



CHINA POLYMETALLIC MINING LIMITED

中國多金屬礦業有限公司

INTERIM REPORT 2014

(Incorporated in the Cayman Islands with limited liability)
Stock Code:2133



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Corporate Profile

CHINA POLYMETALLIC MINING LIMITED was incorporated in the Cayman Islands under the Companies Law on 30 November 2009 and was listed on the main board of the Hong Kong Stock Exchange on 14 December 2011.

The Company is one of the leading silver, lead and zinc mining companies in China and was the first company which solely engaged in mining non-ferrous metals to list on the Hong Kong Stock Exchange. With the Shizishan Mine and the Dakuangshan Mine having reached full capacity, the Company continues to develop and explore large and high-grade reserves. With all of our current operations in Yunnan Province, we own and operate the Shizishan Mine, a large-scale and high-grade lead-zinc-silver mine, and the Dakuangshan Mine, a lead-zinc-silver mine. The Company is developing the Liziping Mine, a lead-zinc-silver mine and the Menghu Mine, a lead-zinc mine. The Company also explored the lead-zinc-silver Dazhupeng Mine in a proactive and orderly manner. We have also secured the long-term ore supply from the Lushan Mine, a tungsten-tin mine, at low cost and on an exclusive basis. We will further leverage our unique position as a leading Chinese mining company and close proximity to our key customers to meet the demand for silver, lead and zinc while maximizing returns for our shareholders.

Corporate Information

As on 20 August 2014

DIRECTORS

Executive Director

Mr. Ran Xiaochuan (*Chairman*)

Non-Executive Directors

Mr. Andrew Joseph Dawber

Mr. Lee Kenneth Jue

Independent Non-Executive Directors

Mr. Christopher Michael Casey

Mr. William Beckwith Hayden

Mr. Miu Edward Kwok Chi

AUDIT COMMITTEE

Mr. Christopher Michael Casey (*Chairman*)

Mr. Andrew Joseph Dawber

Mr. Miu Edward Kwok Chi

NOMINATION AND REMUNERATION COMMITTEE

Mr. Miu Edward Kwok Chi (*Chairman*)

Mr. Christopher Michael Casey

Mr. William Beckwith Hayden

Mr. Lee Kenneth Jue

Mr. Ran Xiaochuan

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

Mr. Lee Kenneth Jue (*Chairman*)

Mr. William Beckwith Hayden

Mr. Ran Xiaochuan

STRATEGY COMMITTEE

Mr. Miu Edward Kwok Chi (*Chairman*)

Mr. William Beckwith Hayden

Mr. Ran Xiaochuan

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. Ran Xiaochuan

Ms. Ho Siu Pik

REGISTERED OFFICE

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Hutchins Drive

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Grand Cayman KY1-1111

Cayman Islands

Corporate Information

As on 20 August 2014

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HONG KONG SHARE REGISTRAR

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AUDITORS

Ernst & Young

LEGAL ADVISERS

As to Hong Kong Law

Brandt Chan & Partners in association with
Dentons HK LLP

As to PRC Law

Commerce & Finance Law Offices

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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 Review Period and the six months ended 30 June 2013, and the figures of assets, liabilities and non-controlling interests as on 30 June 2014 and 31 December 2013 are set out below:

RESULTS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	104,449	266,823
Cost of sales	43,404	(60,244)
Gross profit	61,045	206,579
Profit for the period	27,662	90,195
Attributable to:		
Owners of the Company	27,822	89,031
Non-controlling interests	(160)	1,164
	27,662	90,195
Earnings per share attributable to ordinary equity holders of the Company — Basic and diluted	RMB0.014	RMB0.045

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	30 June	31 December
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	
Non-current assets	1,454,974	1,419,885
Current assets	1,135,906	770,678
Current liabilities	818,627	431,937
Non-current liabilities	16,503	15,949
Total equity	1,755,750	1,742,677
Attributable to:		
Owners of the Company	1,704,318	1,691,085
Non-controlling interests	51,432	51,592
	1,755,750	1,742,677

Management Discussion and Analysis

MARKET REVIEW

During the Review Period, the world economy recovered slowly due to the shift in the global economic landscape and more intense competition in the metal industry overall on a global scale. The currency policies of major economies, trading investment momentum and bulk commodity prices furthered the uncertainties within the industry. The anticipation of the scaling down of the US quantitative easing policies also cast a shadow over the Asian capital markets in general. As to the domestic situation, key factors underpinning China's development have been changing significantly. It was a period of structural adjustment and slowdown in growth with the economy facing increasing downward pressure.

During the Review Period, figures from NDRC showed that the domestic output of lead decreased by 2.8% to 2.24 million tonnes, whereas output of zinc increased by 1.3% to 2.67 million tonnes on a year to year basis. According to the information from the Shanghai Futures Exchange, lead price decreased by 4.2% during the Review Period, whereas zinc price increased by 1.1%. Silver price was impacted by the rebound of gold price. According to the statistics from the Shanghai Changjiang Non-ferrous Metals Market, silver price increased by 4.4% during the Review Period.

During the Review Period, supply and demand imbalance continued to contribute to the massive overcapacity in the domestic and overseas markets for non-ferrous metals in general. Owing to the volatility of exchange rates and the financial markets, prices of major metals experienced downward fluctuations. In May 2014, the Ministry of Industry and Information Technology of the PRC substantially increased its target of eliminating overcapacity for this year, including cutting the lead (including recycled lead) smelting capacity by 115,000 tonnes. In the short term, the growth of non-ferrous metals will inevitably be affected by these measures. In the medium to longer term, the supply of base metals will be reduced, which will help stabilise metal prices and improve corporate profitability.

Meanwhile, it is expected that the eighth largest international trading market for bulk commodities trading will be established in the Shanghai Pilot Free Trade Zone in 2014. With a scope of trading covering non-ferrous metals and mineral products, the establishment of the new market will offer opportunity as for foreign enterprises to take part in bulk commodity spot trading in China, which would further enhance China's influence on the global pricing of bulk commodities. Moreover, the launch of the Shanghai Pilot Free Trade Zone will bring fresh impetus to the import and export of non-ferrous metals, free transfer of cargoes, and the commodity futures market, thereby attracting more overseas investors.

The "mini-stimulus" and "steady growth" policies implemented by the PRC government have largely stabilised the macro-economy. Moreover, the 2014 Report on the Work of the Government stated that plenty of opportunities were created by the key development strategies of China, especially the continuous progress of industrialisation and urbanisation. In the second half of 2014, focus will be put on promoting and deepening reformation, speeding up development transformation and structural adjustments and strengthening the support to new urbanisation in the mid-west region of the PRC. Looking forward, these trends will help promote the transformation of the industry and increase the demand for non-ferrous metals, thus creating a more favorable environment for the sustainable and healthy development of the non-ferrous metals industry.

Management Discussion and Analysis

OPERATING MINE — SHIZISHAN MINE

Operational results of the Shizishan Mine

The following table summarises the mining and processing results during the Review Period and the corresponding period of 2013 of the Shizishan Mine operated by the Group:

	Items	Unit	Six months ended 30 June	
			2014	2013
ROM Ore	Mined	kt	142.9	263.4
	Effective working days	days	72	132
	Average output	tpd	1,985	1,995
	Processed	kt	143.4	264.1
Feed Grade	Lead	%	3.8	6.8
	Zinc	%	3.5	5.2
	Silver	g/t	86	157
Recovery	Lead	%	81.5	86.6
	Zinc	%	79.3	86.8
	Silver in lead concentrate	%	69.2	78.7
	Silver in zinc concentrate	%	6.5	8.0
Concentrate Grade	Lead	%	55.2	54.6
	Zinc	%	45.2	46.9
	Silver in lead concentrate	g/t	1,053	1,147
	Silver in zinc concentrate	g/t	92	129
Concentrate Tonnes	Lead-silver concentrate	t	8,140	28,436
	Zinc-silver concentrate	t	8,736	25,510
Metal Contained in Concentrate	Lead	t	4,494	15,537
	Zinc	t	3,950	11,957
	Silver in lead concentrate	kg	8,568	32,616
	Silver in zinc concentrate	kg	804	3,301

The designed mining and processing capacity of the Shizishan Mine is 2,000 tpd. During the Review Period, as the exploration and mining work shifted from the lower part of the 1,200 level to the upper part of the 1,150 level, ore bodies in these areas became more fragmented, resulting in higher dilution rate. This led to lower mining production volume and lower feed grade of the raw ores.

Management Discussion and Analysis

Meanwhile, two earthquakes with magnitudes of 5.6 and 6.1 hit Yingjiang County where the Shizishan Mine is located on 24 May 2014 and 30 May 2014 respectively. The earthquakes and their aftershocks caused damages to the tunnels of the Shizishan Mine. Progress in the mine was severely delayed due to the need to ensure a safer environment for our workforces. However, mining and production resumed gradually in June 2014 after frequent safety inspections.

As a result of the aforementioned factors, the total raw ore mined decreased by 120.5 kt during the Review Period, representing a drop of 45.7% as compared to the corresponding period of 2013. The production volume of lead, zinc and silver also decreased by 11,043 kt, 8,007 kt and 26,545 kg respectively, representing a decline of 71.1%, 67.0% and 73.9% respectively, as compared to the corresponding period of 2013.

Production costs at the Shizishan Mine

Affected by the decrease in mining production as well as the average feed grade at the Shizishan Mine, unit production cost of concentrate increased during the Review Period as compared to the corresponding period of 2013. The comparison is shown as follows:

Cost item		Six months ended 30 June		
		2014 RMB	2013 RMB	Variance RMB
Mining cost	(RMB/t of ore mined)	58	58	–
— subcontracting fee	(RMB/t of ore mined)	58	58	–
Processing cost	(RMB/t of ore processed)	59	72	(14)
— materials cost	(RMB/t of ore processed)	25	27	(2)
— labour	(RMB/t of ore processed)	19	19	–
— electricity and water	(RMB/t of ore processed)	10	17	(7)
— maintenance and others	(RMB/t of ore processed)	4	9	(5)
Administrative and other costs	(RMB/t of ore processed)	4	30	(26)
Production taxes and royalties	(RMB/t of ore processed)	44	28	16
Total cash cost	(RMB/t of ore processed)	164	188	(23)
Total cash cost	(RMB/t of concentrate)	1,395	920	476
Depreciation and amortization	(RMB/t of ore processed)	100	78	22
Total production cost	(RMB/t of ore processed)	264	266	(2)
Total production cost	(RMB/t of concentrate)	2,239	1,303	936

Management Discussion and Analysis

Compared to the corresponding period of 2013, unit production cost per tonne of ore processed remained stable during the Review Period, primarily due to an electricity fee refund of RMB5.6 million, which led to significant decrease in administrative and other costs by RMB26/t of ore processed. This was offset by a decrease in the volume of ore processed, which led to the increase in taxes, royalties, depreciation and amortisation amount attributable to each tonne of ore processed. Unit production cost per tonne of concentrate increased due to the decrease in average feed grade which in turn led to a drop in concentrate output from ore processing.

Capital expenditure of the Shizishan Mine

The exploration and mining works of the Shizishan Mine during the Review Period are shown as follows:

- (1) the tunnel construction project of the 1,200 and the 1,150 levels spanning 2,647 meters was completed. The cross-sectional area of the developed tunnels was 6–18 square meters. The main transport corridors, ventilation, power supply, water supply and drainage, and pedestrian tunnels of the supportive tunnel development projects were also completed;
- (2) the exploration and cutting engineering of the 1,200 and 1,150 levels spanning 2,895 meters were completed as scheduled. The cross-sectional area of the exploration and cutting tunnels was 4–13 square meters. A series of other engineering works such as the routes for ore removal, undercutting engineering, service ventilation raise, slice tunnels, and routes for exploration and drilling routing were also completed; and
- (3) a filling system was in progress at the 1,250 adit and will be used to fill the mined area at the 1,200 level and the 1,150 level.

Capital expenditures of the Shizishan Mine during the Review Period and the corresponding period of 2013 are indicated below:

	Six months ended 30 June	
	2014 RMB million	2013 RMB million
Mining	29.6	80.8
Mining infrastructure	29.6	80.8
Processing	0.1	2.5
Processing factory and equipment	–	0.7
Tailing storage facilities	0.1	1.8
Total	29.7	83.3

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 Review Period and the corresponding period of 2013 of the Dakuangshan Mine operated by the Group:

	Items	Unit	Six months ended 30 June	
			2014	2013
ROM Ore	Mined	kt	17.8	34.9
	Effective working days	days	58	105
	Average output	tpd	306	333
	Processed	kt	28.9	23.8
Feed Grade	Lead	%	1.2	1.6
	Zinc	%	2.2	3.3
	Silver	g/t	20	26
Recovery	Lead	%	80.1	80.4
	Zinc	%	81.9	79.6
	Silver in lead concentrate	%	63.3	66.4
	Silver in zinc concentrate	%	5.8	8.6
Concentrate Grade	Lead	%	53.0	55.2
	Zinc	%	44.2	45.2
	Silver in lead concentrate	g/t	713	726
	Silver in zinc concentrate	g/t	28	39
Concentrate Tonnes	Lead-silver concentrate	t	509	566
	Zinc-silver concentrate	t	1,204	1,380
Metal Contained in Concentrate	Lead	t	270	313
	Zinc	t	532	623
	Silver in lead concentrate	kg	363	411
	Silver in zinc concentrate	kg	33	53

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 capacity during the Review Period primarily due to (i) Mang City had a lack of water supply to produce electricity in the dry season during the Review Period, such that the electric power supply was only capable of supporting one processing production line with a capacity of 300 tpd; and (ii) complications in the phasing of tunnel construction led to interruptions of mining transport and a decrease in output. The output of by-product ores also led to the decrease in feed grade.

Management Discussion and Analysis

As a result of the issues set out above, the volume of the raw ore mined during the Review Period decreased by 17.1 kt or 49.0% as compared with the corresponding period of 2013. Conversely, the volume of the raw ore processed during the Review Period increased by 5.1 kt or 21.4% as compared with the corresponding period of 2013.

Production costs at the Dakuangshan Mine

Due to the decrease of mining production at the Dakuangshan Mine, unit production costs during the Review Period increased as compared to the corresponding period of 2013. The comparison is shown below:

Cost item		Six months ended 30 June		
		2014	2013	Variance
		RMB	RMB	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)	85	84	1
— materials cost	(RMB/t of ore processed)	14	18	(4)
— labour	(RMB/t of ore processed)	34	36	(2)
— electricity and water	(RMB/t of ore processed)	29	24	5
— maintenance and others	(RMB/t of ore processed)	8	6	2
Administrative and other costs	(RMB/t of ore processed)	58	38	20
Production taxes and royalties	(RMB/t of ore processed)	28	34	(6)
Total cash cost	(RMB/t of ore processed)	240	225	15
Total cash cost	(RMB/t of concentrate)	4,044	2,748	1,296
Depreciation and amortization	(RMB/t of ore processed)	175	170	5
Total production cost	(RMB/t of ore processed)	415	395	20
Total production cost	(RMB/t of concentrate)	7,008	4,827	2,181

Compared to the corresponding period of 2013, the unit production cost per tonne of ore processed during the Review Period increased by RMB20 or 5%, primarily due to an increase in administrative expenses, while the increase in unit production cost per tonne of concentrate was due to the combined effect of increase in costs per tonne of ore processed, and the decrease in average feed grade.

Management Discussion and Analysis

Capital expenditure of the Dakuangshan Mine

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

- (1) the tunnel construction project of the 1,570 and the 1,470 levels spanning 1,048 meters was completed. The cross-sectional area of the developed tunnels was 3–6 square meters. The ventilation and power supply of the ancillary services were also completed. The 1,470 level is expected to become available for ore extraction in the third quarter of 2014, laying a foundation for stable future production;
- (2) the exploration and cutting engineering of the 1,620 and the 1,570 levels spanning 1,725 meters were completed as scheduled. The cross-sectional area of the exploration and cutting tunnels was 3–4 square meters. The track laying work was also completed; and
- (3) the exploration work was mainly carried out in the 1,520 level. The logging work of the extension of raw ore body was commenced for comprehensive geographical research.

Capital expenditures of the Dakuangshan Mine during the Review Period and the corresponding period of 2013 are shown below:

	Six months ended 30 June	
	2014 RMB million	2013 RMB million
Mining	1.8	7.2
Mining infrastructure	1.8	3.0
Mining rights and exploration	–	4.2
Processing	1.7	16.5
Processing factory and equipment	0.3	2.7
Tailing storage facilities	1.4	13.8
Building	–	11.3
Total	3.5	35.0

Management Discussion and Analysis

OTHER MINES

Liziping Mine

The Liziping Mine, owned by the Group, is a lead-zinc-silver polymetallic mine located at Lanping County, Yunnan Province, approximately 700 km away from the Shizishan Mine. The exploration permit of the Liziping Mine covers an area of 18.29 sq.km. and is currently valid through 14 March 2015.

Currently, the Group is applying for the mining permit pertaining to the first mining area which is approximately four sq.km. and targets to obtain the permit by the end of 2014. However, since the government departments which are responsible for mining permits adopted a more stringent approval process, which requires more detailed information to be submitted, delays are anticipated.

During the Review Period, exploration work was mainly carried out in the first mining area of the Liziping Mine, where the development of a total length of 271 meters and a cross-sectional area of 3–6 square meters of the tunnel was completed, and some comprehensive research has been conducted. Preliminary work for a formal geographical report required for the permit application is currently underway. During the Review Period, the total capital expenditure of the Liziping Mine amounted to RMB0.6 million (six months ended 30 June 2013: RMB7.3 million).

Menghu Mine

The Menghu Mine, owned by the Group, is a lead-zinc polymetallic mine located in Meng La County, Yunnan Province. The mining permit of the Menghu Mine covers an area of 0.4 sq.km. and is currently valid through 2 May 2015.

During the Review Period, the development of a total length of 221 meters and a cross-sectional area of 3–5 square meters was completed in the Menghu Mine and the development of No.2 ore body has been initiated. During the Review Period, the Menghu Mine did not incur any material capital expenditure (six months ended 30 June 2013: RMB4.3 million).

Dazhupeng Mine

The Dazhupeng Mine, owned by the Group, is a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province. The current exploration permit of the Dazhupeng Mine was valid through April 2014. Currently, the Group is carrying out the geographical works required for the exploration permit renewal, which is expected to be obtained by the end of the third quarter of 2014.

During the Review Period, a small amount of trenching was carried out. Together with comprehensive geographical research works, foundation for the next exploration will be laid. During the Review Period, the Dazhupeng Mine did not incur any material capital expenditure (six months ended 30 June 2013: RMB0.5 million).

Management Discussion and Analysis

Lushan Mine

The Lushan Mine, owned by Xiangcaopo Mining, is a tungsten-tin polymetallic mine. The Group entered into an exclusive ore supply agreement with Xiangcaopo Mining and its owner, Mr. Li Jincheng on 31 December 2010.

Currently, Xiangcaopo Mining is applying for the mining permit. Since tungsten-tin is one of the key resources in China, the approval for the required mining permit from relevant departments is increasingly stringent. Therefore, Xiangcaopo Mining has made no substantial progress for the mining rights application despite the significant effort made. Given this, the Group suspended the construction of gravity-selection processing lines to cut down capital expenditure. The construction will be resumed when progress of the mining permit application is made.

During the Review Period, Xiangcaopo Mining performed routine inspections and maintenance for the tunneling of the Lushan Mine, and invited various geological professionals to conduct research and demonstration on the metallogenic regularities of tungsten-tin in mining areas, in order to prepare for the subsequent exploration, mining and development work. During the Review Period, the Lushan Mine did not incur any material capital expenditure (six months ended 30 June 2013: RMB2.0 million).

FINANCIAL REVIEW

Revenue

During the Review Period, the Group's revenue was approximately RMB104.4 million (six months ended 30 June 2013: RMB266.8 million), primarily from the sales of lead-silver concentrates and zinc-silver concentrates. As compared to the corresponding period of 2013, revenue decreased by approximately RMB162.4 million or approximately 60.9%, which was mainly due to the decreased sales volume of lead-silver concentrates and zinc-silver concentrates from 20,950 t and 26,132 t for the six months ended 30 June 2013 to 8,968 t and 9,771 t for the Review Period. The decrease in sales volume was resulted from the lower raw ore output from the Shizishan Mine and the earthquake disruption as explained above and the decreased average selling price in lead-silver concentrates was triggered by the decrease in the prevailing market price of lead and silver.

Cost of sales

During the Review Period, cost of sales was approximately RMB43.4 million (six months ended 30 June 2013: RMB60.2 million), mainly comprising mining subcontracting fees, ancillary material costs, utilities, depreciation and amortisation and resource taxes. As compared to the corresponding period of 2013, the cost of sales decreased by RMB16.8 million or 27.9%, which was primarily due to the decrease in sales volume.

Gross profit and gross profit margin

As a result of the aforementioned, gross profit for the Review Period decreased by 70.5% or approximately RMB145.6 million from approximately RMB206.6 million for the six months ended 30 June 2013 to RMB61.0 million in the Review Period. The gross profit margin decreased from 77.4% for the six months ended 30 June 2013 to 58.4% for the Review Period. The decrease in gross profit margin was due to the increase in average unit cost of concentrates as a result of the higher mining dilution rate caused by the fragmented ore bodies of the Shizishan Mine, and the decrease in average selling price of lead-silver concentrates.

Management Discussion and Analysis

Other income and gains

During the Review Period, other income and gains were approximately RMB6.6 million (six months ended 30 June 2013: RMB1.0 million), primarily comprising refund of prior years' electricity fee of RMB5.6 million and bank interest income of RMB1.0 million. Compared to the corresponding period of 2013, the increase was primarily due to the electricity fee refund.

Administrative expenses

During the Review Period, administrative expenses were approximately RMB20.1 million (six months ended 30 June 2013: RMB65.2 million), primarily comprising managerial staff costs, professional consulting fees, depreciation, office administrative fees, mining resource compensation fees and other expenses.

Compared to the corresponding period of 2013, administrative expenses decreased by RMB45.1 million or approximately 69.2%, primarily due to (i) a decrease in share option expenses of RMB20.6 million; (ii) the forfeiture of award shares granted to Mr. Ji (Jerry) He ("Mr. He"), resulting in a reversal of administrative expense of RMB6.6 million; (iii) a decrease in professional fees of RMB8.8 million primarily in relation to public relations service fees; (iv) a decrease in staff costs and directors' remunerations of RMB3.0 million as a result of the decrease in number of administrative staff and directors; (v) a decrease in mining resource compensation fees of RMB3.2 million due to the decrease in sales of lead-silver concentrates and zinc-silver concentrates; and (vi) a decrease in office administrative fees of RMB3.0 million.

Other expenses

During the Review Period, other expenses increased slightly by approximately RMB0.3 million as compared to the corresponding period of 2013, primarily due to the increase in bank loan guarantee fees of RMB0.8 million, which was partially offset by the decrease in miscellaneous fees amounted to RMB0.5 million.

Finance costs

During the Review Period, finance costs were approximately RMB6.7 million (six months ended 30 June 2013: RMB5.8 million). As compared to the corresponding period of 2013, finance costs increased by RMB0.9 million, primarily due to transaction cost of RMB0.8 million charged by the Shanghai Gold Exchange in respect of the gold lease transactions entered into between Kunrun and Ping An Bank, Chengdu Branch ("Ping An Bank").

Income tax expenses

During the Review Period, income tax expenses were approximately RMB11.5 million (six months ended 30 June 2013: RMB44.8 million), representing a decrease of approximately RMB33.3 million or approximately 74.3% as compared to the corresponding period of 2013. This was due to the decrease in revenue and the taxable profit generated by the PRC subsidiaries of the Group.

Interim dividend

The Board proposed a payment of an interim dividend of HK\$0.0035 per share (equivalent to RMB0.0028 per share) for the Review Period. The proposed interim dividend is intended to be declared through cancellation of an amount standing to the credit of the share premium account of the Company, and is subject to the approval of the Company's shareholders at an extraordinary general meeting, details of which will be announced in due course.

Management Discussion and Analysis

Significant investments, acquisitions and disposals of subsidiaries and associated companies, and future plans for material investments or capital assets

During the Review Period, there were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries or associated companies. Apart from those disclosed in this interim report, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this interim report.

Liquidity and capital resources

The following table sets out the information in relation to our Group's consolidated statement of cash flows during the Review Period and the six months ended 30 June 2013:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Net cash flow generated from operating activities	16,652	146,885
Net cash flow used in investing activities	(233,863)	(90,409)
Net cash flow from financing activities	345,208	38,875
Net increase in cash and cash equivalents	127,997	95,351

Net cash flow from operating activities

During the Review Period, the net cash flow generated from operating activities was RMB16.7 million (six months ended 30 June 2013: RMB146.9 million), which primarily included (i) profit before tax of RMB39.1 million; (ii) increase in other payables and accruals of RMB15.9 million; and (iii) certain non-cash expense such as depreciation of RMB17.7 million and amortisation of mining rights of RMB3.0 million. Cash generated from operating activities was partially offset by the increase in trade receivables of RMB62.5 million.

Net cash flow used in investing activities

The net cash flow used in investing activities was approximately RMB233.9 million, which primarily included (i) payment for structured deposits of RMB200.0 million, and (ii) purchase of property, plant and equipment in connection with the construction of mining infrastructure at the Shizhishan Mine (RMB29.7 million), the Dakuangshan Mine (RMB3.5 million), and at the Liziping Mine (RMB0.6 million).

Net cash flow from financing activities

During the Review Period, the Group obtained two batches of loans from Ping An Bank aggregated to RMB488.9 million. The cash inflow was partially offset by (i) the repayment of bank loans of RMB138.0 million; and (ii) the payment of bank loan interests and service charges of RMB5.7 million.

Management Discussion and Analysis

Inventories

Inventories decreased slightly by RMB0.5 million, or 2.3% from approximately RMB21.3 million as on 31 December 2013 to approximately RMB20.8 million as on 30 June 2014, primarily due to the decrease in raw materials and spare parts consumed for production.

Trade receivables

The trade receivables balance increased from approximately RMB127.9 million as on 31 December 2013 to approximately RMB190.4 million as on 30 June 2014, primarily due to the terms of credit of the major customers being extended given the unfavorable market conditions.

Trade, dividend and other payables

The Group's trade, dividend and other payables balance increased by RMB28.4 million, from approximately RMB153.7 million as on 31 December 2013 to approximately RMB182.1 million as on 30 June 2014, primarily due to (i) an increase in final dividend payable of RMB12.6 million; (ii) an increase in trade payables of RMB2.2 million; (iii) an increase in payables for value added tax and related government surcharges, and mining resource compensation fees aggregating to RMB10.8 million generated from sales of lead-silver concentrates and zinc-silver concentrates; and (iv) an increase in payables for resource tax of RMB3.1 million generated from raw ore output during the Review Period.

Net current assets position

The Group's net current assets position decreased by RMB21.4 million from approximately RMB338.7 million as on 31 December 2013 to approximately RMB317.3 million as on 30 June 2014 primarily due to (i) an increase in trade, dividend and other payables of RMB28.4 million; (ii) an increase in tax payable of RMB7.4 million; (iii) an increase in bank loan and other borrowings of RMB350.9 million; (iv) a decrease in current portion prepayment for purchase of inventories from Xiangcaopo Mining of RMB22.8 million; and (v) an increase in trade payables of RMB2.2 million. The above-mentioned decrease in net current assets position was offset by (i) an increase in structured deposits with maturity date within one year of RMB200.0 million; (ii) an increase in cash and cash equivalent of RMB128.0 million; and (iii) an increase in trade receivables of RMB62.5 million.

Borrowings

The Group's bank and other loans increased from approximately RMB188.0 million as on 31 December 2013 to approximately RMB538.9 million as on 30 June 2014, primarily due to two batches of loans aggregated to RMB488.9 million obtained from Ping An Bank, and this was partially offset by the repayment of bank loans of RMB88.0 million from Agricultural Bank of China and RMB50.0 million from China Merchant Bank respectively.

Contingent liabilities

As on 30 June 2014, the Group did not have any outstanding material contingent liabilities or guarantees.

Management Discussion and Analysis

Foreign currency risk

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

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

Interest rate risk

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

Charges on assets

Other than those disclosed in this interim report, none of the Group's assets was pledged as on 30 June 2014.

Contractual obligations

As on 30 June 2014, our contractual obligations amounted to approximately RMB38.7 million, decreased by RMB0.8 million as compared to approximately RMB39.5 million as on 31 December 2013 primarily due to further payment in relation to exploration activities at the Dakuangshan Mine. During the Review Period, we did not enter into any significant new contracts in relation to infrastructure projects, subcontracting arrangements or purchase of equipment.

Capital expenditure

The capital expenditure of the Group mainly representing the amount spent on construction of property, plant and equipment and intangible assets. The amount of capital expenditure of the Group during the Review Period totalled RMB33.9 million.

Financial instruments

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

Gearing ratio

Gearing ratio is calculated by net debt divided by total equity plus net debt. Net debt is defined as interest-bearing bank loans, net of cash and bank balances and it excludes liabilities incurred for working capital purpose. Equity includes equity attributable to the owners of the Company and non-controlling interests. As on 30 June 2014, our cash and cash equivalents exceeded the total interest-bearing bank loans. As such, no gearing ratio as on 30 June 2014 was presented.

Management Discussion and Analysis

Use of net proceeds from the initial public offering

	Net proceeds from the IPO	
	Available to utilise RMB million	Utilised (up to 30 June 2014) RMB million
Financing activities relating to investments in acquired mines	485.4	377.9
Financing ramp-up of the mining capacity and expansion of tailing storage facility of the Shizishan Mine	145.6	145.6
Financing activities relating to the Dazhupeng Mine and the Lushan Mine	178.1	20.7
Total	809.1	544.2

Employee and remuneration policy

As on 30 June 2014, the Group had a total of 260 full time employees (31 December 2013: 367 employees), including 46 management and administrative staff, 146 production staff and 68 operations support staff. During the Review Period, staff costs (including Directors' remuneration in the form of salaries and other benefits) were approximately RMB11.0 million, representing a decrease of RMB30.3 million or 73.4% as compared to the staff costs of RMB41.3 million for the corresponding period of 2013. This was primarily due to the decrease in share option expense of RMB20.6 million, award share granted to Mr. He of RMB6.6 million and the decrease in headcount. Based on individual performance, a competitive remuneration package, which includes salaries, medical insurance, discretionary bonuses, other benefits as well as state-managed retirement benefit schemes for employees in the PRC, is offered to retain elite employees. The Group has also adopted a share option scheme for its Directors and employees, providing incentives and rewards to eligible participants commensurate with their contribution.

OTHER INFORMATION

Occupational Health and Safety

As on 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 Review 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 Review Period and as at the date of this interim report.

Environmental Protection and Land Rehabilitation

No environmental claims, lawsuits, penalties or administrative sanctions was reported to management. The Group is of the view that it was in compliance with all relevant PRC laws and regulations regarding environmental protection and land rehabilitation in all material respects during the Review Period and as at the date of this interim report. As on 30 June 2014, the Group has accrued a provision of RMB14.8 million, RMB0.8 million and RMB0.9 million for the rehabilitation of the Shizishan Mine, the Dakuangshan Mine and the Menghu Mine, respectively.

Other Information and Corporate Governance Highlights

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As on 30 June 2014, the interests and short positions of the Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they 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 and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

(i) Long positions in shares

Name of Director/ Chief Executive	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Ran Xiaochuan (note 1)	Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318 of the SFO	401,010,664	20.16

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

Number of share options held by the Directors and Chief Executives of the Company as on 30 June 2014:

Name of Director/Chief Executive	Number of options held	Number of underlying Shares
Christopher Michael Casey	7,027,027	7,027,027
William Beckwith Hayden	7,027,027	7,027,027
Miu Edward Kwok Chi	7,027,027	7,027,027
Ran Xiaochuan (note 1)	2,000,000	2,000,000
Li Tao	12,600,000	12,600,000

The details of share options held by the Directors and Chief Executives of the Company are disclosed under the section headed "Share Option Scheme" of this interim report.

Note:

1. Mr. Ran Chenghao, Mr. Ran Xiaochuan, Hover Wealth Limited, Silver Lion and Total Flourish Limited are parties to an agreement which have the meaning ascribed to it under s.317(1)(a) and s.318 of the SFO.

Other Information and Corporate Governance Highlights

Save as disclosed above, as on 30 June 2014, so far as is known to any Directors or Chief Executives of the Company, none of the Directors or Chief Executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

SHARE OPTION SCHEME

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

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

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

Unless approved by our shareholders in general meeting in the manner prescribed by the Listing Rules, the Board shall not grant options to any 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.

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

The 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 or after the termination of the Share Option Scheme.

As approved by the shareholders of the Company at the annual general meeting held on 11 June 2013 ("2013 AGM"), the total number of shares in respect of which options may be granted under the Share Option Scheme was refreshed and increased to 99,461,950 shares which is equivalent to 5% of the shares of the Company in issue as at the 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 299,461,950 shares, being 15.06% of the shares of the Company in issue immediately after the 2013 AGM which is the refreshment date of such scheme. As at the date of this interim report, 200,000,000 option shares which may be issued upon exercise of the options under the Share Option Scheme have been granted already. As on 30 June 2014, no share option has been exercised and 90,440,539 share options are exercisable under the Share Option Scheme.

Other Information and Corporate Governance Highlights

Movement of share options during the Review Period:

Name	Date of Grant	Number of Share Options				
		Granted	Outstanding at 1/1/2014	Exercised	Cancelled/ Lapsed	Outstanding at 30/06/2014
Directors/Chief Executive						
Christopher Michael Casey	14/12/2011 (a)	7,027,027	7,027,027	–	–	7,027,027
William Beckwith Hayden	14/12/2011 (a)	7,027,027	7,027,027	–	–	7,027,027
Miu Edward Kwok Chi	14/12/2011 (a)	7,027,027	7,027,027	–	–	7,027,027
Ran Xiaochuan	16/1/2013 (b)	2,000,000	2,000,000	–	–	2,000,000
Li Tao	16/1/2013 (b)	12,600,000	12,600,000	–	–	12,600,000
Other Grantees						
Aggregate of other grantees	14/12/2011 (a)	21,081,081 (c)	21,081,081	–	–	21,081,081
	16/1/2013 (b)	130,637,838	130,637,838	–	27,600,000 (d)	103,037,838

Notes:

(a) Particulars of share options granted in 2011:

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

(b) Particulars of the 2013 Granted Options:

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

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

(c) Share options of three of our ex-Directors became immediately vested and exercisable upon their retirement on 11 June 2013.

(d) 27,600,000 share options granted to several employees lapsed immediately upon resignation of their employments during the Review Period.

Other Information and Corporate Governance Highlights

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

As on 30 June 2014, 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 share capital of the Company.

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Hover Wealth Limited (notes 2 and 3)	Beneficial owner and interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318 of the SFO	516,110,664 (L)	25.95
Ran Chenghao (note 2)	Beneficial owner and interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318 of the SFO	516,110,664 (L)	25.95
Silver Lion (notes 2 and 3)	Beneficial owner and interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318 of the SFO	516,110,664 (L)	25.95
Total Flourish Limited (note 2)	Beneficial owner and interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318 of the SFO	516,110,664 (L)	25.95
Cititrust (Singapore) Limited	Trustee	302,460,664 (L)	15.21

Other Information and Corporate Governance Highlights

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Magic Delight Limited (note 3)	Interest of corporation controlled by the substantial shareholder	302,460,664 (L)	15.21
Deutsche Bank Aktiengesellschaft	Beneficial owner and custodian corporation/approved lending agent	294,747,027 (L)	14.82
Bellamy Martin James	Interest of corporation controlled by the substantial shareholder	263,077,703 (L)	13.22
Challenger Mining 8 Limited	Beneficial owner	263,077,703 (L)	13.22
Kedar Sharon Rahamin	Interest of corporation controlled by the substantial shareholder	263,077,703 (L)	13.22
He Jinbi	Interest of corporation controlled by the substantial shareholder	156,149,000 (L)	7.85
He Xin	Interest of child under 18	156,149,000 (L)	7.85
Zhang Chunling	Interest of spouse	156,149,000 (L)	7.85
西安邁科金屬國際集團有限公司	Interest of corporation controlled by the substantial shareholder	156,149,000 (L)	7.85
裕明國際有限公司	Beneficial owner	156,149,000 (L)	7.85
邁科投資控股有限公司	Interest of corporation controlled by the substantial shareholder	156,149,000 (L)	7.85
Blue Andiamo GP Limited	Interest of corporation controlled by the substantial shareholder	126,277,297 (L)	6.35
Salamanca Group Holdings Limited	Interest of corporation controlled by the substantial shareholder	126,277,297 (L)	6.35
SAIF IV GP Capital Ltd.	Interest of corporation controlled by the substantial shareholder	105,243,000 (L)	5.29

Other Information and Corporate Governance Highlights

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

Notes:

1. The letter "L" denotes the person's long position in such shares.
2. Mr. Ran Chenghao, Mr. Ran Xiaochuan, Hover Wealth Limited, Silver Lion and Total Flourish Limited are parties to an agreement which have the meaning ascribed to it under s.317(1)(a) and s.318 of the SFO.
3. The entire issued share capital of Silver Lion is held by Hover Wealth Limited and Magic Delight Limited which are in turn ultimately held by the Cititrust (Singapore) Limited as the trustee of The Ran Family Trust. The Ran Family Trust is a discretionary trust established by Mr. Ran Chenghao as settlor and the Cititrust (Singapore) Limited as trustee on 18 October 2011. The beneficiaries of The Ran Family Trust including family members of Mr. Ran Chenghao are deemed to be interested in the shares held by The Ran Family Trust, Silver Lion, Hover Wealth Limited and Magic Delight Limited pursuant to Part XV of the SFO and their respective interests duplicate the interests held by The Ran Family, Silver Lion, Hover Wealth Limited and Magic Delight Limited.

Other than as disclosed above, as on 30 June 2014, 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.

DIRECTORS' INTERESTS IN CONTRACTS

As on 30 June 2014, none of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the Review Period.

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

During the Review Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Other Information and Corporate Governance Highlights

CORPORATE GOVERNANCE HIGHLIGHTS

Compliance with the Corporate Governance Code

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

Throughout the Review Period, the Company has complied with the applicable code provisions as set out in the CG Code, save for the deviation from code provision A.2.1 of the CG Code with explanation described in the paragraph headed "The Board" below in this section.

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

The Board

The Board is currently composed of one Executive Director, two 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.

Throughout the Review Period, there have been three Independent Non-Executive Directors on the Board offering strong, independent and differing perspectives. The Board is therefore of the view that adequate balance-of-power and safeguards are in place.

Code Provision A.2.1

Since the departure of Mr. He on 21 February 2014, the office of Chief Executive Officer has not yet been filled even though the Board is attempting to address the vacancy left by Mr. He. To avoid interruption to the Company's day-to-day operation and with a view to maintaining the management efficiency. Mr. Ran Xiaochuan, the Chairman of the Board, has been vested with the responsibilities to act as a bridge for communication between the Board and the management. Mr. Ran Xiaochuan has also been entrusted with the responsibilities to lead and oversee the implementation of the Company's long and short term plans in accordance with its strategy while ensuring that all major decisions are made in consultation with the Board members, appropriate Board committees or senior management of the Group.

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

Other Information and Corporate Governance Highlights

Audit Committee

All Directors have been given periodically the latest information and briefing about the financial position, changes in the business and the development of the Group. 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.

The Audit Committee has performed the following activities during the Review Period:

- reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2013;
- reviewed the risk management system of the Company;
- reviewed the major internal audit issues and internal control and financial reporting system of the Company;
- reviewed the major audit findings in respect of the financial year ended 31 December 2013 from the external auditors; and
- reviewed the 2014 audit fee proposal.

An Audit Committee meeting was held on 19 August 2014 to review the unaudited interim condensed consolidated financial statements of the Group for the Review Period. Matters relating to auditing, internal controls and financial reporting were also discussed thereat. The Audit Committee considers that appropriate accounting policies have been adopted in the preparation of relevant interim results and sufficient disclosures have been made.

Nomination and Remuneration Committee

During the Review Period up to the date of this Interim Report, the Nomination and Remuneration Committee has held two meetings to review the composition of the Board as well as the remuneration of the Directors and the senior management of the Company.

Safety, Health and Environment Committee

During the Review Period 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 issues of the mines of the Company as well as the composition the Safety, Health and Environment Committee. 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 Review Period up to the date of this Interim Report.

Strategy Committee

During the Review Period up to the date of this Interim Report, the Strategy Committee has held two meetings to review the short term and long term strategies of the Group.

Risk Management and Internal Control

The interim financial information is reviewed by the external auditors. The Board is responsible for maintaining a sound and effective system of risk management and internal controls and 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 Review Period, the Group's Internal Audit team, under the supervision of our Chairman and with the guidance of an external practitioner, has reviewed the internal control system 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 with all Directors, the Company confirmed that all members of the Board complied with the Model Code throughout the Review 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 possess inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company throughout the Review Period.

Report on Review of Interim Condensed Financial Information



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working world**

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To the board of directors of
CHINA POLYMETALLIC MINING LIMITED
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim condensed financial information set out on pages 30 to 55, which comprises the consolidated statement of financial position of China Polymetallic Mining Limited as at 30 June 2014 and the related consolidated statements of profit or loss and other comprehensive income and changes in equity, and consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

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

Scope of Review

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

Conclusion

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

Ernst & Young
Certified Public Accountants
Hong Kong

20 August 2014

Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
REVENUE	3	104,449	266,823
Cost of sales		(43,404)	(60,244)
Gross profit		61,045	206,579
Other income and gains	4	6,604	1,011
Selling and distribution expenses		(445)	(510)
Administrative expenses		(20,051)	(65,192)
Other expenses		(1,351)	(1,098)
Finance costs	5	(6,688)	(5,828)
PROFIT BEFORE TAX	5	39,114	134,962
Income tax expense	6	(11,452)	(44,767)
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		27,662	90,195
Attributable to:			
Owners of the Company		27,822	89,031
Non-controlling interests		(160)	1,164
		27,662	90,195
Earnings per share attributable to ordinary equity holders of the Company:			
— Basic and diluted	7	RMB0.014	RMB0.045

Interim Consolidated Statement of Financial Position

30 June 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	603,580	578,043
Intangible assets	8	617,648	620,298
Prepaid land lease payments	8	12,452	12,587
Payments in advance	9	18,501	30,947
Prepayments and deposits	9	184,703	161,805
Deferred tax assets		18,090	16,205
Total non-current assets		1,454,974	1,419,885
CURRENT ASSETS			
Inventories		20,767	21,271
Trade receivables	10	190,448	127,929
Prepayments, deposits and other receivables	9	9,304	34,064
Structured deposits	11	200,000	–
Cash and cash equivalents		715,387	587,414
Total current assets		1,135,906	770,678
CURRENT LIABILITIES			
Trade payables	12	10,548	8,340
Other payables and accruals		158,966	145,399
Tax payable		97,580	90,198
Dividend payable	15	12,629	–
Interest-bearing bank and other loans	13	538,904	188,000
Total current liabilities		818,627	431,937
NET CURRENT ASSETS		317,279	338,741
Total assets less current liabilities		1,772,253	1,758,626

Interim Consolidated Statement of Financial Position

30 June 2014

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000
NON-CURRENT LIABILITIES		
Provision for rehabilitation	16,503	15,949
Total non-current liabilities	16,503	15,949
Net assets	1,755,750	1,742,677
EQUITY		
Equity attributable to owners of the Company		
Issued capital	17	17
Reserves	1,704,301	1,678,559
Proposed final dividend	–	12,509
	1,704,318	1,691,085
Non-controlling interests	51,432	51,592
Total equity	1,755,750	1,742,677

Ran Xiaochuan
Director

Miu Edward Kwok Chi
Director

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the Company												Total equity RMB'000
	Issued capital RMB'000	Share premium account RMB'000	Treasury shares RMB'000	Reserve funds RMB'000	Safety fund surplus reserve RMB'000	Capital contribution reserve RMB'000 note 14(a)	Share option reserve RMB'000 note 14(b)	Difference arising from changes in non-controlling interests RMB'000	Retained profits/(accumulated losses) RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2013	17	1,354,770	(126)	28,852	2,877	233,000	8,362	(4,115)	(105,031)	-	1,518,606	45,799	1,564,405
Repurchase of shares	-	(5,936)	126	-	-	-	-	-	-	-	(5,810)	-	(5,810)
Establishment for safety fund surplus reserve	-	-	-	-	2,983	-	-	-	(2,983)	-	-	-	-
Utilisation of safety fund surplus reserve	-	-	-	-	(539)	-	-	-	539	-	-	-	-
Capital injection from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	4,385	4,385
Equity-settled share option arrangement	-	-	-	-	-	-	25,140	-	-	-	25,140	-	25,140
Transfer from/(to) reserves	-	-	-	312	-	-	-	-	(312)	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	-	89,031	-	89,031	1,164	90,195
At 30 June 2013 (unaudited)	17	1,348,834	-	29,164	5,321	233,000	33,502	(4,115)	(18,756)	-	1,626,967	51,348	1,678,315
At 1 January 2014	17	1,320,467*	-	29,115*	7,371*	239,578*	57,444*	(4,115)*	28,699*	12,509	1,691,085	51,592	1,742,677
Final 2013 dividend declared (note 15)	-	-	-	-	-	-	-	-	-	(12,509)	(12,509)	-	(12,509)
Establishment for safety fund surplus reserve	-	-	-	-	1,607	-	-	-	(1,607)	-	-	-	-
Utilisation of safety fund surplus reserve	-	-	-	-	(2,534)	-	-	-	2,534	-	-	-	-
Equity-settled share-based payments:													
Forfeiture of Award Shares (as defined in note 14(a))	-	-	-	-	-	(6,578)	-	-	-	-	(6,578)	-	(6,578)
Share option expense	-	-	-	-	-	-	4,498	-	-	-	4,498	-	4,498
Total comprehensive income for the period	-	-	-	-	-	-	-	-	27,822	-	27,822	(160)	27,622
At 30 June 2014 (unaudited)	17	1,320,467*	-	29,115*	6,444*	233,000*	61,942*	(4,115)*	57,448*	-	1,704,318	51,432	1,755,750

* These reserve accounts comprise the consolidated reserves of RMB1,704,301,000 (31 December 2013: RMB1,678,559,000) in the consolidated statement of financial position.

Interim Consolidated Statement of Cash Flows

For the six month ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		39,114	134,962
Adjustments for:			
Finance costs	5	6,688	5,828
Unrealised foreign exchange loss		144	122
Bank interest income	4	(950)	(985)
Equity-settled share-based payments:			
Forfeiture of Awarded shares	14(a)	(6,578)	–
Share option expense	14(b)	4,498	25,140
Depreciation	8	17,732	22,524
Amortisation of intangible assets	8	2,953	4,714
Amortisation of prepaid land lease payments	8	135	135
		63,736	192,440
Decrease/(increase) in trade receivables		(62,519)	12,540
Decrease/(increase) in inventories		504	(11,303)
Decrease/(increase) in prepayments, deposits, and other receivables		1,862	(11,421)
Increase in trade payables		2,208	824
Increase in other payables and accruals		15,866	18,569
		21,657	201,649
Cash generated from operations		21,657	201,649
Interest received		950	1,565
Income tax paid		(5,955)	(56,329)
		16,652	146,885
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(33,231)	(135,897)
Increase in structured deposits		(200,000)	–
Expenditures on exploration and evaluation assets		(632)	(14,512)
Decrease in time deposits with original maturity of over three months		–	60,000
		(233,863)	(90,409)
Net cash flows used in investing activities		(233,863)	(90,409)

Interim Consolidated Statement of Cash Flows

For the six month ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(4,900)	(5,315)
Proceeds from bank and other loans		488,904	50,000
Service charges paid on financing activities		(796)	–
Repayment of bank loans		(138,000)	–
Repurchase of shares		–	(5,810)
Net cash flows from financing activities		345,208	38,875
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the period		587,414	267,007
Effect of foreign exchange rate changes		(24)	(122)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		715,387	362,236
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents balance		715,387	362,236

Notes to Interim Condensed Financial Information

30 June 2014

1. CORPORATE INFORMATION

China Polymetallic Mining Limited is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is Unit 6312, 63/F, The Center, 99 Queen's Road Central, Hong Kong.

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

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

2.1 BASIS OF PREPARATION

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

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

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 2013, except for the adoption of new and revised IFRS and amendments to IFRS issued by the International Accounting Standards Board that are effective for annual periods beginning on or after 1 January 2014.

IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — <i>Investment Entities</i>
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments</i> : <i>Presentation — Offsetting Financial Assets and Financial Liabilities</i>
IAS 36 Amendments	Amendments to IAS 36 <i>Impairment of Assets</i> — <i>Recoverable Amount Disclosures for Non-Financial Assets</i>
IAS 39 Amendments	Amendments to IAS 39 <i>Financial Instruments</i> : <i>Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC 21	<i>Levies</i>

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

Notes to Interim Condensed Financial Information

30 June 2014

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 the purposes of resource allocation and performance assessment. In addition, the principal assets employed by the Group are located in Yunnan Province, China. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products

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

	For the six months ended 30 June			
	2014		2013	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Lead-silver concentrates	72,128	69.1	180,537	67.7
Zinc-silver concentrates	32,321	30.9	86,286	32.3
	104,449	100.0	266,823	100.0

Geographical information

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

Notes to Interim Condensed Financial Information

30 June 2014

3. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

Entity-wide disclosures (continued)

Information about major customers

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

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	71,556	196,973
Customer B	25,660	*

* Less than 10% of total revenue

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Refund of prior years' electricity expense	5,645	–
Bank interest income	950	985
Others	9	26
	6,604	1,011

Notes to Interim Condensed Financial Information

30 June 2014

5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Cost of inventories sold		43,404	60,244
Interest on bank and other loans wholly repayable within five years		5,338	5,315
Service charges paid on financing activities		796	–
Unwinding of a discount		554	513
Finance costs		6,688	5,828
Staff costs (including Directors' and Chief Executives' remuneration):			
Wages and salaries		12,546	15,527
Equity-settled share-based payments:			
Forfeiture of Award Shares	14(a)	(6,578)	–
Share option expense	14(b)	4,498	25,140
Pension scheme contributions			
— Defined contribution fund		488	590
		10,954	41,257
Depreciation of items of property, plant and equipment	8	17,732	22,524
Amortisation of intangible assets ^	8	2,953	4,714
Amortisation of prepaid land lease payments ^	8	135	135
Depreciation and amortisation		20,820	27,373
Auditors' remuneration		1,500	1,500
Foreign exchange losses		144	127
Operating lease rentals in respect of:			
— Motor vehicles		525	111
— Office building		278	933

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

Notes to Interim Condensed Financial Information

30 June 2014

6. INCOME TAX

The major components of income tax expense were as follows:

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — Mainland China		
Charge for the period	13,337	44,212
Deferred	(1,885)	555
Total tax charge for the period	11,452	44,767

Notes:

- Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Review Period.
- The subsidiaries located in Mainland China are liable to PRC corporate income tax at a rate of 25% on the assessable profits generated for the Review Period.

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

According to the articles of association of Kunrun, a principal operating subsidiary in Mainland China, shareholders of Kunrun have the ultimate power to decide Kunrun's dividend policy. Pursuant to the shareholders' resolution dated 21 July 2014, the net profit of Kunrun for the Review Period, after appropriation to the statutory reserve fund, would be used for business development of Kunrun and would not be distributed to its shareholders. As a result, no deferred tax liabilities relating to withholding tax on the distributable profits of Kunrun for the Review Period have been recorded.

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

The calculation of earnings per share is based on the profit attributable to owners of the Company for the Review Period of RMB27,822,000 (six months ended 30 June 2013: RMB89,031,000), and the weighted average number of ordinary shares of 1,988,765,000 (six months ended 30 June 2013: 1,992,304,367) in issue during the Review Period.

No adjustment has been made to the basic earnings per share amounts presented for the Review Period and the six months ended 30 June 2013 in respect of a dilution as the exercise price of the Company's outstanding share options was higher than the average market price for the Company's shares during the Review Period and the six months ended 30 June 2013.

Notes to Interim Condensed Financial Information

30 June 2014

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

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

	Property, plant and equipment RMB'000 (Unaudited) (note (a))	Intangible assets RMB'000 (Unaudited) (note (a))	Prepaid land lease payments RMB'000 (Unaudited) (note (b))
Carrying amount at 1 January 2014	578,043	620,298	12,587
Additions	43,269	303	–
Depreciation/amortisation charged for the Review Period (note 5)	(17,732)	(2,953)	(135)
Carrying amount at 30 June 2014	603,580	617,648	12,452

Notes:

- (a) As on 30 June 2014, the Group was in the customary process of obtaining the relevant building ownership certificates (“BOCs”) for the Group’s plant with a net carrying amount of RMB8,690,000 (31 December 2013: RMB8,944,000). The Group’s plant can only be sold, transferred or mortgaged when the relevant BOCs have been obtained.

As on 30 June 2014, the Group’s plant with a net carrying amount of approximately RMB8,690,000 (31 December 2013: RMB8,944,000) was erected on the land where the Group was still in the process of applying for the land use rights certificate.

As on 30 June 2014, the Group’s plant and equipment with a net carrying amount of RMB58,106,000 (31 December 2013: RMB125,525,000) were pledged to secure certain bank loans granted to the Group (note 13(b)).

- (b) As on 30 June 2014, no leasehold land was pledged to secure bank loans granted to the Group (31 December 2013: RMB10,254,000) (note 13(b)).

Notes to Interim Condensed Financial Information

30 June 2014

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

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000
<i>Current portion:</i>			
Prepayments in respect of:			
— purchase of inventories	(a)	111	22,962
— professional fees		784	634
— prepaid land lease payments to be amortised within one year		270	270
— bank loan guarantee fee	(b)	597	1,275
Deposits in respect of:			
— preliminary survey for certain lead and zinc mines		—	2,121
— bank loan guarantee	(b)	4,250	4,250
— others		149	478
Staff advances		1,171	599
Others		1,972	1,475
		9,304	34,064
<i>Non-current portion:</i>			
Payments in advance in respect of the purchase of:			
— prepaid land lease payments		11,883	11,883
— property, plant and equipment		6,618	19,064
Prepayments in respect of purchase of inventories	(a)	182,808	159,908
Deposit in respect of:			
— environment rehabilitation		1,170	1,170
— others		725	727
		203,204	192,752
		212,508	226,816

Notes to Interim Condensed Financial Information

30 June 2014

9. PAYMENTS IN ADVANCE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes:

- (a) The balance mainly represented prepayments of RMB182,808,000 (31 December 2013: RMB182,723,000) made to 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 interest in Xiangcaopo Mining to the Group as security for the future delivery of the ores.
- (b) The Group obtained a one-year bank loan from China Construction Bank ("CCB") on 19 December 2013, which is guaranteed by Yunnan Honghao Finance Guarantee Co., Ltd., an independent third party (the "Guarantor"). Pursuant to the bank loan guarantee agreement entered into among the Group, CCB and the Guarantor, the Guarantor provides guarantee for the abovementioned loan covering one year starting from 19 December 2013 at a fee of RMB1,275,000, of which RMB678,000 has been charged to profit or loss during the Review Period. The Group also made a deposit of RMB4,250,000 (31 December 2013: RMB4,250,000) to the Guarantor for the bank loan guarantee provided to the Group, which is expected to be refunded when the guarantee expires on 18 December 2014 (note 13).

10. TRADE RECEIVABLES

An aged analysis of the trade receivables as on 30 June 2014 and 31 December 2013, based on the delivery date, is as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000
Within 3 months	36,785	127,929
3 to 6 months	75,581	–
6 to 9 months	78,082	–
	190,448	127,929

The Group granted a credit term of three months to its existing customers, and up to six months for its largest customer during the Review Period given the unfavourable market conditions. As on 30 June 2014, trade receivables were non-interest-bearing and unsecured.

Notes to Interim Condensed Financial Information

30 June 2014

10. TRADE RECEIVABLES (continued)

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000
Neither past due nor impaired	112,366	127,929
Less than 3 months past due	45,505	–
3 to 6 months past due	32,577	–
	190,448	127,929

Receivables that were past due but not impaired relate to the Group's two largest customers that have a good record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11. STRUCTURED DEPOSITS

The balance represents one-year structured deposits of RMB200,000,000 made in Ping An Bank on 26 June 2014. The expected maximum return rate of the structured deposits is 5.00% per annum, which is based on the fixed return rate of 3.05% per annum and floated return rate of 1.95% per annum related to the three-month US\$ London Interbank Offered Rate. The fixed maturity date of structured deposits is 25 June 2015.

As on 30 June 2014, the Group's structured deposits with a carrying value of RMB200,000,000 (31 December 2013: Not applicable) were pledged as security for the Group's other loans, as further detailed in note 13(c) to the interim condensed financial information.

Notes to Interim Condensed Financial Information

30 June 2014

12. TRADE PAYABLES

An aged analysis of the trade payables as on 30 June 2014 and 31 December 2013, based on the invoice date, is as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000
Within 1 month	1,213	1,472
1 to 2 months	202	1,112
2 to 3 months	161	823
Over 3 months	8,972	4,933
	10,548	8,340

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

Notes to Interim Condensed Financial Information

30 June 2014

13. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000
Bank loans:			
Secured	(a)	–	88,000
Secured and guaranteed	(b)	50,000	100,000
		50,000	188,000
Other loans:			
Guaranteed	(c)	299,617	–
Secured	(c)	189,287	–
		488,904	–
		538,904	188,000
<i>Bank loans repayable:</i>			
Within one year		50,000	188,000
<i>Other loans repayable:</i>			
Within one year		488,904	–
Current portion		538,904	188,000

Notes to Interim Condensed Financial Information

30 June 2014

13. INTEREST-BEARING BANK AND OTHER LOANS (continued)

Notes:

- (a) The balance as on 31 December 2013 represented a bank loan secured by a mortgage over the Group's mining right to the Shizishan Mine, which was settled on 5 May 2014 upon repayment of the bank loan.
- (b) As on 30 June 2014, the secured and guaranteed bank loans bore an interest rate of 6.0% (31 December 2013: 6.0% to 7.2%) per annum. The bank loans were guaranteed and secured by:

	Bank loans amount	
	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000
<i>Guaranteed by:</i>		
Mr. Ran Xiaochuan	–	50,000
Jointly guaranteed by Mr. Ran Xiaochuan and the Guarantor (notes 9(b) & 17(a))	50,000	50,000
	50,000	100,000
<i>Secured by:</i>		
99% of the equity interests in Kunrun	50,000	50,000
	Net book amount	
	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000
<i>Secured by:</i>		
Property, plant and equipment (note 8)	58,106	125,525
Prepaid land lease payments (note 8)	–	10,254

- (c) Balances as on 30 June 2014 represent (i) an other loan borrowed from Ping An Bank by way of gold lease arrangement, with the principal of RMB299,617,000 on 25 June 2014, which is guaranteed by Mr. Ran Xiaochuan, and bears interest at the rate of 8.25% per annum. The loan is due for repayment on 24 June 2015 and Kunrun has undertaken to settle it by delivery of a pre-specified quantity of gold through a forward purchase contract at a price which equals the principal plus interest due; and (ii) another loan borrowed from Ping An Bank by way of gold lease arrangement, with the principal of RMB189,287,000 on 27 June 2014, which is secured by the pledge of the Group's structured deposits with the net carrying amount of RMB200,000,000 (31 December 2013: not applicable) (note 11), and bears interest at the rate of 6.0% per annum. The loan is due for repayment on 26 June 2015 and Kunrun has undertaken to settle it by delivery of a pre-specified quantity of gold through a forward purchase contract at a price which equals the principal plus interest due.

Notes to Interim Condensed Financial Information

30 June 2014

14. SHARE-BASED PAYMENT TRANSACTIONS

(a) Award shares

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

Subject to the Service Agreement, the Company agreed to allot and issue certain shares in the Company ("Award Shares") to Mr. He as the then Chief Executive Officer of the Company, by way of allotment and issuance of 67,003,511 new shares at nil consideration. The Group recognised an expense of HK\$8,273,000 (equivalent to approximately RMB6,578,000) for the year ended 31 December 2013 in relation to Award Shares with a corresponding amount credited to the capital contribution reserve. Please refer to the 2013 annual report of the Company for details.

On 21 February 2014, Mr. He resigned as an Executive Director and the Chief Executive Officer of the Company to pursue his other business interests. The Award Shares lapsed upon Mr. He's resignation on 21 February 2014 and the expense in relation to Award Shares accounted in 2013 was reversed during the Review Period upon his resignation.

(b) 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 Board considers, at its sole discretion, have contributed or will contribute to the development and growth of the Group. The Share Option Scheme was approved by the Company's shareholders on 24 November 2011 and, unless otherwise cancelled or amended, will remain in force for ten years from the Listing Date. Please refer to the 2013 annual report of the Company for details.

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

	Notes	Weighted average exercise price HK\$ per share	Number of options
As on 1 January 2014			
— Share options granted to the Independent Non-Executive Directors	(i)	2.22	42,162,162
— 2013 Granted Options (defined in note 14(b)(i))	(i)	***	145,237,838
Forfeited during the Review Period	(ii)	***	(27,600,000)
As on 30 June 2014			159,800,000

Notes to Interim Condensed Financial Information

30 June 2014

14. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme (continued)

Notes:

- (i) The share options outstanding as on 1 January 2014 represented share options of 42,162,162 granted by the Company on 11 December 2011 at the exercise price of HK\$2.22 per share and share options of 145,237,838 granted by the Company to certain of the eligible participants of the Company in respect of their services to the Group in the forthcoming year under the Share Option Scheme.
- (ii) The share options granted to certain eligible participants under the 2013 Granted Options were forfeited following resignation of the participants during the Review Period.

The exercise prices and exercise periods of the share options outstanding as on 30 June 2014 and 31 December 2013 are as follows:

30 June 2014

Number of options	Exercise price per share* HK\$	Exercise period
10,540,536	2.22	From 14 December 2012 to 13 December 2016
15,810,813**	2.22	From 11 June 2013 to 13 December 2016
5,270,271	2.22	From 14 December 2013 to 13 December 2016
5,270,271	2.22	From 14 December 2014 to 13 December 2016
5,270,271	2.22	From 14 December 2015 to 13 December 2016
58,818,919	1.70	From 16 January 2014 to 15 January 2018
29,409,460	1.70	From 16 January 2015 to 15 January 2018
29,409,459	***	From 16 January 2016 to 15 January 2018
159,800,000		

Notes to Interim Condensed Financial Information

30 June 2014

14. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme (continued)

31 December 2013

Number of options	Exercise price per share* HK\$	Exercise period
10,540,536	2.22	From 14 December 2012 to 13 December 2016
15,810,813**	2.22	From 11 June 2013 to 13 December 2016
5,270,271	2.22	From 14 December 2013 to 13 December 2016
5,270,271	2.22	From 14 December 2014 to 13 December 2016
5,270,271	2.22	From 14 December 2015 to 13 December 2016
72,618,919	1.70	From 16 January 2014 to 15 January 2018
36,309,460	1.70	From 16 January 2015 to 15 January 2018
36,309,459	***	From 16 January 2016 to 15 January 2018
187,400,000		

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

** The share options granted to three Independent Non-Executive Directors who failed to be reappointed during the Company's 2013 annual general meeting held on 11 June 2013 become immediately exercisable according to their service agreements with the Company.

*** The exercise price of the first tranche and second tranche is HK\$1.70 per share. The exercise price of the third tranche per share is to be determined with reference to the prevailing market prices on the second anniversary of the grant date of the 2013 Granted Options, but in any case must be at least HK\$1.70. For details, please refer to the Company's announcements dated 16 January 2013 and 16 January 2014.

The Group had 90,440,539 share options exercisable as on 30 June 2014 (31 December 2013: 31,621,620). The Group recognised a share option expense of HK\$5,558,000 (equivalent to approximately RMB4,498,000) during the Review Period (six months ended 30 June 2013: HK\$31,022,000, equivalent to approximately RMB25,140,000).

Notes to Interim Condensed Financial Information

30 June 2014

14. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) 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 on 30 June 2014, the Company had 159,800,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 159,800,000 additional ordinary shares of the Company and additional share capital of HK\$1,598 and share premium of at least HK\$293,583,726 (before issue expenses).

At the date of this interim report, the Company had 159,800,000 share options outstanding under the Share Option Scheme, which represented approximately 8.0% of the Company's shares in issue as at that date.

Notes to Interim Condensed Financial Information

30 June 2014

15. DIVIDENDS

(a) Dividend attributable to the Review Period

The Board proposed payment of an interim dividend of HK\$0.0035 per share (equivalent to RMB0.0028 per share) for the Review Period (six months ended 30 June 2013: HK\$0.010 per share, equivalent to approximately RMB0.008 per share). The interim dividend is intended to be declared through cancellation of an amount standing to the credit of the share premium account of the Company. The proposed interim dividend for the Review Period is subject to the approval of the Company's shareholders at an extraordinary general meeting.

(b) Dividends attributable to the previous financial year, declared and paid during the Review Period

	RMB'000
Final dividend in respect of the financial year ended 31 December 2013 of HK\$0.008 per share	
Declared during the Review Period	12,509
Effect of foreign exchange	120
Dividend payable as on 30 June 2014	12,629

16. COMMITMENTS

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000
Contracted, but not provided for:		
— Exploration and evaluation assets	10,405	10,735
— Property, plant and equipment	28,279	28,799
	38,684	39,534
Authorised, but not contracted for:		
— Exploration and evaluation assets	28,463	6,922
— Property, plant and equipment	111,353	78,525
	139,816	85,447
	178,500	124,981

Notes to Interim Condensed Financial Information

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17. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Bank loan guaranteed by Mr. Ran Xiaochuan	50,000	50,000
Other loan guaranteed by Mr. Ran Xiaochuan	299,617	–

The bank and other loans were guaranteed by Mr. Ran Xiaochuan, the Company's Executive Director, for nil consideration (note 13(b) & (c)).

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

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Fees	1,202	2,431
Basic salaries and other benefits	815	1,901
Equity-settled share-based payments:		
Share option expense	695	10,236
Award Shares	(6,578)	–
Pension scheme contributions	7	16
	(3,859)	14,584

Notes to Interim Condensed Financial Information

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18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENT

The carrying amounts of the Group's cash deposit and interest-bearing bank loans approximated to their fair values based on the prevailing borrowing rates available for deposit and loans with similar terms and maturities during the Review Period. The fair value measurement hierarchy of the above interest-bearing bank loans requires significant observable inputs (Level 2).

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

19. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group entered into set-off arrangements in respect of its balances of trade receivables and trade payables as on 30 June 2014 (2013: RMB11,941,000).

Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements are set out as follows:

	Gross amount of recognised financial assets RMB'000	Gross amount of recognised financial liabilities set off in the statement of financial position RMB'000	Net amounts of financial assets presented in the statement of financial position RMB'000
Trade receivables	193,558	(3,110)	190,448
Trade payables	(13,658)	3,110	(10,548)

Notes to Interim Condensed Financial Information

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20. EVENTS AFTER THE PERIOD

On 2 July 2014, Kunrun purchased one-year financial products of RMB200,000,000 from Ping An Bank. The expected maximum return rate of the financial products is 4.5% per annum, which is based on return rate of the investment portfolio including cash, money market instruments and bonds. The fixed maturity date of financial products is 1 July 2015.

On 4 July 2014, Kunrun borrowed another loan from Ping An Bank by way of gold lease arrangement, with the principal of RMB188,670,000, which is secured by the pledge of the Group's financial products with the net carrying amount of RMB200,000,000 mentioned above, and bears interest at the rate of 5.9% per annum. The loan is due for repayment on 3 July 2015 and Kunrun has undertaken to settle it by delivery of a pre-specified quantity of gold through a forward purchase contract at a price which equals the principal plus interest due.

21. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information was approved and authorised for issue by the Board on 20 August 2014.

Glossary

“2013 Granted Options”	the 157,837,833 share options which were granted to certain grantees on 16 January 2013
“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 excluding, for the purpose of this interim report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	China Polymetallic Mining Limited (中國多金屬礦業有限公司), a limited liability company incorporated under the laws of the Cayman Islands on 30 November 2009
“Dakuangshan Company”	Mang City Xindi Mining Company Limited (芒市鑫地礦業有限責任公司), a subsidiary of the Company whose registered office is at Mang City, Yunnan Province, the PRC
“Dakuangshan Mine”	a lead-zinc-silver polymetallic mine to which the Dakuangshan Company owns the mining right
“Dazhupeng Mine”	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, China, with respect to which we hold an exploration permit
“Directors”	directors of the Company or any one of them
“g/t”	grams per tonne
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

Glossary

“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 Date”	14 December 2011, being the date of listing on the main board of the Hong Kong Stock Exchange
“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, China, operated by Xiangcaopo Mining, an independent third party
“Menghu Company”	Meng La Chen Feng Mining Development Company Limited (勐臘縣宸豐礦業開發有限公司), 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
“NDRC”	the National Development and Reform Commission of the government of the PRC

Glossary

“Review Period”	the period from 1 January 2014 to 30 June 2014
“RMB”	the lawful currency of the PRC
“Shizishan Mine”	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, China, and operated by Kunrun
“Silver Lion”	Silver Lion Investment Holdings Limited, a limited liability company incorporated in BVI with company number 1553896, whose registered office address is at PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI
“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 United States
“Xiangcaopo Mining”	Yunnan Xiangcaopo Mining Co., Ltd, a limited liability company in China, currently wholly owned by Mr. Li Jincheng, an independent third party