中国多金属矿业
CHINA POLYMETALLIC MINING

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2133)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately RMB477.1 million for the year ended 31 December 2012 (2011: RMB70.2 million; increase of RMB406.9 million), and the Group's cost of sales amounted to approximately RMB86.9 million (2011: RMB16.2 million; increase of RMB70.7 million), representing a gross profit amounted to approximately RMB390.2 million (2011: RMB54.0 million; increase of RMB336.2 million) and gross profit margin around 81.8% (2011: 76.9%; increased by approximately 4.9 percentage points)

- The Group's net profit for the year ended 31 December 2012 was approximately RMB178.9 million (2011: net loss of RMB244.2 million)

- The total comprehensive income attributable to owners of the Company for the year ended 31 December 2012 was approximately RMB177.0 million (2011: total comprehensive loss attributable to owners of the Company of RMB244.3 million)

- The basic earnings per share attributable to ordinary equity holders of the Company amounted to approximately RMB0.09 for the year ended 31 December 2012

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2012

The Board of China Polymetallic Mining Limited is pleased to announce the audited consolidated results of the Company and its subsidiaries for the year ended 31 December 2012, together with the comparative information for the year ended 31 December 2011, which have been prepared in accordance with the IFRSs as below.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	4	**477,106**	70,180
Cost of sales		**(86,912)**	(16,214)
Gross profit		**390,194**	53,966
Other income		**3,534**	2,760
Selling and distribution expenses		**(1,010)**	(7)
Administrative expenses		**(120,780)**	(54,457)
Recognition of equity-settled share-based payment		**—**	(233,000)
Other expenses		**(3,793)**	(2,855)
Finance costs	5	**(5,047)**	(382)
PROFIT/(LOSS) BEFORE TAX	6	**263,098**	(233,975)
Income tax expense	7	**(84,236)**	(10,272)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**178,862**	(244,247)
Attributable to:			
Owners of the Company		**176,984**	(244,268)
Non-controlling interests		**1,878**	21
		178,862	(244,247)
Earnings/(loss) per share attributable to ordinary equity holders of the Company:			
— Basic and diluted	8	**RMB0.09**	RMB(0.21)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**430,146**	311,345
Intangible assets	9	**632,262**	75,793
Prepaid land lease payments		**12,857**	13,126
Payments in advance		**11,883**	163,952
Prepayment and deposits	12	**124,884**	94,854
Deferred tax assets		**11,892**	3,820
Total non-current assets		**1,223,924**	662,890
CURRENT ASSETS			
Inventories	10	**12,838**	4,701
Trade receivables	11	**279,013**	20,304
Prepayments, deposits and other receivables	12	**41,994**	42,663
Cash and cash equivalents		**327,007**	870,311
Total current assets		**660,852**	937,979
CURRENT LIABILITIES			
Trade payables		**13,695**	4,523
Other payables and accruals	13	**97,311**	101,566
Tax payable		**74,462**	11,617
Interest-bearing bank loans	14	**60,000**	10,000
Total current liabilities		**245,468**	127,706
NET CURRENT ASSETS		**415,384**	810,273
Total assets less current liabilities		**1,639,308**	1,473,163
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	14	**60,000**	120,000
Provision for rehabilitation		**14,903**	12,178
Total non-current liabilities		**74,903**	132,178
Net assets		**1,564,405**	1,340,985
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	**17**	17
Treasury shares	15	**(126)**	—
Reserves		**1,518,715**	1,339,638
		1,518,606	1,339,655
Non-controlling interests		**45,799**	1,330
Total equity		**1,564,405**	1,340,985

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2012

	Notes	**2012** **RMB'000**	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**263,098**	(233,975)
Adjustments for:			
Finance costs	5	**5,047**	382
Unrealised foreign exchange loss		**2,344**	1,183
Bank interest income		**(2,732)**	(287)
Equity-settled share-based payment		**—**	233,000
Equity-settled share option expense	16	**7,983**	379
Depreciation	6	**28,321**	5,920
Amortisation of intangible assets	6	**3,476**	693
Amortisation of prepaid land lease payments	6	**269**	90
		307,806	7,385
Increase in trade receivables		**(258,709)**	(20,304)
Increase in inventories		**(6,768)**	(3,956)
Increase in prepayments, deposits, and other receivables		**(68,307)**	(81,060)
Increase in trade payables		**9,172**	4,523
Increase in other payables and accruals		**37,643**	9,424
Cash generated from/(used in) operations		**20,837**	(83,988)
Interest received		**2,152**	287
Income tax paid		**(29,463)**	(454)
Net cash flows used in operating activities		**(6,474)**	(84,155)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(208,175)**	(156,136)
Increase in time deposits with original maturity of over three months		**(60,000)**	—
Payments in advance in respect of:			
— Prepaid land lease payments		**(8,098)**	(3,785)
— Exploration and evaluation assets		**—**	(158,066)
Acquisition of subsidiaries	18	**(219,418)**	—
Expenditures on exploration and evaluation assets		**(72,698)**	(35,718)
Purchase of prepaid land lease payments		**—**	(6,283)
Net cash flows used in investing activities		**(568,389)**	(359,988)

continued/...

	2012	2011
	RMB'000	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(10,081)**	—
Repurchase of shares	**(6,016)**	—
Proceeds from issue of shares	**—**	904,432
Share issue expenses	**—**	(64,728)
Proceeds from bank loans	**—**	130,000
Repayment of bank loans	**(10,000)**	—
Acquisition of non-controlling interests in a subsidiary	**—**	(6,160)
Increase in an amount due to a related party	**—**	336,959
Net cash flows (used in)/from financing activities	**(26,097)**	1,300,503
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(600,960)**	856,360
Cash and cash equivalents at beginning of year	**870,311**	20,320
Effect of foreign exchange rate changes	**(2,344)**	(6,369)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**267,007**	870,311
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**197,007**	870,311
Non-pledged time deposits	**130,000**	—
Cash and cash equivalents as stated in the consolidated statement of financial position	**327,007**	870,311
Time deposits with original maturity of over three months	**(60,000)**	—
Cash and cash equivalents as stated in the consolidated statement of cash flows	**267,007**	870,311

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

China Polymetallic Mining Limited is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is Unit 4712, 47/F, The Center, 99 Queen's Road Central, Hong Kong.

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

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

2. BASIS OF PREPARATION

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

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised IFRSs has had no significant financial effect on these financial statements.

4. REVENUE AND OPERATING SEGMENT INFORMATION

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

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

Entity-wide disclosures

Information about products

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

	2012		2011	
	RMB'000	*%*	*RMB'000*	*%*
Lead-silver concentrates	**354,742**	**74.4**	51,198	73.0
Zinc-silver concentrates	**122,364**	**25.6**	18,982	27.0
	477,106	**100.0**	70,180	100.0

Geographical information

All external revenue of the Group during the year ended 31 December 2012 was attributable to customers established in the PRC, the place of domicile of the Group's operating entities. The Group's non-current assets are all located in the PRC.

Information about major customers

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

	2012	2011
	RMB'000	*RMB'000*
Customer A	**224,616**	57,600
Customer B	*	7,298
Customer C	**192,179**	—
Customer D	**47,249**	*

* Less than 10% of total revenue

5. FINANCE COSTS

	2012 *RMB'000*	2011 *RMB'000*
Interest on bank loans wholly repayable within five years	**10,081**	5,038
Unwinding of a discount in relation to provision for rehabilitation	**969**	382
	11,050	5,420
Less: interest capitalised to property, plant and equipment	**(6,003)**	(5,038)
	5,047	382

6. PROFIT/(LOSS) BEFORE TAX

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

	2012 *RMB'000*	2011 *RMB'000*
Cost of inventories sold	**86,912**	16,214
Staff costs (including directors' and acting chief executive officer's remuneration):		
Wages and salaries	**33,121**	11,285
Equity-settled share-based payment	**—**	233,000
Equity-settled share option expense *(note 16)*	**7,983**	379
Pension scheme contributions — Defined contribution fund	**598**	217
Housing fund — Defined contribution fund	**27**	115
	41,729	244,996
Depreciation of items of property plant and equipment	**28,321**	5,920
Amortisation of intangible assets ^	**3,476**	693
Amortisation of prepaid land lease payments ^	**269**	90
Depreciation and amortisation	**32,066**	6,703
Auditors' remuneration	**3,915**	2,054
Foreign exchange losses included in other expenses	**2,344**	1,183
Operating lease rentals in respect:		
— Motor vehicles	**612**	167
— Office building	**1,490**	355

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

7. INCOME TAX

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

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

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

The major components of income tax expense were as follows:

	2012	2011
	RMB'000	*RMB'000*
Current — Mainland China		
Charge for the year	**92,308**	11,675
Under-provision in prior years	**—**	396
Deferred	**(8,072)**	(1,799)
Total tax charge for the year	**84,236**	10,272

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

	2012	2011
	RMB'000	*RMB'000*
Profit/(loss) before tax	**263,098**	(233,975)
Add: disallowed expenses incurred by the Company*	**75,325**	287,461
Profit before tax generated by Hong Kong and PRC subsidiaries	**338,423**	53,486
Tax at the respective statutory tax rates:		
— PRC subsidiaries, at 25%	**81,318**	10,052
— Hong Kong subsidiary, at 16.5%	**2,170**	2,191
Income not subject to tax	**(2,439)**	(2,283)
Tax losses not recognised	**263**	74
Expenses not deductible for tax	**1,719**	194
Withholding income tax of 10% on the interest income of the Hong Kong subsidiary from PRC subsidiaries	**1,205**	—
Adjustments in respect of current tax of the previous year	**—**	396
Reversal of net deferred tax liabilities recognised in the previous year	**—**	(352)
Income tax expense	**84,236**	10,272

* Expenses incurred by the Company during the year mainly consist of professional fees relating to road show activities, consultancy services and foreign exchange losses incurred by the Company (2011: a one-time equity-settled share-based payment expense and transaction costs in relation to the initial public offering incurred by the Company). These expenses are not expected to be tax deductible.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount for the year ended 31 December 2012 is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,999,159,375 in issue during the year, as adjusted to reflect the repurchase of shares during the year (note 15).

The calculation of the basic loss per share amount for the year ended 31 December 2011 is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,148,208,219 in issue during 2011.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market price for the Company's shares during the current and the prior year.

9. INTANGIBLE ASSETS

	Mining rights *RMB'000*	Exploration and evaluation assets *RMB'000*	Total *RMB'000*
31 December 2012			
Cost at 1 January 2012, net of accumulated amortisation	72,549	3,244	75,793
Acquisition of subsidiaries (note 18)	256,739	205,910	462,649
Additions	64,654	33,440	98,094
Amortisation provided during the year	(4,274)	—	(4,274)
At 31 December 2012	389,668	242,594	632,262
Analysed as:			
Cost	394,635	242,594	637,229
Accumulated amortisation	(4,967)	—	(4,967)
Net carrying amount	389,668	242,594	632,262
31 December 2011			
Cost at 1 January 2011, net of accumulated amortisation	9,282	35,597	44,879
Additions	55	31,552	31,607
Transfer to mining rights	63,905	(63,905)	—
Amortisation provided during the year	(693)	—	(693)
At 31 December 2011	72,549	3,244	75,793
Analysed as:			
Cost	73,242	3,244	76,486
Accumulated amortisation	(693)	—	(693)
Net carrying amount	72,549	3,244	75,793

As at 31 December 2012, the mining right to the Shizishan Mine with a net carrying amount of RMB69,408,000 (2011: RMB72,549,000) was pledged to secure the Group's bank loans (note 14).

10. INVENTORIES

	Group	
	2012 *RMB'000*	2011 *RMB'000*
Raw materials	**4,601**	1,756
Spare parts and consumables	**3,986**	2,878
Finished goods	**4,251**	67
	12,838	4,701

11. TRADE RECEIVABLES

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Within 3 months (neither past due nor impaired)	**232,028**	20,304
3 to 6 months (less than 3 months past due)	**46,985**	—
	279,013	20,304

The Group temporarily extended the credit term offered to the existing customers from one month in 2011 to three months from May 2012 to December 2012 given the unfavourable market conditions and granted a three-month credit term to a new customer in October 2012. 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.

Receivables that were past due but not impaired related to a customer for whom the credit term was further extended up to nine months as at 25 January 2013. This customer has made subsequent repayment in accordance with the repayment arrangement agreement dated then. The Directors are of the opinion that no provision for impairment is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group	
		2012	*2011*
	Notes	***RMB'000***	*RMB'000*
Current portion:			
Prepayments in respect of:			
— purchase of inventories	*(a)*	**30,696**	38,136
— professional fees	*(b)*	**7,285**	—
— prepaid land lease payments to be amortised within one year		**270**	270
— Other prepayments		**1,088**	345
Interest income receivable		**580**	—
Deposits		**451**	44
Staff advances		**1,624**	1,868
Government grants receivable		**—**	2,000
		41,994	42,663
Non-current portion:			
Prepayment in respect of purchase of inventories	*(a)*	**123,714**	54,854
Deposits in respect of:			
— environmental rehabilitation		**1,170**	—
— an option to acquire interest in an entity		**—**	40,000
		124,884	94,854
		166,878	137,517

Notes:

(a) The balance mainly represents prepayments of RMB154,135,000 (2011: RMB91,358,000) made to Xiangcaopo Mining, an independent third party supplier for tungsten and tin ores, of which the delivery commenced in December 2012. 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.

(b) The balance represents professional fees prepaid for the provision of roadshow activities and consultancy services.

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

13. OTHER PAYABLES AND ACCRUALS

	2012	2011
	RMB'000	*RMB'000*
Payables relating to:		
Exploration and evaluation assets	**26,430**	674
Property, plant and equipment	**12,874**	85,155
Professional fees	**4,080**	9,638
Tax other than income tax	**30,928**	(3,282)
Payroll and welfare	**116**	81
Mining resource compensation fees	**9,466**	1,484
Mining resource usage fees	**913**	897
Non-controlling shareholder of Dakuangshan Company	**4,385**	—
Others	**490**	63
	89,682	94,710
Accruals	**7,629**	6,856
	97,311	101,566

The payable to the non-controlling shareholder of Dakuangshan Company is interest-free and has no fixed term of repayment. The remaining other payables are non-interest-bearing and have average payment terms within three to six months.

14. INTEREST-BEARING BANK LOANS

	2012	2011
	RMB'000	*RMB'000*
Secured bank loans and repayable:		
Within one year	**60,000**	10,000
In the second year	**60,000**	60,000
In the third year	**—**	60,000
	120,000	130,000
Current portion	**(60,000)**	(10,000)
Non-current portion	**60,000**	120,000

The Group's bank loans are secured by the mortgage over the Group's mining right to the Shizishan Mine with a net carrying amount of RMB69,408,000 as at 31 December 2012 (2011: RMB72,549,000) (note 9). As at 31 December 2012, all bank loans were denominated in RMB and bore interest at 7.98% (2011: 7.83%) per annum.

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

15. SHARE CAPITAL

Shares

	2012	2011
	RMB'000	*RMB'000*
Authorised:		
38,000,000,000 (2011: 38,000,000,000) ordinary shares of HK$0.00001 each	**342**	342
Issued and fully paid:		
1,994,894,000 (2011: 2,000,000,000) ordinary shares of HK$0.00001 each	**17**	17

During the year, the Company repurchased 5,206,000 of its own shares on the HKSE within a price range from HK$1.17 to HK$1.56 per share, of which 5,106,000 of the repurchased shares were cancelled during the year. The issued capital of the cancelled shares was reduced by the par value and the premium paid thereon has been charged to share premium of the Company accordingly.

The remaining repurchased 100,000 ordinary shares were held as treasury shares and carried at cost as at 31 December 2012, and were subsequently cancelled on 17 January 2013. Treasury shares have no voting rights, or rights to dividends and participation in other distributions.

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

16. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants including executives or officers (including executive, non-executive and independent non-executive directors) or employees (whether full time or part time) of any member of the Group and any persons whom the Directors considers, in its sole discretion, have contributed or will contribute to the development and growth of the Group. The Share Option Scheme was approved by the Company's shareholders on 14 December 2011 and, unless otherwise cancelled or amended, will remain in force for five years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of the shareholders' approval of the Share Option Scheme (i.e., 14 December 2011). The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one to four years and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Share Option Scheme, if earlier.

On 14 December 2011, the Company granted share options to independent non-executive directors. Each independent non-executive director was upon listing of the Company granted options to purchase such number of the Company's shares having an aggregate value of US$2 million with the exercise price being the offer price of HK$2.22 per share, which shall vest, and upon vesting become exercisable in four equal tranches on the first, second, third and fourth anniversaries of the Listing Date.

The exercise price of share options is determinable by the Board, but may not be less than the highest of (i) the nominal value of shares of the Company; (ii) the average official closing price of the Company's shares as stated on the HKSE's daily quotation sheets for the five business days immediately preceding the date of grant of the share options; and (iii) the official closing price of the Company's shares as stated in the HKSE's daily quotation sheet on the date of grant of the share options.

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

The exercise prices and exercise periods of the share options outstanding as at 31 December 2012 and 31 December 2011 are as follows:

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

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

The fair value of the share options granted in 2011 was HK$19,626,000 (equivalent to approximately RMB15,953,000) or HK$0.47 each (equivalent to approximately RMB0.38 each), of which the Group recognised a share option expense of HK$9,797,000 (approximately RMB7,983,000) during the year ended 31 December 2012 (2011: HK$466,000, equivalent to approximately RMB379,000).

The fair value of equity-settled share options granted in 2011 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

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

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

At the end of the reporting period, the Company had 42,162,162 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 42,162,162 additional ordinary shares of the Company and additional share capital of HK$422 and share premium of HK$93,388,931 (before issue expenses).

Subsequent to the end of the reporting period, on 16 January 2013, a total of 157,837,838 share options were granted to certain of the eligible participants of the Company in respect of their services to the Group in the forthcoming year. The price of the Company's shares at the date of grant was HK$1.7 per share. The vesting period and the exercise price of the share options mentioned above are included in note 22 to the financial statements.

At the date of approval of these financial statements, the Company had 200,000,000 share options outstanding under the Share Option Scheme, which represented approximately 10.0% of the Company's shares in issue as at that date.

17. DIVIDENDS

At a meeting of the board of directors held on 22 March 2012, the Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

18. ACQUISITIONS

The acquisitions of Dakuangshan Company, Liziping Company and Menghu Company have been accounted for as asset acquisitions, as these acquisitions had no attribution of a business. The identified assets and liabilities as at the respective dates of acquisition were as follows:

	Dakuangshan Company *RMB'000*	**Liziping Company** *RMB'000*	**Menghu Company** *RMB'000*	**Total** *RMB'000*
Property, plant and equipment	28,731	436	184	29,351
Intangible assets *(note 9)*	161,986	205,910	94,753	462,649
Cash and bank balances	104	830	2,968	3,902
Inventories	1,314	—	55	1,369
Prepayments	166	—	308	474
Other payables	(31,190)	(37,377)	(3,267)	(71,834)
Non-controlling interests	(16,111)	(16,979)	(9,501)	(42,591)
Total identifiable net assets at fair value	145,000	152,820	85,500	383,320

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	Dakuangshan Company *RMB'000*	**Liziping Company** *RMB'000*	**Menghu Company** *RMB'000*	**Total** *RMB'000*
Cash consideration	145,000	152,820	85,500	383,320
Prepayment/deposit paid in 2011	(40,000)	(120,000)	—	(160,000)
Cash and bank balances acquired	(104)	(830)	(2,968)	(3,902)
Net outflow of cash and cash equivalents during the year	104,896	31,990	82,532	219,418

19. COMMITMENTS

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

	2012 *RMB'000*	2011 *RMB'000*
Contracted, but not provided for:		
— Exploration and evaluation assets	**27,573**	320,671
— An option to acquire equity interest in an entity	**—**	105,000
— Property, plant and equipment	**23,993**	31,830
	51,566	457,501
Authorised, but not contracted:		
— Property, plant and equipment	**138,735**	92,280
— Exploration and evaluation expenditures	**254,820**	—
	393,555	92,280
	445,121	549,781

20. CONTINGENT LIABILITIES

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

21. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had no transactions with its related parties.

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

	2012	2011
	RMB'000	*RMB'000*
Fees	**3,971**	—
Basic salaries and other benefits	**7,257**	4,577
Equity-settled share based payment	**—**	233,000
Equity-settled share option expense	**7,983**	379
Pension scheme contributions	**41**	47
	19,252	238,003

22. EVENT AFTER THE REPORTING PERIOD

On 16 January 2013, 157,837,838 share options (the "**Share Options**") carrying the rights to subscribe for up to a total of 157,837,838 ordinary shares of HK$0.00001 each in the share capital of the Company were granted by the Company to certain grantees under the Share Option Scheme conditionally adopted by the Company on 24 November 2011. The grant of the Share Options had been approved by all independent non-executive directors of the Company by way of a written resolution dated 16 January 2013. Among the Share Options granted above, 41,600,000 share options were granted to executive directors and the acting chief executive officer of the Company.

Subject to the rules of the Share Option Scheme, 50% of the Share Options may be exercised within the period from 16 January 2014 to 15 January 2018 (the "**First Batch**"), a further 25% of the Share Options may be exercised within the period from 16 January 2015 to 15 January 2018 (the "**Second Batch**") and the remaining 25% of the Share Options may be exercised within the period from 16 January 2016 to 15 January 2018 (the "**Third Batch**"). The exercise price of the First Batch is HK$1.7 per Share. The exercise price of the Second Batch and the Third Batch is to be determined with reference to the prevailing market price on the first anniversary and the second anniversary of the grant date but in any event will not be less than HK$1.7.

Particulars of the grant of Share Options mentioned above were set out in the Company's announcement dated 16 January 2013.

The fair value of the share options as at the date of grant was HK$80,571,000 (equivalent to approximately RMB65,210,000) or HK$0.51 each (equivalent to approximately RMB0.41 each), of which the Group will recognise a share option expense of HK$43,873,000 (equivalent to approximately RMB35,508,000) for the year ending 31 December 2013.

23. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 22 March 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING MINE — SHIZISHAN MINE

Mineral resources and reserves of the Shizishan Mine

The Shizishan Mine is a large-scale, high-grade lead-zinc-silver underground polymetallic mine in the Yinjiang County of Yunnan Province, and is in a period of significant production growth. Based on the results of the resources and reserves for the Shizishan Mine as at 25 October 2011 disclosed in the Competent Person's Report as set out in appendix V to the Prospectus, our Group estimated the results of resources and reserves under the JORC Code as at 31 December 2012 as follows:

The Shizishan Mine — JORC Mineral Resources as at 31 December 2012
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	2,041,590	10.9	6.6	271.0	237,219	138,548	644
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	8,955,590	9.4	6.0	256	852,019	541,548	2,344

The Shizishan Mine — JORC Ore Reserve Estimate as at 31 December 2012

Class	Quantity *(t)*	Pb *(%)*	Zn *(%)*	Ag *(g/t)*	Pb metal *(t)*	Zn metal *(t)*	Ag metal *(t)*
Proved	1,921,590	10.0	6.1	251.0	204,819	118,948	544
Probable	5,713,000	9.0	5.9	250.0	514,500	336,900	1,400
Total	7,634,590	9.3	6.0	250.0	719,319	455,848	1,944

Note: Figures reported are rounded up which may result in small tabulation errors.

Operation results of the Shizishan Mine

The following table summarises the mining and processing results for the year ended 31 December 2012 and 2011 of the Shizishan Mine operated by the Group:

	Items	Unit	For the year ended 31 December 2012	2011
ROM ore	Mined	kt	344.3	69.9
	Processed	kt	342.7	68.3
Feed grade	Lead	%	6.8	5.6
	Zinc	%	5.6	4.8
	Silver	g/t	145	98
Recovery	Lead	%	86.6	82.9
	Zinc	%	86.8	85.6
	Silver in lead concentrate	%	77.9	77.4
	Silver in zinc concentrate	%	8.4	6.9
Concentrate grade	Lead	%	54	55
	Zinc	%	49	50
	Silver in lead concentrate	g/t	1,027	896
	Silver in zinc concentrate	g/t	122	82
Concentrate tonnes	Lead-silver concentrate	kt	37.6	5.8
	Zinc-silver concentrate	kt	33.8	5.7
Metal contained in concentrate	Lead	t	20,282	3,190
	Zinc	t	16,546	2,819
	Silver in lead concentrate	kg	38,659	5,197
	Silver in zinc concentrate	kg	4,142	463

Our Group commenced commercial production in October 2011, thus for the year ended 31 December 2011 the total raw ore mined was only 69.9 kt. With the expansion of our mining capacity, the total raw ore mined for the year ended 31 December 2012 significantly increased by 274.4 kt to 344.3 kt. Correspondingly, the production of lead, zinc and silver also increased to 20.3 kt, 16.5 kt and 42.8 kg for the year ended 31 December 2012, respectively. Meanwhile, by the end of December 2012, the Shizishan Mine had attained the planned full mining capacity of 2,000 tpd. The full processing capacity of 2,000 tpd was attained in July 2011.

Production costs at the Shizishan Mine

In line with the growth of mining capacity at the Shizishan Mine, unit production costs decreased compared to 2011. The comparison is set out in the following table:

	For the year ended 31 December		
	2012	2011	Variance
	RMB	*RMB*	*RMB*
Total cash cost per tonne of ore processed	**239**	410	(171)
Total production cost per tonne of ore processed	**308**	508	(200)
Total cash cost per tonne of concentrate	**1,145**	2,442	(1,297)
Total production cost per tonne of concentrate	**1,478**	3,025	(1,547)

Capital expenditure of the Shizishan Mine

Capital expenditure of the Shizishan Mine for the periods is indicated below (RMB million):

	23 April 2009 to 31 December	**For the year ended 31 December**			
	2009	**2010**	**2011**	**2012**	**Total**
Mining	6.0	34.7	64.7	106.8	212.2
Mining Infrastructure	0.3	0.3	30.1	105.9	136.6
Mining Right and Exploration	5.7	34.4	34.6	0.9	75.6
Processing	1.3	48.7	92.2	52.1	194.3
Processing Factory and Equipment	0.3	40.0	77.5	42.5	160.3
Tailing Storage Facilities	1.0	8.7	14.7	9.6	34.0
Prepaid Land Lease Payment and Buildings	—	7.2	22.4	0.8	30.4
Total	**7.3**	**90.6**	**179.3**	**159.7**	**436.9**

OPERATING MINE — DAKUANGSHAN MINE

On 20 April 2012, the Company exercised the option to purchase 90% of equity interests in the Dakuangshan Company. The consideration for the acquisition was RMB145 million, based on the estimated resources of lead and zinc metals of the mine. The Dakuangshan Mine is a lead-zinc-silver polymetallic mine located approximately 100 km away from the Shizishan Mine. The mining permit of the Dakuangshan Mine covers an area of 1.56 sq. km. and is valid for eight years, from 9 March 2012 to 9 March 2020. Please refer to the Company's announcement on 20 April 2012 for more details.

Update of Dakuangshan Mine's reserve

Based on the geologist report issued by the Sichuan Province Geological Group dated 11 April 2012 in accordance with the Chinese Standard, the estimated indicated and inferred lead-zinc resources of the Dakuangshan Mine as at 31 December 2012 are as follows:

The Dakuangshan Mine – Chinese Standard Mineral Resources as at 31 December 2012

	Metal Resources			Grade		
	Lead	**Zinc**	**Silver**	**Lead**	**Zinc**	**Silver**
	(kt)	*(kt)*	*(t)*	*(%)*	*(%)*	*(g/t)*
Indicated+Inferred	118.1	228.5	216.4	2.69	5.2	54.16

Operational results for the Dakuangshan Mine

From December 2012, the Dakuangshan Mine commenced commercial production with full mining and processing capacity of 600 tpd each. However, at this stage the Dakuangshan Mine cannot be operated at full production primarily due to the construction of power network infrastructures by the local government. Currently, the electric power can only support one processing production line with the capacity of 300 tpd. According to the local government's construction schedule, the construction work will be completed by the end of the third quarter of 2013, at which time the Dakuangshan Mine will be operated at its full production capacity.

Given the above reasons, in December 2012 the volume of the raw ore mined and processed was approximately 5.3 kt and 5.1 kt respectively, and the average daily volume of raw ore mined and processed was only approximately 212 t and 203 t respectively. The below table summarises the mining and processing results in December 2012 of the Dakuangshan Mine:

	Items	**Unit**	**2012 December**
ROM ore	Mined	kt	5.3
	Processed	kt	5.1
Feed grade	Lead	%	1.4
	Zinc	%	2.6
	Silver	g/t	23
Recovery	Lead	%	80.3
	Zinc	%	80.2
	Silver in lead concentrate	%	70.9
	Silver in zinc concentrate	%	9.8
Concentrate grade	Lead	%	56
	Zinc	%	45
	Silver in lead concentrate	g/t	788
	Silver in zinc concentrate	g/t	49
Concentrate tonnes	Lead-silver concentrate	t	103.4
	Zinc-silver concentrate	t	231.0
Metal contained in concentrate	Lead	t	58.4
	Zinc	t	104.4
	Silver in lead concentrate	kg	81.6
	Silver in zinc concentrate	kg	11.3

Capital expenditure of the Dakuangshan Mine

As at 31 December 2012, the Group has invested a total of RMB94.9 million in the Dakuangshan Mine, including (i) the capital expenditures of RMB13.4 million incurred for the exploration activities with a total of 21 drill holes of approximately 12.2 km completed; (ii) the capital expenditures of RMB56.9 million on the construction of mining infrastructure, such as 4 exploration tunnels of approximately 41.0 km in total, which were also used to exploit the mine; (iii) the capital expenditure of RMB16.5 million on the processing plant and tailing storage facilities; and (iv) capital expenditures of RMB8.1 million related to prepaid land lease payment for the processing plant at the Dakuangshan Mine. The Group plans to spend a further RMB85.8 million on exploration and development activities at the Dakuangshan Mine.

OTHER MINES

Liziping Mine

On 18 May 2012, the Company acquired 90% of equity interests in the Liziping Company for a total consideration of RMB152.8 million. The Liziping Mine is a lead-zinc-silver polymetallic mine located approximately 700 km away from the Shizishan Mine. The exploration permit covers an area of 18.29 sq. km. and has a validity term from 29 December 2010 to 29 December 2012. Exploration activities covering an area of approximately 4 sq. km. were completed in May 2012. The Liziping Company is in the process of renewing the exploration permit, which is expected to be obtained in the second quarter of 2013. After that, the Liziping Company will apply for a mining permit for the first mining area of approximately 4 sq. km..

The 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. A summary of the estimated resources 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** *(%)*	**Silver** *(g/t)*
Indicated	23.1	41.5	7.7	120.56	3.81	4.83	0.99	123.4
Inferred	73.5	99.8	18.5	276.7	12.45	2.9	0.78	278.78

The above resources represent an area of 4 sq. km. out of a total of 18.29 sq. km. under the exploration permit. Based on the technical due diligence performed by the Group's experts, we believe that there is potential for a large resource base, therefore we continued exploration activities after the acquisition. For the year ended 31 December 2012, a total of 24 drill holes of approximately 13.1 km of drilling and 4 exploration tunnels of approximately 2.2 km were completed and capital expenditure RMB39.6 million was incurred. The Group estimates that a further capital expenditure RMB50.4 million will be incurred for exploration of the remaining area. Please refer to the Company's announcement on 18 May 2012 for more details.

Menghu Mine

On 2 March 2012, the Group entered into a share transfer agreement to acquire 90% of the equity interest in the Menghu Company for a total consideration of RMB85.5 million. The transaction was completed on 16 August 2012. Menghu Mine is a lead-zinc polymetallic mine located in Meng La County, Yunnan Province. The mining permit of the Menghu Mine covers an area of 0.4 sq. km. and is valid for 5 years, from 2 February 2010 until 2 May 2015.

The Menghu Company 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 the Menghu Mine in March 2012. A geologist report for the Menghu Mine was issued on 30 November 2012. A summary of the estimated resources in accordance with the Chinese Standard in the aforesaid report is as follows:

	Metal Resources		**Grade**	
	Lead *(kt)*	**Zinc** *(kt)*	**Lead** *(%)*	**Zinc** *(%)*
Indicated & Inferred	32.2	18.5	13.8	7.8

Up to 31 December 2012, the Menghu Company had spent RMB6.4 million on the exploration activities with 27 drilling holes of a total of approximately 3.2 km completed and RMB3.6 million on the construction of mining infrastructure.

Dazhupeng Mine

The Dazhupeng Mine, owned by our Group, is a lead-zinc-silver polymetallic mine with an exploration permit valid for three years until April 2014. In line with the Group's exploration plan, preliminary exploration has been completed, including a general survey of the mine site through geophysical and geochemical exploration activities and identification of the potential vein deposit area via remote sensing anomaly characteristics of the ore. The exploration drilling activities at the Dazhupeng Mine will commence in the first quarter of 2013. The total estimated exploration expenditure for the Dazhupeng Mine is RMB30.1 million.

Lushan Mine

The Lushan Mine, owned by Xiangcaopo Mining (an independent third party), is a tungsten-tin polymetallic mine. We entered into an exclusive ore supply agreement with Xiangcaopo Mining and its owner, Mr. Li Jincheng, on 31 December 2010. Under the current agreement, Xiangcaopo Mining will start providing polymetallic tungsten-tin raw ore in the third quarter of 2013, and we are planning to build a new gravity-selection processing line with a daily processing capacity of 1,000 tpd to process the ore from the Lushan Mine. It will be constructed in two phases, each with processing capacity of 500 tpd. The construction work for the first phase of the new gravity-selection processing line will be completed by the third quarter of 2013, and the construction of the second phase is planned to be completed in the first quarter of 2014. Up to 31 December 2012, a total capital expenditure of RMB14.4 million had been incurred in relation to the processing line and we estimate that total expenditure for the processing line will be RMB30.0 million.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2012, the revenue was approximately RMB477.1 million, arising from the sales of lead-silver concentrates and zinc-silver concentrates, and the sales volume of lead-silver concentrates and zinc-silver concentrates were 36,443 t and 32,911 t, respectively. As compared to approximately RMB70.2 million for the year ended 31 December 2011, the revenue increased by approximately RMB406.9 million or approximately 579.6%, which was primarily due to the continuing increase in mining and processing output of the Group in 2012 and the fact that the commercial production for 2011 only started in October 2011. Our Shizishan Mine achieved the full planned mining capacity of 2,000 tpd by the end of 2012.

Cost of sales

For the year ended 31 December 2012, the cost of sales was approximately RMB86.9 million, mainly comprising mining subcontracting fees, ancillary material costs, utilities, depreciation and amortization and resource taxes. As compared to the cost of sales of RMB16.2 million for the year ended 31 December 2011, the cost of sales increased by RMB70.7 million or 436.4%, which was in line with the increase in our revenue and sales volume.

Gross profit and gross profit margin

As a result of the aforementioned, the gross profit for the year ended 31 December 2012 increased by 622.6% to approximately RMB390.2 million from approximately RMB54.0 million for the year ended 31 December 2011. The gross profit margin increased from 77% for the year ended 31 December 2011 to 82% for the year ended 31 December 2012. The increase in gross profit margin was as a result of the decrease in average unit cost of sales of lead-silver concentrates and zinc-silver concentrates that outweighed the decrease in average unit selling price of zinc-silver concentrates.

Other income and gains

For the year ended 31 December 2012, the other income was approximately RMB3.5 million, compared to approximately RMB2.8 million for the year ended 31 December 2011, representing an increase in other income and gains of approximately RMB0.7 million or approximately 25%. This was primarily due to increase in the bank interest income of RMB2.7 million, which was partially offset by one-off government grants of RMB2.0 million granted by the Department of Finance of Yunnan (雲南省財政廳) in 2011.

Administrative expenses

For the year ended 31 December 2012, the administrative expenses were approximately RMB120.8 million, primarily comprising managerial staff costs, equity-settled share option expenses, professional consulting fees, depreciation, office administrative fees and other expenses, compared to approximately RMB54.5 million for the year ended 31 December 2011, representing an increase in administrative expenses of approximately RMB66.3 million or approximately 121.7%. This was primarily due to (i) the increased professional fees of RMB49.2 million largely in relation to the annual legal services, audit fees, printing and road show services fees; (ii) equity-settled share option expense of RMB8.0 million incurred in respect of share options granted to the independent non-executive Directors of the Company on 14 December 2011; (iii) an increase in staff costs of RMB15.7 million as a result of the increase in the average number of administrative staff due to the ramped up operations of the Group; and (iv) an increase in miscellaneous expenses of RMB22.1 million, such as travelling expenses, office charges and depreciation, etc. The increase was partially offset by the decrease of expenses in listing fees of RMB28.7 million.

Recognition of equity-settled share-based payment

No one-time equity-settled share-based payments were incurred for the year ended 31 December 2012.

Other expenses

For the year ended 31 December 2012, the other operating expenses were approximately RMB3.8 million, compared to approximately RMB2.9 million for the year ended 31 December 2011, representing an increase in other operating expenses of approximately RMB0.9 million or approximately 31.0%. This was primarily due to foreign exchange losses of RMB2.3 million arising from bank balances denominated in HK$ and US$ and as a result of the appreciation of RMB against HK$ and US$.

Financing costs

For the year ended 31 December 2012, the financing cost was approximately RMB5.0 million, compared to approximately RMB0.4 million for the year ended 31 December 2011, representing an increase of approximately RMB4.6 million. This was primarily due to (i) interest expenses of RMB4.0 million arising from the interest-bearing bank loan granted by the Agricultural Bank of China for the development of Shizishan Mine, which ceased to be capitalised by the Group due to the substantial completion of part of the construction works for their respective intended use at Shizishan Mine; and (ii) increase in the incremental interest expenses on the unwinding of discount for the provision for rehabilitation of RMB0.6 million due to the passage of time.

Income tax expenses

For the year ended 31 December 2012, the income tax expenses were approximately RMB84.2 million, compared to the income tax expense of approximately RMB10.3 million for the year ended 31 December 2011, representing an increase in income tax expenses of approximately RMB73.9 million or approximately 717.5%, which was in line with the increase in the revenue and the taxable profit generated by PRC subsidiaries of the Group.

Total comprehensive income/loss for the year

As a result of the above, the total comprehensive income for the year ended 31 December 2012 was approximately RMB178.9 million, compared to a total comprehensive loss of approximately RMB244.2 million for the year ended 31 December 2011.

Total comprehensive income/loss attributable to the owners of the Company

The total comprehensive income attributable to the owners of the Company for the year ended 31 December 2012 was approximately RMB177.0 million, compared to a total comprehensive loss attributable to the owners of the Company of approximately RMB244.3 million for the year ended 31 December 2011.

Final dividend

The Board does not recommend paying a final dividend for the year ended 31 December 2012 in order to continue to invest in operations and expansion of the Group's business, primarily through production ramp-up and selective acquisitions.

Liquidity and capital resources

The following sets forth the information in relation to our Group's consolidated cash flow statement for the years ended 31 December 2012 and 2011:

	For the year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Net cash flow used in operating activities	**(6,474)**	(84,155)
Net cash flow used in investing activities	**(568,389)**	(359,988)
Net cash flow (used in)/from financing activities	**(26,097)**	1,300,503
Net (decrease)/increase in cash and cash equivalents	**(600,960)**	856,360

Net cash flow used in operating activities

The net cash flow used in operating activities decreased by 92.3% from approximately RMB84.2 million for the year ended 31 December 2011 to approximately RMB6.5 million for the year ended 31 December 2012, which primarily included (i) profit before tax of RMB263.1 million for the the year ended 31 December 2012; (ii) an increase in trade payables and other payables totaling RMB46.8 million; and (iii) an increase in certain non-cash expenses such as depreciation and amortization, equity-settled share option expense and foreign exchange loss aggregating to RMB40.0 million, which was primarily offset by (i) an increase in trade receivables of RMB258.7 million; (ii) income tax paid of RMB29.5 million; and (iii) an increase in prepayment, deposit and other receivables of RMB68.3 million mainly due to the interest free loans of RMB63.7 million to Mr. Li Jincheng in relation to the exploration activities at the Lushan Mine.

Net cash flow used in investing activities

The net cash flow used in investing activities grew by 57.9% from approximately RMB360.0 million for the year ended 31 December 2011 to approximately RMB568.4 million for the year ended 31 December 2012, which primarily included (i) payment in relation to acquisition of the Liziping Company, the Dakuangshan Company and the Menghu Company aggregating to RMB219.4 million, (ii) an increase in the purchase of property, plant, and equipment of RMB208.2 million in connection with the construction of mining and processing facilities at the Shizishan Mine and the Dakuangshan Mine and mining facilities at the Menghu Mine, (iii) an increase in expenditures on exploration and evaluation assets of the Dakuangshan Mine and the Liziping Mine aggregating to RMB72.7 million, (iv) an increase in payments in advance in respect of prepaid land lease payments related to the processing plant at the Dakuangshan Mine of RMB8.1 million, and (v) an increase in time deposits with original maturity of six months of RMB60.0 million.

Net cash flow from financing activities

The net cash flow used in financing activities for the year ended 31 December 2012 was approximately RMB26.1 million, compared to the net cash flow from financing activities for the year ended 31 December 2011 of approximately RMB1,300.5 million, which primarily included (i) the repayment of bank loans from the Agricultural Bank of China of RMB10.0 million, (ii) interest paid for the bank loans mentioned above of RMB10.1 million, and (iii) payments in respect of the repurchase of shares of the Company amounting to RMB6.0 million.

Analysis of Inventories

Inventories increased by 172.3% from approximately RMB4.7 million as at 31 December 2011 to approximately RMB12.8 million as at 31 December 2012, primarily due to the increase in raw materials and finished goods as the Shizishan Mine achieved its full planned mining capacity of 2,000 tpd by the end of 2012.

Analysis of trade receivables

Trade receivables increased from approximately RMB20.3 million as at 31 December 2011 to approximately RMB279.0 million as at 31 December 2012, primarily due to the significant increase in revenue in 2012.

Analysis of trade and other payables

Trade and other payables increased by RMB4.9 million, from approximately RMB106.1 million as at 31 December 2011 to approximately RMB111.0 million as at 31 December 2012, primarily due to (i) an increase in payables for the purchase of ancillary materials of RMB9.2 million as the Shizishan Mine achieving its planned full mining capacity of 2,000 tpd in December 2012; (ii) an increase in payables for value added tax and mining resource compensation fees as a result of the increase in sales in 2012 aggregating to RMB42.2 million; (iii) payable to the non-controlling shareholder of the Dakuangshan Company of RMB4.4 million; and (iv) an increase in payables in relation to exploration activities at the Dakuangshan Mine, the Menghu Mine and the Liziping Mine aggregating to RMB25.7 million. The increase was partially offset by (i) the decrease in payables related to property, plant, and equipment of RMB72.3 million in connection with the construction of mining site and processing facilities at the Shizishan Mine; and (ii) the decrease in professional fees with respect to the Group's listing of RMB5.5 million in 2011.

Analysis of net current assets position

The Group's net current assets position decreased by RMB415.4 million from approximately RMB810.3 million as at 31 December 2011 to approximately RMB394.9 million as at 31 December 2012, primarily due to the acquisition of the Dakuangshan Company, the Liziping Company and the Menghu Company in 2012.

Borrowings

The borrowings decreased from approximately RMB130.0 million as at 31 December 2011 to approximately RMB120.0 million as at 31 December 2012, primarily due to the principal repayment made by the Group according to the repayment schedule of the bank loan agreement entered into with the Agricultural Bank of China. The mining right of the Shizishan Mine was mortgaged by the Group to secure such loans with an annual interest rate of 7.98%.

Contingent liabilities

As at 31 December 2011 and 2012, we did not have any material contingent liabilities or guarantees.

Pledge of assets

As at 31 December 2012, other than the mortgage over the mining rights of the Shizishan Mine, we did not have any pledges or charges on assets.

Foreign currency risk

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

As Renminbi is not freely convertible, we are subject to the risk of possible actions taken by the Chinese government. Such actions may have material adverse effect on our net assets, gains and any dividends declared (if such dividends shall be converted to foreign currency). In addition, we did not carry out any activities to hedge the foreign currency risk in 2012.

Interest rate risk

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

Contractual obligations

As at 31 December 2012, our contractual obligations amounted to approximately RMB51.6 million, and decreased by RMB405.9 million as compared to approximately RMB457.5 million as at 31 December 2011, primarily due to the completion of the acquisition of the Dakuangshan Company, the Liziping Company and the Menghu Company.

Capital expenditure

The particulars of our capital expenditure for the year ended 31 December 2012 are set forth as follows:

	For the year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Property, plant and equipment	**208,175**	156,136
Intangible assets	**72,698**	193,784
Prepaid land lease payment	**8,098**	10,068
Acquisition of subsidiaries	**219,418**	—
Total	**508,389**	359,988

For the year ended 31 December 2012, our total capital expenditure was RMB508.4 million, representing an increase of RMB148.4 million or 41.2% as compared to the total capital expenditure for the year ended 31 December 2011, among which included (i) expenditure of RMB168.3 million in connection with the construction of mining and tailing storage facilities at the Shizishan Mine, (ii) expenditure of RMB32.0 million for the purchase of the exploration right to the Liziping Mine, (iii) expenditure for the purchase of the mining rights to the Dakuangshan Mine and the Menghu Mine aggregating to RMB187.4 million; (iv) expenditures in respect of the prepaid land lease payment related to the processing plant at the Dakuangshan Mine of RMB8.1 million; and (v) expenditure in respect of the exploration and mine construction costs for the Dakuangshan Mine, the Liziping Mine, the Dazhupeng Mine and the Menghu Mine of RMB62.6 million, RMB39.6 million, RMB0.4 million and RMB10.0 million respectively.

Financial instruments

For the years ended 31 December 2011 and 2012, we did not have any outstanding hedge contract or financial derivative instrument.

Gearing ratio

Gearing ratio is calculated by net debt divided by total equity plus net debt. Net debt is defined as interest-bearing bank loans, net of cash and bank balances and it excludes liabilities incurred for working capital purpose. Equity includes equity attributable to the owners of the Company and non-controlling interests. As at 31 December 2012, our cash and cash equivalents exceeded the total interest-bearing bank loans. As such, no gearing ratio as at 31 December 2012 was presented.

Material acquisitions and disposals of subsidiaries and associated companies

During the year ended 31 December 2012, the Group acquired three subsidiaries, namely the Dakuangshan Company, the Liziping Company and the Menghu Company on 1 June 2012, 14 June 2012 and 31 August 2012 respectively. Details of the acquisitions can be referred to the section of management discussion and analysis above. We did not have any disposal of subsidiaries and associated companies during the year ended 31 December 2012.

Use of net proceeds from the initial public offering and the over-allotment

	Net proceeds from the IPO	
Use of proceeds	**Available to utilise** ***RMB million***	Utilised (up to 31 December 2012) *RMB million*
Financing activities relating to investments in acquired mines	**485.4**	357.7
Financing ramp-up of the mining capacity and expansion of tailing storage facility of the Shizishan Mine	**145.6**	145.6
Financing activities relating to the Dazhupeng Mine and the Lushan Mine	**178.1**	14.7
Total	**809.1**	518.0

Employee and remuneration policy

As at 31 December 2012, the Group had a total of 396 full time employees (31 December 2011: 253 employees), including 84 management and administrative staff, 203 production staff and 109 operations support staff. For the year ended 31 December 2012, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB41.7 million representing a decrease of RMB203.3 million or 83.0% as compared to the staff cost of RMB245.0 million for the year ended 31 December 2011 which was primarily due to a one-off equity-settled share-based payment amounting to RMB233.0 million.

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

OCCUPATIONAL HEALTH AND SAFETY

Our Group is committed to operating in a responsible manner to ensure the health and safety of our employees, contractors and the communities in which we operate. We are also committed to meeting applicable legal requirements and we seek to implement leading international industry standards in our operations. We have established a dedicated production safety department that is responsible for occupational health and safety at our mines and operations, such as establishing and adopting a comprehensive set of internal occupational health and safety policies, conducting staff training, reviewing internal safety procedures, carrying out regular on-site safety inspections and continuously monitoring the implementation of safety policies.

We have adopted an internal handbook containing guidelines with respect to occupational safety, safety production measures, procedures for handling dangerous and hazardous materials and emergency plans. All of our equipment operators and safety management staff must hold requisite licenses. We also require our contractors to possess requisite production safety licenses and relevant qualifications for the work they contract from us and to undertake appropriate safety measures.

No accidents involving any personal injury or property damage were reported to our management and we were not subject to any claims arising from any material accidents involving personal injury or property damage during the year ended 31 December 2012 and as at the date of this announcement that had a material adverse effect on our business, financial condition or results of operation. We complied with all relevant PRC laws and regulations regarding occupational health and safety in all material respects during the year ended 31 December 2012 and as at the date of this announcement.

ENVIRONMENTAL PROTECTION AND LAND REHABILITATION

Environmental protection

The Group took numerous environmental protection measures to minimise the impact on the environment arising from production. For recycling and reusing of water, we developed a zero discharge operation for mining processes and most waste water from the processing and tailings storage facility is recycled. For managing waste rock and tailings, the waste rock from underground development is and will continue to be used for stope back fills and construction purposes, in particular the construction of the tailing dam. All tailings produced from processing are stored in the tailings dam or the waste rocks storage area. To reduce dust, the ore processing facility was designed to be environmentally friendly. Dust collectors and exhaust fans fitted with filters have been, and will continue to be, installed at the processing facilities, and water is regularly sprayed to reduce dust. For the treatment of noise, we have adopted various measures to reduce noise generated from the mining and processing operations and the effect of it, such as using less noisy mining and processing equipment, building sound-proof operation units, and requiring workers to wear ear muffs and other noise insulators.

We believe that we were in compliance with all relevant PRC laws and regulations regarding environmental protection in all material respects and not subject to any environmental claims, lawsuits, penalties or administrative sanctions during the year ended 31 December 2012 and as at the date of this announcement.

Land rehabilitation

In accordance with the relevant PRC laws and regulations, we have developed a rehabilitation and re-planting programme for the mined and disturbed areas of the Shizishan Mine, the Dakuangshan Mine and the Menghu Mine, pursuant to which we will rehabilitate our tailings storage facilities and waste rock storage areas upon mine closure and plant vegetation to stabilize the ground and to prevent erosion. Such programmes are in compliance with PRC legislative requirements and it incorporates recognized international industry practices. As at 31 December 2012, we have accrued RMB13.2 million, RMB0.8 million and RMB0.9 million for the rehabilitation of the Shizishan Mine, the Dakuangshan Mine and the Menghu Mine respectively.

STRATEGIES AND OUTLOOK

We aim to become a leading non-ferrous Pure Mining Company in the PRC through acquisitions and integrations, and the Company plans to achieve this objective by implementing the following strategies:

Expand our resources and reserves through selective acquisition and further exploration

Our strategic location in Yunnan Province presents significant opportunities for our expansion and long-term sustainable growth through the consolidation of mineral resources in the province. With the support of different levels of competent government authorities in Yunnan Province, the Group acquired 90% of the equity interest in the Dakuangshan Company, the Liziping Company and the Menghu Company on 20 April, 18 May and 16 August 2012 respectively, all of them are lead-zinc mines located respectively in Mang City, Nanping and Meng La County. Pursuant to the published resources data, the metal resources of the Company increased by 247.1 kt of lead, 388.6 kt of zinc, 613.7 t of silver and 26.2 kt of copper respectively. To further complement our resources and reserves, we will also actively seek acquisition opportunities for mineral resources of non-ferrous metals in Yunnan Province and other regions of the PRC.

With the steady progress of our regional business in the PRC, we are also looking for and evaluating investment opportunities in the mining industry in South East Asian countries which lie in close geographical proximity to the PRC's. The conditions for the formation of deposits in South East Asian countries, a region with great development potential in metals, are similar to those of Yunnan Province. By leveraging our excellent mining and processing capabilities as well as our extensive understanding of the regional geology and social environment in South East Asian countries, we are positive about the potential for acquisitions and the successful development of mining projects in the region.

We note that the new Foreign Investment Law of Myanmar will take effect from 2013 and Myanmar is undertaking reforms with the goal of accelerating the opening-up of its economy. The purpose of the proposed new Foreign Investment Law is to increase foreign direct investment into Myanmar. The proposed law allows foreign investors to own entire equity interests in mining projects without government intervention and the term of lease could be up to 50 years. In specific cases, taxes could be waived for the first five years and it is guaranteed that all enterprises are protected against nationalization within the contracted period. Accordingly, the Company is actively exploring ways in which the Group could participate in large-scale development projects in the mining industry in Myanmar as the mining sector becomes increasingly regulated and supportive of foreign investment. From 21 January to 24 January 2013, the 2nd Annual Myanmar Mining Summit (第二屆緬甸礦業年度峰會), officially organized by the Myanmar Ministry of Mines (緬甸礦業部), was held in Yangon, Myanmar. The Company joined this summit as the sole premium sponsor and the management of the Company met with the senior officials from the Myanmar Ministry of Mines. Both parties underwent fruitful discussions and reached a positive position in respect of the participation of the Company in the development of mining projects in Myanmar.

We have a dedicated team, which consists of experienced geological, mining, processing and finance and legal personnel, to identify and evaluate high-quality mineral resources for potential acquisition. Potential acquisition targets will only include non-ferrous metal mines that satisfy our assessment criteria which include, but are not limited to, the following attributes: (i) mineral resources and reserves and mining life; (ii) grade and other quality indicators of the ores; (iii) investment cost and estimated return on investment; (iv) favorable conditions for development of mining projects, including but not limited to water, electricity, roads and cooperation from the residents from surrounding areas; (v) specific risks related to the locations of the projects such as political risk, legal risk and foreign currency risk; and (vi) implementation of safe operating conditions and environmental standards.

We believe that control of or access to high-quality non-ferrous metal resources and reserves is essential to the long-term sustainable development of our businesses and that increasing our resources and reserves by exploration is the most cost-efficient way to add value for our shareholders. We plan to take full advantage of the significant exploration potential of existing mines to increase our resources and reserves. The Dazhupeng Mine and the Liziping Mine are currently undertaking exploration activities. As to the Dazhupeng Mine, the Company intends to complete a general survey for the mining area of 15.19 sq. km in 2013 and initiate a detailed exploration work in 2014 based on the findings of the general survey. As to the Liziping Mine, the Company plans to complete the application procedures for a mining permit covering the first mining area, being approximately 4 sq. km. and commence detailed exploration work for the remaining areas, being approximately 14.29 sq. km. in 2013. In addition, with the presence of molybdenum mine identified in the course of exploration of the Dakuangshan Mine, the Company plans to complete the delimitation of the molybdenum mine and confirm its reserves during 2013. Meanwhile, the Company also made an application to the Ministry of Land and Resources to establish new exploration rights covering the proximity areas of approximately 23 sq. km. of the Dakuangshan Mine. Furthermore, as part of our exclusive raw ore supply agreement with the Lushan Mine, we will also provide assistance to Xiangcaopo Mining for exploration of the Lushan Mine.

Ramp-up our mining and processing capacity

In respect of the operations of the Shizishan Mine, it reached the planned mining capacity of approximately 2,000 tpd as at 31 December 2012. In respect of the operations of the Dakuangshan Mine, the technical improvement project under which the original mining and processing capacity was raised respectively from 500 tpd to 600 tpd and from 100 tpd to 600 tpd was put into commercial production in early December 2012. Currently, subject to limited power supply, only a production line with a capacity of 300 tpd has been put into operation for the Dakuangshan Mine. It is expected that the Dakuangshan Mine will attain its planned full capacity of 600 tpd by the end of the third quarter of 2013 when the grid upgrades in the region of the Dakuangshan Mine are scheduled to be complete.

According to the Group's plans, the construction of the mining and processing facilities of the Liziping Mine will commence in early 2014 after obtaining the mining and production permit for the first mining area of approximate 4 sq. km. of the Liziping Mine in 2013, and the planned processing capacity is preliminarily set at 1,000 tpd. During the construction process, we have also made room for capacity expansion of up to 2,000 tpd. It is anticipated that the Group's mining and processing capacity will be improved significantly by then. We believe that, with the demand for non-ferrous metals continuing to rise as a result of the urbanization taking place in the PRC, a ramp-up of our mining and processing capacity will give the Group an edge to capitalise on growing market opportunities.

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

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

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

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

- optimizing our processing technologies to improve recovery of processed ores, lower processing cost and enhance product quality.

Strengthen relationships with customers and expand customer base

We sell our concentrate products to concentrate traders who resell them to refineries. We intend to maintain and strengthen our relationships with refineries and concentrate traders. Although demand for non-ferrous metal concentrates in Yunnan Province generally tends to be greater than the supply, our close relationships with customers provide a significant degree of stability and visibility in demand for our products. This allows us to better anticipate the timing of orders and special requests and lower the cost of retaining existing customers as well as the pressure of acquiring new customers. We are also focused on expanding the geographical reach of our customer base beyond Yunnan Province.

OTHER INFORMATION

Annual General Meeting

The 2013 annual general meeting of the Company will be held on 11 June 2013 (the "**AGM**"). A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

Closure of Register of Member

To determine the entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from 8 June 2013 to 11 June 2013 (both days inclusive), during which period no share transfers of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 7 June 2013.

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

During the year ended 31 December 2012, the Company repurchased a total of 5,206,000 ordinary shares of the Company at an aggregate purchase price of HK$7,412,197 on the Hong Kong Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate consideration paid (excluding expenses) (HK$)
		Highest (HK$)	Lowest (HK$)	
September 2012	1,713,000	1.28	1.17	2,116,387
October 2012	467,000	1.5	1.48	699,580
November 2012	2,262,000	1.6	1.45	3,415,990
December 2012	764,000	1.55	1.48	1,180,240

All the repurchased ordinary shares were cancelled before 31 December 2012 except the 100,000 shares repurchased on 24 December 2012 which were cancelled in January 2013. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the general mandate from shareholders, with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year 2012.

Corporate Governance Practice

The Company is committed to maintaining very high standards of corporate governance so as to enhance corporate transparency and protect the interests of the Company's shareholders. The Company has applied the principles of the CG Code. In the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code throughout the year ended 31 December 2012.

The Board will continually review and improve the corporate governance practices and standards of the Company to ensure that business and decision making processes are regulated in a proper and prudent manner.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct for dealing securities of the Company by the Directors. Having made specific enquiries with all Directors, all Directors confirmed that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2012.

The Company has also established written guidelines no less exacting than the Model Code (the "**Employees Written Guidelines**") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of Employees Written Guidelines by the employees was noted by the Company.

Directors' Interests in Contracts

As at 31 December 2012, none of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries were a party during the same period.

Audit Committee

The audit committee (the "**Audit Committee**") was established by the Board since the listing of the Company's shares on the Hong Kong Stock Exchange on 14 December 2011. The Audit Committee has its written terms of reference adopted in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors and one non-executive Director.

The Audit Committee is responsible for making recommendations to the Board for the appointment and removal of external auditors, reviewing financial statements and advising on the significant issues on financial reporting as well as monitoring the internal control procedures of the Company. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2012.

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

This annual results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.chinapolymetallic.com), and the annual report of the Company for the year ended 31 December 2012 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

Glossary

"Ag"	the chemical symbol for silver
"Board"	the board of directors of our Company
"CG Code"	the Corporate Governance Code as amended from time to time contained in Appendix 14 of the Listing Rules
"China" or "PRC" or "Mainland China"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"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)
"Company" or "our Company"	China Polymetallic Mining Limited (中國多金屬礦業有限公司), a limited liability company incorporated under the laws of the Cayman Islands on 30 November 2009
"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 company incorporated in the PRC and owned by Xi Wanli, an independent third party, who entered into an option agreement in relation to the Dakuangshan Mine with the Group on 21 May 2011
"Dakuangshan Mine"	a lead-zinc-silver polymetallic mine to which the Dakuangshan Company owns the mining right
"Dazhupeng Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, China, with respect to which the Company hold an exploration permit
"Director(s)"	director(s) of our Company or any one of them
"g/t"	grams per tonne
"Group", "we" or "us"	our Company and its subsidiaries, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were the subsidiaries of the Company at the time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange" or "HKSE"	The Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB") and the International Accounting Standards (the "IAS") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect
"IPO"	the initial public offering and listing of shares of the Company on the main board of Hong Kong Stock Exchange on 14 December 2011
"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 (2004 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

"km"	kilometre(s), a metric unit measure of distance
"kg"	thousand grams
"kt"	thousand tonnes
"Kunrun"	Yingjiang County Kunrun Industry Company Limited (盈江縣昆潤實業有限公司), incorporated in China with business license number 533123100002302, whose registered office is opposite the Chinese Medicine Hospital, Yingdong Road, Pingyuan Town, Yingjiang County, Yunnan Province, China, and is currently an indirect subsidiary of the Company
"Listing Date"	14 December 2011
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Lushan Mine"	a tungsten-tin polymetallic ore mine located in Yingjiang County, Yunnan Province, China, operated by Xiangcaopo Mining, an independent third party
"Liziping Company"	Nujiang Shengjia Chengxin Industrial Company Ltd. (怒江州聖佳誠信實業有限公司), a company incorporated in the PRC and owned by Song Denghong, an independent third party, who entered into a share transfer agreement in relation to the Liziping Mine with the Group on 9 June 2011
"Liziping Mine"	a lead-zinc-silver polymetallic mine to which the Liziping Company owns the exploration right
"Menghu Company"	Meng La Chen Feng Mining Development Company Limited (勐臘縣宸豐礦業開發有限公司), a company incorporated in the PRC and owned by Mr. Xi Wanli, an independent third party, who entered into a share transfer agreement in relation to the Menghu Mine with the Group on 2 March 2012
"Menghu Mine"	a lead mine located in Menghu Stockade Village, Na Me Tian Village, Yi Wu Town, Meng La County, Yunnan Province, the PRC

"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
"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
"Pb"	the chemical symbol for lead
"Prospectus"	the prospectus of the Company dated 2 December 2011 issued in connection with the IPO
"Pure Mining Company"	the mining company which only conducts upstream operations in exploration, mining and primary processing of mineral resources with no downstream operations in smelting, refining and others
"Renminbi" or "RMB"	the lawful currency of the PRC
"Shizishan Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, China, operated by Kunrun
"Silver Lion"	Silver Lion Investment Holdings Limited, a limited liability company incorporated in BVI with company number 1553896 whose registered office is at PO BOX 957, Offshore Incorporations Centre, Road Town, Tortola, BVI
"sq.km."	square kilometer
"t"	tonnes
"tpd"	tonnes per day

"US$"	the lawful currency of the United States
"Xiangcaopo Mining"	Yunnan Xiangcaopo Mining Co., Ltd, a limited liability company in China, currently wholly owned by Li Jincheng, an independent third party
"Zn"	the chemical symbol for zinc

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

Hong Kong, 22 March 2013

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