

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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  
IN RELATION TO  
ACQUISITION OF THE ENTIRE SHARE CAPITAL OF  
HUA XING GLOBAL LIMITED**

**THE AGREEMENT**

The Board hereby announces that on 8 January 2017 the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor, an Independent Third Party, entered into the Agreement pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Interests, being the entire share capital of the Target Company at a total consideration of RMB101,500,000.

As at the date of this announcement, the Target Group holds (i) the Mining Licence and has the Mining Rights in the Myanmar Mine and (ii) owns an ore-processing plant.

**LISTING RULES IMPLICATIONS**

As more than one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition are more than 5% but all the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirement under Chapter 14 of the Listing Rules.

## **PROFIT FORECAST**

The valuation report issued by Peak Vision Appraisals Limited on the market value of the Project Company is prepared by a discounted cash flow method under the income approach. As such the valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

## **INTRODUCTION**

The Board hereby announces that on 8 January 2017, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor, entered into the Agreement pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Interests, being the entire share capital of the Target Company at a total consideration of RMB101,500,000.

As at the date of this announcement, the Target Group (i) holds the Mining Licence and has the Mining Rights in the Myanmar Mine and (ii) owns an ore-processing plant.

## **THE AGREEMENT**

The principal terms of the Agreement are as follows:

### **(A) Date**

8 January 2017

### **(B) Parties**

- (i) the Vendor, as Vendor; and
- (ii) Next Horizon Investments Limited, as purchaser.

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

### **(C) Assets to be acquired**

The Sale Interests, being the entire share capital of the Target Company.

### **(D) Consideration**

The Consideration is RMB101,500,000 in cash.

#### *Basis of Determination of the Consideration*

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms after taking into consideration, among others, the business prospects of the Target Group, the possible future earnings to be contributed by the Target Group to the Group, the synergetic effect on the Group's current mining business, the Myanmar Mine's estimated resources of lead metal and the

valuation report issued by Peak Vision Appraisals Limited on the market value of the entire share capital of the Project Company as at 31 December 2016, which is RMB242,000,000 (based on the special assumption that all the exploration licences applied by the Project Company will be granted to the Project Company at nominal cost). Such valuation was assessed by Peak Vision Appraisals Limited, a firm of independent professional valuers, adopting the discounted cash flow method under the income approach. The valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules, details of which are set out in the section headed “Profit Forecast” in this announcement below.

The consideration of RMB101,500,000 represents a discount of approximately 16% to RMB120,951,600, being the value of the equity interest of the Project Company owned by the Target Company as mentioned in the paragraph hereinabove. The Consideration will be financed by internal resources of the Group.

The Board considers that the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

#### *Payment terms*

The Consideration shall be paid in cash by the Purchaser to the Vendor within 30 days after the Completion (or any other date to be agreed between the Vendor and the Purchaser).

#### **(E) Indemnity**

Pursuant to the Agreement, the Vendor has irrevocably and unconditionally agreed to be liable for all liabilities, tax, costs, penalties and expenses incurred by the Target Group with reference to any time falling before the completion of the transfer of the management of the Target Group as mentioned in the sub-paragraph (G) below (the “**Liabilities**”). The Purchaser may directly deduct from the Consideration a sum equivalent to the Liabilities as liquidated damages in the event and to the extent that such Liabilities are incurred prior to the payment of the Consideration. In addition and without prejudice to the Purchaser’s right mentioned in the preceding sentence, the Purchaser shall have the right to withhold a sum equal to US\$500,000 (notwithstanding, and independent of, any sum which may be deducted pursuant to the right mentioned in the preceding sentence) (the “**Withheld Amount**”) from the Consideration as security for the payment of any Liabilities that may be incurred for a period of six months from the date of Completion and shall have the right to deduct directly a sum equal to the amount of any Liabilities actually incurred, but not paid by the Vendor, from the Withheld Amount as liquidated damages and the remaining balance of the Withheld Amount, if any, shall be paid to the Vendor (without interest) upon the expiry of the aforesaid six-month period. In the event that the amount of the Liabilities actually incurred but not paid by the Vendor exceeds the Withheld Amount, the Purchaser shall have the right to request the Vendor to pay such shortfall to the Purchaser within 30 days from the date on which such shortfall arises.

**(F) Conditions precedent**

Completion is conditional upon, inter alia, the fulfillment or waiver (as the case may be) of the following conditions:

- (a) the Purchaser being solely and absolutely satisfied with the results of the due diligence conducted pursuant to the Agreement;
- (b) the operation of the Target Group and its businesses having been continued in the ordinary and usual course;
- (c) the Mining Licence not having been revoked; nor any indication of revocation thereof having been notified to the Target Group or the Vendor by the relevant authority;
- (d) all other necessary consent from third parties (including any governmental or official or regulatory authorities) and all other necessary consents, approvals, registrations and filings required pursuant to any legal or regulatory requirement in respect of the Agreement having been obtained;
- (e) there being no Material Adverse Change subsisting;
- (f) the representations, undertakings and warranties given by the Vendor as set out in the Agreement remaining true and accurate in any material respect and not misleading;
- (g) the Vendor having performed all of the covenants and agreements required to be performed or caused to be performed before Completion by him under the Agreement;
- (h) (where necessary) the approval of the Agreement and all the transactions contemplated thereunder having been obtained from the Shareholders by way of either (1) the passing of resolution(s) in general meeting (with such Shareholders abstaining from voting as required by the Listing Rules); or (2) if allowed under the Listing Rules, a written approval of the Shareholders acceptable to the Stock Exchange; and
- (i) the Purchaser has received a legal opinion issued by a firm of qualified lawyers to advise on Myanmar laws covering such matters and in such form as the Purchaser may require.

(collectively, the “**Conditions**”)

The Purchaser may, in its absolute discretion, waive all or any of the Conditions (other than the Conditions specified in paragraphs (c), (h) and (i) above) at any time by notice in writing to the Vendor. The Conditions specified in paragraphs (c), (h) and (i) above cannot be waived in any circumstances. The Vendor shall use his best endeavours to procure the fulfillment of all the Conditions (other than the Conditions specified in paragraphs (h) and (i) above) on or before 31 May 2017 (or such other date as may be agreed by the Vendor and the Purchaser in writing) (the “**Long Stop Date**”) unless

waived by the Purchaser in accordance with the Agreement. The Purchaser shall use its best endeavours to procure the fulfillment of the Conditions specified in paragraphs (h) and (i) above on or before the Long Stop Date.

If any of the Conditions has not been satisfied (or waived, as the case may be) on the Long Stop Date, (i) the Vendor and the Purchaser shall not be bound to proceed with the Acquisition, and (ii) the Agreement shall automatically terminate and cease to be of any effect and some of the clauses which shall remain in full force and effect and neither party shall have any obligations thereunder save for any antecedent breach of the Agreement.

### **(G) Completion**

Completion shall take place on the fifth Business Day after the Conditions have been fulfilled (or waived, as the case may be) or such other date as the Vendor and the Purchaser may agree in writing.

The Vendor shall within 30 Business Days (or such other date as the Vendor and the Purchaser may mutually agree) from the date of the Agreement procure (i) the change of the authorised representative of the Target Group to a person nominated by the Purchaser and complete all the relevant registration procedures necessary to complete such change, (ii) the delivery of all certificates, permits and licences and seals of the Target Group to the Purchaser, and (iii) in the manner as the Purchaser may require, the transfer of the management of the Target Group to the team assigned by the Purchaser.

Upon Completion, the Target Company and its subsidiaries will become indirect subsidiaries of the Group. The financial results, assets and liabilities of the Target Group will be consolidated in the financial statements of the Group.

### **(H) Termination**

The Agreement shall terminate: (i) at any time as agreed in writing by the parties, (ii) immediately upon the occurrence of force majeure event which prohibits the parties to complete the Acquisition, (iii) immediately by written notice from a party if the other commits a material breach of the terms of the Agreement or, if such breach is capable of being remedied, the same is not remedied upon the expiry of a 20 days written notice specifying the actions required to remedy such breach from the non-defaulting party to the other, or (iv) in other manners as provided under the terms of the Agreement.

## **INFORMATION ABOUT THE GROUP AND THE PURCHASER**

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

The Purchaser is an investment holding company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company.

## **INFORMATION ABOUT THE TARGET GROUP**

The Target Group is principally engaged in exploration, mining, processing and sale of lead and silver and related products.

### **Mining Licence**

The Target Group is the legal and beneficial holder of the Mining Licence granted by the Ministry of Mines of the Union of Myanmar and has the Mining Rights to conduct mining and exploitation of the minerals for a term from 20 January 2014 to 21 January 2029 in the area of approximately 495 acres for a lead-silver mine situated at Bawsaing Track, Kalan Township, Taunggyi City, Shan State, Myanmar.

According to the 緬甸撣邦格洛縣博塞鉛礦區地質勘查報告 (unofficially translated as “Myanmar Shan State Kalan Township Bawsaing Lead Mine Area Geological Survey Report”) dated December 2014 prepared by 四川省地質礦產勘查開發局101地質隊 (unofficially translated as “Sichuan Geology and Mineral Exploration and Development Bureau 101 Geological Team”), the Myanmar Mine’s estimated resources of lead sulphide and lead oxide classified as 332, 333 and 334 amount to approximately 19,292,300 tonnes and 265,700 tonnes respectively. The permitted mining area of the Myanmar Mine is approximately 2.003 square kilometre.

## Exploration licences

The Target Group is applying for the exploration licences for the surrounding regions of the Myanmar Mine, details are set out as follows:

No.	Area (Acres)	Map No.	Coordinates
1.	49.50	93D/13	A=357273 , B=362275 , C=364270 , D=359268
2.	63.02	93C/16	A=409471,B=411471,C=414468,D=414464,E=409464
3.	80.58	93D/13	A=334248 , B=337248 , C=337243 , D=341243 , E=341240 , F=334240
4.	185.95	93C/16	A=390498 , B=393499 , C=395490 , D=408475 , E=405474 , F=392489
5.	49.50	93D/13	A=33298 , B=338298 , C=338293 , D=333293
6.	33.99	93D/13	A=384400 , B=390400 , C=390397 , D=387397 , E=387398 , F=384398
7.	258.26	93C/16	A=385485 , B=390485 , C=390480 , D=395480 , E=395470 , F=385470
8.	727.00	93C/11	A=120810 , B=130800 , C=108778 , D=101785 , E=110800 , F=120800
	817.00	93C/11	A=100828 , B=111899,C=106813 , D=103819 , E=096812 , F=093815 , G=076800 , H=082796 , I=070790 , J=083778 , K=080776 , L=065790
	142.00	93C/11	A=091796 , B=095793 , C=094791 , D=098791 , E=096785 , F=099785 , G=094782 , H=088792
	605.38	93C/11	A=095810 , B=110810 , C=110817 , D=119817 , E=119801 , F=109801 , G=109800 , H=095800

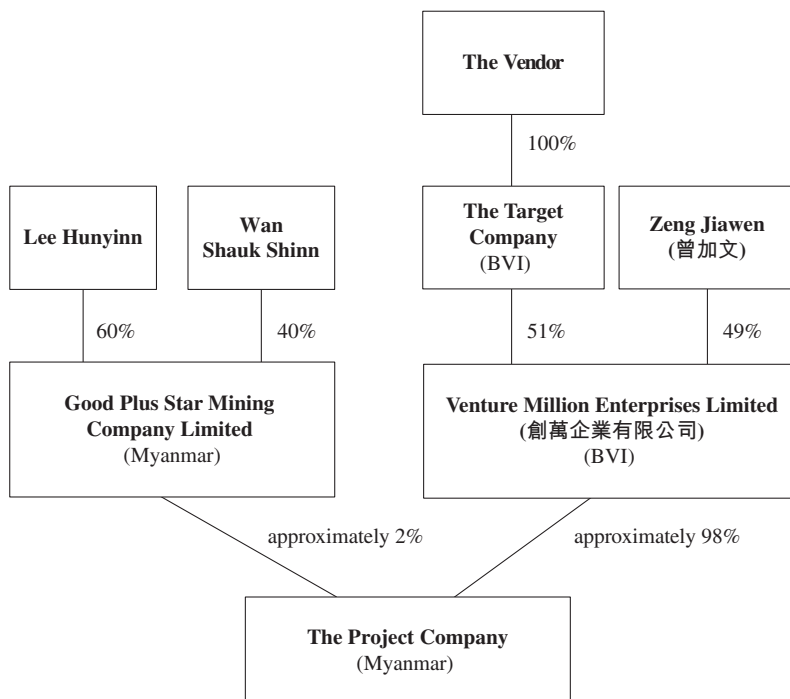
## The ore-processing plant

In addition to the Myanmar Mine, the Target Group also owns an ore-processing plant located in close proximity to the Myanmar Mine. The ore-processing plant has a total processing capacity of approximately 500,000 tonnes per year, which consists of two production lines (with capacities of approximately 1,000 tonnes per day each). The ore-processing plant is not wholly dependent on the Myanmar Mine for ore feed and third party ore feeds are accepted and milled at the ore-processing plant.

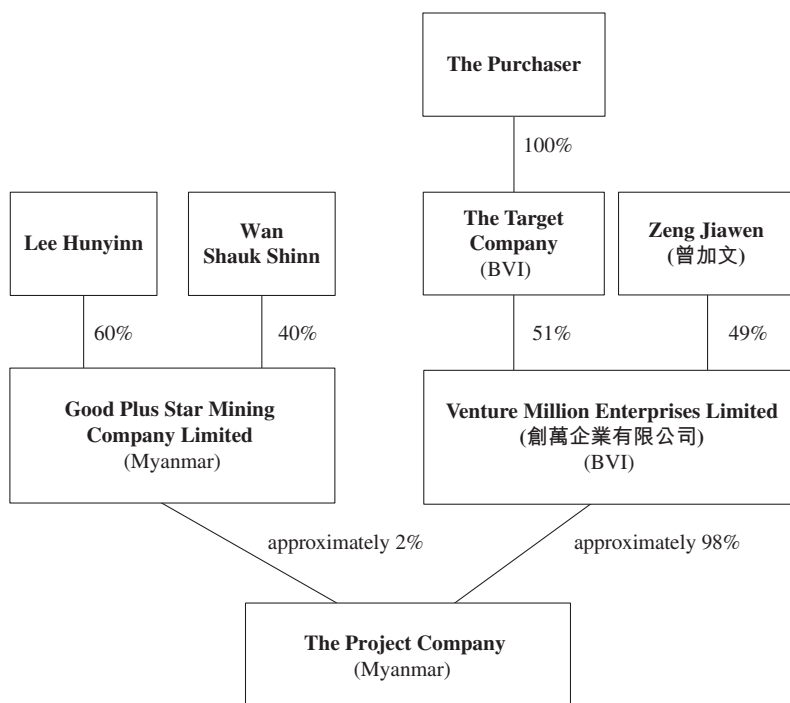
As at the date of this announcement, the entire share capital in the Target Company is beneficially owned by the Vendor.

## Shareholding and corporate structure of the Target Group

Set out below is the shareholding and corporate structure of the Target Group immediately before the Completion:



Set out below is the shareholding and corporate structure of the Target Group immediately after the Completion:





To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the minority shareholders (and their respective ultimate beneficial owners) of Venture Million Enterprises Limited and the Project Company are Independent Third Parties.

### **Financial information of the Target Group**

The unaudited financial information of the Target Group provided by the Vendor prepared in accordance with the generally accepted accounting practices in the PRC for the two financial years ended 31 December 2015 and 2016 is set out below:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2015</b>	<b>2016</b>
	unaudited	unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	(3,389)	(2,670)
Profit after taxation	(3,389)	(2,670)

According to unaudited financial information of the Target Group provided by the Vendor prepared in accordance with the generally accepted accounting practices in the PRC, the total book value of the total assets of the Target Group as at 31 December 2016 is approximately RMB343 million.

### **REASONS AND BENEFITS FOR THE ACQUISITION**

The Acquisition reflects the Company's strategy of investment in non ferrous resources. The Company considers Myanmar is one of the most important emerging markets outside the PRC for investment. The Acquisition is in line with the Group's business strategies and allows the Group to increase its existing lead and silver reserves and resources. This is a good opportunity for the Company to further strengthen its lead and silver reserves and resources and to expand its lead and silver mining businesses outside the PRC.

The Board is of the view that the terms of the Agreement are fair and reasonable, and the Agreement and the transactions contemplated thereunder (including the Acquisition) have been entered into after arm's length negotiation and determined on normal commercial terms that are in the interests of the Company and its Shareholders as a whole.

### **LISTING RULES IMPLICATIONS**

As more than one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition are more than 5% but all the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirement under Chapter 14 of the Listing Rules.

## **PROFIT FORECAST**

The valuation report issued by Peak Vision Appraisals Limited on the market value of entire share capital in the Project Company is prepared by a discounted cash flow method under the income approach, as such the valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. The following information as disclosed for the purpose of compliance with Rules 14.60A and 14.62 of the Listing Rules.

The valuation of the entire share capital in the Project Company has been prepared on the special assumption that all of the exploration licences applied by the Project Company will be granted to the Project Company at nominal cost.

Furthermore, the valuation contained in the valuation report has been prepared on the following valuation assumptions:

- The Mining Licence will be renewed for another term with at least 4 years upon its expiry on 29 January 2029 at nominal cost;
- There will be no material changes in the production plan of the Myanmar Mine;
- The availability of finance will not be a constraint on the development of the Myanmar Mine in accordance with the business plans and the projections;
- Key management, competent personnel and technical staff will all be retained to support the ongoing operations of the Myanmar Mine;
- All relevant approvals, business certificates, mining licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the locality of the Myanmar Mine will be obtained and renewable upon expiry; and
- The Myanmar Mine can be freely disposed of and transferred, free of all encumbrances for its existing or approved uses in the market to both local and overseas purchasers.

According to the valuation report, the mining life of the Myanmar Mine (total estimated 332, 333 and 334 resources according to the People's Republic of China mineral reporting standard is approximately 19.56 million tonnes) is expected to finish at the end of 2032 while the Mining Licence will expire on 29 January 2029. Accordingly, the Mining Licence is expected to be renewed by the Project Company for at least another 4 years term upon its expiry on 29 January 2029 in accordance with the provisions and requirements of the relevant mining law and the Ministry of Mine of Myanmar for the 4-year shortfall at nominal cost.

This valuation adopted the weighted average cost of capital plus additional premium to determine the discount rate for the Myanmar Mine. The discount rate used was 24.67% for the valuation of the Project Company.

The Board has confirmed that they have made the forecast after due and careful enquiry, and the reporting accountants of the Company, LAY, have reviewed and reported the accounting policies and the calculations of the discounted cash flows on which the valuation is based. As this valuation relates to discounted cash flows, no accounting policies of the Company have been adopted.

A letter from each of the Board and LAY has been submitted to the Stock Exchange, and is included in Appendix I and II respectively to this announcement pursuant to Rule 14.67A of the Listing Rules.

### **Experts and Consents**

The following are the qualifications of the experts who have given their opinion in this announcement:

<b>Name</b>	<b>Qualification</b>
Peak Vision Appraisals Limited	Independent professional valuer
LAY	Certified Public Accountants

As at the date of this announcement, neither Peak Vision Appraisals Limited nor LAY has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for the securities in any member of the Group.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of Peak Vision Appraisals Limited and LAY is an Independent Third Party.

Each of Peak Vision Appraisals Limited and LAY has given and has not withdrawn its consent to the publication of this announcement with inclusion of its report or letter and all references to its name in the form and context in which it respectively appears in this announcement.

## DEFINITION

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

“Acquisition”	the acquisition of the Sale Interests by the Purchaser from the Vendor
“Agreement”	the sale and purchase agreement dated 8 January 2017 entered into between the Vendor as Vendor and the Purchaser as purchaser in relation to the Acquisition
“Board”	the board of Directors
“Business Day”	a day (other than Saturdays, Sundays and public holidays in Myanmar or Hong Kong) on which licensed banks are open in Myanmar and Hong Kong for general banking business
“Company”	China Polymetallic Mining Limited (中國多金屬礦業有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2133)
“Completion”	completion of the Acquisition pursuant to the terms of the Agreement
“Consideration”	RMB101,500,000, being the total consideration to be paid by the Purchaser to the Vendor for the Acquisition under the Agreement
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons (as defined under the Listing Rules)
“LAY”	Lau & Au Yeung C.P.A. Limited, the reporting accountants of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Material Adverse Change”	in the sole and absolute opinion of the Purchaser, any condition, circumstance, change or effect that has a material adverse change (or effect) on: (1) the historical and future business, operations, assets, prospects or condition (financial or otherwise) of any member of the Target Group; (2) the ability of the Vendor to perform its obligations under the Agreement and the Conditions; (3) the legality, validity or enforceability of the Agreement and the Conditions; or (4) in general, the industries in which any member of the Target Group participates from time to time
“Mining Licence”	the large scale minerals mining permit granted by the Ministry of Mines of Myanmar for the Myanmar Mine
“Mining Rights”	the legal right to conduct mining and exploitation of the minerals for a term from 20 January 2014 to 21 January 2029 in the Myanmar Mine
“Myanmar”	the Republic of the Union of Myanmar
“Myanmar Mine”	GPS lead-silver mine (GPS鉛銀礦) situated at Bawsaing Track, Kalan Township, Taunggyi City, Shan State, Myanmar (緬甸撣邦東枝市格洛縣博塞鎮)
“PRC”	the People’s Republic of China which, for the purpose of this announcement and unless the context suggests otherwise, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Project Company”	GPS Joint Venture Company Limited, a company incorporated in Myanmar with limited liability
“Purchaser”	Next Horizon Investments Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interests”	the entire share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.00001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hua Xing Global Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiaries

“Vendor”	Wang Deyong (王德勇), an Independent Third Party
“US\$” or “United States dollars”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By Order of the Board  
**China Polymetallic Mining Limited**  
**Min Edward Kwok Chi**  
*Chairman*

Hong Kong, 8 January 2017

*As at the date of this announcement, the Board comprises Mr. Ran Xianchuan as executive Director; Mr. Lee Kenneth Jue as non-executive Director; and Mr. Huang Guoxin, Mr. Barry Sang Quan and Mr. Miu Edward Kwok Chi as independent non-executive Directors.*

## **APPENDIX I — LETTER FROM THE BOARD**

*The following is the text of a letter from the Board prepared for the purpose of incorporation in this announcement.*

8 January 2017

**The Stock Exchange of Hong Kong Limited**  
11/F., One International Finance Centre  
1 Harbour View Street  
Central, Hong Kong

Dear Sirs,

We refer to the announcement of the Company dated 8 January 2017 (the “**Announcement**”) of which this letter forms part. Unless the context otherwise requires, capitalised terms defined in the Announcement shall have the same meanings when used herein.

We, hereby confirm that, in compliance with the Listing Rules, we have reviewed the calculations for discounted cash flow forecast in the valuation report dated 8 January 2017 and issued by Peak Vision Appraisals Limited, a firm of independent professional valuers, regarding the market value of the entire share capital in of the Project Company as at 31 December 2016 (the “**Valuation Report**”). Pursuant to the Rule 14.62 of the Listing Rules, the reporting accountants of the Company have examined the arithmetical accuracy of the calculation of the Valuation Report in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants.

We hereby confirm that the discounted cash flow forecast under the Valuation Report is made after due and careful enquiry.

Yours faithfully,  
For and on behalf of the Board  
**China Polymetallic Mining Limited**  
**RAN Xiaochuan**  
*Executive Director*

## **APPENDIX II — LETTER FROM LAY IN RELATION TO THE VALUATION REPORT**

The following is the text of a report received from Lau & Au Yeung C.P.A. Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this announcement.

8 January 2017

The Board of Directors  
China Polymetallic Mining Limited

Dear Sirs,

### **COMFORT LETTER ON CALCULATIONS OF THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF EQUITY INTEREST IN GPS JOINT VENTURE COMPANY LIMITED**

We have examined the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the valuation prepared by Peak Vision Appraisals Limited dated 8 January 2017 in respect of the entire share capital of GPS Joint Venture Company Limited (“**GPS**”) as at 31 December 2016 (the “**Valuation**”) is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and will be included in the announcement dated 8 January 2017 issued by China Polymetallic Mining Limited (the “**Company**”) in connection with the acquisition of 100% equity interest in GPS (the “**Announcement**”).

### **DIRECTORS’ RESPONSIBILITY FOR THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS**

The directors of the Company (the “**Directors**”) are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Directors and set out in the Announcement (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.



## **Our independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **REPORTING ACCOUNTANTS’ RESPONSIBILITIES**

It is our responsibility to draw a conclusion, based on our work on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to present our conclusion solely to you, as a body, for the purpose of the requirement under Rule 14.62(2) of the Listing Rules and for no other purpose. We are not reporting on the appropriateness and validity of the Assumptions on which the Valuation is based and our work does not constitute any valuation of GPS. The Valuation does not involve the adoption of accounting policies. The Assumptions used in the preparation of the Valuation include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. We have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and thus express no opinion whatsoever thereon. Our work is more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. We also accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

## **BASIS OF CONCLUSION**

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based which is prepared based on the Assumptions made by the Directors. Our work has been undertaken solely to assist the Directors in evaluating whether the discounted future estimated cash flows on which the Valuation is based, so far as the arithmetical accuracy of the calculations is concerned, has been properly compiled in accordance with the Assumptions made by the Directors.

## **CONCLUSION**

Based on the foregoing, nothing has come to our attention that causes us to believe that the discounted future estimated cash flows, so far as the calculations are concerned, have not been properly compiled, in all material respects, in accordance with the Assumptions.

Yours faithfully,  
**Lau & Au Yeung C.P.A. Limited**  
*Certified Public Accountants*  
Hong Kong