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**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)

**CONNECTED TRANSACTION  
FINANCIAL ASSISTANCE**

Reference is made to the announcement of the Company dated 22 August 2013 in relation to the proposed extension of an entrusted loan of RMB150 million to Fuchuan Mining.

On 26 August 2013, the Company, Fuchuan Mining and the Bank entered into the Entrusted Loan Agreement, pursuant to which the Company agreed to extend an entrusted loan in the principal amount of RMB150 million to Fuchuan Mining through the Bank.

As the proceeds of the Entrusted Loan will be applied by Fuchuan Mining, a joint venture of the Company, for the repayment of the loan due to LMG, a controlling shareholder of the Company, the Entrusted Loan will therefore constitute a connected transaction for the Company pursuant to Rule 14A.13(3) of the Listing Rules.

As all the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) are less than 5%, the Entrusted Loan is subject to the reporting and announcement requirements but exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 22 August 2013 in relation to the proposed extension of an entrusted loan of RMB150 million to Fuchuan Mining.

On 26 August 2013, the Company, Fuchuan Mining and the Bank entered into the Entrusted Loan Agreement, pursuant to which the Company agreed to extend an entrusted loan in the principal amount of RMB150 million to Fuchuan Mining through the Bank.

## **ENTRUSTED LOAN AGREEMENT**

The principal terms of the Entrustment Loan Agreement are set out below:

**Date** 26 August 2013

**Parties**

1. the Company, as lender
2. Fuchuan Mining, as borrower
3. the Bank, as entrusted lender

**Principal amount** RMB150 million

### **Term**

One year from the drawdown date. The commencement date is subject to the approval of the shareholders of Fuchuan Mining with respect to the provision of security to be provided by Fuchuan Mining for the Entrusted Loan.

### **Interest rate**

0.55% per month, payable on a monthly basis and calculated based on actual drawdown amount and actual number of days from the first drawdown made by Fuchuan Mining on a 360-day year base.

## **Handling charges**

The Bank will receive RMB65,000 which will be borne by the Borrower.

## **Use of proceeds**

The proceeds of the Entrusted Loan shall be used by the Borrower to repay the loan due to LMG.

## **Security**

In connection with the extension of the Entrusted Loan, Fuchuan Mining will pledge a number of its fixed assets and land in the value RMB300 million in favour of the Company, to secure its obligations under the Entrusted Loan, including the repayment of the principal amount, any interests accrued thereon, penalty and any legal or other costs and expenses incurred by the Company for the recovery of the Entrusted Loan.

## **REASONS FOR AND BENEFITS OF PROVISION OF THE ENTRUSTED LOAN**

In February 2013, LMG, a controlling shareholder of the Company extended a loan of RMB250 million to Fuchuan Mining to facilitate the resolution of the historical issue in Shangfanggou mine\* (上房溝礦). The loan due to LMG is due to mature on 27 August 2013 and as a result of an extended period of suspension of production activities, Fuchuan Mining does not have sufficient liquid assets to repay the amount outstanding as at the date of announcement. As Fuchuan Mining is an integral part of the Group, owner of the mining permit for Shangfanggou mine, operator of Shangfanggou mine and will resume its production activities, the Board is of the view that the operations and the reputation of the Group would be adversely affected if Fuchuan Mining is unable to repay its debts when they fall due.

The terms of the Entrusted Loan were negotiated on an arm's length basis and the Directors are of the view that the terms of the Entrusted Loan are similar to those requested by other banks and on normal commercial terms.

In view of the above, the Directors (including independent non-executive Directors) are of the view that the Entrusted Loan and the terms of Entrusted Loan Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER LISTING RULES**

As the proceeds of the Entrusted Loan will be applied by Fuchuan Mining for the repayment of the loan due to LMG, a controlling shareholder of the Company, the Entrusted Loan will therefore constitute a connected transaction for the Company pursuant to Rule 14A.13(3) of the Listing Rules.

As all the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) are less than 5%, the Entrusted Loan is subject to the reporting and announcement requirements but exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors had a material interest in the Entrusted Loan or was required to abstain from voting on the Board resolutions in relation to the Entrusted Loan. However, as a matter of good corporate governance, Messrs. Wu Wenjun, Li Faben and Wang Qinxi, being Directors previously nominated by LMG, had voluntarily abstained from voting on the Board resolutions in relation to Entrusted Loan.

## **GENERAL**

### **Information of the Company**

The Company is primarily engaged in the mining, processing, smelting, downstream processing, trade, research and development of molybdenum, tungsten and precious metals. The Company is one of the largest molybdenum producers in the PRC with a leading position in the world and one of the largest tungsten concentrate producers in the PRC.

### **Information of Fuchuan Mining**

Fuchuan Mining was established in PRC in 2003. As at the date of this announcement, Fuchuan Mining is a joint venture of the Company, and is owned as to 10% by Luanchuan Huqi Mining Company Limited\* (欒川縣滬七礦業有限公司), a wholly owned subsidiary of the Company and as to 90% by Xuzhou Huanyu Molybdenum Co., Ltd.\* (徐州環宇鉬業有限公司), a joint venture of the Company which is owned as to 50% by the Company and as to 50% by Luoyang Guoyuan Investment Management Consultancy Co., Ltd.\* (洛陽國元投資管理諮詢有限公司). To the best of the Directors' knowledge, information and belief having made all reasonably enquiries, Luoyang Guoyuan Investment Management Consultancy Co., Ltd.\* (洛陽國元投資管理諮詢有限公司) and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Fuchuan Mining is the owner of the mining permit for Shangfanggou mine and the operator of Shangfanggou mine. Fuchuan Mining principally engages in the mining, smelting, processing and sale of molybdenum concentrates and second iron powder.

### **Information of LMG**

LMG is wholly owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Luoyang City and is a controlling shareholder of the Company.

## **Information of the Bank**

To the best of the Directors' knowledge, information and belief having made all reasonably enquiries, the Bank is a company established in the PRC and principally engages in the business of provision of banking, financial and related services. To the best of the Directors' knowledge, information and belief having made all reasonably enquiries, the Bank and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

## **DEFINITIONS**

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

|                           |   |
|---------------------------|---|
| “Bank”                    | Luoyang Luanchuan branch of Bank of China* (中國銀行股份有限公司欒川支行)   |
| “Board”                   | the board of Directors of the Company   |
| “Company”                 | China Molybdenum Co., Ltd.* (洛陽欒川鉬業集團股份有限公司), a joint stock company established in the PRC with limited liability, the H shares and A shares of which are listed and traded on the main board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively |
| “connected person(s)”     | has the meaning ascribed to it under the Listing Rules  |
| “controlling shareholder” | has the meaning ascribed to it under the Listing Rules  |
| “Director(s)”             | director(s) of the Company  |

|                            |   |
|----------------------------|---|
| “Entrusted Loan”           | the provision of the entrusted loan in the principal amount of RMB150 million pursuant to the Entrusted Loan Agreement  |
| “Entrusted Loan Agreement” | the entrusted loan agreement dated 26 August 2013 entered into between the Company, the Bank and Fuchuan Mining   |
| “Fuchuan Mining”           | Luoyang Fuchuan Mining Co., Ltd.* (洛陽富川礦業有限公司), a joint venture of the Company  |
| “Group”                    | the Company and its subsidiaries  |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited   |
| “Listing Rules”            | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange   |
| “LMG”                      | Luoyang Mining Group Co., Ltd.* (洛陽礦業集團有限公司), a controlling shareholder of the Company holding approximately 35% equity interest in the Company                             |
| “PRC”                      | the People’s Republic of China, for the purposes of this announcement, excludes the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan |
| “RMB”                      | Renminbi, the lawful currency of the PRC  |

“Shareholder(s)” holder(s) of shares of the Company

“subsidiary” has the meaning ascribed to it under the Listing Rules

“%” per cent.

By Order of the Board  
**China Molybdenum Co., Ltd.\***  
**Wu Wenjun**  
*Chairman*

Luoyang City, Henan Province, PRC, 26 August 2013

*As at the date of this announcement, the executive Directors are Mr. Wu Wenjun, Mr. Li Chaochun, Mr. Li Faben, Mr. Wang Qinxi and Ms. Gu Meifeng; the non-executive Directors are Messrs. Shu Hedong and Zhang Yufeng; and the independent non-executive Directors are Messrs. Bai Yanchun, Xu Shan, Cheng Gordon and Xu Xu.*

*\* for identification purposes only*