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**洛陽樂川鉬業集團股份有限公司**  
**China Molybdenum Co., Ltd. \***

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 3993)

**DISCLOSEABLE TRANSACTION**  
**DISPOSAL OF 50% OF THE EQUITY INTERESTS IN A WHOLLY-OWNED SUBSIDIARY**

The Board announces that on 3 December 2009 the Company and the Buyer entered into the Term Sheet, which is legally binding, pursuant to which the Company agreed to sell, and the Buyer agreed to buy, the Target Shares.

As certain percentage ratios for the sale of the Target Shares are more than 5% but less than 25%, the sale of the Target Shares constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. Accordingly, it is not necessary to despatch a circular, or obtain shareholders' approval, on the sale of the Target Shares.

**TERM SHEET**

**Date:**

3 December 2009

**Parties:**

Buyer: Molymet Corporation, a corporation incorporated in Delaware, or its subsidiaries

Seller: the Company

The Board announces that on 3 December 2009 the Company and the Buyer entered into the Term Sheet, which is legally binding, pursuant to which the Company agreed to sell, and the Buyer agreed to buy, the Target Shares.

**PURCHASE PRICE**

The Purchase Price shall be determined based on the valuation of Luoyang High Tech on the basis of the shareholders' equity in the audited balance sheet statement of Luoyang High Tech on the Reference Date and shall pass the tender, auction and listing-for-sale process. The Purchase Price shall be approximately 50% of the aforesaid valuation. The basis for the Purchase Price was arrived at after an arm's length negotiation between the Company and the Buyer. The Buyer will settle the Purchase Price by a one-off cash payment.

The Company will assume all the profits and losses of Luoyang High Tech from the Reference Date to the date of Completion.

**CONDITIONS FOR THE COMPLETION**

Pursuant to the Term Sheet, the Completion is subject to the satisfaction by the Company and Luoyang High Tech of the following conditions:

- (i) the maximum Final Appraisal Value of Luoyang High Tech being not exceeding RMB500 million and the amount of a possible over-valuation for the site where the facilities of Luoyang High Tech are currently located being RMB3 million;
- (ii) the execution of an equity purchase agreement for the Target Shares by the Company and the Buyer; and
- (iii) the obtaining of all necessary approvals and consents from governmental authorities and third parties for the sale of the Target Shares, and all filings required under applicable law having been duly made.

Within a period of 120 days from the date of the Term Sheet, neither the Company nor Luoyang High Tech will, or will cause their directors, management, employees, accountants, other agents or representatives to, directly or indirectly, procure, solicit, participate in or initiate any transaction which could, or could reasonably be expected to, impede, interfere with, prevent or delay the Completion.

After the execution of the equity purchase agreement for the sale of the Target Shares, if a party fails to perform its obligations under the equity purchase agreement (other than approvals from third parties), the defaulting party must pay RMB5 million to the other party as penalty.

After Completion, each of the Company and the Buyer will hold 50% of the equity interests in Luoyang High Tech, which will be converted into a Sino-foreign equity joint venture whose board of directors will comprise four members. Each of the Company and the Buyer has the right to nominate two persons as directors of Luoyang High Tech.

After Completion, Luoyang High Tech will have the right to use all its assets necessary for its business (including trademarks) without payment. In addition, after Completion, the Company and the Buyer will not participate in the processing and sale of molybdenum metals products in competition with Luoyang High Tech (except that the Buyer's existing molybdenum metals products business is not subject to such competition restrictions and can be continue to be operated, but the Buyer cannot expand the production of these molybdenum metals products or cooperate with other parties on this existing business).

## **INFORMATION ON THE GROUP, THE BUYER AND LUOYANG HIGH TECH**

### **The Group:**

The Group is a leading producer of molybdenum in the PRC with world-class integrated mining and processing facilities. The Group's primary business operations involve molybdenum mining, flotation, roasting, smelting and downstream processing. In addition, the Group is a fast-growing producer of tungsten products.

**Molymet:**

Molymet is a leading producer of molybdenum products and its by-products. Molymet owns pyrometallurgical, hydrometallurgical, chemical and commercial facilities in Chile, Belgium, Mexico and Germany, and has representative and commercial offices in the PRC, the United States and the United Kingdom.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Buyer and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

**Luoyang High Tech:**

The business of Luoyang High Tech includes the manufacturing of molybdenum powder, tungsten powder and related products.

The audited asset value of Luoyang High Tech as at the Reference Date will be available after the Term Sheet is signed. The attributable net losses before and after taxation of Luoyang High Tech for the year ended 31 December 2008 were approximately RMB36.22 million and RMB35.50 million, respectively. The attributable net profits before and after taxation of Luoyang High Tech for the year ended 31 December 2007 were approximately RMB16.70 million and RMB14.23 million, respectively.

**REASONS FOR THE SALE OF THE TARGET SHARES**

The Directors considered that the sale of Target Shares to Molymet would convert Luoyang High Tech into a joint venture company which focuses on the production and sale of molybdenum metal products, and benefit Luoyang High Tech from Molymet's strengths in technology, brand name, marketing and management, so as to further improve Luoyang High Tech's product quality, market share and management standards.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Term Sheet and the sale of the Target Shares are fair and reasonable and on normal commercial terms, and in the interests of the Company and its shareholders as a whole.

## **FINANCIAL EFFECT ON THE SALE OF THE TARGET SHARES**

Subject to confirmation of the exact amount from the Group's auditors, it is estimated that, upon Completion, the Company's directors estimate that it will record an immaterial financial impact on the Group from the sale of the Target Shares with reference to the maximum Purchase Price after deductions of related expenses.

The Board intends to apply the proceeds from the sale of Target Shares towards the Group's general working capital.

After Completion, the Company will hold 50% of the equity interests in Luoyang High Tech, which will cease to be a subsidiary of the Group and, therefore, after Completion, the financial results of Luoyang High Tech will no longer be consolidated into the Group's accounts.

## **GENERAL**

As certain percentage ratios for the sale of the Target Shares are more than 5% but less than 25%, the sale of the Target Shares constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. Accordingly, it is not necessary to despatch a circular, or obtain shareholders' approval, on the sale of the Target Shares.

The Company will issue an announcement when the Final Appraisal Value is finalised and the equity purchase agreement for the sale of the Target Shares is signed.

## DEFINITIONS

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

“Board”	the board of Directors
“Buyer”	Molymet or its subsidiaries
“Company”	洛陽樂川鉬業集團股份有限公司 China Molybdenum Co., Ltd.*, a joint stock company incorporated in the PRC with limited liability, whose H Shares are listed on the Stock Exchange
“Completion”	completion for the sale of the Target Shares
“Directors”	the directors of the Company
“Final Appraisal Value”	the value of Luoyang High Tech calculated on or around the 30th day after the signing of the Term Sheet based on the shareholders’ equity in the audited balance sheet statement of Luoyang High Tech on the Reference Date
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares in the ordinary share capital of the Company with nominal value of RMB0.20 each, which are listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Luoyang High Tech”	洛陽高科鉬鎢材料有限公司 Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd., a company organised under the laws of the PRC with limited liability, and one of the wholly-owned subsidiaries of the Company

“Molymet”	Molymet Corporation, a corporation incorporated in Delaware, the United States of America
“PRC”	the People’s Republic of China
“Purchase Price”	the purchase price for the Target Shares
“Reference Date”	31 May 2009
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Shares”	50% of the equity interests in Luoyang High Tech
“Term Sheet”	the term sheet dated 3 December 2009 entered into between the Company and the Buyer on the sale of the Target Shares

By Order of the Board of  
**China Molybdenum Co., Ltd.**  
**Duan Yuxian**  
*Chairman*

Luoyang, the People’s Republic of China, 3 December 2009

*As at the date of this announcement, the executive Directors are Mr. Duan Yuxian, Mr. Li Chaochun, Mr. Wu Wenjun, Mr. Li Faben and Mr. Wang Qinxi; the non-executive Directors are Mr. Zhang Yufeng and Mr. Shu Hedong; and the independent non-executive Directors are Mr. Zeng Shaojin, Mr. Gao Dezhu, Mr. Gu Desheng and Mr. Ng Ming Wah, Charles.*

\* *For identification purposes only*