

*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.*



**洛陽欒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: 03993)

**THE ENTERING INTO A SUPPLEMENTAL AGREEMENT  
COMMENCEMENT OF AN ARBITRATION  
POSSIBLE CONNECTED TRANSACTION AND  
RESUMPTION OF TRADING**

Reference is made to the Announcement dated 27 December 2009 in respect of the provision of a loan in the aggregate amount of RMB1,150,000,000 (equivalent to approximately HK\$1,311,000,000) by the Company to the Borrower for the Acquisition.

The Company has advanced a sum of RMB1,105,000,000 (equivalent to approximately HK\$1,259,700,000) to the Borrower. The Borrower has acquired 50% of the equity interest in Xuzhou Huanyu together with other assets and interests. Xuzhou Huanyu holds 90% of the equity interest in Luoyang Fuchuan. The remaining 10% of the equity interest in Luoyang Fuchuan is held by Huqi Mining which is, in turn, wholly-owned by LMG.

In order to acquire all the equity interest in Luoyang Fuchuan and transfer it to the Company, the Company, the Borrower and LMG entered into the Supplemental Agreement on 25 February 2010 under which, among other things, (i) the Company agreed to the allocation of all the equity interest in the Borrower from the Guarantor to LMG pursuant to the administrative direction by the State-owned Assets Supervision and Administration Commission of the People's Government of Luoyang City; (ii) the Company has the right to take over the Borrower's 50% equity interest in Xuzhou Huanyu and to exercise all the rights of a holder of the equity interest in Xuzhou Huanyu for the Borrower upon written notice from the Company; and (iii) LMG agreed that it shall acquire the remaining 50% equity interest in Xuzhou Huanyu by 1 April 2010 so as to hold effectively 100% of the equity interest in Luoyang Fuchuan, and that it shall transfer 100% of the equity interest in Luoyang Fuchuan to the Company by 10 April 2010. If LMG fails to acquire the remaining 50% equity interest in Xuzhou Huanyu by 1 April 2010, LMG agreed that it shall transfer the Borrower's 50% interest in Xuzhou Huanyu and Huqi Mining's 10% interest in Luoyang Fuchuan to the Company by 10 April 2010.

The Board announces that, as LMG has not transferred 100% of the equity interest in Luoyang Fuchuan to the Company by 10 April 2010 or the Borrower's 50% interest in Xuzhou Huanyu and Huqi Mining's 10% interest in Luoyang Fuchuan to the Company, on 12 April 2010, the Company presented the case to the Luoyang Arbitration Committee for arbitration in accordance with the terms of the Supplemental Agreement. Once the arbitration award is granted, the Company will publish a further announcement. Accordingly, the Company will comply with the reporting, announcement and independent shareholders' approval requirements in respect of the transfer under Chapter 14A of the Listing Rules.

As LMG holds 100% of the equity interest of the Borrower, the repayment of the Loan together with the interests to the Company has become a connected transaction for the Company for the purpose of the Listing Rules. However, as the Loan Agreement was entered into between the Company and the Borrower before all the equity interest in the the Borrower was allocated to LMG, the repayment of the Loan together with the interests is not subject to independent shareholders' approval requirement under the Listing Rules. Details of the Loan Agreement and the repayment terms thereunder have been disclosed in the Announcement.

Trading in the H Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Tuesday, 13 April 2010 at the request of the Company pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the H Shares on the Stock Exchange with effect from 9:30 a.m. on Thursday, 15 April 2010.

## 1 BACKGROUND

Reference is made to the Announcement dated 27 December 2009 in respect of the provision of a loan in the aggregate amount of RMB1,150,000,000 (equivalent to approximately HK\$1,311,000,000) by the Company to the Borrower for the Acquisition.

The Company has advanced a sum of RMB1,105,000,000 (equivalent to approximately HK\$1,259,700,000) to the Borrower. The Borrower has acquired 50% of the equity interest in Xuzhou Huanyu together with other assets and interests. Xuzhou Huanyu holds 90% of the equity interest in Luoyang Fuchuan. The remaining 10% of the equity interest in Luoyang Fuchuan is held by Huqi Mining which is, in turn, wholly-owned by LMG. Under the Loan Agreement, the Borrower grants to the Company an option for the Company to acquire (but is not obliged to acquire) the Borrower's interest in Xuzhou Huanyu or Luoyang Fuchuan.

In September 2009, LMG informed the Company of the opportunity of acquiring 100% of the equity interest in Huqi Mining. On 20 September 2009, a Board meeting was held to discuss on taking over the business. The Directors (including the independent non-executive Directors) were of the opinion that Huqi Mining had a complicated asset and equity structure and numerous legal problems, and therefore no evaluation and judgement could be made on its value and risk before conducting a due diligence. Moreover, the Company will not be able to have de facto control over Luoyang Fuchuan even though it acquires Huqi Mining, since Huqi Mining only holds 10% of the equity interest in Luoyang Fuchuan. Also, LMG promised to the Company that if LMG can control or acquire all the equity interest in Luoyang Fuchuan, LMG will transfer its interest in Luoyang Fuchuan to the Company. Thus, the Directors (including the independent non-executive Directors) resolved not to acquire Huqi Mining. LMG acquired 100% of the equity interest in Huqi Mining in October 2009.

## **2 SUPPLEMENTAL AGREEMENT**

In order to acquire all the equity interest in Luoyang Fuchuan and transfer it to the Company, the Company, the Borrower and LMG entered into the Supplemental Agreement on 25 February 2010 under which the following matters were agreed by the parties:

### **2.1 Allocation of equity interest in the Borrower from the Guarantor to LMG and the release of the Guarantor's pledge of the entire interest in the Borrower**

The Company agreed to (i) the allocation of all the equity interest in the Borrower from the Guarantor to LMG pursuant to the administrative direction by the State-owned Assets Supervision and Administration Commission of the People's Government of Luoyang City and (ii) the release of the Guarantor's pledge of the entire interest in the Borrower in favour of the Company as security for the Borrower's obligations and performance under the Loan Agreement.

### **2.2 Right to take over the Borrower's 50% interest in Xuzhou Huanyu**

During the term of the Loan (one year commencing from 22 December 2009 to 21 December 2010) and upon written notice from the Company, the Company has the right to take over the Borrower's 50% equity interest in Xuzhou Huanyu and to exercise all the rights of a holder of the equity interest in Xuzhou Huanyu for the Borrower. The Borrower agreed to cooperate with the Company in respect of the takeover and carrying out the relevant procedures. When the Company exercises the rights of a holder of the equity interest in Xuzhou Huanyu, the Borrower shall cease to have the rights to income as a holder of the equity interest in Xuzhou Huanyu.

## **2.3 LMG's obligations**

LMG agreed that during the term of the Loan it shall not dispose any of the interest in Huqi Mining and the Borrower without obtaining the prior written consent of the Company. If LMG disposes all or any of the interest in Huqi Mining or the Borrower after the term of the Loan, LMG shall give the Company the first right of refusal to acquire the interest in Huqi Mining and the Borrower that is proposed to be disposed of.

LMG further agreed to pledge all of its interest in Huqi Mining to the Company as security for the performance of the obligations of the Borrower under the Loan Agreement.

During the term of the Loan and upon written notice from the Company, the Company has the right to take over the interest in the Borrower and to exercise all the rights of a holder of the equity interest in the Borrower for LMG.

LMG agreed that it shall acquire the remaining 50% equity interest in Xuzhou Huanyu by 1 April 2010 so as to hold effectively 100% of the equity interest in Luoyang Fuchuan, and that it shall transfer 100% of the equity interest in Luoyang Fuchuan to the Company by 10 April 2010. If LMG fails to acquire the remaining 50% equity interest in Xuzhou Huanyu by 1 April 2010, LMG agreed that it shall transfer the Borrower's 50% interest in Xuzhou Huanyu and Huqi Mining's 10% interest in Luoyang Fuchuan to the Company by 10 April 2010.

## **2.4 Breach of the obligations under the Supplemental Agreement**

If LMG or the Borrower breaches the obligations under the Supplemental Agreement as referred to in paragraphs 2.2 and 2.3 above, LMG agreed to transfer, as remedial measures, all of its equity interest in the Borrower and Huqi Mining to the Company for a total consideration of RMB260 million (equivalent to approximately HK\$296.4 million) and at the same time the Company shall release the guarantee obligations of the Guarantor and LMG.

LMG shall arrange for appraisal of all of its equity interest in the Borrower and Huqi Mining as at 31 March 2010. If the appraised value is higher than the consideration stated above, the Company shall pay the excess to LMG.

### 3 ARBITRATION

The Board announces that, as LMG has not transferred 100% of the equity interest in Luoyang Fuchuan to the Company by 10 April 2010 or the Borrower's 50% interest in Xuzhou Huanyu and Huqi Mining's 10% interest in Luoyang Fuchuan to the Company, on 12 April 2010, the Company presented the case to the Luoyang Arbitration Committee for arbitration in accordance with the terms of the Supplemental Agreement. The decision of the arbitration is final and binding on the parties.

As the arbitration award has yet to be issued and LMG has yet to advise the Company the appraised value of all of its equity interest in the Borrower and Huqi Mining as at 31 March 2010, it is currently uncertain what the arbitration award will be, and as to the decision of the arbitration committee in respect of the transfer of LMG's 100% of the equity interest in Luoyang Fuchuan or all of its equity interest in the Borrower and Huqi Mining and certain percentage ratios for the transfer (if any) for the purpose of the Listing Rules.

If LMG transfers, as remedial measures, all of its equity interest in the Borrower and Huqi Mining to the Company for a total consideration of RMB260 million (equivalent to approximately HK\$296.4 million), the transfer, based on the amount of the consideration, will constitute a connected transaction for the Company under Rule 14A.17 of the Listing Rules. Once the arbitration award is granted, the Company will publish a further announcement. Accordingly, the Company will comply with the reporting, announcement and independent shareholders' approval requirements in respect of the transfer under Chapter 14A of the Listing Rules.

As LMG holds 100% of the equity interest of the Borrower, the repayment of the Loan together with the interests to the Company has become a connected transaction for the Company for the purpose of the Listing Rules. However, as the Loan Agreement was entered into between the Company and the Borrower before all the equity interest in the the Borrower was allocated to LMG, the repayment of the Loan together with the interests is not subject to independent shareholders' approval requirement under the Listing Rules. Details of the Loan Agreement and the repayment terms thereunder have been disclosed in the Announcement.

## 4 RESUMPTION OF TRADING

Trading in the H Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Tuesday, 13 April 2010 at the request of the Company pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the H Shares on the Stock Exchange with effect from 9:30 a.m. on Thursday, 15 April 2010.

## 5 DEFINITIONS

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

“Acquisition”	the acquisition by the Borrower of 50% of the equity interest in Xuzhou Huanyu together with other assets and interests
“Announcement”	the announcement made by the Company dated 27 December 2009 in respect of the provision of the Loan by the Company to the Borrower for the Acquisition
“Board”	the board of Directors
“Borrower”	洛陽建投礦業有限公司 (Luoyang Construction Investment and Mining Co., Ltd.*), a company incorporated in the PRC with limited liability
“Company”	洛陽欒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
“Directors”	the directors of the Company
“Equity Pledge”	the pledge under the Equity Pledge Agreement

“Equity Pledge Agreement”	the agreement dated 22 December 2009 entered into between the Guarantor and the Company, pursuant to which the Guarantor agreed to pledge to the Company the entire equity interest in the Borrower as security for the Borrower’s obligations and performance under the Loan Agreement
“Guarantor”	洛陽市建設投資有限公司 (Luoyang Municipal Construction and Development Investment Co., Ltd.*), a company incorporated in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“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
“Huqi Mining”	欒川縣滬七礦業有限公司 (Luanchuan Huqi Mining Company Limited*), a company incorporated in the PRC with limited liability and owns 10% equity interest in Luoyang Fuchuan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LMG”	洛陽礦業集團有限公司 (Luoyang Mining Group Co., Ltd.*), one of the Company’s controlling shareholders holding approximately 36.84% of the share capital of the Company
“Loan”	the loan in an aggregate amount of RMB1,150,000,000 (equivalent to approximately HK\$1,311,000,000) made by the Company to the Borrower under the Loan Agreement
“Loan Agreement”	the loan agreement dated 22 December 2009 entered into among the Company, the Borrower and the Guarantor in respect of the Loan



“Luoyang Fuchuan”	洛陽富川礦業有限公司 (Luoyang Fuchuan Mining Co., Ltd.*), a company incorporated in the PRC with limited liability. Luoyang Fuchuan is owned as to 90% by Xuzhou Huanyu
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 25 February 2010 entered into among the Company, the Borrower and LMG
“Xuzhou Huanyu”	徐州環宇鋁業有限公司 (Xuzhou Huanyu Molybdenum Co., Ltd.*), a company incorporated in the PRC with limited liability and owns 90% equity interest in Luoyang Fuchuan

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

Luoyang, the People’s Republic of China, 14 April 2010

*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 Shu Hedong and Mr Zhang Yufeng; and the independent non-executive Directors are Mr Gao Dezhu, Mr Zeng Shaojin, Mr Gu Desheng and Mr Ng Ming Wah, Charles.*

*The exchange rate adopted in this announcement for illustration purposes only is RMB 1.00 = HK\$1.14.*

\* *For identification purposes only*