Blue Andiamo GP Limited is held by Salamanca Group Holdings Limited. 25,255,459 Shares are registered in the name of CMS 2 Limited Partnership, which is wholly owned by CM Silver 2 Limited. 55,246,318 Shares are registered in the name of F.S.B.S. Limited Partnership, which is wholly owned by Five Stars B.S. Limited. 45,775,520 Shares are registered in the name of RD 8 Limited Partnership, which is wholly owned by Red Dragon 8 Limited. CM Silver 2 Limited, Five Stars B.S. Limited and Red Dragon 8 Limited are wholly owned by Blue Andiamo GP Limited.

Other than as disclosed above, as at 30 June 2017, the Directors have not been notified by any person (other than the Directors or chief executives 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Throughout the Period, save and except for the followings, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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

REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2017 with the management of the Company.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge, information and belief of the Directors, the Directors confirm that the Company had maintained a sufficient public float as required under the Listing Rules throughout the Period.

Other Information and Corporate Governance Highlights

CORPORATE GOVERNANCE PRACTICE

The Company is committed to high standards of corporate governance and transparency.

The Board is of the view that during the Period, the Company has complied with all of the code provisions as set out in the CG Code, save and except for code provisions C.1.2, D.1.4 and E.1.2 with explanation described below.

Code provision C.1.2

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

During the Period, the Board had received delayed management accounts and updates from the management of the Company for assessment due to employee turnovers and inadequate resources in the Company's finance department. The rebuilding of the finance department is in progress.

Code provision D.1.4

According to code provision D.1.4 of the CG Code, issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Directors, Mr. Lei Dejun, Mr. Yin Bo and Mr. Chan Suk Ching, who were appointed on 12 June 2017, and Mr. Ma Shirong and Mr. Chi Hongji, who were appointed on 16 June 2017, had not entered into any service agreements or letters of appointment with the Company for their appointment as Directors. The Directors shall hold office until the conclusion of the next general meeting of the Company and subject to re-election thereat. Thereafter, their tenure as directors will be subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company and the Listing Rules.

Code provision E.1.2

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

Mr. Miu Edward Kwok Chi, the interim non-executive Chairman, was unable to attend the 2017 Annual General Meeting of the Company held on 6 June 2017 ("**the Annual General Meeting**"). He had arranged Mr. Huang Guoxin, the then independent non-executive Director, who was familiar with the Group's business and operations to chair the Annual General Meeting and Mr. Barry Sang Quan, the then independent non-executive Director, together with the external independent auditors of the Company, also attended the Annual General Meeting and answered questions from the attending shareholders and investors.

Other Information and Corporate Governance Highlights

The Board and Chief Executive Officer

The Board is currently composed of one executive Director, three non-executive Directors and three independent non-executive Directors. The Board is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group.

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

Whilst the position of Chief Executive Officer remains vacant, the day-to-day operations of the Company were overseen by the then executive Director, Mr. Ran Xiaochuan, prior to his retirement on 6 June 2017. On 12 June 2017, Mr. Lei Dejun was appointed as an executive Director and has undertaken the duties of the Chief Executive Officer. The main duties of Mr. Lei Dejun is to ensure the smooth running of the day-to-day operation of the Company and oversee the implementation of the Company's long and short term plans in accordance with its strategy while ensuring that all major decisions were made in consultation with the Board members, relevant Board committees or senior management of the Group. The Company will use its best endeavors to identify suitable candidate to fill the vacancy of Chief Executive Officer of the Company as soon as practicable.

Change in information of the Board pursuant to Rule 13.51B (1) of the Listing Rules

During the Period to the date of this Interim Report, there have been a number of changes in the Board:

- Mr. Ran Xiaochuan retired as an executive Director at the conclusion of the Annual General Meeting.
- Mr. Huang Guoxin and Mr. Barry Sang Quan retired as independent non-executive Directors at the conclusion of the Annual General Meeting.
- Mr. Choi Tat Ying Jacky was appointed as an executive Director on 15 May 2017 and ceased as an executive Director at the conclusion of the Annual General Meeting.
- Mr. Lei Dejun was appointed as an executive Director on 12 June 2017.
- Mr. Yin Bo and Mr. Chan Suk Ching were appointed as non-executive Directors on 12 June 2017.
- Mr. Ma Shirong and Mr. Chi Hongji were appointed as independent non-executive Directors on 16 June 2017.

Other Information and Corporate Governance Highlights

Board Committees

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

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

Audit Committee

The Audit Committee has endeavored to ensure a balanced, clear and understandable assessment of the Company's position and prospects in the annual reports, interim reports, announcements and other disclosures required under the Listing Rules and other statutory requirements.

During the Period and up to the date of this Interim Report, the Audit Committee has held two meetings and performed the following activities:

- reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2016;
- reviewed the major internal audit issues, financial reporting system, internal control procedures and risk management system of the Company;
- reviewed the major audit findings in respect of the financial year ended 31 December 2016 from the external auditors;
- reviewed the 2017 audit fee proposal; and
- reviewed the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2017 and discussed matters relating to auditing, internal controls and financial reporting.

Other Information and Corporate Governance Highlights

Notes:

(i) Mr. Barry Sang Quan ceased to be a member of the Audit Committee on 6 June 2017;

(ii) Mr. Ma Shirong was appointed as the Chairman of the Audit Committee on 16 June 2017;

(iii) Mr. Miu Edward Kwok Chi was re-designated as a member of the Audit Committee on 16 June 2017;

(iv) Mr. Chan Suk Ching was appointed as a member of the Audit Committee on 16 June 2017; and

(v) Mr. Lee Kenneth Jue ceased to be a member of the Audit Committee on 16 June 2017.

As at the date of this Interim Report, the Audit Committee comprises Mr. Ma Shirong as its Chairman, and Mr. Miu Edward Kwok Chi and Mr. Chan Suk Ching as its members.

Safety, Health and Environment Committee

During the Period and up to the date of this Interim Report, the Safety, Health and Environment Committee has held two meetings to review the occupational safety, health and environmental matters of the employees of the Company. The Safety, Health and Environment Committee considers that the Company has complied with all applicable occupational health and safety statutory and regulatory requirements in all material respects throughout the Period up to the date of this Interim Report.

Notes:

(i) Mr. Huang Guoxin ceased to be the Chairman of the Safety, Health and Environment Committee on 6 June 2017;

(ii) Mr. Ran Xiaochuan ceased to be a member of the Safety, Health and Environment Committee on 6 June 2017;

(iii) Mr. Lei Dejun was appointed as the Chairman of the Safety, Health and Environment Committee on 16 June 2017;

(iv) Mr. Miu Edward Kwok Chi and Mr. Chi Hongji were appointed as members of the Safety, Health and Environment Committee on 16 June 2017; and

(v) Mr. Lee Kenneth Jue ceased to be a member of the Safety, Health and Environment Committee on 16 June 2017.

As at the date of this Interim Report, the Safety, Health and Environment Committee comprises Mr. Lei Dejun as its Chairman, and Mr. Miu Edward Kwok Chi and Mr. Chi Hongji as its members.

Other Information and Corporate Governance Highlights

Strategy Committee

During the Period and up to the date of this Interim Report, the Strategy Committee has held two meetings to review and approve the strategic objectives of the Company, review the short term and long term strategies of the Group and discuss prospective acquisition of assets.

Notes:

(i) Mr. Choi Tat Ying Jacky was appointed as a member of the Strategy Committee on 22 May 2017 and ceased to be a member on 6 June 2017;

(ii) Mr. Ran Xiaochuan and Mr. Huang Guoxin ceased to be members of the Strategy Committee on 6 June 2017; and

(iii) Mr. Lei Dejun , Mr. Yin Bo and Mr. Chan Suk Ching were appointed as members of the Strategy Committee on 16 June 2017.

As at the date of this Interim Report, the Strategy Committee comprises Mr. Lee Kenneth Jue as its Chairman, and Mr. Lei Dejun, Mr. Yin Bo and Mr. Chan Suk Ching as its members.

Nomination and Remuneration Committee

During the Period and up to the date of this Interim Report, the Nomination and Remuneration Committee has held two meetings to review the remuneration of the Directors and the Chief Financial Officer, review the performance of individual executive Director and review the independence of independent non-executive Directors.

Notes:

(i) Mr. Choi Tat Ying Jacky was appointed as a member of the Nomination and Remuneration Committee on 22 May 2017 and ceased to be a member on 6 June 2017;

(ii) Mr. Ran Xiaochuan, Mr. Huang Guoxin and Mr. Barry Sang Quan ceased to be members of the Nomination and Remuneration Committee on 6 June 2017;

(iii) Mr. Chi Hongji was appointed as the Chairman of the Nomination and Remuneration Committee on 16 June 2017;

(iv) Mr. Miu Edward Kwok Chi was re-designated as a member of the Nomination and Remuneration Committee on 16 June 2017; and

(v) Mr. Ma Shirong, Mr. Lee Kenneth Jue and Mr. Yin Bo were appointed as members of the Nomination and Remuneration Committee on 16 June 2017.

As at the date of this Interim Report, the Nomination and Remuneration Committee comprises Mr. Chi Hongji as its Chairman, and Mr. Miu Edward Kwok Chi, Mr. Ma Shirong, Mr. Lee Kenneth Jue and Mr. Yin Bo as its members.

Risk Management and Internal Control

The interim financial information has been reviewed by the external auditors of the Company. The Board is responsible for maintaining a sound and effective system of risk management and internal controls and 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.

During the Period, the Group's Internal Audit team, has reviewed the internal controls of the Group.

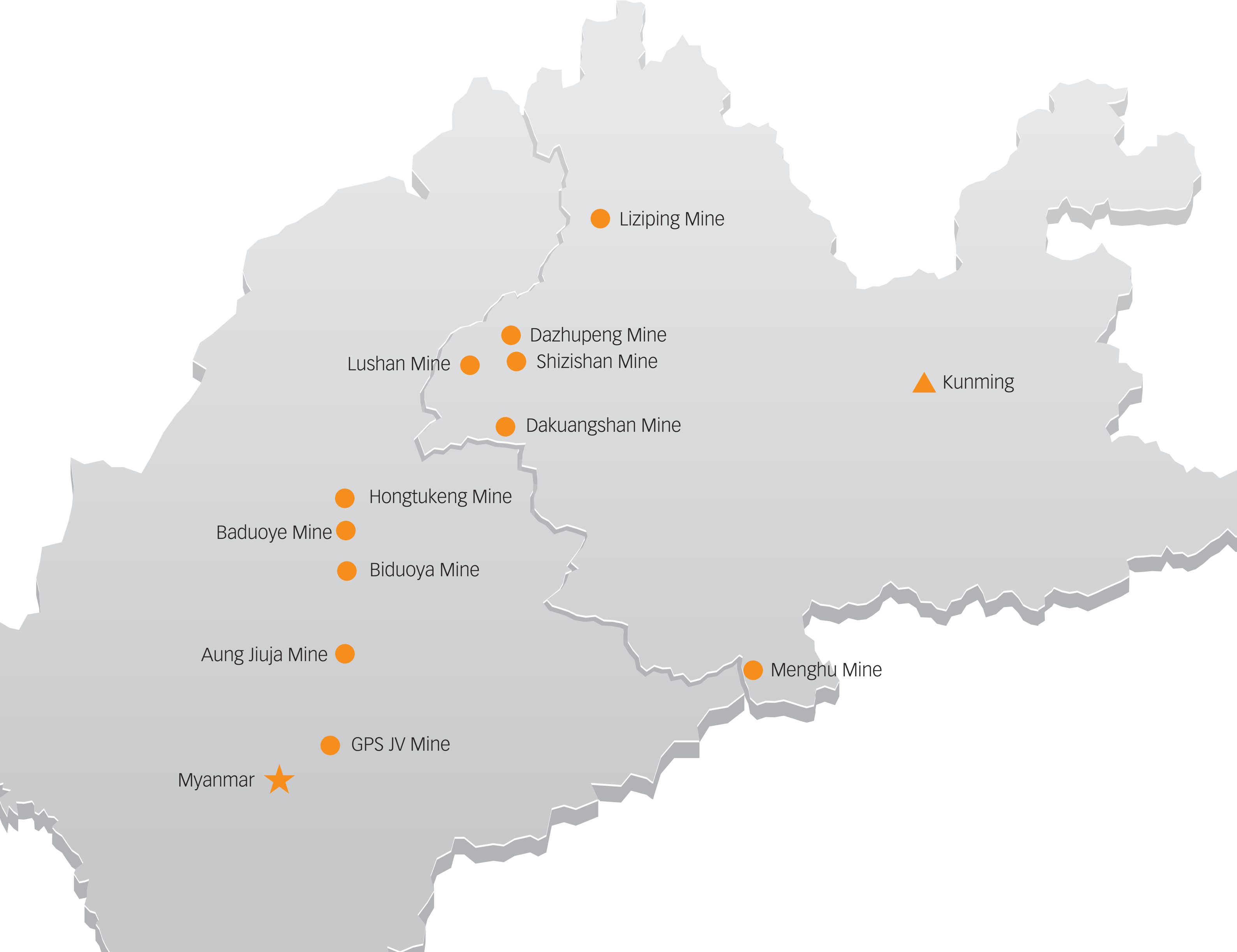
Other Information and Corporate Governance Highlights

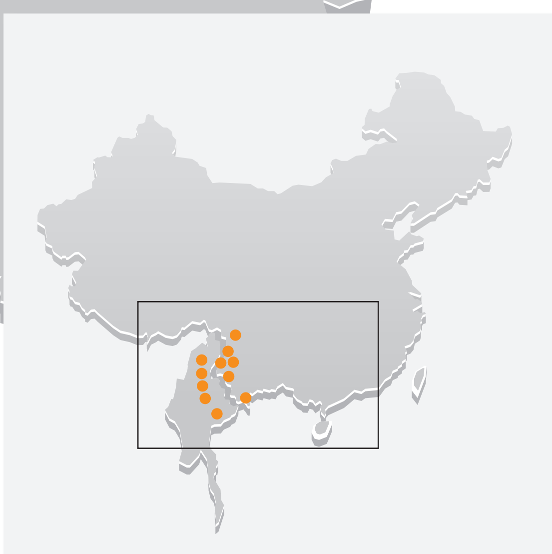
Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all members of the Board complied with the Model Code throughout the Period.

The Company has also established the “Employees Written Guidelines” on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the Period.

Environment, Social and Governance Report





CORPORATE VISION:

To leap into the world with our foothold in Yunnan and become the most respected mining enterprise in China.

To build up our brand and become the most famous and trustworthy international mining enterprise.

ENTERPRISE MISSION:

To maximize the shareholders' values and employees' values.

OUR CORE VALUE:

To create values and win respects; people-oriented, team winning culture, integrity and pragmatic, pursuit of excellence.

Environment, Social and Governance Report

ABOUT THIS REPORT

This report, which has been prepared in accordance with the Environmental, Social and Governance (ESG) Reporting Guide as set out in Appendix 27 to the Listing Rules of Hong Kong Exchanges and Clearing Limited, is mainly about the Company's performance in the first half of 2017 in terms of corporate social liability and governance. This report comprises all the lead, zinc and silver mining businesses engaged by the Company and its subsidiaries.

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Company Profile

China Polymetallic Mining Limited devotes itself to pursuing highest international standards in terms of environmental protection and social responsibility and attaches great importance to employment, occupational health and safety of our staff, since we regard this as the core of our success. We actively focus on interests of various parties in the region where we operate, as well as our employees and our community. This is the core of our success in various business aspects and the core value of our Company. We base our routine operation on strict compliance with the laws, moral standards and best international norm in order to alleviate adverse effect of our operations on residential areas and environment.

The Group is the first mining company in Yunnan Province to adopt comprehensive anti-leakage for full tailings pond in Shizishan mining zone. At the same time, it is the first privately-owned mining company in Yunnan to adopt tailings backfilling technology. The Group recycles waste water in washing process to achieve the cyclic utilization, thus alleviating the need for water resources.

The Group strictly follows the highest standards to protect environment and adopts facilities to reduce dust and lower noise. Also, it conducts events related to "energy saving and emission reduction", thus trying utmost to be an "environment-friendly" operator.

Work Overview in H1 2017

In the first half of 2017, the Group actively carried out various safe production management work, and set the safe production management goals at the beginning of the year.

On the basis of the graded responsibility and the leadership responsibility system, the Group adopted target management, fulfilled safe production responsibility by links and duties, and established the "all-staff, all-round, full-process and all-day" safe production responsibility system covering all target ranges laterally and vertically, so as to ensure the accomplishment of all safe production and environmental protection goals.

Environment, Social and Governance Report

According to the newly adjusted national standardized norms, the Group strictly implemented the corporate safety production responsibility system, strengthened the basic safety work, deepened check and treatment of potential perils, improved on-site operating conditions, eradicated the "three violation behavior (illegal operations, illegal command, and in violation of labor discipline)", and realized standardized and scientific management. The Group further strengthened standardized construction of shift groups, brought into full play the fundamental role of shift groups in safe production by focusing on fundamental and grassroots work, intensified on-site safety management responsibility and the implementation of measures, enhanced safe operation skills of the staff, made the posts up to the standard, thus promoting the enterprises to reach the standard, and comprehensively improved the corporate standardization level.

The Mining Department organized the comprehensive safety check mainly on potential perils at least once every month, while the workshops and shift groups checked potential accidents and perils by irregular inspections. All kinds of potential perils detected were registered, while the rectification measures, responsibility, fund, time limit and preplans were implemented effectively. When the rectification of potential perils was completed, the competent departments would organize the acceptance inspection.

The Group, against the background of fierce competition, realized our goals of safeguarding safety production and environmental protection for five consecutive years, i.e., zero casualty, no one seriously injured and continuous decrease in the number of those slightly injured. We kept the rate for slight injury under 2% realizing our goal set at the beginning of the year.

Statistics for Key Index of Previous First Half Years

Main Focus	Major Index for Performance	H1 2015	H1 2016	H1 2017
Safe Production and Labor Protection	Casualty	0	0	0
	Seriously Injured	0	0	0
	Slightly Injured	1	1	0
	Withdraw of Security Fees (10,000 Yuan)	80.26	92.37	110.23
Energy Saving and Environmental Friendly	Electricity Consumption (degree)	6,325,615	7,751,202	7,426,587
	Water Consumption (ton)	180,825	241,321	263,245
	Volume of Mineral Wastes Discharged (ton)	274,562	320,547	340,215
Operating System and Staff Training	Cases involving Corruption and Litigation	0	0	0
	Number of Employees	1,624	1,362	1,274
	Ratio of Females (%)	15.47	11.62	10.91
	Average Hours of Employees Receiving Training (Hour)	40	40	32
Social Benefits	Donation (RMB)	0	0	0

Environment, Social and Governance Report

Work Mechanism

In the first half of 2017, Dehong Yinrun Group focused on enhanced worksite management for production safety. According to the national grading standard for accidents, the Group successfully eradicated the occurrence of accidents. In the first half 2017, better performance was attained as no casualties or material or slight injuries were resulted within the members of the Group.

In 2017, the Group reinforced and strictly performed the 19 safety and environmental protection management systems, gradually perfected the system construction, exercised the system of "one post with double duties" for the leaders and implemented the responsibility system to the end, which have thus effectively prevented the occurrence of accidents and eliminated potential problems in mine safety production.

Safe Production and Labor Protection

The members of the Group established the Production Safety Committee and the Occupational Health Committee respectively, and set up a safety management organization system and emergency rescue teams. Relevant emergency rescue proposal was formulated and key sources of danger in the mines (e.g. stopes, tailings ponds and explosive magazines) were monitored in order to have a comprehensive control over hidden perils within the mines and eradicate accidents.

The safety management was strengthened by carrying out daily, weekly and monthly checks, quarterly special examinations, holiday routine checks, semi-annual and annual major inspections to eradicate the potential accidents and perils effectively, and to control the accident risks effectively.

Contracting Management

The Group reinforced the management for mining operation contracting by hiring qualified mining companies to conduct mining work. The Contracting Safety Management Agreement was signed to have a timely understanding of contracting teams and clarify the safe production responsibilities. Stringent on-site safety inspections were also carried out.

Emergency Management

A comprehensive production emergency rescue system for production safety accidents was set up. Various emergency rescue proposals were formulated and relevant emergency rescue teams were established. The Group also organized and launched emergency rescue drillings and relevant promotions. The three-level standardized facilities and the "Six Major Systems" for underground mines were built upon reviewing by and filing to the production safety supervision and management departments of all levels, and in turn laid a solid foundation for prevention of production safety accidents.

Energy Saving & Emission Reduction

We adopt the tailing back-water system to discharge tail water to tailing pond. After being precipitated for three rounds, the tail water will be recollected for checking before being used again in mining operation in order to guarantee "zero discharge" of water for production purposes.

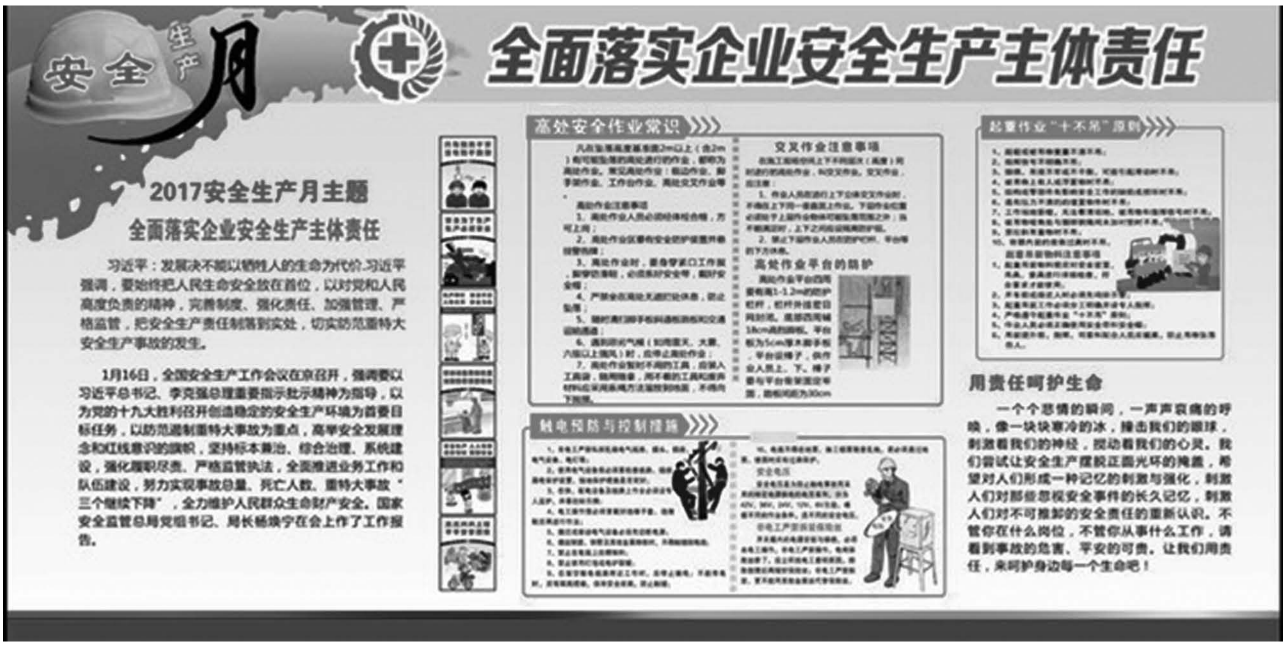
In light of actual demand for electricity of various sites in mines, various electrical transformers have been installed, and the electricity consumption was greatly cut, thus reducing the cost.

Environment, Social and Governance Report

Safety Month Activity

In June 2017 — the National "Safety Production Month", the Company actively carried out safe production propaganda, training and accident emergency drillings. By carrying out such activities, the employees' safety production awareness was enhanced, and the safe production management level was improved.

According to the theme of the 2017 National Safety Month Activity — "Comprehensively Implementing the Corporate Main Body Responsibility for Safe Production", the Group organized the emergency drillings for mine safety accidents in Xindi Dakuangshan, and meanwhile invited relevant local supervisory authorities to offer guidance, thus completing the drilling work successfully.



In the 2017 Safety Production Month, the Group actively carried out various safety check activities, conducted comprehensive safety inspection on subordinate mines, and timely rectified the potential perils detected.

Environment, Social and Governance Report

Staff Training

Intensifying the staff's operating skills by attending all kinds of safe production trainings is an effective approach to control the occurrence of accidents.

Personnel doing special type of work shall receive professional training required by relevant national departments and can operate only after obtaining the certification and passing three-month internship.

In the first half of 2017, the subsidiaries of the Group accomplished the targets of production safety and management planned at the beginning of the year. As no accident occurred, with no pollution, death or serious injuries related incidents, and the accident reporting rate up to 100%, targets related to production liability were accomplished.

Our Company mainly held the following trainings: Three-level Safety Training, Training on Safety and Environmental Protection for Employees, Training about Safety for Those Returned to Work and Shifted to Other Posts, Safety Training for "Four News", Daily Safety Training, and Education & Training for Personnel on Critical Posts.

Environmental Protection and Building a Beautiful Community Together

The Group has complied with the applicable laws and regulations, and has taken necessary environmental protection measures such as carefully implementing the deposit system on the restoration and treatment of the mine environment implemented in the PRC, strictly executing the "three simultaneous" system for environmental protection, preparing as well as implementing the plans for protecting, treating and restoring the mine environment. During the production period, no major geological disasters have occurred at the mines.

With an aim to create a good environment for business development, the Company values the communication between its subsidiaries and local governmental departments. The Company has joined the local village committee in the discussion and research of environmental construction, reconstructed approach channels for local villagers and safeguarded the development of local agricultural production so as to build a harmonious society even with such insignificant effort.

Adhering to its philosophy of "Founding with integrity and developing in harmony", the Company firstly emphasizes on the coordination and adjustment with relevant entities (including local governments and villages) when constructing a harmonious community. Secondly, the Company reinforces its foundation of harmony by being actively cooperative as it has always been in the past years so as to develop excellent standardized, humanized and characteristic enterprises.

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
REVENUE	3	15,715	11,035
Cost of sales		(12,353)	(11,604)
Gross profit/(loss)		3,362	(569)
Other income	4	914	1,027
Gain on a bargain purchase	18	20,237	–
Selling and distribution expenses		(887)	(306)
Administrative expenses		(19,652)	(28,514)
Impairment loss on trade receivables and other receivables	5	(1,061)	(36,049)
Other expenses		(1,545)	(565)
Finance costs	5	(14,800)	(19,980)
LOSS BEFORE TAX	5	(13,432)	(84,956)
Income tax credit/(expense)	6	(6,105)	20,498
LOSS FOR THE PERIOD		(19,537)	(64,458)
Attributable to:			
Owners of the Company		(18,122)	(63,909)
Non-controlling interests		(1,415)	(549)
		(19,537)	(64,458)
Loss per share attributable to ordinary equity holders of the Company:			
— Basic and diluted	7	RMB(0.009)	RMB(0.032)
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income to be reclassified to profit or loss in subsequent years:			
Exchange differences on translation of foreign operations		279	–
Total comprehensive loss for the period		(19,258)	(64,458)
Attributable to:			
Owners of the Company		(17,843)	(63,909)
Non-controlling interests		(1,415)	(549)
		(19,258)	(64,458)

Interim Consolidated Statement of Financial Position

30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	845,802	715,890
Investment property	9	8,110	8,400
Intangible assets	8	883,010	735,370
Prepaid land lease payments	8	11,800	11,800
Payments in advance	10	441,238	509,937
Prepayments and deposits	10	215,635	215,635
Deferred tax assets		67,804	73,909
Total non-current assets		2,473,399	2,270,941
CURRENT ASSETS			
Inventories		27,919	23,216
Trade receivables	11	2,639	1,061
Prepayments, deposits and other receivables	10	11,821	4,517
Cash and cash equivalents		68,619	40,778
Total current assets		110,998	69,572
CURRENT LIABILITIES			
Trade payables	12	11,796	10,928
Other payables and accruals		175,326	153,377
Due to a related party	13	13,888	14,221
Tax payable		93,616	93,616
Interest-bearing bank and other loans	14	505,182	505,182
Total current liabilities		799,808	777,324

Interim Consolidated Statement of Financial Position

30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
NET CURRENT LIABILITIES		(688,810)	(707,752)
Total assets less current liabilities		1,784,589	1,563,189
NON-CURRENT LIABILITIES			
Other payables		35,941	14,307
Deferred tax liabilities		19,207	–
Provision for rehabilitation		26,800	19,613
Total non-current liabilities		81,948	33,920
Net assets		1,702,641	1,529,269
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	20	17
Reserves		1,519,857	1,466,908
		1,519,877	1,466,925
Non-controlling interests		182,764	62,344
Total equity		1,702,641	1,529,269

Lei Dejun
Director

Miu Edward Kwok Chi
Director

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company											
	Issued capital RMB'000 note 15	Share premium account RMB'000 note 15	Exchange fluctuation reserve RMB'000	Reserve funds RMB'000	Safety fund surplus reserve RMB'000	Capital contribution reserve RMB'000	Share option reserve RMB'000 note 16	Difference arising from changes in non-controlling interests RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	17	1,314,942*	–*	29,115*	8,794*	233,000*	36,316*	(4,115)*	(151,144)*	1,466,925	62,344	1,529,269
Loss for the period	–	–	–	–	–	–	–	–	(18,122)	(18,122)	(1,415)	(19,537)
Other comprehensive income for the period												
Exchange differences related to foreign operations	–	–	279	–	–	–	–	–	–	279	–	279
Total comprehensive loss for the period	–	–	279	–	–	–	–	–	(18,122)	(17,843)	(1,415)	(19,258)
Issue of shares	3	70,792	–	–	–	–	–	–	–	70,795	–	70,795
Establishment for safety fund surplus reserve	–	–	–	–	263	–	–	–	(263)	–	–	–
Utilisation of safety fund surplus reserve	–	–	–	–	(214)	–	–	–	214	–	–	–
Acquisition of subsidiaries (note 18)	–	–	–	–	–	–	–	–	–	–	121,835	121,835
At 30 June 2017 (unaudited)	20	1,385,734*	279*	29,115*	8,843*	233,000*	36,316*	(4,115)*	(169,315)*	1,519,877	182,764	1,702,641

* These reserve accounts comprise the consolidated reserves of RMB1,519,857,000 (31 December 2016: RMB1,466,908,000) in the consolidated statement of financial position.

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company										
	Issued capital RMB'000 note 15	Share premium account RMB'000 note 15	Reserve funds RMB'000	Safety fund surplus reserve RMB'000	Capital contribution reserve RMB'000	Share option reserve RMB'000 note 16	Difference arising from changes in non-controlling interests RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	17	1,314,942	29,115	9,219	233,000	66,494	(4,115)	(54,969)	1,593,703	63,697	1,657,400
Total comprehensive loss for the period	–	–	–	–	–	–	–	(63,909)	(63,909)	(549)	(64,458)
Establishment for safety fund surplus reserve	–	–	–	327	–	–	–	(327)	–	–	–
Utilisation of safety fund surplus reserve	–	–	–	(506)	–	–	–	506	–	–	–
Equity-settled share option arrangement	–	–	–	–	–	87	–	–	87	–	87
Transfer of share option reserves upon the forfeiture of share options	–	–	–	–	–	(16,298)	–	16,298	–	–	–
At 30 June 2016 (unaudited)	17	1,314,942	29,115	9,040	233,000	50,283	(4,115)	(102,401)	1,529,881	63,148	1,593,029

Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(13,432)	(84,956)
Adjustments for:			
Finance costs	5	14,800	19,980
Unrealised foreign exchange loss	5	1,400	307
Bank interest income	4	(12)	(819)
Equity-settled share option expense	16	–	87
Depreciation of property plant and equipment	8	11,898	11,940
Depreciation of investment property	9	290	–
Loss on disposal of items of property, plant and equipment	5	–	219
Impairment loss on trade receivables and other receivables	5	1,061	36,049
Amortisation of intangible assets	8	2,194	2,420
Amortisation of prepaid land lease payments	8	–	135
Gain on a bargain purchase	18	(20,237)	–
		(2,038)	(14,638)
Decrease/(increase) in trade receivables		(2,639)	14,538
Decrease/(increase) in inventories		(2,793)	4,930
Decrease/(increase) in prepayments, deposits and other receivables		(1,143)	79
Increase/(decrease) in trade payables		(331)	217
Increase in other payables and accruals		7,933	6,497
Cash generated from/(used in) operations		(1,011)	11,623
Interest received		12	819
Net cash flows generated from/(used in) operating activities		(999)	12,442
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		–	(3,908)
Increase in payments in advance		(26,301)	–
Proceeds from disposal of items of property, plant and equipment		–	30
Acquisition of subsidiaries	18	(6,448)	(21,681)
Expenditures on exploration and evaluation assets		(2,648)	–
Net cash flows used in investing activities		(35,397)	(25,559)

Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	70,795	–
Interest paid	(14,441)	(16,192)
Advance from a related party	–	16,655
Advance from third parties	7,883	–
Repayment to a related party	–	(3,368)
Net cash flows from/(used) in financing activities	64,237	(2,905)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	27,841	(16,022)
Cash and cash equivalents at beginning of the period	40,778	672,738
CASH AND CASH EQUIVALENTS AT END OF PERIOD	68,619	656,716

Notes to Interim Condensed Financial Information

30 June 2017

1. CORPORATE INFORMATION

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

During the Period, the Group was 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 Period.

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

During the Period, the Group acquired Hua Xing Global Limited ("**Hua Xing**") and its subsidiaries ("**Hua Xing group**") from an independent third party. Further details of this acquisition are included in note 18 to the interim condensed financial information.

2.1 BASIS OF PREPARATION

The unaudited interim condensed financial information for the 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 2016.

Going concern basis

During the Period, the Group incurred a consolidated net loss of RMB19,537,000 (six months ended 30 June 2016: RMB64,458,000) and had net cash outflows from operating activities of RMB999,000 (six months ended 30 June 2016: net cash inflow from operating activities of RMB12,442,000). As at 30 June 2017, the Group had net current liabilities of RMB688,810,000.

Notes to Interim Condensed Financial Information

30 June 2017

2.1 BASIS OF PREPARATION (CONTINUED)

Going concern basis (Continued)

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

(a) As at 30 June 2017, the Group's total borrowings amounted to RMB505,182,000, of which bank loan with a principal amount of RMB300,000,000 was repaid by a new bank loan of RMB300,000,000 obtained in July 2017. The aforesaid new bank loan is due for repayment on 16 July 2018. The management is confident that the remaining borrowings will be extended on their respective due dates.

(b) The Group has budgeted and laid out its business plan for the next twelve months, and seeks to attain profits from the three major projects below:

(i) to expand the operation of the Dakuangshan Mine and the Aung Jiujia Mine in Myanmar, the latter of which has already begun production; and

(ii) to commence the operation of the GPS JV Mine in Myanmar which was acquired by the Group during the Period.

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

(c) The Group is seeking new investment and business opportunities with the aim to attain profitable and positive cash flow operations. In addition, the Group from time to time reviews its investment projects and may adjust its investment strategies in order to enhance the cash flow position of the Group whenever it is necessary.

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

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

Notes to Interim Condensed Financial Information

30 June 2017

2.1 BASIS OF PREPARATION (CONTINUED)

Going concern basis (Continued)

The Directors of the Company have reviewed the Group's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors are of the opinion that it is appropriate to prepare the interim condensed financial information of the Group for the six months ended 30 June 2017 on a going concern basis.

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

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

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

Throughout the next twelve months, the Audit Committee and the Board will monitor and review the Group's next twelve months business plan and cash flow projection timely and update deemed necessary and appropriate.

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 2016, except for the adoption of the following amendments to a number of International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board for the first time for financial year beginning 1 January 2017.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Annual Improvements 2014–2016 Cycle	Amendments to IFRS 12 *Clarification of the Scope of the Standard*

The adoption of these amendments to IFRSs has had no significant financial effect on the financial position or performance of the Group.

Notes to Interim Condensed Financial Information

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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.

Entity-wide disclosures

Information about products

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

	For the six months ended 30 June			
	2017		2016	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Lead-silver concentrates	9,545	60.7	5,498	49.8
Zinc-silver concentrates	6,170	39.3	5,537	50.2
	15,715	100.0	11,035	100.0

Geographical information

(a) Revenue from external customers

All external revenue of the Group during the Period was attributable to customers established in the Mainland China, the place of domicile of the Group's operating entities.

(b) Non-current assets

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Mainland China	1,543,901	1,517,577
Myanmar*	861,694	679,455
	2,405,595	2,197,032

* It includes the payments in advance in respect of acquisition of subsidiaries amounted to RMB383,877,000 (note 10) (31 December 2016: RMB478,877,000) and acquisition of non-controlling interest in a subsidiary amounted to RMB17,000,000 (note 10) (31 December 2016: RMB17,000,000).

Notes to Interim Condensed Financial Information

30 June 2017

3. REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

Entity-wide disclosures (Continued)

Information about major customers

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

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Customer A	10,785	*
Customer B	3,124	Nil
Customer C	Nil	7,116
Customer D	Nil	1,364

* Less than 10%.

4. OTHER INCOME

An analysis of other income is as follows:

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Bank interest income	12	819
Rental income	400	200
Others	502	8
	914	1,027

Notes to Interim Condensed Financial Information

30 June 2017

5. LOSS BEFORE TAX

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

	Notes	For the six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Cost of inventories sold		12,353	11,604
Interest on bank and other loans		14,052	16,135
Consultation fees in respect of financing activities		–	3,200
Unwinding of discount		748	645
Finance costs		14,800	19,980
Staff costs (including directors' and chief executive's remuneration):			
Wages and salaries		5,312	6,801
Equity-settled share option expense	16	–	87
Pension scheme contributions — Defined contribution fund		188	373
		5,500	7,261
Depreciation of items of property, plant and equipment, included in:			
Cost of sales		3,035	3,052
Administrative expenses		8,863	8,888
	8	11,898	11,940
Depreciation of an investment property	9	290	–
Amortisation of intangible assets ^	8	2,194	2,420
Amortisation of prepaid land lease payments ^	8	–	135
Depreciation and amortisation		14,382	14,495
Impairment loss on trade receivables and other receivables	10,11	1,061	36,049
Auditors' remuneration		1,300	1,500
Foreign exchange losses		1,400	307
Operating lease rentals		324	580
Loss on disposal of items of property, plant and equipment		–	219

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

Notes to Interim Condensed Financial Information

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6. INCOME TAX

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

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Deferred	6,105	(20,498)

Notes:

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

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

(c) No provision for Myanmar profits tax has been made as the Group had no assessable profits derived from or earned in Myanmar during the Period.

(d) The subsidiaries located in Mainland China are liable to PRC corporate income tax at a rate of 25% on the assessable profits generated for the Period.

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

The calculation of loss per share is based on the loss attributable to owners of the Company for the Period of RMB18,122,000 (six months ended 30 June 2016: RMB63,909,000), and the weighted average number of ordinary shares of 2,066,106,000 (six months ended 30 June 2016: 1,988,765,000) in issue during the Period.

No adjustment has been made to the basic earnings per share amounts presented for the Period and the 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 Period and the prior period.

Notes to Interim Condensed Financial Information

30 June 2017

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 Period are as follows:

	Property, plant and equipment RMB'000 (Unaudited) (note (a))	Intangible assets RMB'000 (Unaudited) (note (b))	Prepaid land lease payments RMB'000 (Unaudited) (note (c))
Carrying amounts at 1 January 2017	715,890	735,370	11,800
Additions	1,879	9,834	–
Acquisition of subsidiaries (note 18)	139,931	140,000	–
Depreciation/amortisation charged for the Period (note 5)	(11,898)	(2,194)	–
Carrying amounts at 30 June 2017	845,802	883,010	11,800

Notes:

(a) As at 30 June 2017, the Group was in the customary process of obtaining the relevant building ownership certificates ("**BOCs**") for the Group's plant, which was erected on the land where the Group was still in the process of applying for the land use rights certificate, with a net carrying amount of RMB7,315,000 (31 December 2016: RMB7,555,000). The Group's plant can only be sold, transferred or mortgaged when the relevant BOCs have been obtained.

As at 30 June 2017, the Group's property, plant and machinery with total net carrying amounts of RMB61,264,000 (31 December 2016: RMB63,997,000) were pledged to secure certain bank and other loans granted to the Group (note 14(a)/(b)).

(b) As at 30 June 2017, the Group's intangible assets with a net carrying amount of approximately RMB61,882,000 (31 December 2016: RMB61,902,000) were pledged to secure certain bank and other loans granted to the Group (note 14(a)/(b)).

(c) As at 30 June 2017, the Group's prepaid land lease payments with a net carrying amount of approximately RMB11,800,000 (31 December 2016: RMB11,800,000) were pledged to secure certain bank and other loans granted to the Group (note 14(a)/(b)).

9. INVESTMENT PROPERTY

	30 June 2017 RMB'000 (Unaudited)
Cost	11,933
Accumulated depreciation	(3,823)
Net carrying amount	8,110
Opening carrying book amount	8,400
Depreciation provided during the Period (note 5)	(290)
Closing net carrying amount	8,110

As at 30 June 2017, the fair value of the investment property was estimated to be approximately RMB11,044,500 (31 December 2016: RMB10,588,000). The valuation was performed by Sichuan Gongchengxin Real Estate and Land Appraisal Company Limited, independent professionally qualified valuers. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The valuation was determined using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre. The fair value measurement hierarchy of the investment property requires certain significant unobservable input (Level 3).

The investment property is leased to a third party under an operating lease.

As at 30 June 2017, the Group's investment property with a net carrying amount of RMB8,110,000 (31 December 2016: RMB8,400,000) were pledged to independent third parties for interest-bearing advances granted to the Group ("Third Parties Advances"). As at 30 June 2017, Third Party Advances totalled RMB16,500,000 (31 December 2016: RMB7,500,000) and bear interest at fixed rate of 12% per annum. The Third Parties Advances as at 30 June 2017 and 31 December 2016 were included in "Current liabilities — other payables and accruals" in the consolidated statement of financial position.

Notes to Interim Condensed Financial Information

30 June 2017

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

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Current portion:			
Prepayments in respect of:			
— purchase of inventories		2,831	1,093
— professional fees		305	260
— prepaid land lease payments to be amortised within one year		270	270
— others		4,134	1,609
Deposits		2,097	473
Other receivables in respect of:			
— transfer from trade receivables	(a)	46,932	46,932
— staff advances		2,184	812
		58,753	51,449
Impairment	(a)	(46,932)	(46,932)
		11,821	4,517
Non-current portion:			
Payments in advance in respect of:			
— prepaid land lease payments		11,942	11,883
— mining infrastructure	(b)	28,419	2,177
— acquisition of subsidiaries	(c)	383,877	478,877
— acquisition of non-controlling interest in a subsidiary		17,000	17,000
		441,238	509,937
Prepayments in respect of purchase of inventories	(d)	214,165	214,165
Deposit in respect of:			
— environment rehabilitation		1,170	1,170
— others		300	300
		215,635	215,635
		656,873	725,572

Notes to Interim Condensed Financial Information

30 June 2017

10. PAYMENTS IN ADVANCE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes:

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

However, the transferred balance has not been collected according to the agreed repayment terms in 2016 as a result of the weak market condition. As such, the Group had made additional impairment provision of RMB36,049,000 as at 31 December 2016. Despite such provision and longer-than-expected repayment period, the Group will initiate necessary actions to recover the receivable in part or in full.

(b) The balance represents prepayment for mining infrastructure of Harbor Star's Phase II construction in Aung Jiujia Mine.

(c) As at 30 June 2017, prepayments in advance of RMB383,877,000 represented prepayments made to six independent third parties (collectively, the "**Sellers**") in respect of proposed acquisitions of the entire equity interest in six domestic companies of Myanmar, pursuant to six framework agreements entered into between the Group and the Sellers on 17 December 2016. During the Period, the Group has entered into equity transfer agreements with the respective three Sellers with aggregate purchase considerations of RMB203,500,000, out of which RMB201,500,000 had been prepaid in 2016. At the end of the reporting period, the acquisitions with the Sellers are still in the progress as certain conditions are not fulfilled. The Board expects the agreements with the other three Sellers will be signed before October 2017.

The prepayment of RMB95,000,000 made to Mr. Wang Deyong ("**Mr. Wang**") as at 31 December 2016 in respect of the acquisition of Hua Xing group was completed on 7 March 2017, particulars of such acquisition were set out in note 18.

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

Notes to Interim Condensed Financial Information

30 June 2017

11. TRADE RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Trade receivables	37,090	34,451
Impairment	(34,451)	(33,390)
	2,639	1,061

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

An aged analysis of the trade receivables (net of impairment) as at 30 June 2017 and 31 December 2016, based on the delivery date, is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Within 3 months	2,639	346
1 to 2 years	–	715
	2,639	1,061

The movement in provision for impairment of trade receivables during the Period is as follows:

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

Notes to Interim Condensed Financial Information

30 June 2017

11. TRADE RECEIVABLES (CONTINUED)

The ageing analysis of the trade receivables, that are not individually nor collectively considered to be impaired, is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Neither past due nor impaired	2,639	346
1 to 2 years past due	–	715
	2,639	1,061

Except for the above provisions, the Directors are of the opinion that no further provision for impairment is necessary as the balances are still considered fully recoverable based on the recent credit reviews conducted by management.

12. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2017 and 31 December 2016, based on the invoice date, is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Within 1 month	55	400
1 to 2 months	670	663
2 to 3 months	29	749
Over 3 months	11,042	9,116
	11,796	10,928

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

Notes to Interim Condensed Financial Information

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13. DUE TO A RELATED PARTY

The balance due to a related party as at 30 June 2017 represents a one-year unsecured shareholder's loan of USD2,550,000 (equivalent to approximately RMB17,275,000) granted by Dameng to the Group on 22 March 2016 to finance the construction of the processing plant at Aung Jiujia Mine, of which USD500,000 (equivalent to approximately RMB3,387,000) was repaid in May 2016. The interest rate of the shareholder's loan has not been determined. The Directors are of the opinion that the interest rate will approximate to the prevailing bank borrowing rate available for the loans with the similar term and maturity and interest expense has been accrued accordingly.

14. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Repayable within one year:			
Bank loans:			
Secured and guaranteed	(a)	99,000	99,000
Other loans:			
Secured and guaranteed	(b)	406,182	406,182
		505,182	505,182

Notes to Interim Condensed Financial Information

30 June 2017

14. INTEREST-BEARING BANK AND OTHER LOANS (CONTINUED)

Notes:

(a) The balance as at 30 June 2017 consists of four tranches of one-year interest-bearing bank loans aggregated to RMB99,000,000 granted by Ping An Bank in December 2016, which bear interest at fixed rate of 5.66% per annum and are guaranteed by Mr. Ran Xiaochuan (note 20(a)). The Group's bank loans were secured by:

	Net book amount as at 30 June 2017 RMB'000
Property, plant and equipment (note 8(a))	61,264
Intangible assets (note 8(b))	61,882
Prepaid land lease payments (note 8(c))	11,800

(b) Balances as at 30 June 2017 consist of (i) other loan borrowed from Ping An Bank by way of a gold lease arrangement, with the principal amount of RMB101,323,000 on 28 July 2016, which bears interest at a fixed rate of 7.5% per annum with maturity date on 27 July 2017, and is guaranteed by Mr. Ran Xiaochuan (note 20(a)) and secured by 99% of the equity interests in Kunrun, 90% of the equity interests in Dakuangshan Company, 90% of the equity interests in Liziping Company and 90% of the equity interests in Menghu Company; and (ii) other loan borrowed from Ping An Bank by way of a gold lease arrangement, with the principal amount of RMB304,859,000 on 24 June 2015, which is guaranteed by Mr. Ran Xiaochuan (note 20(a)) and bears interest at a fixed rate of 7.5% per annum with maturity date on 23 June 2017. The Group has undertaken to settle both the other loans mentioned above by delivery of a pre-specified quantity of gold through a forward purchase contract at a price which equals the principal plus interest due.

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

Notes to Interim Condensed Financial Information

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15. ISSUED CAPITAL

Shares

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000
Authorised:		
38,000,000,000 (2016: 38,000,000,000) ordinary shares of HK$0.00001 each	342	342
Issued and fully paid:		
2,386,518,000 (2016: 1,988,765,000) ordinary shares of HK$0.00001 each	20	17

On 17 May 2017, the Group entered into a placing agreement with a placing agent for placing an aggregate of 397,753,000 shares to not less than six independent placees at the placing price of HK$0.206 per share. The net proceeds from the placing, after deduction of the placing fee of 2% on gross proceeds, legal expenses and disbursements incidental to the Placing is approximately HK$80.19 million (equivalent to approximately RMB70,795,000). The placing was completed on 26 May 2017.

Notes to Interim Condensed Financial Information

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16. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants including executives or officers (including executive, non-executive and independent non-executive directors) or employees (whether full time or part time) of any member of the Group and any persons whom the Directors consider, in their sole discretion, have contributed or will contribute to the development and growth of the Group. The Share Option Scheme was approved by the Company's shareholders on 24 November 2011 and, unless otherwise cancelled or amended, will remain in force for ten years from that date. Please refer to the 2016 annual report of the Company for details.

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

	Note	Weighted average exercise price HK$ per share	Number of options
As at 1 January 2017 and 30 June 2017			
— 2013 Granted Options *(defined below)*	(i)	1.70	35,545,946

Note:

(i) The share options outstanding as at 30 June 2017 represented 35,545,946 share options granted by the Company on 16 January 2013 at the exercise price of HK$1.70 to certain eligible participants of the Company in respect of their services to the Group in the forthcoming years (the "**2013 Granted Options**") under the Share Option Scheme.

The exercise prices and exercise periods of the share options outstanding as at 30 June 2017 and 31 December 2016 are as follows:

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

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

No share option expense was recognised during the Period (six months ended 30 June 2016: HK$102,000, equivalent to approximately RMB87,000).

Notes to Interim Condensed Financial Information

30 June 2017

16. SHARE OPTION SCHEME (CONTINUED)

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

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

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

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

As at 30 June 2017, the Company had 35,545,946 share options outstanding under the Share Option Scheme (31 December 2016: 35,545,946). The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 35,545,946 additional ordinary shares of the Company and additional share capital of HK$355 and share premium of at least HK$60,427,753 (before issue expenses).

At the date of approval of this interim condensed financial information, the Company had 35,545,946 share options outstanding under the Share Option Scheme, which represented approximately 1.5% of the Company's shares in issue as at that date.

17. DIVIDENDS

At a meeting of the Directors held on 25 July 2017, the Directors resolved not to pay interim dividends for the Period to shareholders (six months ended 30 June 2016: Nil).

Notes to Interim Condensed Financial Information

30 June 2017

18. BUSINESS COMBINATION

On 7 March 2017, the Group acquired a 100% equity interest in Hua Xing from Mr. Wang, an independent third party, at a consideration of RMB101,500,000. The purchase consideration for the acquisition was in the form of cash with RMB95,000,000 prepaid in 2016 and the remaining of RMB6,500,000 paid during the Period.

The acquisition of Hua Xing group was part of the Group's strategy to expand its market share and mine portfolios in Myanmar, and enable the Group to acquire the economic benefits of the joint mining operations, to secure quality resources of non-ferrous metals to enhance the Group's operation and financials. Upon completion of the acquisition, the Group indirectly owned 49.98% effective equity interests in GPS Joint Venture Company Limited ("**GPS JV**"), through Venture Million Enterprises Limited, a partially-owned subsidiary of Hua Xing. The acquisition has been accounted for using the acquisition method.

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

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

	Provisional fair value recognised on acquisition RMB'000
Cash	52
Property, plant and equipment (note 8)	139,931
Intangible assets (note 8)	140,000
Inventories	1,910
Prepayment and other receivables	6,161
Trade payables	(1,199)
Other payable	(19,378)
Provision for rehabilitation	(4,698)
Deferred tax liabilities	(19,207)
Total identifiable net assets at fair value	243,572
Non-controlling interests measured at the non-controlling interest's proportional share of Hua Xing group	(121,835)
	121,737
Provisional gain on a bargain purchase*	(20,237)
Total	101,500

* The gain on a bargain purchase of approximately RMB20,237,000 arising from the need of the vendor to dispose of the investment in a short time for financial return as a result of lack of management experience in operating mining corporation.

Notes to Interim Condensed Financial Information

30 June 2017

18. BUSINESS COMBINATION (CONTINUED)

The fair values disclosed are provisional as at 30 June 2017. This is due to the complexity of the acquisition and the inherently uncertain nature of the mining sector, particularly in valuing mining, exploration and evaluation assets, further works will be required to confirm the final fair values. The finalisation of the valuation work required to determine the fair values of the assets and liabilities acquired will be completed within 12 months of the acquisition date, at the latest.

Effect of the acquisition of cash flows:

	Provisional fair value recognised on acquisition RMB'000
Total consideration for 100% equity interest	101,500
Less: cash and cash equivalents of subsidiary acquired	(52)
Less: amount paid in 2016	(95,000)
Net cash outflow from acquisition of subsidiaries	6,448

Since the acquisition, Hua Xing group has not contributed revenue to the Group's revenue and incurred RMB2,044,000 loss to the consolidated results for the Period.

Had Hua Xing group been consolidated from 1 January 2017, there will be no financial impact on the revenue of the Group during the Period and the loss of the Group for the Period would have been increased by RMB2,566,000.

19. COMMITMENTS

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Contracted, but not provided for:		
— Exploration and evaluation assets	17	17
— Property, plant and equipment	392	257
— Acquisition of subsidiaries	2,000	6,500
	2,409	6,774

Notes to Interim Condensed Financial Information

30 June 2017

20. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Bank loans guaranteed by Mr. Ran Xiaochuan	99,000	100,000
Other loans guaranteed by Mr. Ran Xiaochuan	406,182	406,182

The bank and other loans were guaranteed by Mr. Ran Xiaochuan, the Company's former executive Director and retired on 6 June 2017, for nil consideration (note 14(a) & (b)).

(b) Outstanding balance with a related party

Details of the Group's shareholder's loan obtained from Dameng are included in note 13 to the interim condensed financial information.

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

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Fees	877	1,844
Basic salaries and other benefits	1,061	480
Equity-settled share option expense	–	5
Pension scheme contributions	10	5
	1,948	2,334

Notes to Interim Condensed Financial Information

30 June 2017

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's financial instruments approximate to their fair values due to the short term to maturity at the end of the Period.

22. EVENTS AFTER THE REPORTING PERIOD

(a) On 17 July 2017, the Group entered into a bank borrowing agreement with Ping An Bank with a principal amount of RMB300,000,000 with repayment due on 16 July 2018.

(b) On 8 May 2017 and 27 April 2017, Hua Xing has entered into two separate equity transfer agreements for the sale and purchase of 100% of the equity interests in Horeb Mounting Mining Company Limited ("**Horeb Mounting**") and Seven Gold Lamp Mining Company Limited ("**Seven Gold Lamp**") with the respective vendors of Horeb Mounting and Seven Gold Lamp (collectively "**Vendors**"), respectively. Pursuant to the respective equity transfer agreements, the Vendors shall use their best endeavours to procedure fulfilment of all conditions as specified in the respective equity transfer agreements on or before 30 June 2017.

On 17 July 2017, the Group entered into the waiver and supplementary agreements with the Vendors to extend the completion date to 30 September 2017. All terms remained the same as the respective equity transfer agreements dated on 8 May 2017 and 27 April 2017, respectively.

23. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information was approved and authorised for issue by the Board on 25 July 2017.

FORWARD LOOKING STATEMENTS

This interim report contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied by such statements.

Glossary

"Audit Committee"	the audit committee of the Board
"Aung Jiujia Mine"	a lead-zinc mine to which the Harbor Star Mining Company Limited ("**Harbor Star**"), a subsidiary of the Company whose registered office is as Ruian County, Shan State, Myanmar, owns the mining right
"Board"	the board of directors of the Company
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules, as amended from time to time
"China" or "PRC" or "Mainland China"	the People's Republic of China which for the purpose of this Interim Report and unless the context suggests otherwise, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Company"	China Polymetallic Mining Limited (中國多金屬礦業有限公司), a limited liability company incorporated under the laws of the Cayman Islands on 30 November 2009
"Companies Law"	the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Dakuangshan Company"	Mang City Xindi Mining Company Limited (芒市鑫地礦業有限責任公司) a subsidiary of the Company whose registered office is at Mang City, Yunnan Province, the PRC
"Dakuangshan Mine"	a lead-zinc-silver polymetallic mine to which the Dakuangshan Company owns the mining right
"Dazhupeng Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, the PRC, with respect to which we hold an exploration permit
"Director(s)"	director(s) of the Company
"g/t"	grams per tonne
"GPS JV Mine"	a lead-silver mine to which GPS Joint Venture Company Limited, owns the mining rights and the exploration rights
"Group"	the Company and its subsidiaries

Glossary

"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKEx"	Hong Kong Exchanges and Clearing Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRS"	International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board (the "**IASB**") and the International Accounting Standards (the "**IAS**") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect
"IPO"	the initial public offering and listing of shares of the Company on the main board of Hong Kong Stock Exchange on 14 December 2011
"kg"	kilogram(s)
"km"	kilometre(s), a metric unit measure of distance
"kt"	thousand tonnes
"Kunrun"	Yingjiang County Kunrun Industry Company Limited (盈江縣昆潤實業有限公司), a subsidiary of the Company whose registered office is at Yingjiang County, Yunnan Province, the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Liziping Company"	Nujiang Shengjia Chengxin Industrial Company Ltd. (怒江州聖佳誠信實業有限公司), a subsidiary of the Company whose registered office is at Lanping County, Yunnan Province, the PRC
"Liziping Mine"	a lead-zinc-silver polymetallic mine to which the Liziping Company owns the exploration right
"Lushan Mine"	a tungsten-tin polymetallic ore mine located in Yingjiang County, Yunnan Province, the PRC, operated by Xiangcaopo Mining, an independent third party

Glossary

"Menghu Company"	Meng La Chen Feng Mining Development Company Limited (勐腊縣宸豐礦業開發有限公司), a subsidiary of the Company whose registered office is at Mengla County, Yunnan Province, the PRC
"Menghu Mine"	a lead mine to which the Menghu Company owns the mining right
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Period"	six months ended 30 June 2017
"RMB"	the lawful currency of the PRC
"Shizishan Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, the PRC, and operated by Kunrun
"sq.km."	square kilometer
"t"	tonne
"tpd"	tonnes per day
"US" or "United States"	the United States of America
"US$"	United States dollar(s), the lawful currency of the US
"Xiangcaopo Mining"	Yunnan Xiangcaopo Mining Co., Ltd, a limited liability company in China, currently wholly owned by Mr. Li Jincheng, an independent third party
"Yunnan Next Horizon"	Yunnan Next Horizon Polymetallic Investment Limited (雲南迅新多金屬投資有限公司), a subsidiary of the Company whose registered office is at Kunming, Yunnan Province, the PRC
"%"	per cent.