

# 2018

## INTERIM REPORT



**CHINA  
POLYMETALLIC  
MINING LIMITED**

**中國多金屬礦業有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2133

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# CORPORATE INFORMATION

As at 24 July 2018

## DIRECTORS

### Executive Director

Mr. Lei Dejun

### Non-Executive Directors

Mr. Yin Bo (*Chairman*)

Mr. Chan Suk Ching

Mr. Zhang Yonghua

### Independent Non-Executive Directors

Mr. Ma Shirong

Mr. Chi Hongji

Mr. Dong Tao

## AUDIT COMMITTEE

Mr. Ma Shirong (*Chairman*)

Mr. Chan Suk Ching

Mr. Dong Tao

## NOMINATION AND REMUNERATION COMMITTEE

Mr. Chi Hongji (*Chairman*)

Mr. Ma Shirong

Mr. Yin Bo

Mr. Dong Tao

## SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

Mr. Lei Dejun (*Chairman*)

Mr. Chi Hongji

Mr. Zhang Yonghua

## STRATEGY COMMITTEE

Mr. Lei Dejun (*Chairman*)

Mr. Yin Bo

Mr. Chan Suk Ching

Mr. Zhang Yonghua

## COMPANY SECRETARY

Ms. Chan Wai Ling

## AUTHORISED REPRESENTATIVES

Mr. Lei Dejun

Ms. Chan Wai Ling

## REGISTERED OFFICE

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Cayman Islands

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## AUDITORS

Ernst & Young

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## PRINCIPAL BANKERS

Agricultural Bank of China  
Bank of Communications  
China Merchants Bank  
Citibank, N.A.  
Ping An Bank

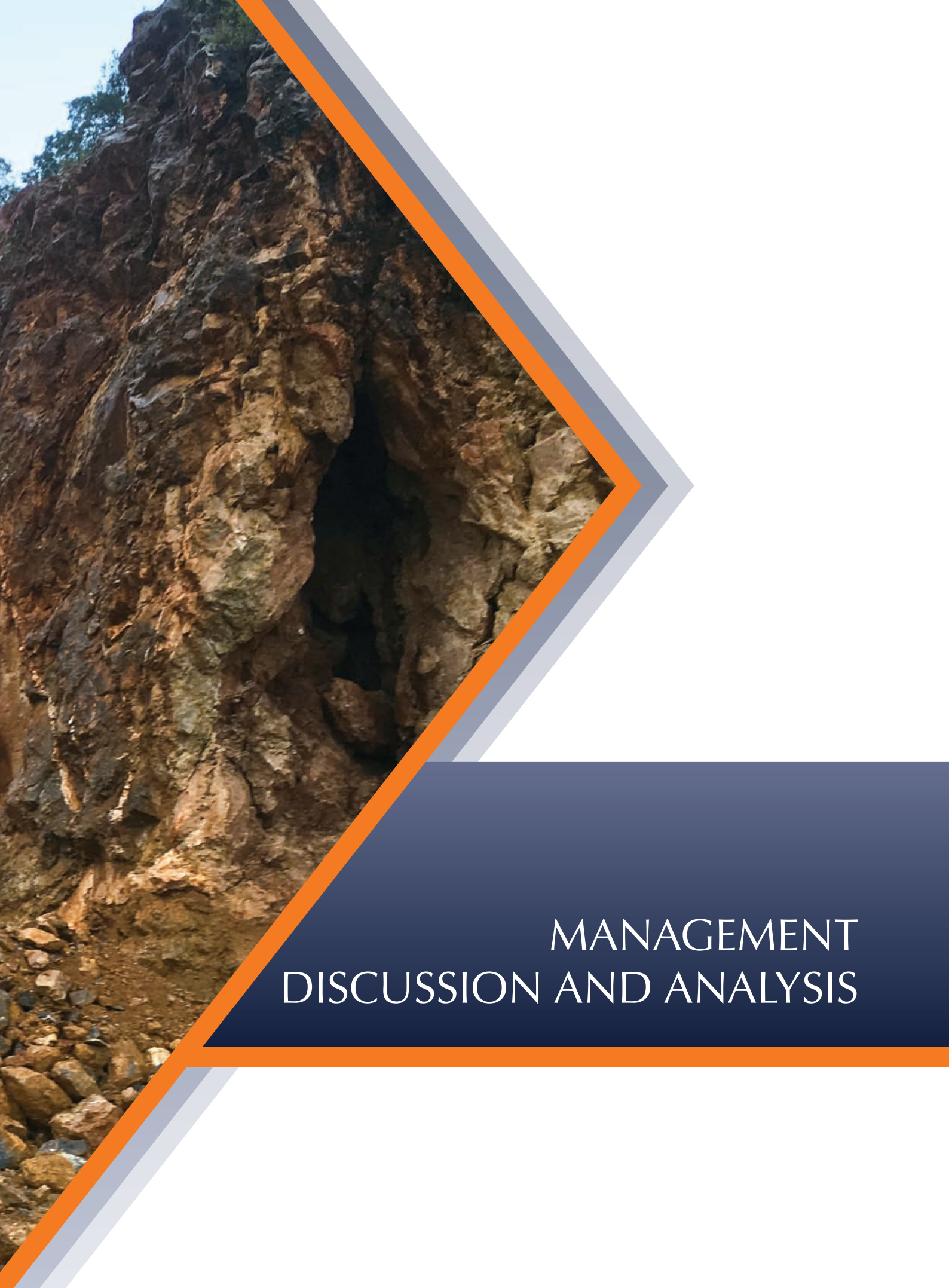
## STOCK CODE

2133

## WEBSITE ADDRESS

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





MANAGEMENT  
DISCUSSION AND ANALYSIS

# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

In the first half of 2018, although the competition between major powers and the intensification of the strategic game and the heightened global trade protectionism have exacerbated the fluctuations in the global economy and financial markets, the economic growth in major economies remained stable. There has been some relaxation in the geopolitical situation of Northeast Asia, and the global economy continued to maintain a stable and comprehensive recovery. In terms of the domestic situation, continued improvement and stability ensured in the economic development of China. There were increase in domestic demands with a rebound in investment growth, the fiscal revenue increased steadily, the international balance of payments tended to be balanced and the economic structure has been improved. In addition, benefiting from the growing demand and supply constraints, the average selling price of most international bulk commodities, including our products, lead, zinc and silver rebound continuously during the period, which provide a favourable environment for our operations.

The Belt and Road Initiative has brought new opportunities to the development of China's non-ferrous metals industry. The year 2018 is the 40th anniversary of China's reform and opening up, China continues to attach great importance to deepening reform, opening up, and actively advocating the Belt and Road Initiative, laying a solid foundation for the non-ferrous metals industry to overcome the bottleneck of resource and environment constraints, increase resource reserves, and optimize industrial layout. Myanmar is rich in mineral resources and has relatively lower mining costs, while China has the strength in terms of technology and capital. The two countries have complementary advantages in the field of mineral resources, which contributes to the common goal of a mutually beneficial and a win-win situation for common development. The further development of friendly relations between China and Myanmar has contributed to the long-term development of the Group's business in Myanmar.

On the other hand, due to China's domestic capacity-removing policies, increasingly stringent environmental protection policies, and continuous upgrading and transformation of requirements of local governments, the mining cost in the non-ferrous metals industry has risen and is subject to certain restrictions. Meanwhile, the mineral resources sector of Myanmar is experiencing a vigorous development with the acceleration of the country's political and economic reform process, and has great advantages in terms of mining costs and resource reserves. Furthermore, the Myanmar government issued a revised Myanmar Mining Law in 2018 to attract foreign investors, which further improved the foreign investors' business environment from the policy and legal perspective.

The Group owns some high-quality mines in Myanmar, and with the continuous improvement of Myanmar's legal system and business environment, the management of the Group will continue to enhance investment in our business in Myanmar, attaching great importance to the development and management of mines in Myanmar and strengthen the communication and cooperation with the Myanmar local government. It is believed that by virtue of the continuous development of the Group's Myanmar business, reasonable returns will be brought to the shareholders of the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATING MINE — AUNG JIUJIA MINE

### Mineral resources and reserves of Aung Jiuja Mine

Aung Jiuja Mine is a lead-zinc mine located at Depanbing Village, Ruian County, Shan State, Myanmar. The mining permit of the Aung Jiuja Mine covers an area of 0.2 sq. km.

Harbor Star has engaged a qualified geological survey team based in China, an independent third party exploration entity, to conduct exploration at Aung Jiuja Mine in June 2014. A report of the geological exploration conducted at Aung Jiuja Mine was issued in April 2015. Based on the report, a summary of the estimated resources of the Aung Jiuja Mine as at 30 June 2018 in accordance with the Chinese Standard is as follows:

	Metal Resources		Grade	
	Lead (kt)	Zinc (kt)	Lead (%)	Zinc (%)
Indicated	324.5	63.9	14.5	2.8
Inferred	393.0	77.4	13.1	2.6

Note: Figures for metal resources and grade are rounded to nearest one decimal place and these figures may show apparent addition errors.

### Exploration, Development and Mining Activities of Aung Jiuja Mine

- I) Exploration Activities  
During the Period, we have not entered into any contracts or commitments in respect of exploration work or conducted any formal geological exploration work at Aung Jiuja Mine.
- II) Development Activities  
During the Period, we continued to carry out the open pit mining construction project in Aung Jiuja Mine and a layered mining working platform of around 120 meters in length and around 20 meters in width has been built up and a medium-large sized open pit is gradually formed. In addition, the underground tunnel development project with the depth of 70 meters below is also in process.

At the same time, we have successfully completed the construction of an additional 1,000 tpd processing plant which has come into commercial production. The production capacity of the processing plant of Aung Jiuja Mine has increased significantly.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Aung Jiuja Mine.



# MANAGEMENT DISCUSSION AND ANALYSIS

## III) Mining and processing activities

The following table summarises the mining and processing results of Aung Jiuja Mine during the Period and the corresponding period of 2017:

			Six months ended 30 June	
	Items	Unit	2018	2017
ROM Ore	Mined	kt	67.1	8.4
	Processed	kt	66.5	12.4
Feed Grade	Lead	%	3.4	4.5
	Silver	g/t	4.9	17.0
Recovery	Lead	%	80.2	82.0
	Silver in lead concentrate	%	72.0	32.0
Concentrate Grade	Lead	%	59.1	62.0
	Silver in lead concentrate	g/t	86.5	91.0
Concentrate Tonnes	Lead-silver concentrate	t	3,068	738
Metal Contained in Concentrate	Lead	t	1,813	458
	Silver in lead concentrate	kg	235	67

Note: Figures for ROM ore, feed grade, recovery and concentrate grade are rounded to nearest one decimal place, and figures for concentrate tonnes and metal contained in concentrate are rounded to whole number and these figures may show apparent addition errors.

## Exploration, Development and Mining Cost of Aung Jiuja Mine

Expenses of exploration, development and mining activities of Aung Jiuja Mine during the Period and the corresponding period of 2017 are set out below:

		Six months ended 30 June	
		2018 RMB million	2017 RMB million
<b>Exploration activities</b>		—	—
<b>Development activities</b>			
	Mining infrastructure	4.1	0.4
	Processing plant and equipment	40.5	—
		44.6	0.4
<b>Mining activities</b>			
	Subcontracting fee	2.0	1.6
	Administrative and other costs	3.3	0.2
	Production taxes and royalties	0.9	0.5
		6.2	2.3
<b>Total</b>		50.8	2.7

Note: Figures for expenses of exploration, development and mining activities are rounded to nearest one decimal place and these figures may show apparent addition errors.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATING MINE — GPS JV MINE

### Mineral resources and reserves of GPS JV Mine

GPS JV Mine is a lead-silver polymetallic mine located in Bawsaing Track, Kalaw Township, Southern Shan State, Myanmar, and covers an area of 2 sq. km.

GPS Joint Venture Company Limited has engaged a qualified geological survey team based in China, an independent third party exploration entity, to conduct exploration at GPS JV Mine in December 2014. A report of the geological exploration conducted at the GPS JV Mine was issued in December 2014. Based on the report, a summary of the estimated resources of the GPS JV Mine as at 30 June 2018 in accordance with the Chinese Standard is as follows:

	Metal Resources Lead (kt)	Grade Lead (%)
Indicated	357.8	9.4
Inferred	1,377.9	8.9

Note: Figures for metal resources and grade are rounded to nearest one decimal place and these figures may show apparent addition errors.

### Exploration, Development and Mining Activities of GPS JV Mine

#### I) Exploration Activities

During the Period, we have not entered into any contracts or commitments in respect of exploration work or conducted any formal geological exploration work at GPS JV Mine.

#### II) Development Activities

During the Period, we continued the mining operations at Bamushan and Xiandao mining zones in the GPS JV Mine and commenced the mining operation at Jiabao mining zone, therefore the mining production scale has been expanded progressively at the relevant mining zones. In the meantime, the Group is actively exploring other mining zones with resource potential and commercial viability.

In addition, we are undergoing a gravity separation process line construction project at the processing plant of the GPS JV Mine, which is expected to be completed and come into production before the end of year 2018.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at GPS JV Mine.

# MANAGEMENT DISCUSSION AND ANALYSIS

## III) Mining and processing activities

The following table summarises the mining and processing results of GPS JV Mine during the Period and the corresponding period of 2017:

Items		Unit	Six months ended 30 June	
			2018	2017
ROM Ore	Mined	kt	9.2	—
	Processed	kt	29.7	—
Feed Grade	Lead	%	2.2	—
	Silver	g/t	25.0	—
Recovery	Lead	%	80.0	—
	Silver in lead concentrate	%	76.0	—
Concentrate Grade	Lead	%	57.9	—
	Silver in lead concentrate	g/t	625.0	—
Concentrate Tonnes	Lead-silver concentrate	t	903	—
Metal Contained in Concentrate	Lead	t	523	—
	Silver in lead concentrate	kg	564	—

Note:

- (i) Figures for ROM ore, feed grade, recovery and concentrate grade are rounded to nearest one decimal place, and figures for concentrate tonnes and metal contained in concentrate are rounded to whole number and these figures may show apparent addition errors;
- (ii) GPS JV Mine has not come into operation in the corresponding period of 2017.

## Exploration, Development and Mining Cost of GPS JV Mine

Expenses of exploration, development and mining activities of GPS JV Mine during the Period and the corresponding period of 2017 are set out below:

	Six months ended 30 June	
	2018 RMB million	2017 RMB million
<b>Exploration activities</b>	—	—
<b>Development activities</b>		
Mining infrastructure	—	—
<b>Mining activities</b>		
Subcontracting fee	0.2	—
Maintenance and others	0.6	—
Administrative and other costs	0.3	—
Production taxes and royalties	0.3	—
	1.4	—
<b>Total</b>	1.4	—

Note:

- (i) Figures for expenses of exploration, development and mining activities are rounded to nearest one decimal place and these figures may show apparent addition errors;
- (ii) GPS JV Mine has not come into operation in the corresponding period of 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATING MINE — DAKUANGSHAN MINE

### Mineral resources and reserves of Dakuangshan Mine

Dakuangshan Mine is a lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province, and approximately 100 km. away from the Shizishan Mine. The mining permit of the Dakuangshan Mine covers an area of 1.56 sq. km. Based on the geologist report issued by the Sichuan Province Geological Group (四川省地質工程集團) dated 11 April 2012, a summary of the estimated resources of Dakuangshan Mine as at 30 June 2018 in accordance with the Chinese Standard is as follows:

	Metal Resources			Grade		
	Lead (kt)	Zinc (kt)	Silver (t)	Lead (%)	Zinc (%)	Silver (g/t)
Indicated+Inferred	114.0	220.0	210.7	2.7	5.2	54.2

Note: Figures for metal resources and grade are rounded to nearest one decimal place and these figures may show apparent addition errors.

### Exploration, Development and Mining Activities of Dakuangshan Mine

#### I) Exploration Activities

During the Period, we have not entered into any contracts or commitments in respect of exploration work or conducted any formal geological exploration work at Dakuangshan Mine.

#### II) Development Activities

During the Period, we have completed the underground production enhancement construction work in Dakuangshan Mine with another mining level located at 1,470 metre in height, and its mining capacity has been further increased for another 300 tpd. The new mining level has gradually come into commercial production.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Dakuangshan Mine.

# MANAGEMENT DISCUSSION AND ANALYSIS

## III) Mining and processing activities

The following table summarises the mining and processing results of Dakuangshan Mine during the Period and the corresponding period of 2017:

	Items	Unit	Six months ended 30 June	
			2018	2017
ROM Ore	Mined	kt	<b>31.7</b>	29.4
	Processed	kt	<b>26.6</b>	23.0
Feed Grade	Lead	%	<b>0.8</b>	1.2
	Zinc	%	<b>1.8</b>	3.1
	Silver	g/t	<b>11.7</b>	21.3
Recovery	Lead	%	<b>71.5</b>	80.9
	Zinc	%	<b>81.2</b>	81.6
	Silver in lead concentrate	%	<b>72.6</b>	70.5
	Silver in zinc concentrate	%	<b>3.3</b>	8.9
Concentrate Grade	Lead	%	<b>55.8</b>	47.5
	Zinc	%	<b>44.1</b>	43.7
	Silver in lead concentrate	g/t	<b>701.2</b>	722.0
	Silver in zinc concentrate	g/t	<b>40.4</b>	62.0
Concentrate Tonnes	Lead-silver concentrate	t	<b>274</b>	478
	Zinc-Silver concentrate	t	<b>883</b>	1,348
Metal Contained in Concentrate	Lead	t	<b>153</b>	227
	Zinc	t	<b>389</b>	588
	Silver in lead concentrate	kg	<b>225</b>	345
	Silver in zinc concentrate	kg	<b>10</b>	27

Note: Figures for ROM ore, feed grade, recovery and concentrate grade are rounded to nearest one decimal place, and figures for concentrate tonnes and metal contained in concentrate are rounded to whole number and these figures may show apparent addition errors.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Exploration, Development and Mining Cost of Dakuangshan Mine

Expenses of exploration, development and mining activities of Dakuangshan Mine during the Period and the corresponding period of 2017 are set out below:

	Six months ended 30 June	
	2018 RMB million	2017 RMB million
<b>Exploration activities</b>	—	—
<b>Development activities</b>		
Mining infrastructure	1.3	1.0
Tailing storage facilities	0.1	0.1
	1.4	1.1
<b>Mining activities</b>		
Subcontracting fee	2.2	1.8
Materials cost	0.2	0.3
Electricity and water	0.3	0.2
Maintenance and others	0.6	0.6
Administrative and other costs	0.3	0.3
Production taxes and royalties	1.6	1.3
	5.2	4.5
<b>Total</b>	<b>6.6</b>	5.6

Note: Figures for expenses of exploration, development and mining activities are rounded to nearest one decimal place and these figures may show apparent addition errors.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATING MINE — SHIZISHAN MINE

### Mineral resources and reserves of Shizishan Mine

Shizishan Mine is a lead-zinc-silver underground polymetallic mine located at Yingjiang County of Yunnan Province. Shizishan Mine located at the southern extension of the Hengduan Mountain Range and along the north-south stretching secondary ridge of the western part of Gaoligong Mountains in western Yunnan with the undulating terrain as well as in the vicinity of the Binlang River. According to the report of resource and estimation on Shizishan Mine as disclosed in the “Competent Person’s Report” set out in Appendix V to the Prospectus, a summary of the estimated resources and reserves of Shizishan Mine under the JORC Code as at 30 June 2018 is set out below:

#### The Shizishan Mine — JORC Mineral Resources as at 30 June 2018

*Mineral Resource at 0.5% Pb Cut Off*

Class	Quantity (t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Measured	1,212,760	10.9	6.6	271.0	193,736	104,089	546
Indicated	6,398,000	9.0	5.9	250.0	575,200	378,500	1,600
Inferred	516,000	7.7	4.8	247.0	39,600	24,500	100
Total	8,126,760	9.4	6.0	276.0	808,536	507,089	2,246

#### The Shizishan Mine — JORC Ore Reserves Estimates as at 30 June 2018

Class	Quantity (t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Proved	1,092,760	10.0	6.1	251.0	161,337	84,489	446
Probable	5,713,000	9.0	5.9	250.0	514,500	336,900	1,400
Total	6,805,760	9.3	5.9	250.0	675,837	421,389	1,846

Note: Figures for grade of Pb, Zn and Ag are rounded to nearest one decimal place, and the quantity, Pb metal, Zn metal and Ag metal contained in mineral resources and reserves are rounded to whole number and these figures may show apparent addition errors.

### Exploration, Development and Mining Activities of Shizishan Mine

#### I) Exploration Activities

During the Period, we have not entered into any contracts or commitments in respect of exploration work or conducted any formal geological exploration work at Shizishan Mine.

#### II) Development Activities

Since the summer of 2015, in the area where Shizishan Mine is located, there were a number of intense, torrential rain storms in a short period of time, resulting in a dramatic increase in downhole water. Such continuous heavy rainfalls together with the previous earthquakes have affected its geological structure and geomorphology, and the tunnels were severely damaged.

# MANAGEMENT DISCUSSION AND ANALYSIS

Since 2017, we continued to clear and reinforce the damaged tunnels of Shizishan Mine and resumed pumping water from the tunnels. In September 2017, we started to carry out the drainage tunnel works. During the Period, we continued the drainage tunnel works. As at 30 June 2018, the tunnel construction works amounted to 425 meters in length and the construction works amounted to 2,550 m<sup>3</sup>.

Meanwhile, the processing plant of Shizishan Mine has also progressively carried out the subcontracting processing services for the raw ores of the surrounding mines.

We will systematically solve the water inflow issue in mine shafts and broken downholes and continue to actively and properly monitor and adjust the future operation and mining plan of Shizishan Mine.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Shizishan Mine.

### III) Mining and processing activities

The following table summarises the mining and processing results of Shizishan Mine during the Period and the corresponding period of 2017:

			Six months ended 30 June	
Items	Unit	2018	2017	
ROM Ore	Processed	kt	13.4	—
Feed Grade	Lead	%	3.3	—
	Zinc	%	7.7	—
	Silver	g/t	44.2	—
Recovery	Lead	%	86.9	—
	Zinc	%	81.0	—
	Silver in lead concentrate	%	55.2	—
	Silver in zinc concentrate	%	14.6	—
Concentrate Grade	Lead	%	55.9	—
	Zinc	%	45.3	—
	Silver in lead concentrate	g/t	482.9	—
	Silver in zinc concentrate	g/t	46.9	—
Concentrate Tonnes	Lead-silver concentrate	t	687	—
	Zinc-silver concentrate	t	1,845	—
Metal Contained in Concentrate	Lead	t	384	—
	Zinc	t	836	—
	Silver in lead concentrate	kg	327	—
	Silver in zinc concentrate	kg	87	—

Note: Figures for ROM ore, feed grade, recovery and concentrate grade are rounded to nearest one decimal place, and figures for concentrate tonnes and metal contained in concentrate are rounded to whole number and these figures may show apparent addition errors.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Exploration, Development and Mining Cost of Shizishan Mine

Expenses of exploration, development and mining activities of Shizishan Mine during the Period and the corresponding period of 2017 are set out below:

	Six months ended 30 June	
	2018 RMB million	2017 RMB million
<b>Exploration activities</b>	—	—
<b>Development activities</b>		
Mining infrastructure	—	—
Tailing storage facilities	0.1	—
	0.1	—
<b>Mining activities</b>	—	—
<b>Total</b>	0.1	—

Note: Figures for expenses of exploration, development and mining activities are rounded to nearest one decimal place and these figures may show apparent addition errors.

## OPERATING MINE — MENGHU MINE

### Mineral resources and reserves of Menghu Mine

Menghu Mine is a lead-zinc polymetallic mine located at Mengla County of Yunnan Province. The mining permit of the Menghu Mine covers an area of 0.4 sq. km.

Menghu Company has engaged the Regional Geologic Survey Team of the Sichuan Bureau of Geological Exploration of Mineral Resources (四川省地質礦產勘查開發局區域地質調查隊), an independent third party exploration entity, to conduct exploration at Menghu Mine in March 2012. A report on the geological exploration conducted at Menghu Mine was issued on 30 November 2012. A summary of the estimated resources of the Menghu Mine as at 30 June 2018 in accordance with the Chinese Standard in the aforesaid report is set out as follows:

	Metal Resources		Grade	
	Lead (kt)	Zinc (kt)	Lead (%)	Zinc (%)
Indicated and inferred	31.8	18.3	13.8	7.8

Note: Figures for metal resources and grade are rounded to nearest one decimal place and these figures may show apparent addition errors.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Exploration, Development and Mining Activities of Menghu Mine

### I) Exploration Activities

During the Period, we have not entered into any contracts or commitments in respect of exploration work or conducted any formal geological exploration work at Menghu Mine.

### II) Development Activities

During the Period, we continued to maintain small scale sub-contract mining works and carry out infrastructure construction work of roadway support and rectification of tracks and others at Menghu Mine in accordance with the requirements of upgrading and transformation of mines imposed by the local government.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Menghu Mine.

### III) Mining and processing activities

The following table summarises the mining results of Menghu Mine during the Period and the corresponding period of 2017:

	Items	Unit	Six months ended 30 June	
			2018	2017
ROM Ore	Mined	kt	0.8	—
Grade	Lead	%	30	—
	Zinc	%	8.5	—

Note: (i) Figures for ROM Ore and grade are rounded to nearest one decimal place and these figures may show apparent addition errors;

(ii) Menghu Mine has not come into operation in the corresponding period of 2017.

## Exploration, Development and Mining Cost of Menghu Mine

No material expenses of exploration, development and mining activities of Menghu Mine were incurred during the Period (six months ended 30 June 2017: Nil).

## OTHER MINES

### Liziping Mine

Liziping Mine is a lead-zinc-silver polymetallic mine located at Lanping County of Yunnan Province and approximately 700 km. away from Shizishan Mine. The exploration permit of Liziping Mine covers an area of 13.87 sq. km.

Liziping Company engaged the Northwest Sichuan Geological Survey Team of the Sichuan Bureau of Geological Exploration of Mineral Resources (四川省地質礦產勘查開發局川西北地質隊), an independent third party exploration entity, to conduct exploration at the Liziping Mine in July 2011. Prior to the acquisition, an area of approximately 4 sq. km. had been explored and a geologist report based on such exploration activities was issued on 12 May 2012. Based on the report, a summary of the estimated resources of the Liziping Mine as at 30 June 2018 in accordance with the Chinese Standard in the aforesaid report is as follows:

	Metal Resources				Grade			
	Lead (kt)	Zinc (kt)	Copper (kt)	Silver (t)	Lead (%)	Zinc (%)	Copper (kt)	Silver (g/t)
Indicated	23.1	41.5	7.7	120.6	3.8	4.8	1.0	123.4
Inferred	73.5	99.8	18.5	276.7	12.5	2.9	0.8	278.8

Note: Figures for metal resources and grade are rounded to nearest one decimal place and these figures may show apparent addition errors.

# MANAGEMENT DISCUSSION AND ANALYSIS

The application process of mining permit pertaining to the first mining area of approximately 4 sq. km. of Liziping Mine is still undergoing whereby we are waiting for the approval from the county-level environmental protection department and the county-level land and resources bureau.

Save as disclosed hereinabove, no other exploration, development or mining works had been conducted at Liziping Mine during the Period.

No material capital expenditures were incurred for Liziping Mine during the Period (six months ended 30 June 2017: Nil).

## **Dazhupeng Mine**

Dazhupeng Mine is a lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province.

During the Period, we have successfully obtained the approval for the renewal of exploration permit of Dazhupeng Mine from the county-level government department, and will continue to apply for the approval from the state-level government department, and thereafter, we will apply for the final approval from the Department of Land and Resources of Yunnan Province, the PRC.

Save as disclosed hereinabove, no other exploration, development or mining works had been conducted at Dazhupeng Mine during the Period.

No material capital expenditures were incurred for Dazhupeng Mine during the Period (six months ended 30 June 2017: Nil).

## **Lushan Mine**

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

During the Period, Xiangcaopo Mining continued to conduct maintenance works at Lushan Mine and is in the process of renewing the exploration permit.

Save as disclosed hereinabove, no other exploration, development or mining works had been conducted at Lushan Mine during the Period.

No material capital expenditures were incurred for Lushan Mine during the Period (six months ended 30 June 2017: Nil).

## **Mineral ores trading**

During the Period, the Group, riding on the upward trend of the mining sector, continued to actively promote the mineral ores trading business, expanded its sale channels and enlarged the operation scale, with a view to increase the income of the Group and create new momentum for the Group's growth. The commencement of trading business is one of the strategic moves by the Group, which can enlarge the Group's market share and enhance its economy of scale as well as strengthen our sales bargaining power in negotiating commercial terms with the customers. Since the mineral ores trading business is an essential part of the Group's long-term strategy and given the rapid growth of its business in Myanmar, the Group will endeavor to cautiously select and develop trading partners, prudently and flexibly adjust production and marketing strategy to actively promote the further development of the trading business.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

During the Period, the Group's revenue was approximately RMB103.2 million (six months ended 30 June 2017: RMB15.7 million), primarily from the sales of lead-silver concentrates and zinc-silver concentrates. As compared to the corresponding period of 2017, revenue increased by approximately RMB87.5 million or approximately 557%, which was mainly due to: (i) increase in scale of operations in trading business which we commenced trading of lead and zinc metals in China since the second half of 2017 and continued in the first half of 2018; (ii) substantial increase in sales volume of our self produced products as a result of our gradual commercial production of Aung Jiujiu Mine and GPS JV Mine in the first half of 2018; and (iii) the average selling price of lead-silver concentrates and zinc-silver concentrates being higher by RMB2,062 per ton and RMB817 per ton during the Period, respectively, compared to the first half of 2017.

### Cost of sales

During the Period, the cost of sales was approximately RMB86.9 million (six months ended 30 June 2017: RMB12.4 million). As compared to the corresponding period of 2017, cost of sales increased by RMB74.5 million or 600%, which was primarily due to the increase in scale of operations of our production and trading businesses.

### Gross profit and gross profit ratio

The Group recorded a gross profit ratio of 15.8% during the Period as compared to gross profit ratio of 21.4% during the corresponding period of 2017. The decrease in overall gross profit margin was mainly due to increase in scale of operations in trading business.

### Other income and gains

During the Period, the other income and gains were approximately RMB5.9 million (six months ended 30 June 2017: RMB0.9 million), primarily comprising (i) reversal of provision for impairment losses of other receivables as the Group collected RMB2.9 million and the related impairment provision was reversed accordingly (six months ended 30 June 2017: provision of impairment loss of RMB1.1 million); (ii) interest income from loans to third parties of RMB2.0 million (six months ended 30 June 2017: Nil); (iii) the rental income of RMB0.4 million from the Group's building located in Chengdu (six months ended 30 June 2017: RMB0.4 million); and (iv) a compensation for mining infrastructure of RMB0.3 million (six months ended 30 June 2017: RMB0.5 million).

### Administrative expenses

During the Period, administrative expenses were approximately RMB10.7 million (six months ended 30 June 2017: RMB19.7 million), primarily comprising staff costs, professional consulting fees, depreciation, office administrative fees and other expenses. As compared to the corresponding period of 2017, administrative expenses decreased by RMB9.0 million or approximately 45.7%, primarily due to (i) a decrease in plant suspension cost resulting from the decrease in staff cost of the production department and depreciation expense of production equipment; and (ii) a decrease in consultation expenses due to the termination of several consultation services.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Finance costs

During the Period, the finance costs were approximately RMB13.4 million (six months ended 30 June 2017: RMB14.8 million). As compared to the corresponding period of 2017, finance costs decreased by RMB1.4 million, primarily due to (i) a decrease in bank interest of RMB0.8 million granted by Ping An Bank; (ii) the non-occurrence of an bank interest overdue penalty of RMB1.0 million happened in the corresponding period of 2017; and (iii) an increase of RMB0.3 million in interests paid to third parties for the loan granted by them to the Group.

## Income tax credit/(expense)

During the Period, the income tax expense was approximately RMB3.3 million (income tax expense for the six months ended 30 June 2017: RMB6.1 million).

## Interim dividend

On 24 July 2018, the Board resolved not to recommend declaring any interim dividend for the Period to the Company's shareholders (2017: no interim dividend and no final dividend).

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

During the Period, there were no significant investments held by the Company, nor were there any material acquisition or disposals of subsidiaries or associated companies. Apart from those disclosed in this Interim Report, there was no plan authorized 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 Period and the six months ended 30 June 2017:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Net cash flow generated from/(used in) operating activities	8,078	(999)
Net cash flow generated from/(used in) investing activities	56,242	(35,397)
Net cash flow generated from/(used in) financing activities	(15,268)	64,237
Net increase in cash and cash equivalents	49,052	27,841

## Net cash flow generated from operating activities

During the Period, the net cash flow generated from operating activities was RMB8.1 million (net cash flow used for the six months ended 30 June 2017: RMB1.0 million). The RMB6.3 million loss was adjusted by (i) the bank interest income and interest income from loans to third parties of RMB 2.1 million; (ii) the reversal for provision of impairment on trade receivables of RMB2.9 million; and (iii) an increase in trade receivables, inventories, prepayments, deposits and other receivables of RMB25.6 million, which was offset by (i) interest expenses from bank and other loans of RMB11.3 million; (ii) non-cash expenses including, unrealised foreign exchange loss, depreciation, amortization, loss on disposal of items of property, plant and equipment of RMB21.6 million; and (iii) an increase in trade payables, other payables and accruals of RMB12.1 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Net cash flow generated from investing activities**

The net cash flow generated from investing activities was approximately RMB56.2 million, which was due to (i) repayments of loans principle and interests from third parties of RMB63.3 million; and (ii) the proceeds from disposal of financial assets at fair value through profit or loss of RMB6.5 million, which was partially offset by (i) the purchase of items of property, plant and equipment of RMB13.3 million; and (ii) expenditures on exploration and evaluation totalling to RMB0.3 million.

## **Net cash flow used in financing activities**

The net cash flow used in financing activities was approximately RMB15.3 million, which was due to the payment of interest for bank loan from Ping An Bank.

## **Inventories**

Inventories increased by approximately RMB7.8 million, or 18.4% from approximately RMB42.4 million as at 31 December 2017 to approximately RMB50.2 million as at 30 June 2018. The increase was primarily due to an increase in raw materials and lead and zinc concentrates as a result of the production commencement of Aung Jiuja Mine and the increase in the production of Dakuangshan Mine.

## **Trade receivables**

Trade receivables increased from approximately RMB9.3 million as at 31 December 2017 to approximately RMB23.2 million as at 30 June 2018, primarily due to the increase in sale of operation of our production and trading businesses during the Period.

## **Payment in advance, prepayment, deposits and other receivables**

The Group's payment in advance, prepayment, deposits and other receivables decreased by RMB79.5 million from RMB734.5 million as at 31 December 2017 to RMB655.0 million as at 30 June 2018, primarily due to (i) a decrease in payment in advance by RMB 27.2 million as a result of the completion of the second phase project of mineral processing plant in Harbor Star; and (ii) the repayment of the short term loans by third parties in the aggregate sum of HKD75 million (equivalent to RMB62.7 million at 31 December 2017) from the third parties, which was partially offset by (i) the prepayment for financial consulting fee of RMB 3.6 million; and (ii) the prepayment for the purchase of inventories of RMB 5.4 million.

## **Trade and other payables**

The balance of trade and other payables increased by RMB22.9 million from approximately RMB223.2 million as at 31 December 2017 to approximately RMB246.1 million as at 30 June 2018, primarily due to (i) tax other than income tax were increased by RMB9 million which was mainly due to the increase of revenue during the Period; (ii) an increase in advance from customer accounting to RMB2.2 million; (iii) the balance of payable relating to the second phase project of mineral processing plant in Harbour Star was increased by RMB10.5 million; and (iv) trade payable were increased by RMB1.1 million.

## **Net current assets position/(liabilities) position**

The Group's net current liabilities as at 30 June 2018 was RMB573.9 million as compared to the net current liabilities of RMB571.8 million as at 31 December 2017, primarily due to (i) increases in cash and cash equivalents amounting to RMB49.4 million; (ii) decreases in trade receivables, prepayments, deposits and other receivables aggregated to RMB38.5 million; (iii) an increase in inventories of RMB7.8 million; and (iv) decreases in financial assets at fair value through profit or loss amounting to RMB6.5 million. The increases in current assets were offset by increases in trade payables, other payables and accruals, and tax payables totalling RMB14.2 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Borrowings**

There was no change of the balance in the Group's bank and other loans as at 30 June 2018 of RMB449 million as compared to the balance as at 31 December 2017.

## **Contingent liabilities**

As at 30 June 2018, the Group did not have any outstanding material contingent liabilities or guarantees.

## **Foreign currency risk**

The Group's operations are primarily in the PRC and Myanmar. We have not entered into any foreign exchange contract or derivative transactions to hedge against foreign exchange fluctuations for these operations for reasons set out below.

In respect of our operations in the PRC, our products are sold to local customers in RMB. All expenses of our PRC operations are also denominated in RMB. The functional currencies of our PRC subsidiaries are RMB.

In respect of our operations in Myanmar, most of our products are sold to customers in PRC and their sales are also denominated in RMB. Some of the expenses incurred locally in Myanmar, which represents only a small portion of our operation expenses, are denominated either in USD or Kyat. Myanmar operations are substantially financed by our funds in PRC and Hong Kong which are mainly denominated in RMB or HK dollars.

We constantly monitor the fluctuation of the currency rate of RMB and the currency denomination of our bank deposits to ensure that the risk involved is within our expectation.

## **Interest rate risk**

Our revenue and operating cash flow shall not be affected significantly by the interest rate in the market. Other than cash and cash equivalents, the Group does not have any material interest-bearing assets. It manages the interest rate exposure arising from our interest-bearing loans through the use of fixed interest rates. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

## **Charge on assets**

Other than those disclosed in this Interim Report, none of the Group's assets was pledged as at 30 June 2018.

## **Contractual obligations**

As at 30 June 2018, the Group's contractual obligations amounted to approximately RMB5.8 million, decreased by RMB0.2 million as compared to approximately RMB6 million as at 31 December 2017. The decrease was primarily due to the construction or improvement work of flotation production line project engaged by Dakuangshan Company.

## **Capital expenditure**

During the Period, capital expenditures of the Group was primarily due to expenditures on exploration and evaluation assets. The aggregated amount of capital expenditure of the Group during the Period was RMB13.3 million.

## **Financial instruments**

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gearing ratio

Gearing ratio is calculated by net debt divided by total equity plus net debt. Net debt refers to the interest-bearing bank and other loans, net of cash and bank balances, excluding liabilities incurred for working capital purpose. Equity includes equity attributable to the owners of the Company and non-controlling interests. As at 30 June 2018 and 31 December 2017, the Group's gearing ratio was as follows:

	2018.6.30 RMB'000	2017.12.31 RMB'000
Interest-bearing bank and other loans	448,990	448,990
Less: cash and cash equivalents	67,976	(18,574)
Net debt	381,014	430,416
Total equity	1,855,218	1,865,054
Total equity and net debt	2,236,232	2,295,470
Gearing ratio	17.0%	18.8%

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

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

## Going concern basis

During the Period, the Group incurred a consolidated net loss of RMB9,640,000 (six months ended 30 June 2017: RMB19,537,000). As at 30 June 2018, the Group had net current liabilities of RMB573,914,000.

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

- (a) As at 30 June 2018, the Group's total bank loans amounted to RMB448,990,000, all of which will be due in the second half of 2018. The Group has not been able to renew its short-term bank loans in the past years. The Group will continue to actively negotiate with the bank for the renewal of its borrowings to secure necessary facilities to meet the Group's working capital and financial requirements.
- (b) The Group has budgeted and laid out its business plan for the next twelve months, and seeks to attain profits from the continuance of operational expansion of the Aung Jiuja Mine and GPS JV Mine in Myanmar.

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



# MANAGEMENT DISCUSSION AND ANALYSIS

- (c) The Group is taking measures to tighten cost controls over administrative and other operating expenses aiming at improving the working capital and cash flow position of the Group including closely monitoring the daily operating expenses.
- (d) The Group is actively following up with its debtors on outstanding receivables with the aim of agreeing a repayment schedule with each of them.

The Directors have reviewed the Group's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors are of the opinion that it is appropriate to prepare the interim condensed financial information of the Group for the six months ended 30 June 2018 on a going concern basis.

## Use of proceeds from the share placing

Up to 30 June 2018, the Group utilized the net proceeds raised from the share placing in May 2017 in accordance with the designated uses set out in the placing agreement as follows:

Description	Amount designated in the placing agreement Total HK\$ Million	Utilised (Up to 30 June 2018) HK\$ Million
Proceeds from the share placing		
— to repay a part of the financial facilities provided by Ping An Bank to the Group	44.11	44.11
— to develop newly acquired mines in Myanmar	26.47	26.47
— Working capital and other general operating expenses	9.62	9.62
<b>Total</b>	<b>80.20</b>	<b>80.20</b>

## Use of proceeds from the rights issue

Up to 30 June 2018, the Group utilised the net proceeds raised from rights issue in accordance with the designated uses set out in the prospectus dated 8 September 2017 (the "Rights Issue Prospectus") as follows:

Description	Amount designated in the Rights Issue Prospectus Total HK\$ Million	Up to 30 June 2018 Utilised HK\$ Million	Unutilised HK\$ Million
Proceeds from the rights issue			
— to repay the outstanding balance under the banking facilities granted by Ping An Bank to the subsidiaries of the Company	135.2	66.9	68.3
— for general working capital of the Group including but not limited to covering the administrative and operating expenses of the Hong Kong office	5.1	5.1	—
<b>Total</b>	<b>140.3</b>	<b>72</b>	<b>68.3</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2018, the remaining balance of approximately HK\$68.3 million was kept in the Company's bank account(s) and the Company intended to utilize such remaining balance for repayment of the outstanding balance under the banking facilities granted by Ping An Bank to the subsidiaries of the Company as stated in the Rights Issue Prospectus upon their maturity, or such other dates to be agreed between the parties.

## Employee and remuneration policy

As at 30 June 2018, the Group had a total of 214 full-time employees (31 December 2017: 136 employees) in PRC, Myanmar and Hong Kong, including 63 management and administrative staff, 131 production staff and 20 operations support staff. During the Period, staff costs (including Directors' remuneration in the form of salaries and other benefits) were approximately RMB8.0 million, representing an increase of RMB2.5 million or 45% as compared to the staff costs of RMB5.5 million for the corresponding period of 2017 which was primarily due to streamlining of staff. 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 dedication and hard work of the Group's staff during the Period are generally appreciated and recognised.

## Occupational Health and Safety

During the Period, no accidents related to serious injuries or death were reported to our management. Furthermore, we were not subject to any claims arising from any material accidents involving personal injuries or property damage that had a material adverse effect on our business, financial condition or results of operation. We were in compliance with all relevant PRC laws and regulations regarding occupational health and safety in all material respects during the Period and as at the date of this Interim Report.

## Environmental Protection and Land Rehabilitation

No environmental claims, lawsuits, penalties or administrative sanctions were reported to management during the Period. We are of the view that we were in compliance with all relevant PRC and Myanmar laws and regulations, regarding environmental protection and land rehabilitation in all material respects during the Period and as at the date of this Interim Report. The Group has also adopted and implemented environmental policies on a standard which is not less stringent than the prevailing environmental laws and regulations of the PRC and Myanmar. As at 30 June 2018, the Group has accrued a provision of RMB20.2 million, RMB0.8 million, RMB0.9 million, RMB1.9 million and RMB3.9 million for the rehabilitation of the Shizishan Mine, the Dakuangshan Mine, the Menghu Mine, the Aung Jiuja Mine and the GPS JV Mine, respectively.

## Strategy and Outlook

The Group seeks to build a large-scale, profitable polymetallic mining company that maximises the return to the Shareholders, provides a rewarding environment for employees and places a maximum focus on health, safety and environmental issues.

The Group also strives continuously to enhance the quality and effectiveness of its operations, the management, and the control systems operated within the business.

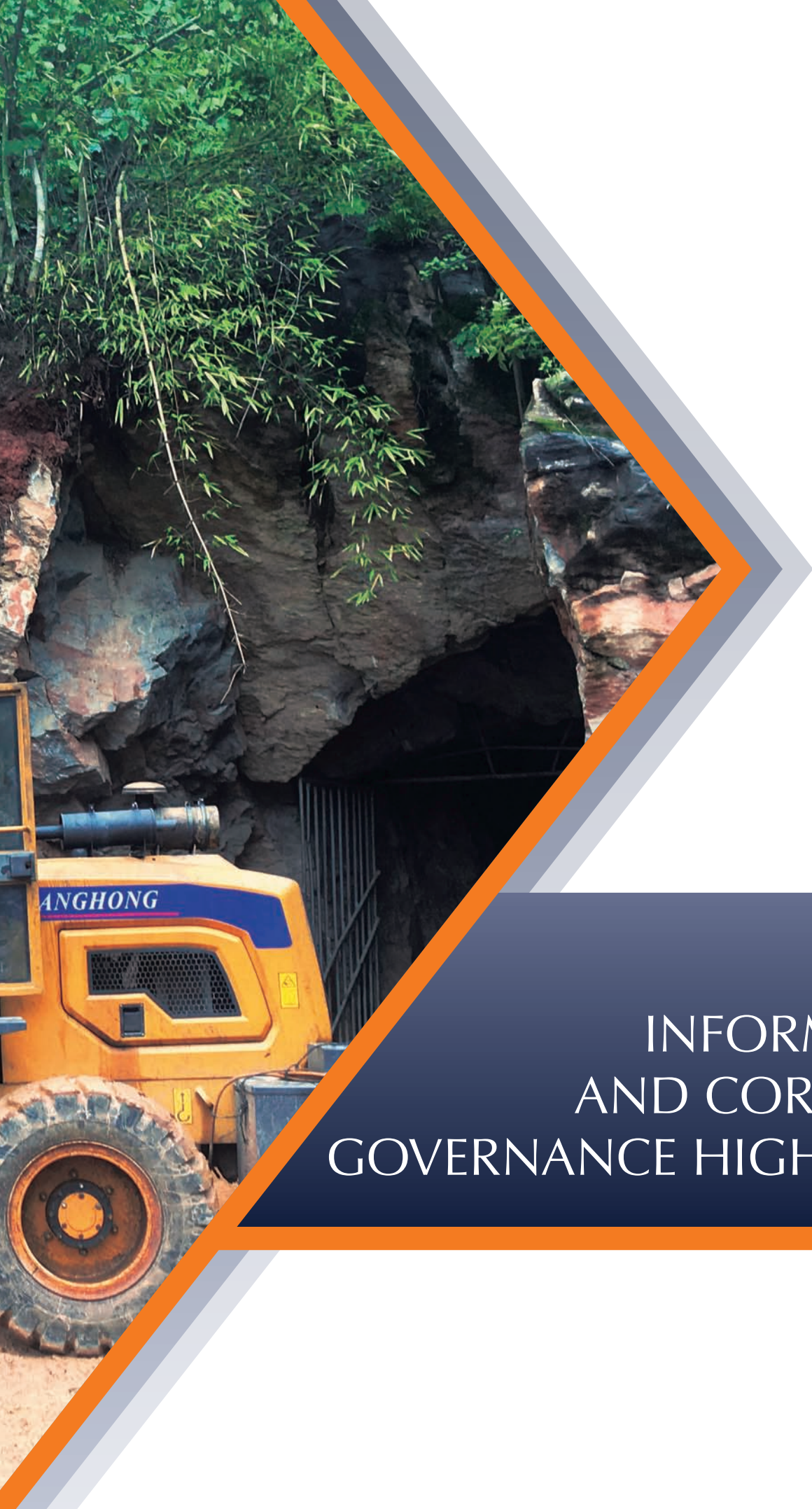
On behalf of the Board

**Lei Dejun**

*Executive Director*

Hong Kong, 24 July 2018





OTHER  
INFORMATION  
AND CORPORATE  
GOVERNANCE HIGHLIGHTS

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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

As at 30 June 2018, so far as is known to any Directors, none of the Directors or chief executives of the Company had any interests or short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

### 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 eligible participants, including executives or officers (including executive, non-executive and independent non-executive directors) or employees (whether full time or part time) of any member of the Group and any persons whom the Directors consider at their sole discretion, to work with commitment towards enhancing the value of the Company and the 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.

During the Period and up to the date of this Interim Report, no share options were granted, exercised, lapsed or cancelled under the Share Option Scheme and there were no outstanding share options under the Share Option Scheme as at 30 June 2018 and as at the date of this Interim Report.

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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

As at 30 June 2018, the following persons (other than the Directors and chief executives of the Company) had or were deemed to have an interest and/or short position in shares or underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued Shares of the Company.

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
CITIC Dameng Investments Limited (note 2)	Beneficial owner	1,073,531,131(L)	29.99
CITIC Dameng Holdings Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
Apexhill Investments Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
CITIC Metal Group Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
Metal and Mining Link Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
Highkeen Resources Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
Group Smart Resources Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
Starbest Venture Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
CITIC Resources Holdings Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99

## OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Keentech Group Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,133(L)	29.99
CITIC Projects Management (HK) Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
CITIC Corporation Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
CITIC Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
CITIC Glory Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
CITIC Polaris Limited (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
CITIC Group Corporation (note 2)	Interest of corporation controlled by the substantial shareholder	1,073,531,131(L)	29.99
Shi Xiaozhou	Beneficial owner	453,690,996(L)	12.67

### Notes:

- The letter "L" denotes the person's long position in such shares.
- The entire issued share capital of CITIC Dameng Investments Limited is owned by CITIC Dameng Holdings Limited (HKSE Stock Code: 1091), which is in turn owned as to 9.07% by Apexhill Investments Limited ("**Apexhill**") and 34.39% by Highkeen Resources Limited ("**Highkeen**"). Apexhill is wholly owned by CITIC Metal Group Limited ("**CITIC Metal**"), which is in turn wholly owned by Metal and Mining Link Limited ("**MML**"). MML is wholly owned by CITIC Corporation Limited ("**CITIC Corporation**"). Highkeen is wholly owned by Group Smart Resources Limited ("**Group Smart**"), which is in turn wholly owned by Starbest Venture Limited ("**Starbest Venture**"). Starbest Venture is wholly owned by CITIC Resources Holdings Limited (HKSE Stock Code: 1205), which is in turn owned as to 49.57% by Keentech Group Limited ("**Keentech**"). Keentech is wholly owned by CITIC Projects Management (HK) Limited ("**CITIC Projects**"). CITIC Projects is wholly owned by CITIC Corporation. CITIC Corporation is wholly owned by CITIC Limited (HKSE Stock Code: 267), which is owned as to 25.60% by CITIC Glory Limited and as to 32.53% by CITIC Polaris Limited. CITIC Glory Limited and CITIC Polaris Limited are wholly owned by CITIC Group Corporation. CITIC Group Corporation is a company established in the PRC.

Save as disclosed above, as at 30 June 2018, 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.

# OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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

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

## REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2018 with the management of the Company.

## SUFFICIENCY OF THE PUBLIC FLOAT

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

## CORPORATE GOVERNANCE PRACTICE

The Board believes that good corporate governance is fundamental to ensuring that the Company is well managed in the interests of all of its shareholders.

The Board has committed to maintaining high corporate governance practices and procedures to safeguard the interests of shareholders and to enhance corporate value and accountability of the Group. The Board reviews and improves the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective board to optimize return for the shareholders.

The Board is of the view that during the Period, the Company has complied with all of the applicable code provisions as set out in the CG Code.

### **The Board and Chief Executive Officer**

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

The position of Chief Executive Officer of the Company remains vacant since the resignation of Dr. Li Chang Zhen on 18 September 2015. The day-to-day operations of the Company are currently overseen by Mr. Lei Dejun, the executive Director, since 12 June 2017. The main duties of Mr. Lei Dejun are to ensure the smooth running of the day-to-day operation of the Company and oversee the implementation of the Company's long and short term plans in accordance with its strategy while ensuring that all major decisions were made in consultation with the Board members, relevant Board committees or senior management of the Group. The Company will continue to use its best endeavours to identify a suitable and qualified candidate to fill the vacancy of the Chief Executive Officer as soon as practicable.

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

Since the date of the 2017 Annual Report and up to the date of this Interim Report, change to the Directors' information as required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules was as below:

Mr. Dong Tao was appointed as an independent non-executive Director and a member of each of the Audit Committee and Nomination and Remuneration Committee on 5 March 2018.



# OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

## Board Committees

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

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

## Audit Committee

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

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

- reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2017;
- reviewed the major internal audit issues, financial reporting system, internal control procedures and risk management system of the Company;
- reviewed the major audit findings in respect of the financial year ended 31 December 2017 from the external auditors;
- reviewed the 2018 audit fee proposal; and
- reviewed the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2018 and discussed matters relating to auditing, internal controls and financial reporting.

As at the date of this Interim Report, the Audit Committee comprises Mr. Ma Shirong as its Chairman, and Mr. Chan Suk Ching and Mr. Dong Tao (Note (i)) as its members.

## Safety, Health and Environment Committee

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

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

# OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

## Strategy Committee

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

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

## Nomination and Remuneration Committee

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

As at the date of this Interim Report, the Nomination and Remuneration Committee comprises Mr. Chi Hongji as its Chairman, and Mr. Ma Shirong, Mr. Yin Bo and Mr. Dong Tao (Note (ii)) as its members.

Notes:

- (i) Mr. Dong Tao was appointed as a member of the Audit Committee on 5 March 2018;
- (ii) Mr. Dong Tao was appointed as a member of the Nomination and Remuneration Committee on 5 March 2018.

## Risk Management and Internal Control

The Board is responsible for maintaining a sound and effective system of risk management and internal controls and reviewing its effectiveness. Such system is designed to manage the risk of failure to achieve corporate objectives and to provide reasonable but not absolute assurance against material misstatement, loss or fraud.

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

## Model Code for Securities Transactions

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

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

On behalf of the Board

**Lei Dejun**

*Executive Director*

Hong Kong, 24 July 2018





ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE REPORT

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

This report, which has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules, is mainly about the Company's performance in the first half of 2018 in terms of environmental, social and governance responsibilities. This report comprises all the lead, zinc and silver mining businesses engaged by the Company and its subsidiaries.

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## ABOUT THE COMPANY

We devote ourselves to pursuing highest international standards in terms of environmental protection and social responsibilities and attach great importance to employment, occupational health and safety of our staff, since we regard this as the core of our success. We actively focus on interests of various parties in the region where our Group operates. We base our routine operation on strict compliance with the laws, moral standards and best international norm in order to alleviate adverse effects of mining operations on the residential areas and the surrounding environment.

### **Materiality**

As part of the preparation for compiling this report, we undertake a preliminary review of the material topics that have affected and continue to affect our business, and our actions to address them. This process focuses our reporting on the sustainability topics which we consider of interest to our key stakeholders, which include national and regional government, community members, our workforce and business partners.

### **Basis of preparation**

The data in this report, unless otherwise stated, covers companies, assets and projects in which we have operational control (where we have full authority to implement our operating policies), but does not cover our associated companies.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Key performance indicators statistics

<b>Main Focus</b>	<b>Major Index for Performance</b>	<b>30.6.2016</b>	<b>30.6.2017</b>	<b>30.6.2018</b>
Safe Production & Labour Protection	Casualty	0	0	<b>0</b>
	Injured	1	0	<b>0</b>
	Safety management expenses (ten thousand yuan)	92.37	110.23	<b>109.56</b>
Energy Saving and Environmental Protection	Electricity Consumption (kWh)	7,751,202	7,426,587	<b>6,014,209</b>
	Water Consumption (t)	241,321	263,245	<b>294,020</b>
	Greenhouse Gas Emission (t)	13	15	<b>0</b>
	Volume of Tailings Discharged (t)	320,547	340,215	<b>266,760</b>
	Non-hazardous Waste produced (Packaging Materials) (t)	0.9	1.9	<b>6.7</b>
Operation System and Staff Training	Number of Suppliers	18	22	<b>12</b>
	Cases involving Corruption and Litigation	0	0	<b>0</b>
	Number of Employees (Note)	1,362	1,274	<b>214</b>
	Ratio of Females (%)	11.62	10.91	<b>21.96</b>
	Average Hours of Employees Receiving Training (Hour)	40	32	<b>24</b>
Social Contribution	Donation (RMB)	0	0	<b>210,000</b>

Note: For the six months ended 30 June 2016 and 30 June 2017, all employees including employees recruited by our sub-contractors are counted while for the six months ended 30 June 2018, only full-time employees are counted.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## (1) Safety Production and Labour Protection

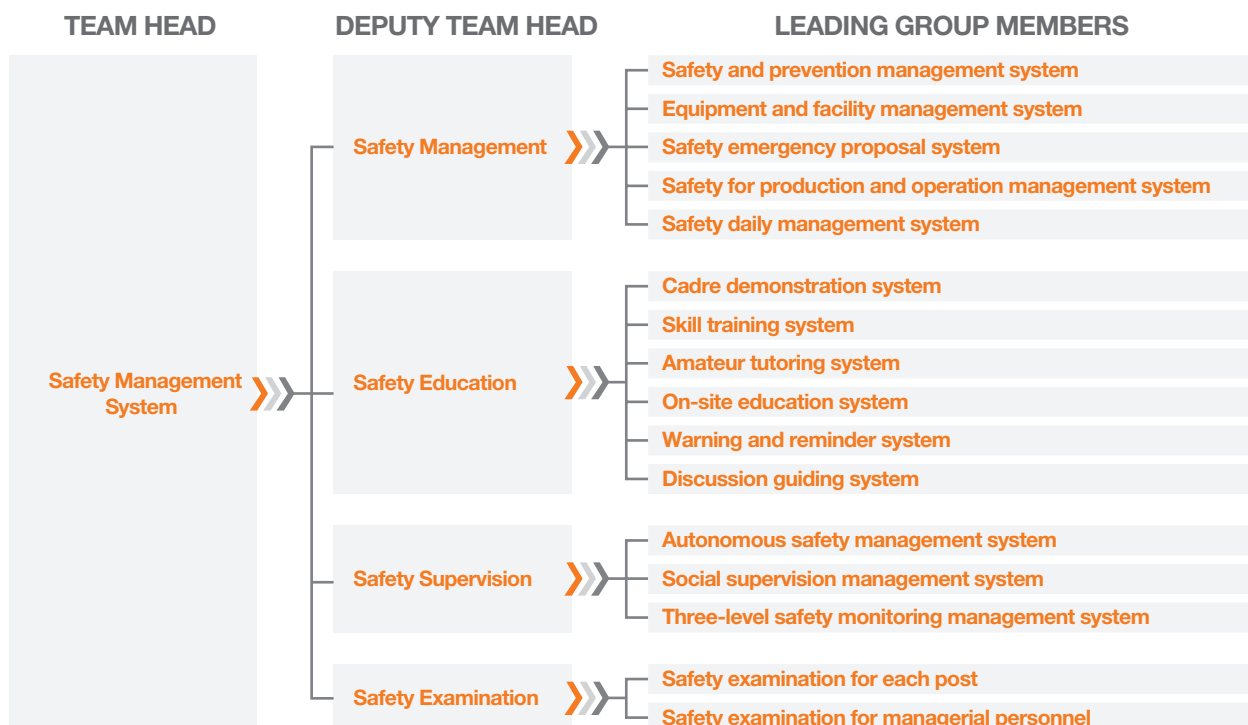
We continue to strictly adhere to the PRC and Myanmar laws and regulations regarding mining production and environmental protection in order to improve our production safety and environmental protection management in a comprehensive manner, and eliminate any production safety accidents from happening.

### (i) Our Work Mechanism

During the Period, we focused on refined worksite management for production safety, and successfully prevented the occurrence of material production safety accidents. During the Period, no casualties, or material injuries were recorded within the Group.

We note that the majority of accidents occurred during the mining operations, and therefore we place great emphasis on production safety as the first priority. Our measures adopted include but are not limited to the followings:

- (a) We have established various safety management systems (safety production responsibility system, safety production regular meeting system, safety and environmental protection examination system, safety production rewards and punishment system, accident reporting and disposition system, etc.) according to the laws and regulations of the PRC and Myanmar and industry standards, gradually enhanced the safety production system, including but not limited to the implementation of management system of one post with double duties for the leaders and the responsibility system thoroughly, which have thus effectively eliminated potential inherent problems of production safety and gradually optimised our safety production systems.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- (b) We have established the production safety committee and the occupational health committee respectively, and set up safety management organization systems and emergency rescue teams. Relevant emergency rescue proposals were formulated and key sources of the safety issues in the mining operations (e.g. stopes, tailings ponds and explosive storages) were closely monitored in order to enable us to have comprehensive controls over hidden perils within the mines and eradicate accidents.
- (c) We conducted regular comprehensive safety inspection with risk investigation as the main focus. We recorded all types of hidden dangers, so as to effectively implement rectification measures. After the rectification, the supervisory departments in charge organized the subsequent acceptance check.
- (d) We held weekly safety meetings to inspect, review and summarize the safety production works. The security managers tracked, inspected, rectified and implemented the safety production requirements at anytime and at anywhere. We carried out safety training and technical operation procedures training from time to time. For new employees, we would carry out pre-job safety training, three-level safety education and training, etc. At the same time, we organized safety training examinations and employees need to obtain relevant safety post certificates before they commenced their works.
- (e) We supervised the internal security management and the safety and environmental protection department of the Group organized regular routine inspections on the safety production of mines, in order to have a comprehensive review on the safety production problems and supervised our subsidiaries to complete the rectification and implementation of safety measures. We carried out safety production month activities, issued notice(s) to each mine, implemented the safety management requirements, and through means of the sharing of safety operation experience, we improved our security management and control capabilities.

## (ii) **Our Subcontracting Management**

We kept reinforcing our management for mining operation by engaging professional and qualified mining companies to conduct mining works, and signing the safety management agreement thereof so as to ensure our sub-contractors to carry out their works in a safe manner. At the same time, we strengthened the safety inspection, supervision and safety rectification and implementation of the contractors, and strictly regulated on-site safety management.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## (iii) Our Emergency Management

We actively established and improved the emergency rescue system for safety production accidents, established an emergency rescue team, organized and carried out various safety drills on emergency rescue and publicity studies, and reported safety systems, operation procedures, and emergency plans to the safety supervision and environmental protection departments for record. Under the supervision and guidance of the safety supervision and environmental protection departments, we have carried out the three-level standardization construction of mines and the construction of “six major systems” to standardize the safety production management of mines.

## (iv) Our Workplace Management Measures

We posted and hoisted the safety operation procedures, safety reminders, safety notice cards, etc. at major workplaces, and reminded the employees to pay attention to the safety, environmental protection and occupational disease prevention. We checked the safety equipments for the employees at the site on a regular basis, and employees without safety protection measures were prohibited to enter into the workplace. If the implementation of safety management measures was not in place, the rectification notice would be issued and the rectification measures would be carried out immediately. We also wrote security management and inspection logs and kept record for future reference.

## (v) Our Operation and Management with Information Technologies

Leveraging on the application of information technologies to our management, any hidden safety problems were managed if not avoided in an earlier, more comprehensive and efficient manner. Our measures adopted include, but are not limited to the followings:

- (a) We installed fully monitored information technology system for explosives warehouses, tailings ponds and material warehouses to eliminate potential safety hazards and to prevent major safety incidents. We installed communication and personnel positioning systems for the operators to keep track of the safety information and location of them and to effectively implement emergency rescue measures;
- (b) We installed ventilation systems, oxygen supply systems, power supply systems, drainage systems, etc. in the downhole work surface to provide safety protection for downhole operations.



*We regularly conduct safety inspections in respect of our mines and processing plants with the inspection and environmental protection departments.*

## (2) Energy Saving & Environment Protection

We are committed to using all resources efficiently and conservatively, and conducting regular assessments to locate and manage the potential impacts of our operations. During the Period, our energy saving and environmental protection measures adopted are set out as follows:

- (i) **Electricity and Water Consumption**  
We installed different power transformer equipments in accordance with our actual demand, to avoid unnecessary waste of electricity and save production costs. We have established production water circulation system to discharge the production tail water to the tailings pond. After the third-stage sedimentation, the tail water would be pumped back to the plant for re-use for beneficiation, and the tail water would be recycled to ensure zero discharge of production water.
- (ii) **Tailings and Greenhouse Gas Emission**  
We have built tailings storage ponds in accordance with the relevant national safety and environmental protection requirements for tailings discharge and storage. It meets the requirements of the government's safety supervision and environmental protection departments and has no environmental impact. Our downstream production adopted flotation process, which used water resources for washing and was basically free of greenhouse gas production and emissions. We actively carried out land reclamation and vegetation restoration work to transform our mines into green mines and ecological mines.
- (iii) **Non-hazardous Waste - Packaging Bags**  
The biggest volume of non-hazardous wastes generated was packaging bags which we always keep in mind to control our usage. Beyond that, the volume of solid and liquid waste we generated was small and the risk of significant environmental spills or leakages was low.

### Compliance with Safety Production Rules and Regulations and Labour Standards

During the Period, we continued to strictly follow all the prevailing laws and regulations regarding safety production and labour standards in Hong Kong, the PRC and Myanmar. To the best of our information and knowledge, there was no material non-compliance with the prevailing laws and regulations regarding safety production and labour standards by the Group during the Period.



*The tailings storage dam of the Aung Jiuja Mine has adopted sufficient anti-seepage measures, which effectively prevent the leakage of tailings.*

## (3) Operation System and Staff Training

### (i) Operation System

#### (a) Supply Chain Management

Our suppliers and contractors provide us with a wide range of products and services, including fuel and equipment, electricity and other raw materials for our mining operations; packaging bags and other related accessories for the sales of our final products as well as underground technology innovation construction service and subcontracting processing services, etc.

Before entering into the Group's supply chain, all of our suppliers are required to be assessed strictly in accordance with the Company's supplier approval system, and such comprehensive review and evaluation are based on a combination of different and various factors such as their reputation, production capacity as applicable.

#### (b) Management of anti-corruption

We have established the anti-corruption management system according to the anti-corruption and bribery laws in the PRC and Myanmar in order to intensify the detailed management, enhanced the responsibility assessment of the department's "chief principals" and established rational and effective management mechanism to prevent our employees from being engaged in illegal activities such as bribery, fraud and laundering, etc.

#### (c) Employment and Labour Standards

We are committed to complying with the PRC and Myanmar employment and labour laws and regulations including but not limited to the followings:

1. Subscription of five national insurances (endowment insurance, employment injury insurance, medical insurance, maternity insurance and unemployment insurance) so as to safeguard the employees' legitimate rights and interests in the safety production.
2. High commercial accident insurance (RMB420,000 of compensation for death and RMB20,000 of compensation for injury) is provided to those employees engaged in high-risk works (such as the underground mining workers).
3. We prohibit the employment of child, forced or compulsory labour in any of our operations. During the Period, we did not identify any operation or supplier as having significant risk of child labour, young workers exposed to hazardous work, or forced or compulsory labour.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## (ii) Staff Training

During the Period, the main contents of our staff training provided including but not limited to the followings:

- (a) Three-levels safety training: All newly recruited employees were at least elementary educated and received no less than 72 hours of safety training. During the internship lasting for no less than 6 months, those employees would not work independently.
- (b) Training on safety and environmental protection for employees: Training on safety and environmental protection for employees would be not less than 36 hours per annum on an average basis.
- (c) Training about safety for those returned to work and shifted to other posts: Those employees who have left the Company for more than 6 months and returned to work, and those employees who shifted their posts should receive training on safety by attending workshops and coaching by teams of their own units.
- (d) Safety training for “Four News”: When new craft, new technology, new equipment and new materials were adopted, the supervising departments would be responsible for training on safety production for all relevant employees.
- (e) Daily safety training, and education and training for personnel on critical posts: Four categories of key personnel, including the main director of mines, deputy director of mines in charge of safety production, head of safety production management department and person in charge of outsourcing projects, as well as safety manager in strict accordance with relevant regulations, received professional training and maintained 100% qualified for their positions.
- (f) Personnel doing special type of work (e.g. powderman, safety personnel and custodian, custodian for tailing pond, electric welder and installation driver, etc.) would receive professional training required by relevant national departments and could work after obtaining the certification and passing three-month internship.

We cherish every employee and believe that our employees will continue to grow with our business expansion. Our employees have been provided with customized, systematic and forward-looking training so as to reveal their potentials for our sustainable development.

In light of our continuing development and in order to ensure the continuing enhancement of the team quality, the Company will provide more trainings to our employees in a progressive manner as well as review and improve the training courses continuously so as to accommodate the demands for our business operation and employees.

*Employees of the Company were attending the safety training organized by the government.*



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## (4) Environmental Protection and Building a Beautiful Community Together

We continue to comply with the PRC and Myanmar laws and regulations related to environmental protection. We continue to take all necessary environmental protection measures such as carefully implementing the deposit system on the restoration and treatment of the mine environment, strictly executing the “three simultaneous” system for environmental protection, preparing as well as implementing the plans for protecting, treating and restoring the mine environment. During the production period, no major geological disasters have occurred at the mines.



*The construction and operation of our processing plant at Shizishan Mine complies with environmental protection regulations and requirements.*

With an aim to create an eco-friendly environment, we value the communication with the local governmental departments. We proactively join the local village committees in the discussion and participation of environmental construction, reconstructing water channels for local villagers and safeguarding the development of local agricultural production so as to build a harmonious society. During the Period, by adhering to the philosophy of “Founding with integrity and developing in harmony”, we emphasized the coordination and adjustment with relevant entities including local governments and villages when constructing a harmonious community. Secondly, we reinforced our foundation of harmony by being actively cooperative as we have always been in the past years so as to develop excellent standardized, humanized and characteristic enterprises.

# INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
<b>REVENUE</b>	3	<b>103,244</b>	15,715
Cost of sales		<b>(86,887)</b>	(12,353)
<b>Gross profit</b>		<b>16,357</b>	3,362
Other income and gains	4	<b>5,873</b>	914
Provisional gain on a bargain purchase		—	20,237
Selling and distribution expenses		<b>(1,573)</b>	(887)
Administrative expenses		<b>(10,739)</b>	(19,652)
Other expenses		<b>(2,851)</b>	(2,606)
Finance costs	5	<b>(13,394)</b>	(14,800)
<b>LOSS BEFORE TAX</b>	5	<b>(6,327)</b>	(13,432)
Income tax expense	6	<b>(3,313)</b>	(6,105)
<b>LOSS FOR THE PERIOD</b>		<b>(9,640)</b>	(19,537)
<b>OTHER COMPREHENSIVE INCOME:</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent years:			
Exchange differences on translation of foreign operations		<b>(196)</b>	279
<b>Total comprehensive loss for the period</b>		<b>(9,836)</b>	(19,258)
Loss attributable to:			
Owners of the Company		<b>(6,091)</b>	(18,122)
Non-controlling interests		<b>(3,549)</b>	(1,415)
		<b>(9,640)</b>	(19,537)
Total comprehensive loss attributable to:			
Owners of the Company		<b>(6,287)</b>	(17,843)
Non-controlling interests		<b>(3,549)</b>	(1,415)
		<b>(9,836)</b>	(19,258)
Loss per share attributable to ordinary equity holders of the Company:			
— Basic and diluted	7	<b>RMB(0.002)</b>	RMB(0.009)

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	810,304	776,653
Investment property	9	7,578	7,916
Intangible assets	8	1,007,110	1,007,982
Prepaid land lease payments	8	10,538	10,673
Payments in advance	10	420,353	447,601
Prepayments and deposits	10	216,461	216,362
Deferred tax assets		63,467	65,351
<b>Total non-current assets</b>		<b>2,535,811</b>	<b>2,532,538</b>
<b>CURRENT ASSETS</b>			
Inventories		50,162	42,372
Trade receivables	11	23,167	9,253
Prepayments, deposits and other receivables	10	18,182	70,565
Due from a related party		—	200
Financial assets at fair value through profit or loss		—	6,500
Cash and cash equivalents		67,976	18,574
<b>Total current assets</b>		<b>159,487</b>	<b>147,464</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	12	8,866	7,742
Contract liabilities	3	3,600	442
Other payables and accruals		176,900	168,424
Tax payable		95,045	93,616
Interest-bearing bank loans	13	448,990	448,990
<b>Total current liabilities</b>		<b>733,401</b>	<b>719,214</b>
<b>NET CURRENT LIABILITIES</b>		<b>(573,914)</b>	<b>(571,750)</b>
<b>Total assets less current liabilities</b>		<b>1,961,897</b>	<b>1,960,788</b>
<b>NON-CURRENT LIABILITIES</b>			
Other payables		56,688	46,549
Provision for rehabilitation		27,758	26,952
Deferred tax liabilities		22,233	22,233
<b>Total non-current liabilities</b>		<b>106,679</b>	<b>95,734</b>
<b>Net assets</b>		<b>1,855,218</b>	<b>1,865,054</b>

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	14	30	30
Reserves		1,608,684	1,614,971
		<b>1,608,714</b>	1,615,001
<b>Non-controlling interests</b>		<b>246,504</b>	250,053
<b>Total equity</b>		<b>1,855,218</b>	1,865,054

**Lei Dejun**  
Director

**Chan Suk Ching**  
Director



# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company										Total equity RMB'000
	Issued capital RMB'000 note 14	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Reserve funds RMB'000	Safety fund surplus reserve RMB'000	Capital contribution reserve RMB'000	Difference arising from changes in		Total RMB'000	Non-controlling interests RMB'000	
							controlling interests RMB'000	non-accumulated losses RMB'000			
<b>At 1 January 2018</b>	30	1,504,337*	(578)*	29,115*	8,912*	233,000*	(4,115)*	(155,700)*	1,615,001	250,053	1,865,054
Loss for the period	-	-	-	-	-	-	-	(6,091)	(6,091)	(3,549)	(9,640)
Other comprehensive income for the period											
Exchange differences related to foreign operations	-	-	(196)	-	-	-	-	-	(196)	-	(196)
Total comprehensive loss for the period	-	-	(196)	-	-	-	-	(6,091)	(6,287)	(3,549)	(9,836)
Establishment for safety fund surplus reserve	-	-	-	-	317	-	-	(317)	-	-	-
Utilisation of safety fund surplus reserve	-	-	-	-	(448)	-	-	448	-	-	-
<b>At 30 June 2018 (unaudited)</b>	30	1,504,337*	(774)*	29,115*	8,781*	233,000*	(4,115)*	(161,660)*	1,608,714	246,504	1,855,218

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

\* These reserve accounts comprise the consolidated reserves of RMB1,608,684,000 (31 December 2017: RMB1,614,971,000) in the consolidated statement of financial position.

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		<b>(6,327)</b>	(13,432)
Adjustments for:			
Finance costs	5	<b>13,394</b>	14,800
Unrealised foreign exchange loss	5	<b>1,129</b>	1,400
Bank interest income	4	<b>(150)</b>	(12)
Interest income from loans to third parties	4	<b>(1,982)</b>	—
Depreciation of property, plant and equipment	8	<b>16,844</b>	11,898
Depreciation of an investment property	9	<b>338</b>	290
Loss on disposal of items of property, plant and equipment	5	<b>95</b>	—
Provision/(reversal of provision) for impairment loss on other receivables	5	<b>(2,941)</b>	1,061
Amortisation of intangible assets	8	<b>945</b>	2,194
Amortisation of prepaid land lease payments	8	<b>135</b>	—
Provisional gain on a bargain purchase		<b>—</b>	(20,237)
		<b>21,480</b>	(2,038)
Increase in trade receivables		<b>(13,914)</b>	(2,639)
Increase in inventories		<b>(7,790)</b>	(2,793)
Increase in prepayments, deposits and other receivables		<b>(3,938)</b>	(1,143)
Increase/(decrease) in trade payables		<b>1,124</b>	(331)
Increase in other payables and accruals		<b>10,966</b>	7,933
		<b>7,928</b>	(1,011)
Cash generated from/(used in) operations		<b>7,928</b>	(1,011)
Interest received		<b>150</b>	12
		<b>8,078</b>	(999)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of items of property, plant and equipment		<b>(13,255)</b>	—
Repayment of loans from third parties		<b>61,279</b>	—
Interests received from loans to third parties		<b>1,982</b>	—
Proceeds from disposal of financial assets at fair value through profit or loss		<b>6,500</b>	—
Increase in payments in advance		<b>—</b>	(26,301)
Acquisition of subsidiaries		<b>—</b>	(6,448)
Expenditures on exploration and evaluation assets		<b>(264)</b>	(2,648)
		<b>56,242</b>	(35,397)
Net cash flows from/(used in) investing activities		<b>56,242</b>	(35,397)

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	—	70,795
Interest paid	(15,268)	(14,441)
Advance from third parties	—	7,883
Net cash flows from/(used in) financing activities	(15,268)	64,237
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>49,052</b>	<b>27,841</b>
Cash and cash equivalents at beginning of the period	18,574	40,778
Effect of foreign exchange rate changes	350	—
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>67,976</b>	<b>68,619</b>

# NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2018

## 1. CORPORATE INFORMATION

China Polymetallic Mining Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company’s principal place of business in Hong Kong is Room 2510, 25/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

During the six months ended 30 June 2018 (the “**Period**”), the Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in mining, ore processing and the sale of lead-silver concentrates and zinc-silver concentrates. There were no significant changes in the nature of the Group’s principal activities during the Period.

In the opinion of the directors of the Company (the “**Directors**”), the Company does not have an immediate holding company or ultimate holding company. CITIC Dameng Investments Limited (“**Dameng**”), a company incorporated in the 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 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 2017.

#### Going concern basis

During the Period, the Group incurred a consolidated net loss of RMB9,640,000 (six months ended 30 June 2017: RMB19,537,000). As at 30 June 2018, the Group had net current liabilities of RMB573,914,000.

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

- (a) As at 30 June 2018, the Group’s total bank loans amounted to RMB448,990,000, all of which will be due in the second half of 2018. The Group has not been able to renew its short-term bank loans in the past years. The Group will continue to actively negotiate with the bank for the renewal of its borrowings to secure necessary facilities to meet the Group’s working capital and financial requirements.

# NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2018

## 2.1 BASIS OF PREPARATION (CONTINUED)

### Going concern basis (continued)

- (b) The Group has budgeted and laid out its business plan for the next twelve months, and seeks to attain profits from the continuance of operational expansion of the Aung Jiuja Mine and GPS JV Mine in Myanmar.

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

- (c) The Group is taking measures to tighten cost controls over administrative and other operating expenses aiming at improving the working capital and cash flow position of the Group including closely monitoring the daily operating expenses.
- (d) The Group is actively following up with its debtors on outstanding receivables with the aim of agreeing a repayment schedule with each of them.

The Directors have reviewed the Group's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors are of the opinion that it is appropriate to prepare the interim condensed financial information of the Group for the six months ended 30 June 2018 on a going concern basis.

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

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

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

# NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2018

## 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 2017, except for the adoption of the following new standards, interpretations and amendments to a number of International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board for the first time for the financial year beginning 1 January 2018.

Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to IFRS 1 and IAS 28

The adoption of these amendments to IFRSs has had no significant financial effect on the financial position or performance of the Group except IFRS 15 and IFRS 9.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* using the modified retrospective method for adoption. For the adoption of IFRS 9, the Group has not restated comparative information and has not recognised any transition adjustments against the opening balance of equity at 1 January 2018. For the adoption of IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

### **IFRS 15 Revenue from Contracts with Customers**

The Group has performed an assessment on the impact of the adoption of IFRS 15 and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of equity at 1 January 2018 was recognised. However, as the presentation and disclosure requirements in IFRS 15 are more detailed than those under IAS 18, as required for the condensed interim financial statements, the Group has disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to Note 3 for the disclosure of disaggregated revenue. In addition, upon adoption of IFRS 15, the Group recognised revenue-related contract liabilities for the unsatisfied performance obligation which were previously recognised as “Advances from customers” under “Other payables and accruals (current)”. As such, the consolidated statement of financial position as at 31 December 2017 was restated, resulting in the recognition of contract liabilities (current) amounting to RMB442,000 and a decrease in “Other payables and accruals (current)” amounting to RMB442,000.

### **IFRS 9 Financial Instruments**

The Group has performed an assessment and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of equity at 1 January 2018 was recognised.

# NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2018

## 3. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue represents the net invoiced value of goods sold, net of various types of government surcharges.

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 December 2017 and 30 June 2018 and will be expected to be recognised within one year:

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000
Sales of self-produced products	442	442
Trading activities	3,158	—
Total contract liabilities	<b>3,600</b>	442

The Group receives payment from customers in advance prior to delivery of products.

Changes in contract liabilities during the period/year are as follows:

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000
At the beginning of the year/period	442	2,189
Revenue recognised that was included in the contract liabilities at the beginning of the year/period	—	(1,972)
Increase due to cash received, excluding amounts recognised as revenue during year/period	3,158	225
At the end of the year/period	<b>3,600</b>	442

There were no contract assets at the end of each reporting period recognised in the consolidated statement of financial position.

The Group's revenue and contribution to profit were mainly derived from its sale of self-produced lead-silver concentrates and zinc-silver concentrates and trading business, which are 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.

# NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2018

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

### Information about products and services

The following table sets forth the total revenue from external customers by products and services and the percentage of total revenue by products during the period:

	For the six months ended 30 June			
	2018		2017	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
<i>Sales of self-produced products:</i>				
Lead-silver concentrates	34,411	33.3	9,545	60.7
Zinc-silver concentrates	6,146	6.0	6,170	39.3
<i>Trading activities:</i>				
Lead-silver concentrates	58,569	56.7	—	—
Zinc-silver concentrates	2,450	2.4	—	—
Other revenue*	1,668	1.6	—	—
	<b>103,244</b>	<b>100.0</b>	15,715	100.0

\* Other revenue consisted of ore processing service fee and mining right leasing income. The mining right of Menghu Company was leased to an independent third party for one year beginning on 1 April 2017 with rental income of RMB1,800,000 per annum.

### Geographical information

#### (a) Revenue from external customers

	For the six months ended 30 June			
	2018		2017	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Domestic* — Mainland China	92,732	89.8	15,715	100.0
Overseas — Myanmar	10,512	10.2	—	—
	<b>103,244</b>	<b>100.0</b>	15,715	100.0

\* The place of domicile of the Group's principal operating subsidiaries is Mainland China.



# NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2018

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

### Information about products and services (continued)

#### Geographical information (continued)

#### (b) Non-current assets

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000
Mainland China	1,440,123	1,461,272
Myanmar*	1,032,221	997,964
	<b>2,472,344</b>	2,459,236

\* The amount includes the payments in advance in respect of acquisition of subsidiaries amounting to RMB383,877,000 (note 10) (31 December 2017: RMB383,877,000) and acquisition of non-controlling interest in a subsidiary amounting to RMB17,000,000 (note 10) (31 December 2017: RMB17,000,000).

#### Information about major customers

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

	<b>For the six months ended 30 June</b>	
	<b>2018 RMB'000 (Unaudited)</b>	2017 RMB'000 (Unaudited)
Customer A	80,896	Nil
Customer B	*	3,124
Customer C	Nil	10,785

\* Less than 10%.

## 4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2018 RMB'000 (Unaudited)</b>	2017 RMB'000 (Unaudited)
Bank interest income	150	12
Reversal of provision for impairment loss of other receivables	2,941	—
Interest income from loans to third parties	1,982	—
Rental income from investment property	440	400
Others	360	502
	<b>5,873</b>	914

# NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2018

## 5. LOSS BEFORE TAX

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

	Notes	For the six months ended	
		30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cost of inventories sold		<b>86,887</b>	12,353
Interest on bank loans		<b>11,327</b>	13,094
Interest on Third Parties Advances (as defined in note 9)		<b>1,261</b>	958
Unwinding of discount		<b>806</b>	748
Finance costs		<b>13,394</b>	14,800
Staff costs (including directors' and chief executive's remuneration):			
Wages and salaries and relevant benefits		<b>7,761</b>	5,312
Pension scheme contributions			
— Defined contribution fund		<b>190</b>	188
		<b>7,951</b>	5,500
Depreciation of items of property, plant and equipment	8	<b>16,844</b>	11,898
Depreciation of an investment property	9	<b>338</b>	290
Amortisation of intangible assets ^	8	<b>945</b>	2,194
Amortisation of prepaid land lease payments ^	8	<b>135</b>	—
Depreciation and amortisation		<b>18,262</b>	14,382
Provision for impairment loss on trade receivables		—	1,061
Reversal of provision for impairment loss			
on other receivables	10	<b>(2,941)</b>	—
Auditors' remuneration		<b>700</b>	1,300
Foreign exchange losses		<b>1,129</b>	1,400
Operating lease rentals		<b>694</b>	324
Loss on disposal of items of property, plant and equipment		<b>95</b>	—

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

# NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2018

## 6. INCOME TAX

The major components of income tax expense were as follows:

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Current — Myanmar	1,429	—
Deferred	1,884	6,105
	<b>3,313</b>	6,105

Notes:

- (a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (b) No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Period.
- (c) Pursuant to the income tax rules and regulations in Myanmar, the Group's subsidiaries located in Myanmar are liable to Myanmar corporate income tax at a rate of 25% on the assessable profits generated for the Period, except GPS Joint Venture Company Limited which has been exempted from Myanmar corporate income tax for the first five years since March 2014 by the Myanmar Investment Commission.
- (d) The subsidiaries located in Mainland China are liable to PRC corporate income tax at a rate of 25% on the assessable profits generated for the Period.

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

The calculation of loss per share is based on the loss attributable to owners of the Company for the Period of RMB6,091,000 (six months ended 30 June 2017: RMB18,122,000), and the number of ordinary shares of 3,579,777,000 (six months ended 30 June 2017: weighted average number of ordinary shares of 2,066,106,000) in issue during the Period.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2018.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2017 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 six months ended 30 June 2017.

# NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2018

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

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

	<b>Property, plant and equipment RMB'000 (Unaudited) (note (a))</b>	<b>Intangible assets RMB'000 (Unaudited) (note (b))</b>	<b>Prepaid land lease payments RMB'000 (Unaudited) (note (c))</b>
Carrying amounts at 1 January 2018	<b>776,653</b>	<b>1,007,982</b>	<b>10,673</b>
Additions	<b>50,671</b>	<b>264</b>	<b>—</b>
Disposals	<b>(111)</b>	<b>—</b>	<b>—</b>
Depreciation/amortisation charged for the Period (note 5)	<b>(16,844)</b>	<b>(945)</b>	<b>(135)</b>
Exchange realignment	<b>(65)</b>	<b>(191)</b>	<b>—</b>
Carrying amounts at 30 June 2018	<b>810,304</b>	<b>1,007,110</b>	<b>10,538</b>

Notes:

- (a) As at 30 June 2018, the Group was in the customary process of obtaining the relevant building ownership certificates (“BOCs”) for the Group’s plant, which was erected on the land where the Group was still in the process of applying for the land use rights certificate, with a net carrying amount of RMB6,905,000 (31 December 2017: RMB7,120,000). The Group’s plant can only be sold, transferred or mortgaged when the relevant BOCs have been obtained.

As at 30 June 2018, the Group’s property, plant and machinery with a total net carrying amount of RMB57,017,000 (31 December 2017: RMB60,547,000) were pledged to secure certain bank loans granted to the Group (note 13(a)).

- (b) As at 30 June 2018, the Group’s intangible assets with a net carrying amount of approximately RMB61,849,000 (31 December 2017: RMB61,849,000) were pledged to secure certain bank loans granted to the Group (note 13(a)).

- (c) As at 30 June 2018, the Group’s prepaid land lease payments with a net carrying amount of approximately RMB10,538,000 (31 December 2017: RMB10,673,000) were pledged to secure certain bank loans granted to the Group (note 13(a)).

# NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2018

## 9. INVESTMENT PROPERTY

	<b>30 June 2018 RMB'000 (Unaudited)</b>
Cost	11,933
Accumulated depreciation	(4,355)
Net carrying amount	7,578
Opening carrying book amount	7,916
Depreciation provided during the Period (note 5)	(338)
Closing net carrying amount	7,578

As at 30 June 2018, the fair value of the investment property was estimated to be approximately RMB11,311,000 (31 December 2017: RMB11,311,000) based on the valuation performed by Sichuan Gongchengxin Real Estate and Land Appraisal Company Limited, independent professionally qualified valuers. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The valuation was determined using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre. The fair value measurement hierarchy of the investment property requires a certain significant unobservable input (Level 3).

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

As at 30 June 2018, the Group's investment property with a net carrying amount of RMB7,578,000 (31 December 2017: RMB7,916,000) was pledged to independent third parties for interest-bearing advances granted to the Group ("**Third Parties Advances**"). As at 30 June 2018, Third Party Advances totalled RMB16,500,000 (31 December 2017: RMB16,500,000) and bear interest at fixed rate of 12% per annum. The Third Parties Advances as at 30 June 2018 and 31 December 2017 were included in "Current liabilities — other payables and accruals" in the consolidated statement of financial position.

# NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2018

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

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
<i>Current portion:</i>			
Prepayments in respect of:			
– purchase of inventories		6,967	1,595
– professional fees		4,155	557
– prepaid land lease payments to be amortised within one year		270	270
– others		4,374	3,317
– deposits		825	934
Loans receivable	(a)	–	62,693
Rental receivables		487	143
Prepaid expenses		88	117
Other receivables in respect of:			
– transfer from trade receivables	(b)	43,991	46,932
– staff advances		1,016	939
		62,173	117,497
Impairment	(b)	(43,991)	(46,932)
		18,182	70,565
<i>Non-current portion:</i>			
Payments in advance in respect of:			
– prepaid land lease payments		11,883	11,883
– mining infrastructure	(c)	7,890	35,138
– acquisition of subsidiaries	(d)	383,877	383,877
– acquisition of non-controlling interest in a subsidiary	(e)	17,000	17,000
Impairment		(297)	(297)
		420,353	447,601
Prepayments in respect of purchase of inventories	(f)	214,165	214,165
Deposit in respect of:			
– environment rehabilitation		1,170	1,170
– others		1,126	1,027
		216,461	216,362
		654,996	734,528

# NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2018

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

Notes:

- (a) Pursuant to a resolution of the Board dated 16 October 2017, the Group made a term of six months interest-bearing loans to three independent third parties (collectively, the “**Borrowers**”) in an aggregated amount of HK\$75,000,000 (equivalent to approximately RMB62,693,000). These loans bore fixed interest rate per annum, due for collection in April 2018 and were guaranteed by an independent third party company (the “**Guarantor**”).

The Group has fully collected the principal and interests due in May 2018.

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

However, the transferred balance has not been collected according to the agreed repayment terms in 2016 as a result of the weak market condition. As such, the Group had made an additional impairment provision of RMB36,049,000 as at 31 December 2016. Despite such provision and longer-than-expected repayment period, the Group has initiated necessary actions to recover the receivable in part or in full. During the Period, the Group collected RMB2,941,000 and the related impairment provision was reversed accordingly.

- (c) The balance represents the prepayment for mining infrastructure of construction in GPS JV Mine.
- (d) Prepayments of RMB383,877,000 made to independent third parties (the “**Sellers**”) in respect of proposed acquisitions of the entire equity interest in six domestic companies of Myanmar pursuant to six framework agreements of equity transfer entered into between the Group and the Sellers on 17 December 2016.
- (e) Prepayments of RMB17,000,000 made to Ms. OHN MAR WIN (“**Ms. OHN**”) in respect of the proposed further acquisition of a 9% equity interest in Harbor Star pursuant to a framework agreement of equity transfer entered into between the Group and Ms. OHN on 26 December 2016.
- (f) The balances represent prepayments made to Xiangcaopo Mining, an independent third party supplier of tungsten and tin ores. Mr. Li Jincheng, the sole owner of Xiangcaopo Mining, entered into an equity pledge agreement with the Group in June 2011, pursuant to which Mr. Li Jincheng pledged his entire equity interests in Xiangcaopo Mining to the Group as security for the future delivery of the ores.

# NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2018

## 11. TRADE RECEIVABLES

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000
Trade receivables	<b>57,618</b>	43,704
Impairment	<b>(34,451)</b>	(34,451)
	<b>23,167</b>	9,253

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

An aged analysis of the trade receivables (net of impairment) as at 30 June 2018 and 31 December 2017, based on the delivery date, is as follows:

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000
Within 3 months	<b>21,239</b>	8,996
6 to 9 months	<b>1,928</b>	257
	<b>23,167</b>	9,253

No movement in provision for impairment of trade receivables during the Period.

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

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000
Neither past due nor impaired	<b>21,239</b>	8,996
4 to 6 months past due	<b>1,928</b>	257
	<b>23,167</b>	9,253

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



# NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2018

## 12. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2018 and 31 December 2017, based on the invoice date, is as follows:

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000
Within 1 month	<b>1,730</b>	1,987
1 to 2 months	<b>1,658</b>	132
2 to 3 months	<b>1,942</b>	1,007
Over 3 months	<b>3,536</b>	4,616
	<b>8,866</b>	7,742

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

## 13. INTEREST-BEARING BANK LOANS

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000
<i>Repayable within one year:</i>		
Bank loans:		
Secured and guaranteed	<b>448,990</b>	448,990
Effective interest rate	<b>4.35%-4.75%</b>	4.35%-4.75%

All of the Group's bank loans are denominated in RMB.

# NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2018

## 13. INTEREST-BEARING BANK LOANS (CONTINUED)

As at 30 June 2018, the Group's bank loans are secured by:

- (a) Mortgages over the following assets:

	<b>Net book amount as at 30 June 2018 RMB'000</b>
Property, plant and equipment (note 8(a))	<b>57,017</b>
Intangible assets (note 8(b))	<b>61,849</b>
Prepaid land lease payments (note 8(c))	<b>10,538</b>

- (b) Pledges of equity interests in the following subsidiaries of the Group:

- (i) 99% of equity interest in Kunrun;
- (ii) 90% of equity interest in Dakuangshan Company;
- (iii) 90% of equity interest in Liziping Company; and
- (iv) 90% of equity interest in Menghu Company.

In addition, the bank loans are guaranteed by Mr. Ran Xiaochuan, who is the Company's former executive director and retired on 6 June 2017, for nil consideration.

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

## 14. ISSUED CAPITAL

### Shares

	<b>30 June 2018 RMB'000 (unaudited)</b>	31 December 2017 RMB'000
Authorised: 38,000,000,000 (31 December 2017: 38,000,000,000) ordinary shares of HK\$0.00001 each	<b>342</b>	342
Issued and fully paid: 3,579,777,000 (31 December 2017: 3,579,777,000) ordinary shares of HK\$0.00001 each	<b>30</b>	30

## 15. DIVIDENDS

At a meeting of the Board of Directors held on 24 July 2018, the Directors resolved not to pay interim dividends for the Period to shareholders (six months ended 30 June 2017: Nil).

# NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2018

## 16. COMMITMENTS

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

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000
Contracted, but not provided for:		
— Exploration and evaluation assets	524	524
— Property, plant and equipment	1,251	1,505
— Acquisition of subsidiaries	4,000	4,000
	<b>5,775</b>	6,029

## 17. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	<b>For the six months ended 30 June</b>	
	<b>2018 RMB'000 (Unaudited)</b>	2017 RMB'000 (Unaudited)
Fees	1,567	877
Basic salaries and other benefits	554	1,061
Pension scheme contributions	5	10
	<b>2,126</b>	1,948

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

# NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2018

## 19. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information was approved and authorised for issue by the Board on 24 July 2018.

## PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

Performance and results of the operations of the Company for previous periods described within this Report are historical in nature. Past performance is no guarantee of the future results of the Company. This report may contain forward-looking statements and opinions, and therefore risks and uncertainties are involved. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. None of the Company, the Directors, employees or agents assumes (a) any obligation to correct or update any forward-looking statements or opinions contained in this report; and (b) any liability arising from any forward-looking statements or opinions that do not materialise or prove to be incorrect.

“Audit Committee”	the audit committee of the Board
“Aung Jiuja Mine”	a lead-zinc mine to which the Harbor Star owns the mining rights
“Ag”	the chemical symbol for silver
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules, as amended from time to time
“China” or “PRC” or “Mainland China”	the People’s Republic of China, which for the purpose of this Interim Report and unless the context suggests otherwise, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company”	China Polymetallic Mining Limited (中國多金屬礦業有限公司), a limited liability company incorporated under the laws of the Cayman Islands on 30 November 2009
“Chinese Standard”	the PRC classification of solid mineral resources and reserves (中國固體礦產資源／儲備分類標準)
“Companies Law”	the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Competent Person’s Report”	the Competent Person’s Report, dated 25 November 2011, prepared by Runge Asia Limited, trading as Minarco-MineConsult with respect to the independent technical review and assessment of the Shizishan Mine; under such report, Minarco reviewed the geological and exploration information, completed a mineral resource and ore reserve estimation in compliance with the recommendations of the JORC Code, and reviewed and commented on the appropriateness of the planned mining methods and mine design, potential production profiles, forecast operating and capital expenditure, short and long term development plans, and environmental and social setting, for the Shizishan Mine, which was disclosed as appendix V to the Prospectus
“Dakuangshan Company”	Mang City Xindi Mining Company Limited (芒市鑫地礦業有限責任公司), a subsidiary of the Company whose registered office is at Mang City, Yunnan Province, the PRC
“Dakuangshan Mine”	a lead-zinc-silver polymetallic mine to which the Dakuangshan Company owns the mining right
“Dazhupeng Mine”	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, the PRC, with respect to which we hold an exploration permit

# GLOSSARY

“Director(s)”	director(s) of the Company
“g/t”	grams per tonne
“GPS JV Mine”	a lead-silver mine to which GPS Joint Venture Company Limited owns the mining rights and the exploration rights
“Group”	the Company and its subsidiaries
“Harbor Star”	Harbor Star Mining Company Limited, a subsidiary of the Company whose registered office is at Ruian County, Shan State, Myanmar
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange” or “HKSE”	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 “ <b>IASB</b> ”) and the International Accounting Standards (the “ <b>IAS</b> ”) 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
“JORC”	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 edition), as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy and used to determine resources and reserves, as amended from time to time
“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”	the listing of our shares on the Hong Kong Stock Exchange
“Listing Date”	14 December 2011
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Liziping Company”	Nujiang Shengjia Chengxin Industrial Company Ltd. (怒江州聖佳誠信實業有限公司), a subsidiary of the Company whose registered office is at Lanping County, Yunnan Province, the PRC
“Liziping Mine”	a lead-zinc-silver polymetallic mine to which the Liziping Company owns the exploration right
“Lushan Mine”	a tungsten-tin polymetallic ore mine located in Yingjiang County, Yunnan Province, the PRC, operated by Xiangcaopo Mining, an independent third party
“Menghu Company”	Meng La Chen Feng Mining Development Company Limited (勐腊縣宸豐礦業開發有限公司), a subsidiary of the Company whose registered office is at Mengla County, Yunnan Province, the PRC
“Menghu Mine”	a lead-zinc polymetallic mine to which the Menghu Company owns the mining right
“mineral resource(s)” or “resource(s)”	a concentration or occurrence of material of intrinsic economic interest in or on the earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction, as defined in the JORC Code. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into “inferred,” “indicated,” and “measured” categories
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“ore reserve(s)” or “reserve(s)”	the economically mineable part of a measured and/or indicated mineral resource, as defined by the JORC Code. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are subdivided, in order of increasing geological confidence, into probable reserves and proved reserves



# GLOSSARY

“Pb”	the chemical symbol for lead
“Period”	six months ended 30 June 2018
“Prospectus”	the prospectus of the Company dated 2 December 2011 and issued in connection with the IPO
“RMB”	the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Shizishan Mine”	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, the PRC, and operated by Kunrun
“sq.km.”	square kilometre
“t”	tonne
“tpd”	tonnes per day
“US\$” or “USD”	United States dollar(s), the lawful currency of the US
“Xiangcaopo Mining”	Yunnan Xiangcaopo Mining Co., Ltd, a limited liability company in the PRC, currently wholly owned by Mr. Li Jincheng, an independent third party
“Yunnan Harbor Star”	Yunnan Harbor Star Mining Limited (雲南港星礦業有限公司), a subsidiary of the Company whose registered office is at Kunming, Yunnan Province, the PRC
“Zn”	the chemical symbol for zinc
“%”	per cent.

Note: The English names of the PRC entities mentioned hereabove are translated from their Chinese names. If there are any inconsistencies, the Chinese names shall prevail.