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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 ACQUISITION OF THE LIZIPING MINE**

The Board is pleased to announce that on 18 May 2012, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Supplemental Sale and Purchase Agreement with the Vendor pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares of the Target Company for a total consideration of RMB152,820,000. Completion of the Acquisition is expected to take place within five days from the date of this announcement.

As certain of the applicable percentage ratios in respect of the Acquisition and the entering into of the Supplemental 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**

The Target Company holds the exploration right to the Liziping Mine. The Purchaser entered into the Sale and Purchase Agreement on 9 June 2011 (as amended) with the Vendor (an Independent Third Party), the owner of the Target Company which owns the exploration right to the Liziping Mine, which is a lead-zinc-silver polymetallic mine located approximately 700 km away from the Group's Shizishan Mine in Yunnan Province to conditionally purchase the Sale Shares. Liziping Mine's exploration permit covers an area of 18.29 sq.km. and has a validity term from 29 December 2010 to 29 December 2012.

On 18 May 2012, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Supplemental Sale and Purchase Agreement with the Vendors, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares of the Target Company for a total consideration of RMB152,820,000. Completion of the Acquisition is expected to take place within five days from the date of this announcement.

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 Supplemental Sale and Purchase Agreement constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

## **THE SALE AND PURCHASE AGREEMENT**

### **Date**

9 June 2011

### **Parties**

(1) Vendor: Song Denghong

(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, Song Denghong is an Independent Third Party.

### **The 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).

All material terms of the Sale and Purchase Agreement were disclosed in the prospectus of the Company dated 2 December 2011.

## **THE SUPPLEMENTAL SALE AND PURCHASE AGREEMENT**

The Purchaser and the Vendor entered into the Supplemental Sale and Purchase Agreement on 18 May 2012 where, inter alia, the Parties agreed upon the final consideration, payment terms, settlement of the Sale Shares and completion time.

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

The total consideration of the Acquisition is RMB152,820,000, which will be settled by the Purchaser in cash as follows:

### ***(a) Deposits***

As of 16 April 2012, the Purchaser has already paid deposits of RMB114,000,000 to the Vendor;

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

Upon signing of the Supplemental Sale and Purchase Agreement, the Purchaser shall pay to the Vendor the second installment in the amount of RMB6,000,000.

Within five days after the signing of the Supplemental Sale and Purchase Agreement, 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, otherwise the Vendor shall pay damages to the Purchaser in the amount of RMB10,000,000 while his contractual obligations remain continuing. 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 RMB32,820,000 in cash within seven days after completion.

The consideration is expected to be funded by proceeds from the global offering of the Company in December 2011 and our internal resources.

## **INFORMATION ON THE TARGET COMPANY**

According to the information provided by the Vendor, the Target Company is a company incorporated in the PRC. As of the date of this announcement, the entire equity interest of the Target Company is beneficially owned by the Vendor but pledged in favour of the Purchaser.

The Target Company holds the exploration right to the Liziping Mine, which is a lead-zinc-silver polymetallic mine located approximately 700 km away from the Group's Shizishan Mine in Yunnan Province. Liziping Mine's exploration permit covers an area of 18.29 sq.km. and has a validity term from 29 December 2010 to 29 December 2012. We plan to renew the exploration permit before its expiration.

The Target Company engaged Regional Geological Survey Team, Sichuan Bureau of Geological Exploration and 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 activities at the Liziping Mine in July 2011. So far, an area of approximately 4 sq. km. have been explored and a geologist

report based on such exploration activities was issued on 12 May 2012. A summary of the estimated resources in the aforesaid report is as follows:

	Metal Resources				Grade			
	Lead (kt)	Zinc (kt)	Copper (kt)	Silver (t)	Lead (%)	Zinc (%)	Copper (%)	Silver (g/t)
Category 332	23.1	41.5	7.7	120.56	3.81	4.83	0.99	123.4
Category 333	73.5	99.8	18.5	276.70	12.45	2.9	0.78	278.78

The above resources only represents an area of 4 sq. km. out of a total 18.29 sq. km. under the exploration permit. Based on the technical due diligence performed by the Group's experts, there is a high potential of abundant resources. The exploration activities are expected to be completed by the third quarter of 2012. We plan to commence the construction of the processing and other ancillary facilities for the Liziping Mine in the second quarter of 2013 and commence trial production in the fourth quarter of 2013. We plan to fund the capital expenditure through proceeds from the Global Offering and our internal resources.

Basic information of the Liziping Mine is as follows:

Location:	Lanping Baizu Pumizu Autonomous County, Nujiang Lisuzu Autonomous Prefecture, Yunnan Province, the PRC ( 雲南省怒江傈僳族自治州蘭坪白族普米族自治縣 )
Exploration permit number:	T53120091102035905
Exploration permit area:	18.29 sq. km.
Exploration permit expiration date:	29 December, 2012
Mining method:	Underground mining
Planned trial production time:	fourth quarter of 2013

## 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
	RMB'000	RMB'000
Total assets	52,795 <sup>▲</sup>	30,142 <sup>▲</sup>
Accumulated losses	274 <sup>▲</sup>	658 <sup>▲</sup>
Net assets	19,726 <sup>▲</sup>	19,342 <sup>▲</sup>
Net loss	274 <sup>▲</sup>	384 <sup>▲</sup>

<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 resources of the Liziping Mine based on the following formula:

90% x (A + B) where

A = Measured resources of lead and zinc of Liziping Mine of 237,900 t x RMB550/t which is approximately RMB130,800,000

and

B = Measured resources of copper of Liziping Mine of 26,200 t x RMB1,488/t which is approximately RMB39,000,000

## **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, good grade and good geological condition of the Liziping 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 Supplemental 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 acquisition of the Sale Shares by the Purchaser pursuant to the Sale and Purchase Agreement as amended by the Supplemental Sale and Purchase Agreement;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Category 332”	indicated intrinsic economic resources ( 控制的內蘊經濟資源量 ) (Category 332) as defined in the PRC Classification of Solid Mineral Resources and Reserves;
“Category 333”	inferred intrinsic economic resources ( 推斷的內蘊經濟資源量 ) (Category 333) as defined in the PRC Classification of Solid Mineral Resources and Reserves;
“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;
“g/t”	grammes per tonne;
“Group” or “We”	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;
“kt”	kilotonnes;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Liziping Mine”	a lead-zinc-silver polymetallic mine located in Lanping Baizu Pumizu Autonomous County, Nujiang Lisuzu Autonomous Prefecture, Yunnan Province, the PRC to which the Target Company owns the exploration right;
“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 sale and purchase agreement dated 9 June 2011 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;
“Supplemental Agreement”	an agreement dated 18 May 2012 that further amends and supplements the Sale and Purchase Agreement entered into between the Purchaser and the Vendor;
“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”	Nujiang Shengjia Chengxin Industrial Company Ltd. ( 怒江州聖佳誠信實業有限責任公司 ), incorporated in the PRC with business licence number 533325100002802 whose registered office is at No. 32, Jinjiang Road, Lanping County;

“Vendor”

Song Denghong, an Independent Third Party;

“%”

per cent.

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

Hong Kong, 18 May 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 Directors are Mr. Lee Kenneth Jue and 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.*