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CMOC

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)

**CONTINUING CONNECTED TRANSACTIONS
ENTERING INTO PROPERTY LEASING FRAMEWORK
AGREEMENT**

PROPERTY LEASING FRAMEWORK AGREEMENT

On 29 January 2021, the Company (as the lessee) and Cathay Fortune Corporation (as the lessor) entered into the Property Leasing Framework Agreement in respect of the property leasing services provided by Cathay Fortune Corporation to the Group for a term of three years commencing from 1 January 2021 and ending on 31 December 2023.

IMPLICATIONS UNDER THE LISTING RULES

As Cathay Fortune Corporation is a controlling shareholder of the Company, it is a connected person of the Company under Rule 14A.07 of the Listing Rules. As such, according to Chapter 14A of the Listing Rules, the transactions contemplated under the Property Leasing Framework Agreement constitute continuing connected transactions of the Company.

As the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) of the highest proposed annual caps for the transactions contemplated under the Property Leasing Framework Agreement is more than 0.1% but less than 5%, such continuing connected transactions are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board was pleased to announce that, on 29 January 2021, the Company and Cathay Fortune Corporation agreed and entered into the Property Leasing Framework Agreement, pursuant to which, Cathay Fortune Corporation will provide property leasing services to the Group.

PRINCIPLE TERMS OF THE PROPERTY LEASING FRAMEWORK AGREEMENT

Date: 29 January 2021

Parties: (i) Cathay Fortune Corporation (as the lessor)
(ii) the Company (as the lessee)

Term: three years commencing from 1 January 2021 and ending on 31 December 2023.

Subject matter: Pursuant to the Property Leasing Framework Agreement, Cathay Fortune Corporation will provide property leasing services to the Group.

The Group and Cathay Fortune Corporation will enter into individual agreements in respect of the relevant property leasing provided, terms and conditions of which shall be consistent with the Property Leasing Framework Agreement.

The specific amount, timing of payment and payment method of the rent payable by the Group to Cathay Fortune Corporation shall be set out in the individual agreements.

For three years ended 31 December 2021, 2022 and 2023, the estimated highest rent under the Property Leasing Framework Agreement is RMB30 million per year.

Pricing Principles: The rent and other terms under the individual agreements shall be fair and reasonable and on normal commercial terms. Specifically, the rent shall be determined according to the actual situation of the property and with reference to the market price and comparable prices in similar areas. Especially, the rent shall not exceed the amount of rent to be charged by an independent third party in respect of similar leased properties.

ACCOUNTING METHOD OF LEASE UNDER THE PROPERTY LEASING FRAMEWORK AGREEMENT

The Group implements the Accounting Standards for Business Enterprises No. 21 – Leases (2018 Amendments). At the commencement date of the lease, the Company, as the lessee, shall, in the Company’s consolidated statement of financial position, recognize a right-of-use asset representing its right to use the underlying leased assets and a lease liability representing its current obligation to make lease payments, except for simplified short-term lease and low-value asset lease. The right-of-use asset shall be initially measured at cost. The lease liability shall be initially measured according to the present value of the lease payment that has not yet been paid at the commencement date of the lease. In accordance with the China Accounting Standards for Business Enterprises and in the Company’s consolidated comprehensive income statement, the Company shall recognize (i) depreciation charges over the life of the right-of-use asset, and (ii) interest expenses from the lease liability amortized over the lease term.

ANNUAL CAPS AND BASIS OF DETERMINATION

For the three years ended 31 December 2021, 2022 and 2023, the estimated highest rent under the Property Leasing Framework Agreement is RMB30 million per year.

According to the *FAQs on Notifiable and Connected Transaction Rules relating to Lease Transactions of Listed Issuers adopting HKFRS/IFRS 16 “Leases” (or similar accounting standards in other jurisdictions)* issued by the Hong Kong Stock Exchange, the annual caps for leases under the Property Leasing Framework Agreement should be determined based on the total value of right-of-use assets relating to the leases to be entered into by the Company in the corresponding period. The proposed annual caps of such right-of-use assets are set out below:

Period	Annual caps CNY (0,000’)
From 1 January 2021 to 31 December 2021 (inclusive both days)	15,000
From 1 January 2022 to 31 December 2022 (inclusive both days)	15,000
From 1 January 2023 to 31 December 2023 (inclusive both days)	15,000

The annual caps set out above have been determined after taking into account: (i) the pricing basis as set out in the Property Leasing Framework Agreement; (ii) the average rent of the similar properties located in the similar area; (iii) the total amount of the right-of-use assets related to the leasing; and (iv) the Group’s demand in entering into new property leases due to the expansion of business.

Cathay Fortune Corporation has not provided any similar services to the Group in respect of property leasing and there is no historical amount in respect of the transactions under the Property Leasing Framework Agreement.

REASONS FOR AND BENEFITS OF THE PROPERTY LEASING FRAMEWORK AGREEMENT

The Company is of the view that, it is in the overall interests of the Group to enter into the Property Leasing Framework Agreement with Cathay Fortune Corporation, which will ensure the stable development of the Company's business, and at the same time meet the requirements of the Company's internal reorganization and business layout, and help reduce unnecessary additional administrative expenses to a certain extent.

The Board (including the independent non-executive Directors) are of the view that the continuing connected transactions contemplated under the Property Leasing Framework Agreement are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, and are in the interests of the Company and its shareholders as a whole.

Pursuant to the requirements of relevant laws and regulations, the Listing Rules and the articles of association of the Company, when the Board reviewed the resolution in respect of the Property Leasing Framework Agreement, Mr. Yuan Honglin, Mr. Li Chaochun and Mr. Li Faben as the connected directors, abstained from voting. Save for the above, to the best of Directors' knowledge, information and belief, and after making all reasonable enquiries, no other Director had a material interest in the Property Leasing Framework Agreement or shall abstain from voting on board resolutions approving the Property Leasing Framework Agreement and the transactions contemplated thereunder.

INTERNAL CONTROL MEASURES

In order to effectively implement the Property Leasing Framework Agreement, the Company has adopted the following internal control measures:

- a) the Company has designated a special department to monitor the market price of the rent under the Property Leasing Framework Agreement, including checking (1) the final contract price of the properties leased by the Group from other third parties from time to time, and (2) the general market price of the properties with similar geographical location and quality, so as to ensure that the transactions under the Property Leasing Framework Agreement are conducted in accordance with the normal commercial terms; and
- b) the Company's auditor and the independent non-executive Directors will conduct annual review on the pricing principles, transaction terms and the proposed annual caps under the Property Leasing Framework Agreement.

IMPLICATIONS UNDER THE LISTING RULES

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As the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) of the highest proposed annual caps for the transactions contemplated under the Property Leasing Framework Agreement is more than 0.1% but less than 5%, such continuing connected transactions are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

Information about the Company

The Company is an international mining resources company mainly engaged in the exploration, mining, processing, refining, sales and trading of mineral products. The Company's main assets and business are distributed in Asia, Africa, South America, Oceania and Europe. It is the world's leading producer of tungsten, molybdenum, cobalt and niobium and a major producer of copper, the second largest phosphate fertilizer producer in Brazil. At the same time, IXM, a wholly-owned subsidiary, is also the third largest basic metal merchant in the world. The Company is dually listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange under the stock codes of HK03993 and SH603993, respectively.

Cathay Fortune Corporation

Cathay Fortune Corporation is a limited liability company incorporated in Shanghai, China. Cathay Fortune Corporation involves industries in data and communication equipment, air transportation, mechanical and electrical automation, mining investment, financial investment, venture capital and other fields. Cathay Fortune Corporation is ultimately controlled by Yu Yong, a natural person.

DEFINITIONS

Unless the context otherwise requires, the following expressions in this announcement shall have the following meanings:

“Board”	the board of directors of the Company
“Cathay Fortune Corporation”	Cathay Fortune Corporation, the controlling shareholder of the Company. As of the date of this announcement, Cathay Fortune Corporation holds 24.69% shares of the Company
“Company”	China Molybdenum Co., Ltd., a joint stock company established in 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 thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“individual agreement(s)”	individual property leasing agreement(s) entered into between the Group and Cathay Fortune Corporation in accordance with the principles set out in the Property Leasing Framework Agreement

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC” or “China”	the People’s Republic of China, but for the purposes of this announcement only, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“Property Leasing Framework Agreement”	the property leasing framework agreement entered into between the Company and Cathay Fortune Corporation on 29 January 2021 in respect of the property leasing services provided by Cathay Fortune Corporation to the Group

By order of the Board
China Molybdenum Co., Ltd.
Yuan Honglin
Chairman

Luoyang, Henan Province, the PRC,
29 January 2021

As at the date of this announcement, the Company’s executive directors are Mr. Li Chaochun and Mr. Li Faben; the Company’s non-executive directors are Mr. Yuan Honglin, Mr. Guo Yimin and Mr. Cheng Yunlei; and the Company’s independent non-executive directors are Mr. Wang Gerry Yougui, Ms. Yan Ye and Mr. Li Shuhua.

* *For identification purpose only*