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## **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 PROPOSED ACQUISITION OF LEAD MINE**

The Board is pleased to announce that on 2 March 2012, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares of the Target Company for a total consideration of RMB85,500,000.

As certain of the applicable percentage ratios in respect of the Acquisition and the entering into of the Sale and Purchase Agreement under Rule 14.07 of the Listing Rules exceed 5% but less than 25%, the Acquisition and the entering into of the Sale and Purchase Agreement constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

## **BACKGROUND**

On 2 March 2012, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares of the Target Company for a total consideration of RMB85,500,000.

The Target Company holds the mining right of the Menghu Mine. Menghu Mine conducts upstream operations in the exploration and mining of primarily high-grade oxidized lead ore. According to the Vendor, Menghu Mine has commenced commercial production in 2010 and has produced over 6,000 tonnes of high-grade oxidized lead ore. Menghu Mine has close proximity with electricity, water and other utilities which are sufficient for large-scale operation. Menghu Mine is also conveniently located to its transportation network. Due to its high-grade, the oxidized lead

ore extracted from the Menghu Mine so far can be sold directly without processing. Apart from oxidized lead ore, the Menghu Mine also has huge potential of unexplored sulphurized lead ore resources.

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## **THE SALE AND PURCHASE AGREEMENT**

### **Date**

2 March 2012

### **Parties**

(1) Vendor: Xi Wan Li

(2) Purchaser: Dehong Yinrun, an indirect wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Xi Wan Li is an Independent Third Party.

### **Sale Shares**

Subject to the terms and conditions of the Sale and Purchase Agreement, the Vendor shall sell as legal and beneficial owners and the Purchaser shall purchase the Sale Shares with effect from the date of completion free from all encumbrances and together with all rights and title to and interests in the Sale Shares (including the right to receive all dividends and distributions declared, made or paid on or after completion).

As of the date of this announcement, the Vendor is the beneficial owner of the entire issued share capital of the Target Company. Upon completion of the Acquisition, the Company will be expected to own 90% equity interests in the Target Company through the Purchaser. The financial results of the Target Company will be consolidated into the Group's accounts.

### **Collateral**

To guarantee the due and punctual performance of the obligations of the Vendor under the Sale and Purchase Agreement, the Vendor shall pledge (the "**Pledge**") the entire equity interest of the Target Company (including the Sale Shares) in favour of the Purchaser within ten days of the signing of the Sale and Purchase Agreement. After completion of the acquisition, the remaining 10% of the equity interest of the Target Company shall remain pledged in favour of the Purchaser for a period of two years from the date of the Pledge.

## **Consideration, completion and payment milestone**

The total consideration of the Acquisition is RMB85,500,000, which will be settled by the Purchaser in cash in three installments as follows:

### ***(a) First installment***

Within ten Business Days after the registration of the Pledge to the relevant authorities, the Purchaser shall pay to the Vendor the first installment in the amount of RMB40,000,000;

### ***(b) Second installment***

Within five Business Days after the fulfillment of the following conditions, the Purchaser shall pay to the Vendor the second installment in the amount of RMB30,000,000:

- (i) the Purchaser being satisfied with the results of its due diligence review on the Target Company;
- (ii) the Purchaser's nominated geologist being satisfied with the level of resources and reserves and the grade of the ore of Menghu Mine; and
- (iii) all consents, authorizations, approvals and permits which shall be necessary for the Acquisition and to the other matters contemplated by the Sale and Purchase Agreement being obtained from, among others, applicable governmental and regulatory bodies (if any).

Within five Business Days after receipt of the second installment, the Vendor shall cause the transfer of the legal title of the Sale Shares to the Purchaser and arrange for the registration of the same with the relevant authorities. Completion shall take place on the day of due registration of the legal title of the Sale Shares.

### ***(c) Final installment***

The Purchaser shall pay to the Vendor the final installment in the amount of RMB15,500,000 in cash within five Business Days after completion.

If the Acquisition cannot be completed for any reasons whatsoever, the Vendor shall be obliged to refund all installments previously paid by the Purchaser to the Purchaser.

The consideration is expected to be funded by the Company's internal resources.

## **Vendor's Undertaking**

Under the Sale and Purchase Agreement, the Vendor has undertaken to the Purchaser, among others, that he should not engage in any negotiations and discussions with any parties other than the Purchaser in connection with the sale or disposal of any interests in the Target Company or any assets belonging to the Target Company.

## INFORMATION ON THE TARGET COMPANY

According to the information provided by the Vendor, the Target Company is a company incorporated in PRC in Meng La County, Yunnan Province and has a total registered capital contribution of RMB3,000,000. As of the date of this announcement, the entire equity interest of the Target Company is beneficially owned by the Vendor.

The Target Company holds the mining right of the Menghu Mine. Menghu Mine conducts upstream operations in the exploration and mining of primarily high-grade oxidized lead ore. According to the Vendor, Menghu Mine has commenced commercial production in 2010 and has produced over 6,000 tonnes of high-grade oxidized lead ore. Menghu Mine has close proximity with electricity, water and other utilities which are sufficient for large-scale operation. Menghu Mine is also conveniently located to its transportation network. Due to its high-grade, the oxidized lead ore extracted from the Menghu Mine so far can be sold directly without processing.

The Group has conducted preliminary due diligence before entering into the Sale and Purchase Agreement, including three site visits by the Group's internal geology expert team and outside technical consultants. Based on the preliminary due diligence results, including an assay results of 15 samples taken from the mine showing an average lead grade of approximately 44%, the management of the Company estimated the total resources within the mining permit to be no less than 135,000 tonnes of lead and the lead grade to be no less than 30%. Apart from oxidized lead ore within the mining permit, the management of the Company also believes that Menghu Mine has huge potential of oxidized ore resources outside of the mining permit and unexplored sulphurized lead ore resources at the bottom of the mine.

Three mining tunnels have been constructed at the Menghu Mine, one of which is conducting mining with a current capacity of approximately 30 tonnes per day. The Group intend to invest approximately RMB15,000,000 to expand the three existing tunnels or construct additional tunnels to attain a mining capacity of approximately 200 tonnes per day.

Basic information of the Menghu Mine is as follows:

Location:	Menghu Stockade Village, Na Me Tian Village, Yi Wu Town, Meng La County, Yunnan Province, the PRC
Mining permit number:	C5300002010023220055528
Mining permit area:	0.395 sq. km.
Mining permit expiration date:	2 May 2015
Mining method:	Underground mining
Current mining capacity:	approximately 30 tonnes per day
Target mining capacity:	approximately 200 tonnes per day

## FINANCIAL INFORMATION ON THE TARGET COMPANY

Set out below are certain unaudited financial information of the Target Company as at 31 December 2010 and 2011:

	31 December 2010	31 December 2011
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	2,022 <sup>▲</sup>	2,287 <sup>▲</sup>
Accumulated losses	1,781 <sup>▲</sup>	1,389 <sup>▲</sup>

▲ Based on Generally Accepted Accounting Principles of the PRC

Upon completion of the Acquisition, the Target Company will become an indirect subsidiary of the Company and its financial result will be consolidated into the Group's financial results.

## BASIS OF DETERMINATION OF THE CONSIDERATION

The Consideration was determined after arm's length negotiations between the Parties on normal commercial terms with reference to estimated reserves and grade of the ore of the Menghu Mine.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

Expanding the resources and reserves through selective acquisitions is one of the Group's key strategies. The Group has been active in seeking business opportunities to expand its core business of upstream mining operations in the PRC. The Acquisition provides the Group with an opportunity to increase its polymetallic mine resources and reserves in Yunnan Province and hence expand the Group's revenue and investment return potential given the potential large resources, high grade and good production condition of the Menghu Mine.

The Directors are of the view that the Acquisition is based on normal commercial terms which is fair and reasonable, negotiated on an arm's length basis between the Parties, in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios in respect of the Acquisition and the entering into of the Sale and Purchase Agreement under Rule 14.07 of the Listing Rules exceed 5% and are less than 25%, the Acquisition and the entering into of the Sale and Purchase Agreement constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

## INFORMATION OF THE GROUP

The Group is the largest lead and zinc pure mining company in Yunnan Province in terms of resources with abundant and high-grade silver reserves. The Group owns and operates the large-scale, high-grade lead-zinc-silver polymetallic Shizishan Mine and some other significant polymetallic resources. As a pure mining group, the Group only conducts upstream operations in exploration, mining and primary processing of mineral resources.

## DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser pursuant to the Sale and Purchase Agreement;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day on which commercial banks are generally open for business in Hong Kong and the PRC (excluding Saturdays and Sundays);
“Company”	China Polymetallic Mining Limited ( 中國多金屬礦業有限公司 ), a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange;

“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries (as defined in the Companies Ordinance, Chapter 32 of the Laws of Hong Kong);
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“Independent Third Party(ies)”	the third party(ies) who is/are independent of the Company and its connected persons;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Menghu Mine”	a lead mine located in Menghu Stockade Village, Na Me Tian Village, Yi Wu Town, Meng La County, Yunnan Province, the PRC;
“Parties”	the Purchaser and the Vendor, being the parties to the Sale and Purchase Agreement, and the word
“Party”	shall be construed accordingly;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC;
“Purchaser” or “Dehong Yinrun”	Dehong Yinrun Mining Technology Development Company Limited ( 德宏銀潤礦業技術發展有限公司 ), incorporated in the PRC with business license number 533123100003143 whose registered office is at Opposite to the Chinese Medicine Hospital, Yingdong Road, Pingyuan Town, Yingjiang County, Yunnan Province, the PRC, an indirect wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 2 March 2012 entered into between the Purchaser and the Vendor in respect of the sale and purchase of the Sale Shares;
“Sale Shares”	90% of the equity interest in the Target Company;
“Shareholder(s)”	holder(s) of the Shares;
“Share(s)”	ordinary share(s) of HK\$0.00001 par value each in the share capital of the Company;

“sq. km.”	square kilometers;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Meng La Chen Feng Mining Development Company Limited ( 勐腊縣宸豐礦業開發有限公司 ), incorporated in the PRC with business licence number 532823100001912 whose registered office is at Menghu Stockade Village, Na Me Tian Village, Yi Wu Town, Meng La County, Yunnan Province, the PRC;
“Vendor”	Xi Wan Li, an Independent Third Party;
“%”	per cent.

By order of the Board of  
**China Polymetallic Mining Limited**  
**Ran Xiaochuan**  
*Chairman*

Hong Kong, March 5, 2012

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