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中国多金属矿业
CHINA POLYMETALLIC MINING

China Polymetallic Mining Limited

中國多金屬礦業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2133)

DISCLOSEABLE TRANSACTION

CAPITAL INCREASE AGREEMENT

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On 10 May 2019, Kunrun Company, Rongda Mining, Enqi Construction and the Target Company entered into the Capital Increase Agreement pursuant to which Rongda Mining and Enqi Construction agreed to make capital contributions of RMB13,000,000 (equivalent to HK\$15,080,000) and RMB12,000,000 (equivalent to HK\$13,920,000) respectively in cash to the registered capital of the Target Company.

IMPLICATIONS UNDER THE LISTING RULES

As Kunrun Company will not participate in the Capital Injection, its equity interest in the Target Company will be diluted from 100% to approximately 44.44% upon completion of the Capital Injection, which constitutes a Deemed Disposal of the Company. As some of the applicable percentage ratios in respect of the Deemed Disposal are more than 5% but less than 25%, the Deemed Disposal constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements but exempt from the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 10 May 2019, Kunrun Company, Rongda Mining, Enqi Construction and the Target Company entered into the following Capital Increase Agreement in relation to the Capital Injection by Rongda Mining and Enqi Construction of an aggregate of RMB25,000,000 (equivalent to HK\$29,000,000) to the Target Company with details as follows:

THE CAPITAL INCREASE AGREEMENT

Date

10 May 2019

Parties

- (i) Kunrun Company;
- (ii) Rongda Mining;
- (iii) Enqi Construction; and
- (iv) The Target Company.

To the best of the knowledge, information and belief of the Board after having made all reasonable enquiries, each of Rongda Mining and Enqi Construction and their respective beneficial owners is an Independent Third Party.

Capital Injection

Pursuant to the Capital Increase Agreement, the parties agree that the registered capital of the Target Company will be increased by an aggregate of RMB25,000,000 (equivalent to HK\$29,000,000) from RMB20,000,000 (equivalent to HK\$23,200,000) to RMB45,000,000 (equivalent to HK\$52,200,000), of which:

- (i) the registered capital of RMB13,000,000 (equivalent to HK\$15,080,000) will be subscribed by Rongda Mining for a consideration of RMB13,000,000 (equivalent to HK\$15,080,000) in cash, which shall be payable within 5 years after the date of the Capital Increase Agreement or any other date to be determined by Kunrun Company; and
- (ii) the registered capital of RMB12,000,000 (equivalent to HK\$13,920,000) will be subscribed by Enqi Construction for a consideration of RMB12,000,000 (equivalent to HK\$13,920,000) in cash, which shall be payable within 5 years after the date of the Capital Increase Agreement or any other date to be determined by Kunrun Company.

As at the date of this announcement, the Target Company is wholly owned by Kunrun Company, and upon completion of the Capital Injection, the equity interests of the Target Company will be held by Kunrun Company, Rongda Mining and Enqi Construction as to approximately 44.44%, 28.89% and 26.67%, respectively.

The amount of the Capital Injection was determined after arm's length negotiations between the parties to the Capital Increase Agreement with reference to, among other things, the net assets value of the Target Company, the registered capital of the Target Company as at the date of the Capital Increase Agreement and the proportion in the equity interests of the Target Company held by the parties upon completion of the Capital Injection.

INFORMATION OF THE GROUP, KUNRUN COMPANY, RONGDA MINING, ENQI CONSTRUCTION AND THE TARGET COMPANY

The Group is principally engaged in mining, ore processing and the sale of lead-silver concentrates and zinc-silver concentrates.

Kunrun Company is a company established under the laws of the PRC with limited liability and a wholly owned subsidiary of the Company, which is principally engaged in the business of mining, ore processing, sales of lead-zinc-silver ore products and trading of commodities.

Rongda Mining is a company established under the laws of the PRC with limited liability, which is principally engaged in import, export and sales of lead and zinc concentrate product and mining technology consulting services.

Enqi Construction is a company established under the laws of the PRC with limited liability, which is principally engaged in mining engineering and construction subcontracting services.

The Target Company is a company recently incorporated under the laws of the PRC with limited liability, which is principally engaged in ore processing, sales of lead-zinc-silver ore products and trading of commodities. The Target Company has not come into formal operation yet.

The unaudited total assets value and net assets value of the Target Company as at 30 April 2019 were approximately RMB223,990,910 (equivalent to HK\$259,829,456) and approximately RMB20,000,000 (equivalent to HK\$23,200,000), respectively. The unaudited net loss before and after taxation of the Target Company for the period from the date of its incorporation to 30 April 2019 was approximately RMB1,666,548 (equivalent to HK\$1,933,196).

FINANCIAL EFFECT OF THE DEEMED DISPOSAL TO THE GROUP

Upon completion of the Capital Injection, the equity interest in the Target Company held by the Group will be diluted from 100% to approximately 44.44% and the Target Company will no longer remain as a subsidiary of the Company and will be accounted for as an associate of the Company. The Target Company's financial results will not be consolidated with the financial statement of the Group.

It is expected that the net assets of the Group will remain unchanged upon completion of the Capital Injection, and the Deemed Disposal is expected not to result in any gain or loss.

The proceeds of the Capital Injection are expected to be used for the general working capital of the Target Company.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE AGREEMENT

With Rongda Mining's years of experience in the import, export and sales of lead and zinc concentrates, as well as its extensive client resources and good sales channels, and Enqi Construction's extensive management and operation experience in the construction projects subcontracting sector, the Directors believe that the introduction of Rongda Mining and Enqi Construction as partners of the Target Company will help to increase and enhance the operational efficiency and effectiveness of the ore processing business of the Target Company. In addition, the introduction of new joint venture partners will enhance the working capital and broaden the capital base of the Target Company, which also indirectly reduce the financial pressure of the Group arising from the need for further capital investment and/or working capital in the Target Company's operation and thus increase the Group's financial flexibility.

None of the Directors have a material interest in relation to the transactions contemplated under the Capital Increase Agreement and therefore have to abstain from voting in the Board resolution approving the Capital Increase Agreement.

The Directors consider the terms of the Capital Increase Agreement were negotiated at arm's length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As Kunrun Company will not participate in the Capital Injection, its equity interest in the Target Company will be diluted from 100% to approximately 44.44% upon completion of the Capital Injection, which constitutes a Deemed Disposal of the Company. As some of the applicable percentage ratios in respect of the Deemed Disposal are more than 5% but less than 25%, the Deemed Disposal constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements but exempt from the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board” the board of Directors

“Capital Increase Agreement” an agreement dated 10 May 2019 entered into between Kunrun

Company, Rongda Mining, Enqi Construction and the Target Company in relation to the Capital Injection

“Capital Injection”	the capital injection of RMB13,000,000 (equivalent to HK\$15,080,000) and RMB12,000,000 (equivalent to HK\$13,920,000) in cash by Rongda Mining and Enqi Construction respectively
“Company”	China Polymetallic Mining Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange (Stock Code: 2133)
“Deemed Disposal”	a deemed disposal of approximately 55.56% of the Company’s equity interests in the Target Company resulting from the Capital Injection
“Directors”	the directors of the Company
“Enqi Construction”	安徽恩齊建築工程有限公司(Anhui Enqi Construction Engineering Co., Ltd.), a company incorporated under the laws of the PRC with limited liability
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	third party(ies) who is independent of and not connected with the Company and connected persons of the Company and their respective associates
“Kunrun Company”	盈江縣昆潤實業有限公司 (Yingjiang County Kunrun Industry Company Limited), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company, which holds 100% equity interests in the Target Company as at the date of this announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which shall, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Rongda Mining”	芒市榮達礦業有限公司 (Mangshi Rongda Mining Co., Ltd.), a company incorporated under the laws of the PRC with limited liability
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	盈江昆潤工貿有限公司 (Yingjiang Kunrun Gongmao Company Limited), a company incorporated on 29 March 2019 under the laws of the PRC with limited liability and a subsidiary in which the Company holds 100% equity interest as at the date of this announcement
“%”	per cent

Note: The English name of the above mentioned PRC entities are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

In this announcement, the amounts in RMB have been converted into HK\$ or vice versa at the rate of RMB1.00 = HK\$1.16. The conversion rate is for illustration purpose only and should not be taken as a representation that any amounts in HK\$ or RMB have been or could have been or can be converted at the above rate or at any other rates or at all.

By Order of the Board
China Polymetallic Mining Limited
Lei Dejun
Executive Director

Hong Kong, 10 May 2019

As at the date of this announcement, the Board comprises Mr. Lei Dejun as executive director; Mr. Yin Bo, Mr. Chan Suk Ching and Mr. Zhang Yonghua as non-executive directors; and Mr. Ma Shirong, Mr. Chi Hongji and Mr. Dong Tao as independent non-executive directors.