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中国多金属矿业
CHINA POLYMETALLIC MINING

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2133)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

- On 14 December 2011, the Company was successfully listed on Hong Kong Stock Exchange with net proceeds of approximately HK$992.9 million after deducting underwriting commissions and all related expenses.

- As at 31 December 2011, the Group's balance of the cash and cash equivalents was RMB870.3 million, the balance of total assets less current liabilities was RMB1,473.2 million and the balance of net assets was RMB1,341.0 million.

- The Group's revenue amounted to approximately RMB70.2 million for the year ended 31 December 2011 (2010: Nil), and the Group's cost of sales amounted to approximately RMB16.2 million (2010: Nil), representing a gross profit amounted to approximately RMB54.0 million and gross profit margin around 76.9%.

- The net profit attributable to owners of the Company for the year ended 31 December 2011 before the expensed listing fees and the expense of recognition of equity-settled share-based payment was approximately RMB17.4 million.

- The total comprehensive loss attributable to owners of the Company for the year ended 31 December 2011 was approximately RMB244.3 million after charging the expensed listing fees and the expense of recognition of share-based payment (2010: RMB4.8 million), representing a decrease of approximately RMB2.3 million, as compared to approximately RMB246.6 million in loss forecast disclosed in the Prospectus of the Company dated 2 December 2011 ("**the Prospectus**").

- The basic loss per share attributable to ordinary equity holders of the Company amounted to approximately RMB0.2 for the year ended 31 December 2011 after charging the expensed listing fees and the expense of recognition of share-based payment.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2011.

The board (the "**Board**") of directors (the "**Directors**") of China Polymetallic Mining Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**We**") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2011, together with the comparative figures for the year ended 31 December 2010, which have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") as below.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	4	**70,180**	—
Cost of sales		**(16,214)**	—
Gross profit		**53,966**	—
Other income and gains	5	**2,760**	5,576
Selling and distribution costs		**(7)**	—
Administrative expenses		**(54,457)**	(11,987)
Recognition of equity-settled share-based payment	18(a)	**(233,000)**	—
Other operating expenses		**(2,855)**	(235)
Finance costs	6	**(382)**	—
Loss before tax	7	**(233,975)**	(6,646)
Income tax credit/(expense)	8	**(10,272)**	1,586
Loss for the year and total comprehensive loss for the year		**(244,247)**	(5,060)
Attributable to:			
Owners of the Company		**(244,268)**	(4,840)
Non-controlling interests		**21**	(220)
		(244,247)	(5,060)
Loss per share attributable to ordinary equity holders of the Company:			
— Basic and diluted	9	**RMB0.21**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**311,345**	56,806
Intangible assets		**75,793**	44,879
Prepaid land lease payments		**13,126**	—
Payments in advance	*11*	**163,952**	24,666
Prepayment and deposits	*12*	**94,854**	—
Deferred tax assets		**3,820**	2,372
Total non-current assets		**662,890**	128,723
CURRENT ASSETS			
Inventories		**4,701**	745
Trade receivables	*13*	**20,304**	—
Prepayments, deposits and other receivables	*12*	**42,663**	54,187
Cash and cash equivalents		**870,311**	20,320
Total current assets		**937,979**	75,252
CURRENT LIABILITIES			
Trade payables	*14*	**4,523**	—
Other payables and accruals	*15*	**101,566**	17,088
Tax payable		**11,617**	—
Interest-bearing bank loans	*16*	**10,000**	—
Due to a related party		**—**	189,191
Total current liabilities		**127,706**	206,279
NET CURRENT ASSETS/(LIABILITIES)		**810,273**	(131,027)
Total assets less current liabilities		**1,473,163**	(2,304)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	*16*	**120,000**	—
Deferred tax liabilities		**—**	351
Provision for rehabilitation		**12,178**	—
Total non-current liabilities		**132,178**	351
Net assets/(liabilities)		**1,340,985**	(2,655)
EQUITY/(DEFICIT)			
Equity attributable to owners of the Company			
Issued capital	*17*	**17**	9
Reserves		**1,339,638**	(10,133)
		1,339,655	(10,124)
Non-controlling interests		**1,330**	7,469
Total equity/(deficit)		**1,340,985**	(2,655)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

China Polymetallic Mining Limited is an exempted company with limited liability 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 principle place of business in Hong Kong is Unit 4712, 47/F, The Center, 99 Queen's Road Central, Hong Kong.

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

Pursuant to the group reorganisation (the "**Reorganisation**") in preparation for the listing of the Company's shares (the "**Listing**") on the main board of The Hong Kong Stock Exchange Limited (the "**Hong Kong Stock Exchange**"), which was completed on 25 June 2010, the Company became the holding company of subsidiaries now comprising the Group. Details of the Reorganisation were set out in the Prospectus. The Company's shares have been listed on the main board of the Hong Kong Stock Exchange since 14 December 2011 (the "**Listing Date**").

2. BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

3. ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[4]
IFRS 9	*Financial Instruments*[6]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IAS 1 Amendments	Amendment to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[3]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19 (Amendments)	Amendment to IAS 19 *Employee Benefits*[4]
IAS 27 (Revised)	*Separate Financial Statements*[4]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[4]
IAS 32 Amendments	Amendment to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[5]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "**Additions**") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("**FVO**"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("**OCI**"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 and SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to IAS 27 as a result of the issuance of IFRS 10 and IFRS 12. The Group expects to adopt IFRS 10 and IFRS 12, and the consequential amendments to IAS 27 from 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

Amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

4. REVENUE AND OPERATING SEGMENT INFORMATION

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

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

Entity-wide disclosures

Information about products

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

	2011		2010	
	RMB'000	**%**	*RMB'000*	%
Lead-silver concentrates	**51,198**	**73.0**	—	—
Zinc-silver concentrates	**18,982**	**27.0**	—	—
	70,180	**100.0**	—	—

Geographical information

All external revenue of the Group during the year ended 31 December 2011 was attributable to customers established in the PRC, the place of domicile of the Group's operating entities. The Group's non-current assets are all located in the PRC.

Information about major customers

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

	2011	2010
	RMB'000	*RMB'000*
Customer A	**57,600**	—
Customer B	**7,298**	—

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2011	2010
	RMB'000	*RMB'000*
Sale of spare parts	**473**	214
Bank interest income	**287**	159
Government grants*	**2,000**	—
Foreign exchange gains	**—**	5,203
	2,760	5,576

* There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**5,038**	—
Unwinding of a discount	**382**	—
	5,420	—
Less: interest capitalised to property, plant and equipment	**(5,038)**	—
	382	—

7. LOSS BEFORE TAX

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

	Notes	**2011** **RMB'000**	2010 *RMB'000*
Cost of inventories sold		**16,214**	—
Staff costs (including Directors' remuneration):			
Wages and salaries		**11,285**	6,431
Equity-settled share-based payment	*18(a)*	**233,000**	—
Equity-settled share option expense	*18(b)*	**379**	—
Pension scheme contributions — Defined contribution fund		**217**	44
Housing fund — Defined contribution fund		**115**	33
		244,996	6,508
Depreciation of items of property plant and equipment		**5,920**	203
Amortisation of intangible assets^		**693**	—
Amortisation of prepaid land lease payments^		**90**	—
Depreciation and amortisation		**6,703**	203
Auditors' remuneration		**2,054**	20
Foreign exchange losses		**1,183**	—
Operating lease rentals in respect:			
— Motor vehicles		**167**	324
— Office building		**355**	—

^ The amortisation of intangible assets and prepaid land lease payments for the year is included in "**Cost of sales**" on the face of the consolidated statement of comprehensive income.

8. INCOME TAX

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

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

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

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

	2011 **RMB'000**	2010 *RMB'000*
Current — Mainland China		
Charge for the year	**11,675**	—
Underprovision in prior years	**396**	—
Deferred	**(1,799)**	(1,586)
Total tax charge/(credit) for the year	**10,272**	(1,586)

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

	2011	2010
	RMB'000	*RMB'000*
Loss before tax	**(233,975)**	(6,646)
Less: expenses incurred by the Company*	**(287,461)**	(796)
Profit before tax generated/(loss before tax incurred) by Hong Kong and PRC subsidiaries	**53,486**	(5,850)
Tax at the respective statutory tax rates:		
— PRC subsidiaries, at 25%	**10,052**	(1,891)
— HK subsidiary, at 16.5%	**2,191**	282
Income not subject to tax	**(2,283)**	(405)
Tax losses not recognised	**74**	123
Expenses not deductible for tax	**194**	305
Adjustments in respect of current tax of previous year	**396**	—
Reversal of net deferred tax liabilities recognised in previous year	**(352)**	—
Income tax expense/(credit)	**10,272**	(1,586)

* Expenses incurred by the Company mainly consist of a one-time equity-settled share-based payment expense and transaction costs relating to the Listing incurred by the Company. These expenses are not expected to be tax deductible.

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

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,148,208,219 in issue during the year.

The weighted average number of shares used to calculate the basic loss per share for the year ended 31 December 2011 includes the weighted average number of shares of 84,208,219 shares issued upon the Listing as referred to in note 17(c) to the consolidated financial statements and the pro forma number of 1,064,000,000 upon completion of the sub-division of shares as referred to in note 17(b) to the consolidated financial statements.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2011 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 year ended 31 December 2011.

Loss per share information for the year ended 31 December 2010 was not considered meaningful due to the Reorganisation as described in note 1 to the consolidated financial statements.

10. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011.

11. PAYMENTS IN ADVANCE

	2011 RMB'000	2010 RMB'000
In respect of the purchase of:		
Prepaid land lease payments	**3,785**	7,203
Exploration rights	**160,167**	2,101
Property, plant and equipment	**—**	15,362
	163,952	24,666

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	*2011 RMB'000*	*2010 RMB'000*
Current portion:			
Prepayments in respect of:			
— purchase of inventories	*(a)*	**38,136**	18,000
— prepaid land lease payments to be amortised within one year		**270**	—
— other prepayments		**345**	993
Deposits		**44**	170
Deferred listing fees		**—**	624
Staff advances		**1,868**	811
Government grants receivable		**2,000**	—
Interest-free advances to an independent third party supplier	*(b)*	**—**	33,589
		42,663	54,187
Non-current portion:			
Prepayment in respect of purchase of inventories	*(a)*	**54,854**	—
Deposit in respect of an optional to acquire interest in an entity	*(c)*	**40,000**	—
		94,854	—
		137,517	54,187

Notes:

(a) The balances represent prepayment made to Xiangcaopo Mining Co., Ltd. ("**Xiangcaopo Mining**"), an independent third party supplier for the purchase of tungsten and tin ores, where the delivery of products is expected to take place within next two years from the end of the reporting date. Both Mr. Li Jincheng and Xiangcaopo Mining entered into an equity pledge agreement with the Group in June 2011, pursuant to which Mr. Li Jincheng pledged his entire equity interests in Xiangcaopo Mining to the Group.

(b) The balance as at 31 December 2010 represents interest-free advances given to Mr. Li Jincheng, who is an independent third party and the sole owner of Xiangcaopo Mining for exploration activities at Lushan Mine operated by Xiangcaopo Mining. According to the arrangement between the Group and Mr. Li Jincheng, both parties intended to offset the interest-free advances against future payables in relation to purchase of tungsten and tin ores mined from Lushan Mine. Accordingly, the interest-free advances given to Mr. Li Jincheng were reclassified to prepayment in respect of purchase of inventories as described in note (a) above.

(c) The balance represents a refundable good-faith deposit paid by the Group to Mr. Xi Wanli, who is an independent third party and the sole shareholder of a lead-zinc-silver polymetallic mine company ("**Dakuangshan Company**"), which owns the exploration right of Dakuangshan Mine. Pursuant to an option agreement dated 21 May 2011, the Group can acquire 90% equity interests in Dakuangshan Company from Mr. Xi Wanli at the Group's sole discretion within a period of 18 months commencing from May 2011.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

13. TRADE RECEIVABLES

All the trade receivables were neither past due nor impaired at 31 December 2011 and aged within one month, based on the invoice date.

The Group normally requires a payment in advance of up to 75% of the turnover before delivery. The credit period for the remaining 25% of turnover is generally one month. In view of the fact that the Group sells all of its products to a small number of customers, there is a high level of concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

14. TRADE PAYABLES

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

	2011	2010
	RMB'000	*RMB'000*
Within 1 month	**2,232**	—
1 to 2 months	**1,117**	—
2 to 3 months	**426**	—
Over 3 months	**748**	—
	4,523	—

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

15. OTHER PAYABLES AND ACCRUALS

Group

	2011	2010
	RMB'000	*RMB'000*
Payables relating to:		
Mining rights	**—**	489
Exploration and evaluation assets	**674**	4,296
Property, plant and equipment	**85,155**	7,990
Professional fees	**9,638**	—
Tax other than income tax	**(3,282)**	(825)
Payroll and welfare	**81**	185
Mining resource compensation fees	**1,484**	—
Mining resource usage fees	**897**	—
Others	**63**	69
	94,710	12,204
Accruals	**6,856**	4,884
	101,566	17,088

Company

	2011	2010
	RMB'000	*RMB'000*
Payables relating to:		
Professional fees	**9,638**	—
Payroll and welfare	**700**	—
	10,338	—

Other payables are non-interest-bearing and have average payment terms within three to six months.

16 INTEREST-BEARING BANK LOANS

	2011	2010
	RMB'000	*RMB'000*
Secured bank loans and repayable:		
Within one year	**10,000**	—
In the second year	**60,000**	—
In the third year	**60,000**	—
	130,000	—
Current portion	**(10,000)**	—
Non-current portion	**120,000**	—

The Group's bank loans are secured by the mortgage over the Group's mining right to Shizishan Mine with a net carrying amount of RMB72,549,000 as at 31 December 2011 (2010: Not applicable). As at 31 December 2011, all bank loans were denominated in RMB and bore interest at 7.83% per annum.

The carrying amounts of the interest-bearing bank loans approximate to their fair values.

17. SHARE CAPITAL

	2011	2010
	RMB'000	*RMB'000*
Authorised:		
38,000,000,000 ordinary shares of HK$0.00001 each (2010: 3,800,000 ordinary shares of HK$0.1 each)	**342**	342
Issued and fully paid:		
2,000,000,000 ordinary shares of HK$0.00001 each (2010: 100,000 ordinary shares of HK$0.1 each)	**17**	9

The following changes in the Company's authorised and issued share capital took place during the year:

Authorised share capital:

Pursuant to a shareholders' resolution passed on 10 November 2011, each ordinary share of nominal value of HK$0.10 was sub-divided into 10,000 ordinary shares of nominal value of HK$0.00001 each. As a result of the sub-division, the authorised shares of the Company were increased from 3,800,000 shares to 38,000,000,000 shares by the creation of 37,996,200,000 shares, ranking pari passu in all respects with the existing shares of the Company. The Company's authorised share capital remained unchanged.

Issued and fully paid share capital:

	Notes	**Number of ordinary shares**	**Nominal value of ordinary shares** *RMB'000*
At 1 January 2011		100,000	9
Issue of new shares	*(a)*	6,400	—
Sub-division of issued share capital	*(b)*	1,063,893,600	—
Issue of new shares	*(c)*	436,000,000	4
Issue of new shares	*(d)*	500,000,000	4
As at 31 December 2011		2,000,000,000	17

Notes:

(a) On 27 June 2011, the Company allotted and issued 6,399 ordinary shares to Grow Brilliant Limited ("**Grow Brilliant**"), credited as fully paid shares at a par value of HK$0.1 each, totalling RMB532.

On the same day, Silver Lion Investment Holdings Limited ("**Silver Lion**") subscribed for one new ordinary share by way of capitalisation of an amount due to Silver Lion of US$80,500,000 (equivalent to approximately RMB520,964,000).

(b) On 10 November 2011, the Company's shareholders passed a resolution approving sub-division in the Company's share capital. Each ordinary share of nominal value of HK$0.10 was sub-divided into 10,000 ordinary shares of nominal value of HK$0.00001 each. As a result of the sub-division, the number of issued ordinary shares was increased from 106,400 shares to 1,064,000,000 shares.

(c) On 10 November 2011, Silver Lion and Grow Brilliant subscribed for 393,387,556 ordinary shares and 42,612,444 ordinary shares of the Company on a pro-rata basis at nominal value of HK$0.00001 each by cash, respectively.

(d) In connection with the Listing, 500,000,000 shares of HK$0.00001 each were issued at a price of HK$2.22 per share for a total cash consideration, before listing expenses, of HK$1,110,000,000.

The proceeds of HK$5,000, representing the par value, have been credited to the Company's share capital and the remaining proceeds of HK$1,109,995,000 have been credited to the share premium account.

18. SHARE-BASED PAYMENT TRANSACTIONS

(a) Equity-settled share-based payment

The Company allotted and issued 6,399 ordinary shares (the "**Awarded Shares**") to Grow Brilliant pursuant to a shareholders' resolution passed on 27 June 2011. Grow Brilliant is a company which is wholly owned and controlled by Mr. Zhu Xiaolin, the executive Director and chief executive officer of the Company. The objective of the Awarded Shares is to reward his contribution to the Group's development. The Awarded Shares are not subject to a vesting period and vested immediately when allotted and issued to Grow Brilliant on 27 June 2011.

The fair value of the Awarded Shares during at date of allotment was RMB233,000,000 determined by an external valuer using the discounted cash flow method. The significant inputs into the model were the weighted average cost of capital as a discount rate and required return on equity.

The Group recognised an expense of RMB233,000,000 for the year ended 31 December 2011 in relation to the Awarded Shares with a corresponding amount credited to the capital contribution reserve.

(b) Share option scheme

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to independent non-executive Directors. Each independent non-executive Director was upon listing of the Company granted options to purchase such number of the Company's shares having an aggregate value of US$2 million with the exercise price being the offer price of the global offering of the Company of HK$2.22 per share, which shall vest, and upon vesting become exercisable in four equal tranches on the first, second, third and fourth anniversary of the Listing Date. The Share Option Scheme was approved by the Company's shareholders on 14 December 2011 and, unless otherwise cancelled or amended, will remain in force for five years from that date.

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

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

The exercise prices and exercise periods of the share options outstanding as at 31 December 2011 (2010: Not applicable) are as follows:

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

The fair value of the share options granted during the year was HK$19,626,000 (equivalent to approximately RMB15,953,000) or HK$0.47 each (equivalent to approximately RMB0.38 each), of which the Group recognised a share option expense of HK$466,000 (approximately RMB379,000) during the year ended 31 December 2011 (2010: Not applicable)

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

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

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

At the end of the reporting period, the Company had 42,162,162 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 42,162,162 additional shares of the Company and additional share capital of HK$422 and share premium of HK$93,388,319 (before issue expenses).

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

19. EVENT AFTER THE REPORTING PERIOD

On 2 March 2012, Dehong Yinrun Mining Technology Development Company Limited ("**Dehong Yinrun**"), an indirect wholly owned subsidiary of the Company, entered into a share transfer agreement with Mr. Xi Wanli (an independent third party), the sole shareholder of a lead-zinc-silver polymetallic mine company (Meng La Chen Feng Mining Development Company Limited ("**Menghu Company**")), pursuant to which Dehong Yinrun agreed to purchase 90% of the equity interest in the Menghu Company. The Menghu Company owns 100% interest in a lead-zinc-silver polymetallic mine (Menghu Mine) with a mining permit covering an area of 0.395 square kilometer ("sq.km"). The consideration for the 90% equity interest is RMB85.5 million. To guarantee the due and punctual performance of the share transfer agreement, Mr. Xi Wanli pledged his entire equity interest in the Menghu Company to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2011, China's economic development has generally maintained a good momentum with continuing growth in Gross Domestic Product. In the non-ferrous metal industry, China is still a net importer of lead concentrates and zinc concentrates to meet the increasing domestic demand. At the same time, the "Twelfth Five-Year Plan" has clearly pointed out that there is a necessity to continue the optimization of the structure and increase the added value in the non-ferrous metal industry with more focus in the development of the processing industry. Thus, the Chinese non-ferrous metal industry is operating in a beginning environment during the gradual implementation of the "Twelfth Five-Year Plan". It's Yunnan, as a major lead and zinc concentrate producing province and a leader in non-ferrous metal industry in China, has put great efforts into develop this industry and extending its industrial chain with a growing smelting capacity in concentrates.

In the first half of last year, the price of the non-ferrous metals was maintained at a high level and fell in the second half because of the uncertain economies in the Eurozone and China's policy on inflation control. As 2011 came to close, the price gradually stabilised, and even witnessed increase in the beginning of the year 2012. In the long run, provided that the domestic economy and the non-ferrous metal industry continue to grow, we believe that our low-cost structure will allow us to benefit from any upward movement in the metal price.

OPERATING MINE — SHIZISHAN MINE

Mineral resources and reserves of the Shizishan Mine

The Shizishan Mine is a large-scale, high-grade lead-zinc-silver underground polymetallic mine in Yingjiang County of Yunnan Province, and is in a period of significant production growth. Based on the resources and reserves under the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy ("JORC") for the Shizishan Mine as at 25 October 2011 disclosed in the Prospectus, our Group estimated resources and reserves as at 31 December 2011 as follows:

The Shizishan Mine — JORC Mineral Resources as at 31 December 2011
Mineral Resource at 0.5% Pb Cut Off

Class	Quantity	Pb	Zn	Ag	Pb metal	Zn metal	Ag metal
	(t)	*(%)*	*(%)*	*(g/t)*	*(t)*	*(t)*	*(t)*
Measured	2,385,870	10.9	6.6	271	260,746	157,694	694
Indicated	6,398,000	9.0	5.9	250	575,200	378,500	1,600
Inferred	516,000	7.7	4.8	247	39,600	24,500	100
Total	9,299,870	9.4	6.0	256	875,546	560,694	2,394

The Shizishan Mine — JORC Ore Reserve Estimate as at 31 December 2011

Class	Quantity *(t)*	Pb *(%)*	Zn *(%)*	Ag *(g/t)*	Pb metal *(t)*	Zn metal *(t)*	Ag metal *(t)*
Proved	2,265,870	10.0	6.1	262	228,346	138,094	594
Probable	5,713,000	9.0	5.9	250	514,500	336,900	1,400
Total	7,978,870	9.3	6.0	250	742,846	474,994	1,994

Notes: Figures reported are rounded which may result in small tabulation errors.
t: tonnes
g/t: grams per tonne

Operation results of the Shizishan Mine

The following table summarises the mining and processing results for the year ended 31 December 2011 of the Shizishan Mine, currently operated by the Group:

	Items	Unit	2011 Aug and Sept	2011 Oct	2011 Nov	2011 Dec	2011 4th Quarter	2011
ROM ore	Mined	kt	15.0	9.8	19.9	25.2	54.9	69.9
	Processed	kt	12.8	9.8	20.9	24.7	55.4	68.3
Feed grade	Lead	%	3.2	3.6	6.2	7.2	6.2	5.6
	Zinc	%	4.3	4.2	4.8	5.3	4.9	4.8
	Silver	g/t	41	44	85	162	112	98
Recovery	Lead	%	74.0	76.2	82.3	86.8	84.0	82.9
	Zinc	%	84.0	84.1	86.3	86.3	86.0	85.6
	Silver in lead concentrate	%	68.6	72.4	76.7	79.4	78.1	77.4
	Silver in zinc concentrate	%	6.2	5.9	7.4	6.9	6.9	6.9
Concentrate Grade	Lead	%	57	55	54	55	55	55
	Zinc	%	45	46	51	52	51	50
	Silver in lead concentrate	g/t	660	632	691	1,132	921	896
	Silver in zinc concentrate	g/t	32	34	76	126	93	82
Concentrate Tonnes	Lead-silver concentrate	kt	0.54	0.49	1.96	2.80	5.26	5.80
	Zinc-silver concentrate	kt	1.02	0.75	1.71	2.18	4.64	5.66
Metal contained in Concentrate	Lead	t	307	270	1,063	1,550	2,883	3,190
	Zinc	t	463	348	870	1,139	2,357	2,819
	Silver in lead concentrate	kt	357	311	1,356	3,173	4,840	5,197
	Silver in zinc concentrate	kt	32	25	130	274	430	463

Notes: kt: thousand tonnes

Our Group commenced trial production in the Shizishan Mine at the end of July 2011, and started commercial production in October 2011. For the year ended 31 December 2011, total sales volumes of lead-silver concentrates and zinc-silver concentrates were 5.80 kt and 5.62 kt respectively, of which 0.54 kt lead silver concentrates and 1.02 kt zinc-silver concentrates were produced during the trial production period in August and September 2011, and 5.26 kt lead-silver concentrates and 4.60 kt zinc-silver concentrates were produced since commercial production started in October 2011. The monthly average selling price of the lead-sliver concentrates from August to December 2011 was RMB12,693.3, RMB10,404.9, RMB6,944.7, RMB7,664.8 and RMB9,947.0 per tonne, respectively. The monthly average selling price of the zinc-sliver concentrates from August to December 2011 was RMB4,073.4, RMB3,889.3, RMB3,694.7, RMB3,922.3 and RMB4,136.2 per tonne, respectively. The average selling price of the lead-sliver concentrates and zinc-sliver concentrates in the period from 1 August to 31 December 2011 was RMB9,673.9 per tonne and RMB4,089.2 per tonne, respectively.

The mining and processing capacity of the Shizishan Mine

We started trial production at the Shizishan Mine at the end of July 2011 and commenced commercial production in October 2011. The Shizishan Mine has increased its mining capacity from 205.0 tonnes per day ("tpd") in August 2011 to 840.0 tpd in December 2011, resulting a total raw ore production of 69.9 kt in 2011, 46% more than the 2011 raw ore production estimation disclosed in the Prospectus. This highlights our Company's execution capabilities in the implementation of the plans and we believe that our Group will be able to attain a mining capacity of 1,000.0 tpd in May 2012 and achieve the full planned mining capacity of 2,000.0 tpd in November 2012. Meanwhile, we have completed the construction of a lead-zinc processing facility at the Shizishan Mine and attained a full planned processing capacity of 2,000.0 tpd since the end of July 2011.

As a result of the mining capacity growth, efficient production and effective cost control implemented by the management in the year of 2011, we have achieved low production cost as compared to the estimated total cash cost and total production cost disclosed in the Prospectus. The details of comparsion of production cost are set in the following table:

	2011 Realised *RMB*	**2011 Estimated*** *RMB*	**Fluctuation** *RMB*
Total cash cost per tonne of ore processed	**410**	**629**	-219
Total production cost per tonne of ore processed	**508**	**739**	-231
Total cash cost per tonne of concentrate	**2,442**	**3,100**	-658
Total production cost per tonne of concentrate	**3,025**	**3,642**	-617

* The estimated total cash cost and total production cost were disclosed in the Prospectus.

Our Group is committed to continuously reducing costs and enhancing cost efficiency and increasing the economy of scale in production. In 2012, we intend to improve cost efficiencies through achieving full production capacity.

OTHER MINERAL RESOURCES

Dazhupeng Mine

The Dazhupeng Mine is located in Yingjiang County of Yunnan Province and is approximately 20 kilometers ("km") away from the Shizishan Mine. Our Group has obtained an exploration permit for the Dazhupeng Mine which is valid for three years from April 2011 to April 2014 and covers an area of 15.19 sq. km. We have completed the preliminary exploration work, and currently plan to commence the exploration drilling activities at the Dazhupeng Mine in the fourth quarter of 2012 after completion of the field reconnaissance and exploration design, and expect it to be completed in the second quarter of 2013. The estimated exploration expenditure is RMB26.9 million.

Lushan Mine

The Lushan Mine is a tungsten-tin polymetallic mine. Xiangcaopo Mining, an independent third party, obtained a three-year exploration permit on 1 January 2010 to conduct exploration activities at the Lushan Mine. The Lushan Mine is located in Yingjiang County of Yunnan Province and is only approximately 30 km away from the Shizishan Mine. The exploration area designated in the exploration permit of the Lushan Mine covers an aggregate area of approximately 81.55 sq. km.

In order to secure stable and long-term supply of polymetallic raw ore, our Group entered into an exclusive ore supply agreement with Xiangcaopo Mining and its owner, Mr. Li Jincheng on 31 December 2010, pursuant to which, Xiangcaopo Mining agreed to provide us all the polymetallic tungsten-tin raw ore produced from the Lushan Mine on an exclusive basis with an annual amount of no less than 120 kt, 240 kt, and 330 kt, respectively, in 2012, 2013 and 2014, based on its currently estimated level of ore output. Unless an early termination is requested by our Group, such exclusive ore supply agreement will be terminated at the later of (a) the fifteenth year of its effective date or (b) the expiration of the Lushan Mine's exploration permit and mining permit (subject to renewal upon expiration).

Due to the large area of the Lushan Mine, we will undertake our exploration activities in three stages. The first stage of exploration work currently undertaken is scheduled to be completed in the second quarter of 2012. The mine will start to supply raw ore to our Group in the third quarter of 2012. As at 31 December 2011, a total of 37 drill holes of approximately 8,035.5 metres ("m") of drilling and 19 adits and 2 exploratory tunnels of approximately 1,874.3 m in total along the veins have been completed.

Pursuant to the exclusive ore supply agreement, we made a prepayment of RMB18.0 million in December 2010 to Xiangcaopo Mining for the purchase of the raw ore and agreed to pay any remaining purchase price within 10 days upon receipt of the raw ore. We agreed to provide up to a total amount of RMB80.0 million interest-free loans to Mr. Li Jincheng, of which RMB73.4 million has been drawn down by Mr. Li Jincheng as at 31 December 2011. According to arrangement between Mr. Li Jincheng and us, both parties intend to offset the interest-free loans against future payables in relation to purchase of tungsten and tin ores mined from the Lushan Mine. Accordingly, the interest-free loans made to Mr. Li Jincheng were reclassified as prepayment in respect of purchase of inventories. The details are set out in note 11 to the consolidated financial statements in this announcement.

In connection with the exclusive supply agreement, Mr. Li Jincheng pledged 100% of his equity interests in Xiangcaopo Mining to us in May 2011. Mr. Li Jincheng also entered into a guarantee agreement with us on 7 July 2011, whereby, he agrees to guarantee Xiangcaopo Mining's performance of its duties under the exclusive ore supply agreement, including Xiangcaopo Mining's refund of any prepayment amount advanced by us if Xiangcaopo Mining defaults in its raw ore supply to us.

In the meantime, to absorb the supply of the raw ore from the Lushan Mine, our Group has planned to build an additional gravity-selection processing line at the Shizishan Mine to process the raw ore supplied by the Lushan Mine. As at 6 September 2011, we obtained the approval from Yingjiang County Industry and Business Bureau (盈江縣工業和商務局) for the commencement of the construction of the gravity-selection processing line with processing capacity of 1,000 tpd. Such gravity-selection processing line is expected to commence operations in the third quarter of 2012, and the total estimated capital expenditure will be RMB41.0 million. As at 31 December 2011, the ground construction has been commenced and a total RMB0.6 million capital expenditure has been incurred.

AGREEMENTS AND OPTION AGREEMENT IN RESPECT OF THE ACQUISITION OF MINERAL ASSETS

Liziping Mine

We entered into a share transfer agreement on 9 June 2011 (as amended) with Mr. Song Denghong (an independent third party), the owner of Nujiang Shengjia Chengxin Industrial Company Ltd. ("**Liziping Company**") which owns the exploration permit to the Liziping Mine, pursuant to which, we conditionally agreed to purchase 90% equity interests in the Liziping Company from Mr. Song Denghong. The Liziping Mine, a lead-zinc-silver polymetallic mine, is located approximately 700 km away from the Shizishan Mine in Yunnan Province. Its exploration permit covers an area of 18.29 sq. km and is valid from 29 December 2010 to 29 December 2012.

The consideration payable for the 90% equity interests of the Liziping Company will be determined based on the estimated amount of lead and zinc resources of the Liziping Mine, and will in any event be no less than RMB216 million and no more than RMB756 million. Such price range was determined after taking into consideration both parties' estimation of the Liziping Mine's potential resources and a unit price range of RMB400 to RMB560 per ton of lead and zinc metal. At the same time, if (i) the lead and zinc resources of the Liziping Mine are less than 300 kt (in terms of metal contained) according to the final reviewed exploration report or (ii) we are not satisfied with the results of our legal and financial due diligence on the Liziping Company and/or the Liziping Mine, we have the right to unilaterally terminate the share purchase agreement and Mr. Song Denghong shall refund all the deposit and payments made and all the exploration expenses incurred by us.

In order to secure the performance of the share transfer agreement, Mr. Song Denghong pledged his entire interest in the Liziping Company to us. We paid RMB120.0 million as at 31 December 2011 primarily in connection with the deposit of partial purchase price to acquire the Liziping Company. The remainder of the total consideration will be paid within five business days upon both parties' determination of the total consideration amount based on the final reviewed exploration report.

The Liziping Company engaged the Regional Geological Survey Team, Sichuan Bureau of Geological Exploration and Exploration of Mineral Resources (四川省地質礦產勘查開發局川西北地質隊), an independent third party exploration entity, to conduct exploration activities at the Liziping Mine in July 2011. Upon the completion of the exploration activities at the Liziping Mine, if the lead and zinc resources are no less than 300kt (in terms of metal contained) as per the final reviewed exploration report prepared for the purpose of the acquisition and other conditions set forth in the share transfer agreement are satisfied, we will complete the acquisition and apply to the PRC governmental authorities for the relevant mining permit for the Liziping Mine. Such acquisition is currently expected to be completed in the second quarter of 2012. As at 31 December 2011, a total of 17 drill holes of approximately 9,218.3 m of drilling have been completed and RMB10.7 million capital expenditures have been incurred. The remaining exploration activities are currently expected to be completed in the third quarter of 2012. If we were to complete the acquisition of the Liziping Company, we would plan to commence the construction of the Liziping Mine and its related processing facility in the second quarter of 2013 and begin its trial production in the fourth quarter of 2013.

Menghu Mine

On 2 March 2012, the Group entered into a share transfer agreement with Mr. Xi Wanli, (an independent third party), the owner of the Menghu Company, whereby we have conditionally agreed to acquire 90% equity interest in the Menghu Company for a total consideration of RMB85.5 million. To guarantee the due and punctual performance of the share transfer agreement, Mr. Xi Wanli pledged his entire equity interest in the Menghu Company to us.

Menghu Mine conducts upstream operations in the exploration and mining of primarily high-grade oxidized lead ore. Based on our preliminary due diligence results before signing the agreement, we estimated the total resources within the mining permit to be no less than 135,000 tonnes of lead and the lead grade to be no less than 30%. Apart from oxidized lead ore within the mining permit, we also strongly believe that Menghu Mine has potential of oxidized ore resources outside of the mining permit and unexplored sulphurized lead ore resources at the lower of the mine.

Three mining tunnels have been constructed at the Menghu Mine, one of which is operational with a current capacity of approximately 30 tonnes per day. The Group intends to invest approximately RMB15.0 million to attain a targeted mining capacity of approximately 200 tonnes per day.

The acquisition shall be completed upon all conditions in share transfer agreement are satisfied, and please refer to the Company's announcement dated 5 March 2012 and 6 March 2012 for further details.

Dakuangshan Mine

We entered into an option agreement (as amended) on 21 May 2011 with Mr. Xi Wanli (an independent third party and the same shareholder of the Menghu Mine), a shareholder of the Dakuangshan Company which owns the mining right to the Dakuangshan Mine. Such option agreement allows us to purchase 90% equity interests in the Dakuangshan Company from Mr. Xi Wanli at our sole discretion, within a period of 18 months starting from May 2011. This option agreement provides us with an important opportunity to quickly expand our polymetallic resources in the future.

The Dakuangshan Mine is located approximately 100 km away from the Shizishan Mine. The mining permit of the Dakuangshan Mine covers an area of 1.56 sq. km. Such mining permit is currently in the process of being renewed. The Dakuangshan Company has been conducting small-scale mining operation since 2001 when it obtained the initial mining permit for the Dakuangshan Mine for an initial term of four years, and has a current mining capacity of approximately 500 tpd and processing capacity of approximately 100 tpd. It later successfully renewed the mining permit in 2007 for a term of four years. According to the commitment undertaken by Mr. Xi Wanli to us, (i) the Dakuangshan Mine has lead and zinc resources of no less than 400.0 kt in terms of metals contained, with the grades for lead, zinc and silver contained being no less than 3%, 7% and 50 g/t, respectively; (ii) the Dakuangshan Company is the legitimate holder of a valid mining permit for the Dakuangshan Mine, and the mining right is free and clear from any encumbrance or third-party claims; (iii) within the option period, he will not enter into any agreement to transfer his equity interest in the Dakuangshan Company or the mining permit for the Dakuangshan Mine to any third party, or initiate any negotiation, consultation, or discussion in connection with such transfer with any third party; and (iv) if he proposes to transfer the 90% equity interests in the Dakuangshan Company to any third party after the expiration of the option period, we have a right of first refusal with respect to the proposed transfer on the same terms and conditions.

Mr. Xi Wanli pledged 50% of his equity interests in the Dakuangshan Company to us on 29 July 2011 to secure the performance of the option agreement. We did not pay any consideration for the option. We made a fully refundable good-faith deposit of RMB40.0 million to the Dakuangshan Company as at 31 December 2011. Pursuant to the option agreement, if the option is not exercised, such good-faith deposit shall be refunded to us in full.

As part of our due diligence for the purpose of determining whether we will exercise our option to acquire the Dakuangshan Mine under the option agreement, we commenced exploration activities at the Dakuangshan Mine in September 2011, and as at 31 December 2011 we have drilled holes to approximately 2,672.77 m and RMB25.4 million capital expenditure have been incurred. The exploration activities are expected to be completed in the first quarter of 2012. If we are satisfied with the amount of resources in the Dakuangshan Mine and the other conditions set forth in the option agreement are met, we may elect at our discretion to exercise the option to acquire the Dakuangshan Mine. If we were to exercise the option and complete the acquisition of the Dakuangshan Mine, we would plan to expand the processing capacity to 500 tpd by the fourth quarter of 2012.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2011, the revenue was approximately RMB70.2 million, arising from the sales of lead-silver concentrates and zinc-silver concentrates produced during the commercial production. The Group commenced selling concentrates produced from commercial production in November 2011 and the sales volume of lead-silver concentrates and zinc-silver concentrates from then to the year end of 2011 were 5,256.9 t and 4,595.4 t, respectively, and the turnover were RMB51.2 million and RMB19.0 million, respectively, representing the average selling price of RMB9,739.1 per tonne for lead-silver concentrates and RMB4,130.8 per tonne for zinc-silver concentrates.

Cost of sales

For the year ended 31 December 2011, the cost of sales was approximately RMB16.2 million, mainly comprising mining subcontracting fees, ancillary material costs, utilities, depreciation and amortization, resource taxes and mining resource usage fees. In 2011, cost of sales accounted for 23.1% of revenue.

Gross profit and gross profit margin

According to the above, the gross profit for the year ended 31 December 2011 was RMB54.0 million and the gross profit margin was 76.9%, among which, the gross profit and gross profit margin for lead-silver concentrates and zinc-silver concentrates were RMB42.8 million and 83.6% and RMB11.2 million and 58.7%, respectively. The high gross profit margin of lead-silver concentrates is mainly attributable to the silver contained in the concentrates.

Other income and gains

For the year ended 31 December 2011, the other income and gains were RMB2.8 million, compared to approximately RMB5.6 million for the year ended 31 December 2010, representing a decrease in other income and gains by approximately RMB2.8 million or approximately 50%. This was primarily due to a decrease in foreign exchange gains of RMB5.2 million, which was partially offset by government grants of RMB2.0 million granted by the Department of Finance of Yunnan (雲南省財政廳).

Administrative expenses

For the year ended 31 December 2011, the administrative expenses was approximately RMB54.5 million, primarily comprising managerial staff costs, professional consulting fees, expensed listing fees, depreciation, office administrative fees and other expenses, compared to approximately RMB12.0 million for the year ended 31 December 2010, representing an increase in administrative expenses by approximately RMB42.5 million or approximately 354.2%. This was primarily due to (i) an increase in expensed listing fees in relation to the Listing of RMB27.0 million, from RMB1.7 million in 2010 to RMB28.7 million in 2011; (ii) an increase in staff costs of RMB3.4 million as a result of the increase in average number of administrative staff as the Group ramped up operations; and (iii) an increase in miscellaneous expenses of RMB10.2 million, such as travelling expenses, office charges and depreciation, etc.

Recognition of equity-settled share-based payment

The Group recognised an equity-settled share-based payment of RMB233.0 million for the year ended 31 December 2011, relating to a one-time equity-settled share-based payments relating to the issuance of the Awarded Shares as at 27 June 2011 to Grow Brilliant, which is wholly owned and controlled by Mr. Zhu Xiaolin, the executive Director and the Chief Executive Officer of the Company, due to his tremendous contribution to the Group. The details of it are set out in note 18(a) to the consolidated financial statements in this announcement.

Other operating expenses

For the year ended 31 December 2011, the other operating expenses was approximately RMB2.9 million, compared to approximately RMB0.2 million for the year ended 31 December 2010, representing an increase in other operating expenses by approximately RMB2.7 million. This was primarily due to (i) foreign exchange losses of RMB1.2 million arising from the listing proceeds received in December 2011 denominated in HK$ as a result of the appreciation of RMB against HK$; (ii) a donation of RMB0.6 million to the victims of the earthquake in March 2011 in Yingjiang County; and (iii) a payment to government of RMB0.6 million in connection with occupying and using a parcel of land at the Shizishan Mine before obtaining the related land use right certificate in September 2011.

Financing cost

For the year ended 31 December 2011, the financing cost was approximately RMB0.4 million (2010: Nil), representing the incremental interest expenses on the unwinding of discount for the provision for rehabilitation.

Income tax credit/(expense)

For the year ended 31 December 2011, the income tax expenses was approximately RMB10.3 million, compared to the income tax credit of approximately RMB1.6 million for the year ended 31 December 2010, representing an increase in income tax expenses by approximately RMB11.9 million. This was primarily due to taxable profit generated by our PRC subsidiaries since the commencement of the commercial production in October 2011.

Total comprehensive loss for the year

According to the above, the total comprehensive loss for the year increased by RMB239.1 million from approximately RMB5.1 million for the year ended 31 December 2010 to approximately RMB244.2 million for the year ended 31 December 2011 after charging the expensed listing fee of RMB28.7 million and the expense of the recognition of equity-settled share-based payment of RMB233.0 million.

Total comprehensive loss attributable to owners of the Company

The total comprehensive loss attributable to the owners of the Company increased by RMB239.5 million from approximately RMB4.8 million for the year ended 31 December 2010 to approximately RMB244.3 million for the year ended 31 December 2011.

Final dividend

The Board did not recommend any distribution of final dividend for the year ended 31 December 2011. The distributable profit generated by our PRC subsidiaries will be used to operate and expand the Group's business, primarily through production ramp-up and selective acquisitions.

Liquidity and capital resources

The following sets forth the information in relation to our Group's consolidated statement cash flows for the years ended 31 December 2010 and 2011:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Net cash flow used in operating activities	**(84,155)**	(62,482)
Net cash flow used in investing activities	**(359,988)**	(106,399)
Net cash flow from financing activities	**1,300,503**	(163,986)
Net increase/(decrease) in cash and cash equivalents	**856,360**	(4,895)

Net cash flow used in operating activities

The net cash flow used in operating activities increased by 34.7% from approximately RMB62.5 million for the year ended 31 December 2010 to approximately RMB84.2 million for the year ended 31 December 2011, primarily attributable to (i) loss before tax of RMB234.0 million; (ii) an increase in prepayment, deposits and other receivables of RMB81.1 million mainly in connection with interest-free loans of RMB39.8 million to Mr. Li Jincheng, for use in the exploration activities at the Lushan Mine and a refundable good-faith deposit made by the Group in relation to the Dakuangshan Mine acquisition of RMB40.0 million; and (iii) an increase in trade receivables and inventories totaling RMB24.3 million. Cash used in operating activities was primarily offset by recognition of equity-settled share-based expenses of RMB233.0 million in connection with the Awarded Shares to the Group's chief executive officer and increase in trade payables and other payables totaling RMB13.9 million and certain non-cash expenses such as unrealised foreign exchange loss of RMB1.2 million and depreciation of RMB5.9 million.

Net cash flow used in investing activities

The net cash flow used in investing activities grew 238.3% from approximately RMB106.4 million for the year ended 31 December 2010 to approximately RMB360.0 million for the year ended 31 December 2011, primarily attributable to (i) increase in purchase of property, plant, and equipment of RMB93.4 million in connection with the construction of mining and lead-zinc-silver processing facilities at the Shizishan Mine, (ii) payment in advance of RMB130.7 million for the purchase of the exploration right to the Liziping Mine through the proposed the Liziping Company acquisition, (iii) RMB1.1 million incurred in applying for the exploration permit of the Dazhupeng Mine, (iv) payment in advance of RMB25.4 million in respect of the exploration costs for the Dakuangshan Mine; and (v) purchase of the land use permit to a parcel of land used for the construction of the Group's mining, processing, tailing storage and related facility at the Shizishan Mine of RMB2.9 million.

Net cash flow from financing activities

The net cash flow from financing activities grew from approximately RMB164.0 million for the year ended 31 December 2010 to approximately RMB1,300.5 million for the year ended 31 December 2011, primarily attributable to (i) increase in an amount due to Silver Lion of RMB167.8 million; (ii) RMB130.0 million in the form of bank borrowings from the Agricultural Bank of China; and (iii) the net proceeds from the initial public offering in the main board of the Hong Kong Stock Exchange (the "**IPO**") of RMB839.7 million.

Inventories

The inventories increased from approximately RMB0.7 million as at 31 December 2010 to approximately RMB4.7 million as at 31 December 2011, primarily due to the commencement of commercial production at the Shizishan Mine in October 2011.

Trade receivables

As at 31 December 2011, the balance of trade receivables was RMB20.3 million (2010: Nil), primarily due to the Group's generated revenue upon commercial production in October 2011 while the Group was in its development stage in 2010.

Trade and other payables

As at 31 December 2011, the balance of trade payables was RMB4.5 million (2010: Nil), primarily due to the purchase of production materials since the commencement of commercial production at the Shizishan Mine in October 2011.

The Group's other payables increased from approximately RMB17.1 million as at 31 December 2010 to approximately RMB101.6 million as at 31 December 2011, primarily due to (i) the increase in payable related to property, plant, and equipment of RMB77.2 million in connection with the construction of mining site and processing facilities at the Shizishan Mine, and (ii) the increase in professional fees in respect of the Group's Listing.

Analysis of net current assets/(liabilities) position

The net current liabilities were RMB131.0 million as at 31 December 2010 and turned to net assets of RMB810.3 million as at 31 December 2011, primarily attributable to (i) capitalization of shareholder's loan due to Silver Lion; (ii) revenue was generated from Group's operations since commercial production started in October 2011; and (iii) net proceeds of RMB839.7 million from the IPO.

Borrowings

As at 31 December 2011, the Group's borrowings were RMB130.0 million, representing a secured interest bearing long-term bank loan from the Agricultural Bank of China. The long-term bank loan included RMB10.0 million repayable within the next twelve months. The mining right of the Shizishan Mine was mortgaged by the Group to secure such loans with an annual interest rate of 7.83%. As at 31 December 2010, we did not have any borrowings.

Contingent liabilities

As at 31 December 2011, we did not have any material contingent liabilities or guarantees.

Pledge of assets

As at 31 December 2011, other than the mortgage as regard to the mining right of the Shizishan Mine, we did not have any pledge or charge on assets.

Foreign currency risk

Our Group's businesses are located in the PRC and most of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except the net proceeds from listing and certain amount payable to professionals which are denominated in HK$ and US$.

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

Interest rate risk

Our revenue and operating cash flow shall not be affected significantly by the interest rate in the market. Other than cash and cash equivalents, we do not have any material interest-bearing assets or any interest-bearing liabilities. We have not used any interest rate swaps to hedge its exposure to interest rate risk.

Contractual obligations

As at 31 December 2011, our contractual obligations amounted to approximately RMB457.5 million, and increased by RMB405.2 million as compared to approximately RMB52.3 million as at 31 December 2010, primarily due to the construction of mining and lead-zinc-silver processing facilities at the Shizishan Mine.

Capital expenditure

The particulars of our capital expenditure for the year ended 31 December 2011 are set forth as follows:

	For the year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Property, plant and equipment	**156,136**	62,729
Intangible assets	**193,784**	36,467
Prepaid Land lease payment	**10,068**	7,203
Total	**359,988**	106,399

For the year ended 31 December 2011, our total capital expenditure was RMB360.0 million, representing an increase of RMB253.6 million or 238.3% as compared to the total capital expenditure for the year ended 31 December 2010, among which, (i) the capital expenditure for property, plant and equipment grew by RMB93.4 million, primarily due to the further construction of mining sites and lead-zinc-silver processing facilities at the Shizishan Mine; (ii) the capital expenditure of intangible assets grew by RMB157.3 million, primarily due to (a) payment in advance of RMB130.7 million for the purchase of the exploration right to the Liziping Mine through the proposed Liziping Company acquisition; (b) payment in advance of RMB25.4 million in respect of the exploration costs for the Dakuangshan Mine; and (c) RMB1.1 million incurred in applying for the exploration permit of the Dazhupeng Mine; and (iii) the capital expenditure of prepaid Land lease payment grew by RMB2.9 million, in relation to a parcel of land used for the construction of the Group's mining, processing, tailing storage and related facility at the Shizishan Mine.

Financial instruments

For the years ended 31 December 2010 and 2011, we did not have any outstanding hedge contract or financial derivative instrument.

Gearing ratio

As at 31 December 2011, our cash and cash equivalents exceeded the interest-bearing bank loans. As such, we were at a net cash position and had no gearing ratio as at 31 December 2011.

Significant investments and acquisitions

For the years ended 31 December 2010 and 2011, we did not have any material investment or acquisition or disposal of subsidiaries.

Use of net proceeds from the initial public offering

The shares of our Company were listed on the main board of the Hong Kong Stock Exchange on 14 December 2011 with net proceeds from the IPO of approximately HK$992.9 million (RMB809.1 million) after deducting underwriting commissions and all related expenses.

	Net proceeds from the IPO	
Use of proceeds	**Available to utilize** *RMB million*	Utilised (up to 31 December 2011) *RMB million*
Financing activities relating to mine acquisitions	**485.4**	20.0
Financing ramp-up of the mining capacity and expansion of tailing storage facility of the Shizishan Mine	**145.6**	—
Financing activities relating to the Dazhupeng Mine and the Lushan Mine	**178.1**	—
Total	**809.1**	20.0

Employee and remuneration policy

As at 31 December 2011, the Group had a total of 253 full time employees (31 December 2010: 48 employees), including 30 management and administrative staff, 159 production staff and 64 operation supporting staff. For the year ended 31 December 2011, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB245.0 million (2010: RMB6.5 million).

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

STRATEGY

We are committed to becoming a leading non-ferrous pure mining company in the PRC, and plan to achieve such objective by implementing the following strategy:

Ramp-up our mining and processing capacity

In respect of mining capacity, the Shizishan Mine's mining capacity reached approximately 840.0 tpd as at 31 December 2011. With the expansion of mining facilities and the completion of the construction of the mine sites, our mining capacity will be enhanced significantly, and is expected to reach 1,000.0 tpd in May 2012 and 2,000.0 tpd in November 2012. In respect of the processing capacity, our large-scale ore processing facilities have been completed and have attained the scheduled processing capacity of 2,000.0 tpd since the end of July 2011.

We have also planned to construct a new gravity-selection processing line at the Shizishan Mine to process tungsten and tin raw ore from the Lushan Mine. Such gravity-selection processing line will be constructed in two phases, and the construction work of the first phase has been undertaken and such processing line is expected to reach a daily capacity of 500.0 tpd upon operation in the third quarter of 2012, while the construction work for the second phase of processing capacity of 500.0 tpd is expected to be completed in the second quarter of 2013.

Meanwhile, upon the completion of the exploration activities in the Dazhupeng Mine in the second quarter of 2013 and based on the exploration results of the reserves, we will commence the construction of the mining and relevant processing facilities in the Dazhupeng Mine, which is planned to be completed in the third quarter of 2014. We believe our enhanced mining and processing capacity will put our Group in a favorable position to take advantage of market opportunities triggered by future growth in the demand.

Expand our resources and reserves through selective acquisition

To complement our existing resources, we actively seek and will continue to explore suitable acquisition opportunities. Our strategic location in Yunnan Province presents significant opportunities for our expansion and long-term sustainable growth through the consolidation of mineral resources in the province. As mentioned, we entered into two share transfer agreements and an option agreement that may enable us to acquire three additional mine assets in Yunnan Province. In addition, the government in Yunnan Province encourages the undertaking of exploration activities and the integration of non-ferrous metal mines by large-scale mining companies. Meanwhile, we will continue to identify and evaluate the acquisition opportunities available in other regions in the PRC.

We have a dedicated team, which consists of experienced geological, finance and legal personnel, to identify and evaluate high-quality mineral resources for potential acquisition. Potential acquisition targets will only include non-ferrous metal mines that satisfy our assessment criteria which include, but are not limited to, the following attributes: (i) total resources and reserves; (ii) grade and content of the reserves; (iii) mining life; (iv) investment cost; (v) estimated return on investment; (vi) location; (vii) compliance with applicable PRC laws and regulations, including valid exploration permits, mining permits and/or production safety permits; and (viii) implementation of safe operating conditions and systems and environmental standards.

Expand our resources and reserves through further exploration

We believe that control of or access to high-quality non-ferrous metal resources and reserves is essential to the long-term sustainable development of our Group and that increasing our resources and reserves by exploration is the most cost-efficient way to add value for our shareholders. We plan to take full advantage of the significant exploration potential of the Shizishan Mine and the Dazhupeng Mine to increase our resources and reserves. We intend to carry out more substantial drillings and exploration at the Shizishan Mine and plan to expand our current mining permit at the Shizishan Mine to explore the area below the 1,000m elevation limit which is currently beyond our permitted mining area. In addition to the Shizishan Mine, we have obtained an exploration permit for the Dazhupeng Mine which covers an area of 15.19 sq. km and has a term of three years from

April 2011 to April 2014. We expect to complete the exploration works in the Dazhupeng Mine in the second quarter of 2013. Furthermore, as part of our exclusive raw ore supply agreement with Xiangcaopo Mining, we will also provide assistance to Xiangcaopo Mining for exploration in the Lushan Mine.

Pursue technological innovation to improve operational efficiency, mining safety and environmental protection

We intend to enhance our geological research and exploration capabilities and pursue technological innovation in our mining and processing activities. We also plan to utilise information technology to assist in the continuous monitoring and optimization of our operations. We plan to focus our research and development efforts in the following areas:

- enhancing our geological research and exploration capabilities (including technologies for deep prospecting) to maximise the potential of our existing mines and assist us in identifying and exploring new mines with significant potential;

- improving our mining methods and technologies to minimise mining loss and dilution, increase efficiency, lower mining costs and enhance mining safety and environmental protection; and

- optimizing our processing technologies to improve production efficiency, lower processing cost and enhance product quality.

OTHER INFORMATION

Annual General Meeting

The 2012 annual general meeting ("**AGM**") will be held on 12 June 2012. A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("**Listing Rules**") in due course.

Closure of Register of Members

For determining the entitlement to attend and vote at the 2012 AGM, the register of members of the Company will be closed from 6 June 2012 to 12 June 2012 (both days inclusive), during which period no share transfers will be registered. To ensure that shareholders are entitled to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 5 June 2012.

Corporate Governance

The Company has adopted the Code on Corporate Governance contained in Appendix 14 of the Listing Rules (the "**CG Code**") as its own code of corporate governance. In the opinions of the Directors, the Company has complied with the code provisions and some of the recommended best practices under the CG Code throughout the period from Listing Date up to and including 31 December 2011, except for the following deviations which was primarily due to the short period of time since the Listing Date of the Company's shares. The Company is committed to making necessary arrangements to comply with all the code provisions in due course.

Code Provision A.5.4

Under code provision A.5.4, the board should establish written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") for relevant employees in respect of their dealings in the Company's securities. Since the Company was just listed on 14 December 2011, it has not established written guidelines for relevant employees in respect of their dealings in the Company's securities. The Company has adopted written guidelines in respect of relevant employees' dealings in the Company's securities on no less exacting terms than the Model Code at the Board meeting held on 19 March 2012.

Code Provision D.1.2

Under code provision D.1.2, functions reserved to the board and those delegated to the management should be formalised and periodic review should be conducted to ensure those arrangements remain appropriate to the needs of the Company. Arrangements have been made to formalise the functions at the Board meeting held on 19 March 2012.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2011.

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. The Company, having made specific enquiries to all Directors, has confirmed that all the Directors have complied with the required standards of dealings as set out in the Model Code from the Listing Date of the Company up to and including 31 December 2011.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2011.

Audit Committee

The Board of the Company has established the audit committee (the "**Audit Committee**") which comprises three independent non-executive Directors and one non-executive Director. Its primary responsibilities include making recommendations to the Board for the appointment and removal of external auditors, reviewing financial statements and advising on the significant issues on financial reporting as well as monitoring the internal control procedures of the Company. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2011.

Publication of Information on the Hong Kong Stock Exchange's website and the Company's website

This annual results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.chinapolymetallic.com), and the annual report of the Company for the year ended 31 December 2011 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

By Order of the Board
China Polymetallic Mining Limited
Ran Xiaochuan
Chairman

Hong Kong, 20 March 2012

As of the date of this announcement, the executive Directors are Mr. Ran Xiaochuan, Mr. Zhu Xiaolin, Mr. Huang Wei, Mr. Wang Fahai, Mr. Wu Wei and Mr. Zhao Shaohua; the non-executive Director is Mr. Shi Xiangdong; and the independent non-executive Directors are Mr. Richard Wingate Edward Charlton, Mr. Keith Wayne Abell, Mr. Christopher Michael Casey, Mr. Maarten Albert Kelder, Mr. William Beckwith Hayden and Mr. Miu Edward Kwok Chi.