



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)

Annual Results Announcement
For the Year Ended 31 December 2007

I. FINANCIAL HIGHLIGHT

GROUP RESULTS

The board of directors (the “**Board**”) of China Molybdenum Co., Ltd. (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2007 together with comparative figures in 2006, as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

		2007	2006
	NOTES	RMB'000	RMB'000
Turnover	2	5,897,806	3,826,221
Cost of sales		(2,277,920)	(1,218,789)
Gross profit		3,619,886	2,607,432
Other income	3	446,265	25,502
Selling and distribution expenses		(21,344)	(20,408)
Administrative expenses		(208,622)	(95,646)
Other expenses		(268,886)	(21,367)
Finance costs		(19,871)	(48,275)
Share of results of associates		12,827	7,048

Profit before taxation		3,560,255	2,454,286
Taxation	4	(1,053,333)	(739,821)
Profit for the year	5	<u>2,506,922</u>	<u>1,714,465</u>
Attributable to:			
Equity holders of the Company		2,240,834	1,515,263
Minority interests		266,088	199,202
		<u>2,506,922</u>	<u>1,714,465</u>
Earnings per share — Basic	7	<u>RMB0.50</u>	<u>RMB0.43</u>

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2007

	<i>NOTES</i>	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		3,002,560	2,004,462
Land use rights — non-current portion		305,618	211,037
Mining rights		365,193	392,413
Deposits paid for acquisition of property, plant and equipment		—	8,000
Interests in associates		45,412	45,095
Available-for-sale investments		2,300	2,300
Deferred tax assets		34,877	16,868
		<u>3,755,960</u>	<u>2,680,175</u>

Current assets			
Inventories		354,558	220,680
Trade and other receivables	8	1,396,352	680,974
Amount due from an associate		61,243	2,630
Land use rights - current portion		6,526	5,271
Available-for-sale investments		492,987	—
Held-for-trading investments		116,340	101,493
Pledged bank deposits		2,685	6,909
Bank balances and cash		5,680,676	827,447
		<u>8,111,367</u>	<u>1,845,404</u>
Current liabilities			
Trade and other payables	9	(582,595)	(800,421)
Dividend payables		(10,000)	(193,156)
Tax payable		(372,018)	(300,059)
Bank borrowings — due within one year		(125,000)	(555,250)
		<u>(1,089,613)</u>	<u>(1,848,886)</u>
Net current assets (liabilities)		<u>7,021,754</u>	<u>(3,482)</u>
Total assets less current liabilities		<u>10,777,714</u>	<u>2,676,693</u>
Non-current liabilities			
Bank borrowings — due after one year		(25,000)	(490,000)
Provision		(36,813)	(35,060)
Long term payable		(9,032)	(12,777)
		<u>(70,845)</u>	<u>(537,837)</u>
		<u>10,706,869</u>	<u>2,138,856</u>

Capital and reserves

Share capital	10	975,234	736,842
Reserves		9,394,033	1,122,646
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Attributable to equity holders of the Company		10,369,267	1,859,488
Minority interests		337,602	279,368
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Total equity		10,706,869	2,138,856
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Investment revaluation reserve	Translation reserve	Retained profits	Attributable to equity holders of		Total
parent entity									Minority interests		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	280,020	—	230,655	23,221	8,014	—	—	508,709	1,050,619	140	1,050,759
Profit for the year,											
total recognized income											
for the year	—	—	—	—	—	—	—	1,515,263	1,515,263	199,202	1,714,465
Conversion to a joint stock limited company	419,980	—	(223,766)	(196,214)	—	—	—	—	—	—	—
Issue of shares	36,842	16,874	—	—	—	—	—	—	53,716	—	53,716
Dividends	—	—	—	—	—	—	—	(760,110)	(760,110)	—	(760,110)
Transfer from/to reserves	—	—	—	280,105	(8,014)	—	—	(272,091)	—	—	—
Transfer (Note)	—	—	187,371	—	—	—	—	(187,371)	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	77,315	77,315
Winding up of a subsidiary	—	—	—	—	—	—	—	—	—	(289)	(289)
Capital injection from minority shareholders	—	—	—	—	—	—	—	—	—	3,000	3,000
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At 31 December 2006 and at 1 January 2007	736,842	16,874	194,260	107,112	—	—	—	804,400	1,859,488	279,368	2,138,856
Gain on change in fair value of											
available-for-sale investment	—	—	—	—	—	836	—	—	836	—	836
Exchange differences arising on translation of											
foreign operation recognised	—	—	—	—	—	—	(464)	—	(464)	—	(464)
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Net income (expense) recognised											
directly in reserve	—	—	—	—	—	836	(464)	—	372	—	372
Profit for the year	—	—	—	—	—	—	—	2,240,834	2,240,834	266,088	2,506,922
Total recognised income for the year	—	—	—	—	—	836	(464)	2,240,834	2,241,206	266,088	2,507,294
Issue of shares	238,392	7,762,656	—	—	—	—	—	—	8,001,048	—	8,001,048
Share issue expense	—	(433,270)	—	—	—	—	—	—	(433,270)	—	(433,270)
Capital injection from minority shareholders	—	—	—	—	—	—	—	—	—	40,000	40,000
Dividends	—	—	—	—	—	—	—	(1,299,205)	(1,299,205)	(247,854)	(1,547,059)
Transfer from reserves	—	—	—	231,970	—	—	—	(231,970)	—	—	—
Transfer (Note)	—	—	167,673	—	—	—	—	(167,673)	—	—	—
At 31 December 2007	<u>975,234</u>	<u>7,346,260</u>	<u>361,933</u>	<u>339,082</u>	<u>—</u>	<u>836</u>	<u>(464)</u>	<u>1,346,386</u>	<u>10,369,267</u>	<u>337,602</u>	<u>10,706,869</u>

Note: Pursuant to regulations in the People’s Republic of China (“PRC”) relating to the mining industry, the Group is required to transfer an amount to the capital reserve account, and such amount is entitled as additional deduction from operating income for PRC Enterprise Income Tax and accounting purposes. The amount is calculated as the shortfall of the amount of depreciation on property, plant and equipment in respect of mines and the amount calculated based on the volume of molybdenum ore extracted each year and at the applicable rate per tonne of molybdenum ore. The utilisation of the amount in the capital reserve account will be subjected to the rules in the PRC Companies Law and is not available for distribution to shareholders.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 RMB'000	2006 RMB'000
Operating activities		
Profit before taxation	3,560,255	2,454,286
Adjustments for:		
Interest income	(358,622)	(13,401)
Interest expenses	19,871	48,275
Depreciation for property, plant and equipment	148,938	71,700
Amortisation of land use rights	8,357	3,993
Amortisation of mining right	27,220	9,073
Loss on disposal of property, plant and equipment	13,987	11,254
Share of results of associates	(12,827)	(7,048)
Allowance for (written back of) doubtful debts	15,061	(784)
Change in fair value of financial assets classified as held-for-trading	—	(488)
Gain arising on disposal of available-for-sale investment	(368)	—
Discount on acquisition of a subsidiary	—	(5,102)
Goodwill written off on acquisition of subsidiaries	—	3,439
Gain on winding up of a subsidiary	—	(289)
Operating cash flows before movements in working capital	3,421,872	2,574,908
Increase in inventories	(133,878)	(3,590)
Increase in trade and other receivables	(730,955)	(457,140)
Increase in held-for-trading investment	(14,847)	(40,490)
Increase in amount due from an associate	(58,613)	(631)
Increase (decrease) in trade and other payables	73,387	(90,757)
Decrease in long term payable	(3,745)	(3,746)
Cash generated from operations	2,553,221	1,978,554
PRC Enterprise Income Tax paid	(999,383)	(720,468)
Net cash from operating activities	1,553,838	1,258,086

Investing activities		
Interest received	358,622	13,401
Dividend received from an associate	12,510	—
Purchases of property, plant and equipment	(1,063,954)	(738,437)
Deposit paid for property, plant and equipment	—	(8,000)
Purchases of land use right	(104,193)	(27,976)
Purchases of mining right	(360,337)	(41,149)
Purchases of available-for-sale investment	(520,000)	—
Proceeds from disposal of property, plant and equipment	2,160	16,552
Proceeds from disposal of available-for-sale investment	28,217	—
Acquisition of subsidiaries	—	9,368
Disposal of a subsidiary	—	9,887
Decrease in loan receivables	—	101,000
Decrease (increase) in pledged bank deposits	4,224	11,158
Net cash used in investing activities	(1,642,751)	(654,196)
Financing activities		
Interest paid	(40,171)	(46,605)
Dividends paid to shareholders	(1,492,361)	(589,171)
Dividends paid to minority shareholders of subsidiaries	(237,854)	—
New bank borrowings raised	688,000	1,743,050
Repayment of bank borrowings	(1,583,250)	(1,297,990)
Issue of shares	8,001,048	53,716
Share issue expense	(433,270)	—
Capital contribution from minority shareholders	40,000	3,000
Net cash generated from (used in) financing activities	4,942,142	(134,000)
Net increase in cash and cash equivalents	4,853,229	469,890
Cash and cash equivalents at 1 January	827,447	357,557
Cash and cash equivalents at the end of the year	<u>5,680,676</u>	<u>827,447</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<u>5,680,676</u>	<u>827,447</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new and revised standard, amendment and interpretations (hereinafter collectively referred to as “new IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB that are effective for the Group’s financial year beginning 1 January 2007. The adoption of the new IFRSs has no material effect on how the results and financial position for the current and prior accounting periods are prepared and presented. Accordingly, no prior year adjustment has been required.

2. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold, less discount and sales related taxes, for the period. An analysis of the Group’s turnover is as follows:

	2007 <i>RMB’000</i>	2006 <i>RMB’000</i>
Sales of goods		
— molybdenum concentrate	886,432	924,584
— molybdenum oxide	1,011,111	946,469
— ferromolybdenum	3,273,151	1,477,131
— molybdenum ore	5,994	34,778
— others	721,118	443,259
	<u>5,897,806</u>	<u>3,826,221</u>

The Group’s turnover and profit for the year are almost entirely derived from the production and sale of molybdenum related products. The directors consider that these activities constitute one single business segment since the products are related and are subject to common risks and returns.

Primary reporting segment — geographical segments

The Group primarily operates in PRC, sales are made to overseas customers as well as customers in the PRC. The Group's turnover and segment result by geographical locations of customers are determined by the final destination to where the products are delivered:

Consolidated income statements

	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover		
PRC	3,934,266	2,491,594
Korea	470,378	680,556
US	480,319	484,020
Germany	616,616	35,346
Others	396,227	134,705
	<u>5,897,806</u>	<u>3,826,221</u>
Segment result		
PRC	2,473,547	1,684,642
Korea	288,302	460,144
US	290,447	327,260
Germany	398,596	23,899
Others	147,650	91,079
	<u>3,598,542</u>	<u>2,587,024</u>
Interest income	358,622	13,401
Other income (excluding interest income)	87,643	12,101
Share of results of associates	12,827	7,048
Unallocated expenses	(477,508)	(117,013)
Finance costs	(19,871)	(48,275)
	<u>3,560,255</u>	<u>2,454,286</u>
Profit before taxation	3,560,255	2,454,286
Taxation	(1,053,333)	(739,821)
	<u>2,506,922</u>	<u>1,714,465</u>
Profit for the year	<u>2,506,922</u>	<u>1,714,465</u>

3. OTHER INCOME

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Interest income		
— bank deposits	120,004	7,244
— arising from global offering of the Company's shares	213,052	—
— loan receivables	—	4,431
— debentures	1,726	1,726
— available-for-sale investments	23,840	—
Gain on fair value change of financial assets classified as held-for-trading	82,471	488
Discount on acquisition of a subsidiary	—	5,102
Gain arising on disposal of available-for-sale investments	368	—
Waiver of long outstanding payables	—	2,122
Net gain on sales of scrap materials	388	478
Government grants recognised (<i>Note</i>)	—	2,020
Others	4,416	1,891
	<u>446,265</u>	<u>25,502</u>

Note: The amounts represented unconditional government grants received by the Group from the relevant PRC government to facilitate the business operation of the Group.

4. TAXATION

	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>

The charge comprises PRC Enterprise Income Tax:

Taxation

— current year	1,057,417	722,718
— underprovision in prior year	13,925	—

	1,071,342	722,718
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Deferred taxation

— current year	(20,017)	17,103
— attributable to a change in tax rate	2,008	—

	1,053,333	739,821
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The Group, except for Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd (“Luoyang High Tech”), was subject to PRC Enterprise Income Tax levied at a rate of 33% of taxable income determined in accordance with the relevant laws and regulations in the PRC. Luoyang High Tech is regarded as a high technology enterprise and is subject to PRC Enterprise Income Tax of 15% with the first two years’ result being exempted from Enterprise Income Tax. In addition, the Company entitled to a tax benefit (“Tax Benefit”), which is calculated as 40% of the current year’s purchase of PRC produced plant and equipment for production use. The Tax Benefit is, however, limited to the amount of increase in PRC Enterprise Income Tax for the current year in which the plant and equipment are acquired as compared with the tax amount of the previous year. The portion of the Tax Benefit that is not utilised in the current year can be carried forward for future application for a period of not more than five years.

5. PROFIT FOR THE YEAR

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Profit for the year has been arrived at after charging:		
Directors' remuneration	7,067	1,512
Other staff's salary, bonus and allowance	267,910	209,271
Other staff's contribution to retirement benefit cost	17,973	12,901
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Total staff costs	292,950	223,684
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Auditor's remuneration	2,700	970
Cost of inventories recognised as an expense	2,250,700	1,209,716
Depreciation of property, plant and equipment	148,938	71,700
Amortisation of land use rights	8,357	3,993
Amortisation of mining rights (include in cost of sales)	27,220	9,073
Allowance for (written back of) doubtful debts	15,061	(784)
Expenses arising from global offering of the Company's shares recognised as an expense	23,239	—
Share of tax of associates (included in share of results of associates)	7,323	3,575
Resources compensation fee (<i>Note</i>)	73,018	45,117
Loss on disposal of property, plant and equipment	13,987	11,254
Foreign exchange loss	230,307	1,532
Donations	20,833	3,225
Goodwill written off on acquisition of subsidiaries	—	3,439
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Note: Resources compensation fee is calculated on the basis of a ratio of the sales income of mineral products during the year by reference to the compensation fee rate and coefficient of mining recovery rate and include in cost of sales.

6. DIVIDENDS

	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Special dividend to Cathay Fortune Corporation (“CFC”) and Luoyang Mining Group Co., Ltd. (“LMG”)	<u>1,299,205</u>	<u>760,110</u>

Pursuant to a resolution passed at the board of directors’ meeting held on 26 June 2006, it was resolved to declare dividend totaling approximately RMB760,110,000 to LMG and CFC, being the distributable profits for the period from 1 January 2005 to 31 May 2006. The dividend was financed by the Group’s internal cash resources and was fully paid by 19 January 2007.

Pursuant to the resolutions of the shareholders passed at the general meeting on 19 October 2006, it is proposed that the distributable profits as at 31 December 2006 and the distributable profits for the period from 1 January 2007 to the date immediately preceding the date of its listing on the Stock Exchange be entirely distributed to LMG and CFC (the “Special Dividend”). And pursuant to a general resolution passed on 25 March 2007, the Company declared part of the Special Dividend out of the distributable profits as at 31 December 2006 totaling RMB720,000,000 to LMG and CFC. The dividend was fully paid in April 2007 and was financed by the Group’s internal resources.

Pursuant to a resolution passed at the directors’ meeting held on 25 June 2007, it was resolved to declare and pay the rest of the Special Dividend amounting to RMB579,205,000.

The final dividend of RMB0.128 (2006: RMB nil) and a special dividend of RMB0.03 (2006: RMB nil) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

7. EARNINGS PER SHARE — BASIC

The calculation of the basic earnings per share for the year is based on the following data:

	2007	2006
Profit for the year attributable to equity holders of the Company and earnings for the purpose of basic earnings per share (<i>RMB'000</i>)	<u>2,240,834</u>	<u>1,515,263</u>
Weighted average number of shares for the purpose of basic earnings per share	<u>4,498,246,470</u>	<u>3,563,085,796</u>

The number of shares for the purpose of calculating basic earnings per share for the year ended 31 December 2006 is based on the assumption that the 700,000,000 shares issued and outstanding upon transformation of the Company into a joint stock limited company as at 25 August 2006 had been outstanding as at 1 January 2006 and also has been adjusted for the share split as disclose in note 10(c).

There are no diluted earnings per share presented for both years as there are no potential ordinary shares outstanding.

8. TRADE AND OTHER RECEIVABLES

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Trade receivables (net of allowances)	959,632	554,208
Bill receivables	345,665	79,251
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	1,305,297	633,459
Other receivables and prepayments	91,055	47,515
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	1,396,352	680,974
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Trade and other receivables include the following balances of trade and bills receivables:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Trade and bills receivables	1,324,491	640,994
Less: Allowance for doubtful debts	(19,194)	(7,535)
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	1,305,297	633,459
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The Group normally allows credit period of no longer than 90 days to its trade customers, which a longer credit period will be allowed for major customers. The aged analysis of trade receivables and bill receivables is as follows:

	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 90 days	1,055,001	582,016
91 - 180 days	208,119	36,791
181 - 365 days	38,721	676
1 - 2 years	3,456	13,976
	<u>1,305,297</u>	<u>633,459</u>

Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed once a year. Approximately 96% (2006: 93%) of the trade receivables that are neither past due nor impaired have the best credit quality assessed by the Group.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB53,785,000 (2006: RMB43,343,000) which past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 249 days (2006: 211 days).

Ageing of trade receivables which are past due but not impaired

	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
91 - 180 days	11,608	28,691
181 - 365 days	38,721	676
1 - 2 years	3,456	13,976
	<u>53,785</u>	<u>43,343</u>

	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Movement in the allowance for doubtful debts for trade receivables		
Balance at beginning of the year	7,535	10,455
Amounts recovered during the year	—	(7,888)
Increase in allowance recognised in profit or loss	11,659	4,968
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Balance at end of the year	19,194	7,535
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	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Movement in the allowance for doubtful debts for other receivables		
Balance at beginning of the year	4,063	1,927
Amount recovered during the year	(346)	—
Increase in allowance recognised in profit or loss	3,748	2,136
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Balance at end of the year	7,465	4,063
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Included in the Group's allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB19,194,000 (2006: RMB7,535,000) in which the directors consider the recoverability of these debts is remote.

The Group's and the Company's trade receivables that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
United States Dollar ("USD")	684,041	363,810
Euro	2,568	—
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9. TRADE AND OTHER PAYABLES

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Trade payables (<i>Note a</i>)	83,598	93,612
Other payables and accruals	498,997	706,809
	<u>582,595</u>	<u>800,421</u>

Notes:

(a) Trade payables

The aged analysis of trade payables is as follows:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
0 - 90 days	55,842	58,959
91 - 180 days	16,762	14,522
181 - 365 days	3,405	8,269
1 - 2 years	2,847	11,862
Over 2 years	4,742	—
	<u>83,598</u>	<u>93,612</u>

Trade payables principally comprise amounts outstanding for trade purchases.

10. SHARE CAPITAL

	Number of shares		Amount RMB'000
	Domestic shares (Note g)	H shares (Note h)	
At 1 January 2006	280,020,000	—	280,020
Conversion to a joint stock limited company (Note a)	419,980,000	—	419,980
Issue of shares (Note b)	36,842,105	—	36,842
Share split (Note c)	2,947,368,420	—	—
At 31 December 2006	3,684,210,525	—	736,842
Issue of H shares on global offering (Note d)	—	1,083,600,000	216,720
Issue of H shares under over-allotment option (Note e)	—	108,360,000	21,672
Conversion from domestic shares to H shares (Note f)	(119,196,000)	119,196,000	—
At 31 December 2007	<u>3,565,014,525</u>	<u>1,311,156,000</u>	<u>975,234</u>

The Company was established in the PRC on 22 December 1999 as a wholly state-owned company under the Company Law of the PRC. The registered and paid-in capital of the Company upon establishment was RMB251,000,000.

On 31 August 2004, the registered capital of the Company was increased to RMB280,020,000.

Notes:

- (a) Pursuant to a resolution passed on 25 August 2006, the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its paid in capital and reserves as at 31 May 2006 into 700,000,000 shares of RMB1.00 each.
- (b) In September 2006, the Company issued 36,842,105 shares with nominal value of RMB1.00 each to Luoyang Huamu Investment Co., Ltd., a company owned and controlled by the members of the Company's senior management, for a consideration of approximately RMB53.7 million.
- (c) Pursuant to a resolution passed on 3 December 2006, the Company undertook a share split whereby each of the then issued ordinary share was split into 5 ordinary shares with effect from 13 April 2007. Accordingly, the total number of shares increased from 736,842,105 shares to 3,684,210,525 shares and the nominal value of each share was changed from RMB1.0 each to RMB0.2 each.
- (d) On 26 April 2007, the Company issued 1,083,600,000 H shares with a nominal value of RMB0.20 each, at a price of HK\$6.8 per H share by way of a global offering to Hong Kong and overseas investors.
- (e) On 4 May 2007, as a result of the exercise of the over-allotment option by the joint global coordinators of the global offering in connection with the listing of the Company's shares on 26 April 2007, the Company issued 108,360,000 H shares with a nominal value of RMB0.20 each, at a price of HK\$6.8 per H share.
- (f) In accordance with the relevant approval from the Luoyang state-owned Assets Supervision and Administration Commission of the People's Government of Luoyang City, 119,196,000 Domestic Shares held by LMG were converted into an equal number of H Shares, and transferred to the National Council for Social Security Fund of the PRC for retention upon the completion of the global offering on 26 April 2007.
- (g) Domestic shares are ordinary shares subscribed for and credited as fully paid up in RMB by PRC government and/or PRC incorporated entities only.
- (h) H shares are ordinary shares subscribed for and credited as fully paid up in RMB by persons other than PRC government and/or PRC incorporated entities only.

Other than the specific requirements on the holders of the shares as set out in notes (g) and (h) above, all the shares rank *pari passu* in all respects with other shares in issue.

II. FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the consolidated results and the notes thereto of the Group detailed in Section I of this announcement.

Summary

For the year ended 31 December 2007, unaudited profit before taxation increased by RMB1,106.0 million or 45.1% from RMB2,454.3 million in the year ended 31 December 2006 to RMB3,560.3 million in the year ended 31 December 2007. For the year ended 31 December 2007, profit attributable to the equity holders of the parent entity was RMB2,240.8 million, representing an increase of RMB725.6 million or 47.9% from RMB1,515.3 million in the year ended 31 December 2006.

The comparative analysis between the turnover, sales volume and selling price for the year ended 31 December 2007 and 31 December 2006 is as follows:

Operating Results

Turnover increased by RMB2,071.6 million or 54.1%, from RMB3,826.2 million for the year ended 31 December 2006 to RMB5,897.8 million for the year ended 31 December 2007. The table below sets out the turnover, sales volume and average selling price in 2007 and 2006:

	For the year ended 31 December							
	2007				2006			
	Sales volume (tonne)	Average selling price (RMB/tonne)	Turnover (RMB million)	Percentage in turnover (%)	Sales volume (tonne)	Average selling price (RMB/tonne)	Turnover (RMB million)	Percentage in turnover (%)
Molybdenum Ore	137,543	43.6	6.0	0.1	780,959	44.6	34.8	0.9
Molybdenum concentrate (45% Mo)	5,362	165,311.9	886.4	15.0	5,569	166,026.9	924.6	24.2
Molybdenum oxide (51% Mo)	4,483	255,540.4	1,011.1	17.1	4,911	192,727.5	946.5	24.7
Ferromolybdenum (60% Mo)	13,134	249,212.0	3,273.2	55.5	6,428	229,791.5	1,477.1	38.6
Other products	—	—	721.1	12.2	—	—	443.2	11.6
Total	—	—	5,897.8	100.0	—	—	3,826.2	100.0

Note: It is not meaningful to aggregate the sales volume and average selling price of other products, as the category “Other products” cover various products manufactured by the Group.

Turnover increased mainly due to: (1) a renovation and upgrade project of 5,000 tonnes per day at the No. 3 Ore Processing Branch was accomplished in July 2007, leading to increased flotation capacity; (2) the utilization rate of capacity and production volume increased gradually since the commencement of production at No. 2 Ore Processing Branch in April 2006; (3) increased sales proportion of ferromolybdenum and processing products decreased that of molybdenum concentrates and molybdenum oxides, which led to a lift in the selling price per unit of products.

Cost

For the year ended 31 December

	2007			2006		
	Cost of operation (RMB million)	Gross Profit (RMB million)	Profit margin (%)	Cost of operation (RMB million)	Gross Profit (RMB million)	Profit margin (%)
Total	<u>2,277.9</u>	<u>3,619.9</u>	<u>61.4</u>	<u>1,218.8</u>	<u>2,607.4</u>	<u>68.1</u>

As at 31 December 2007, cost of sales of the Group was RMB2,277.9 million representing a rise of 86.9% over the RMB1,218.8 million in the same period last year. The main reasons behind the increase in the cost of sales were (1) the Company’s expansion of the production of molybdenum concentrates, molybdenum oxide and ferromolybdenum; (2) the levy of tariff on ferromolybdenum and molybdenum. A 10% export tariff on molybdenum oxide was levied since 1 November 2006 which increased from 10% to 15% commencing from 1 June 2007 and a 10% export tariff on ferromolybdenum was levied starting from 1 November 2006; (3) increased ratio of procurement of products at market price from parodies other than the Group by its trading subsidiaries, Dachuan High Tech Company; (4) amortization of the mining rights for Sandaozhuang Mine; and (5) increased expenses on mine safety.

Gross Profit and Profit Margin

As at 31 December 2007, the Group realized a gross profit of RMB3,619.9 million, representing an increase of RMB1,012.5 million or 38.8% as compared with 2,607.4 million in the same period last year. The significant increase was mainly attributable to increased sales volume of various products of the Group during the year. As at the year ended 31 December 2007, the profit margin of the Group was 61.4%, representing a decrease of 6.7% as compared with 68.1% in the same period last year. The main reasons were: (1) the levy of tariff on ferromolybdenum and molybdenum oxide. An export tariff of 10% on molybdenum oxides was levied starting from 1 November 2006, and was adjusted upward from 10% to 15% since 1 June 2007, while an export tariff of 10% on ferromolybdenum was levied starting from 1 November 2006; (2) increased ratio of procurement of products at market price from parties other than the Group by its trading subsidiaries, Dachuan and High Tech Company; (3) amortization of the mining rights for Sandaozhuang Mine; and (4) increased expenses on mine safety.

Other Income

As at 31 December 2007, other income and gains of the Group amounted to RMB446.3 million, representing an increase of RMB420.8 million or 1,650.2% over RMB25.5 million for the corresponding period last year. Such an increase was mainly due to: (1) a bank interest income of RMB213.1 million arising from the oversubscription of new shares in the first half of 2007; (2) an interest income of RMB120.0 million generated from proceeds from its listing; (3) an income of RMB82.5 million arising from an investment in financial assets using short-term capital surplus.

Results Attributable to Associates

As at 31 December 2007, the results of associated companies attributable to the Group amounted to RMB12.8 million, representing an increase of RMB5.8 million or 82.9% over RMB7.0 million in 2006. This is mainly due to the increased production volume and sales volume of Yulu. In addition, the equity interest attributable to the Group in Yulu will increase to 50% from 40% for 2007, pursuant to the resolution of the board of directors of Yulu on 26 March 2008.

Equity Attributable to Shareholders of the Company

For the year ended 31 December 2007, the net profit attributable to shareholders of the Company amounted to RMB2,240.8 million, representing an increase of RMB725.5 million or 47.9% over RMB1,515.3 million in 2006. Such increase was mainly due to increase in the operating profit during the period.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2007, the total assets of the Company amounted to approximately RMB11,867.3 million, comprising non-current assets of approximately RMB3,755.9 million and current assets of approximately RMB8,111.4 million. The cash and cash equivalents of the Company amounted to approximately RMB6,290.0 million, while interest-bearing bank and loans amounted approximately to RMB150.0 million. The Company had already utilized part of the proceeds from listing and cash generated from operations to settle the liabilities. At present, the Company continues to maintain healthy operation and financial position.

Debt to Total Assets Ratio

The debt to total assets ratio of the Group dropped from 52.7% as of 31 December 2006 to 9.8% as of 31 December 2007. Debt to total assets ratio is equivalent to total liabilities divided by total assets. Such decrease in ratio was mainly due to: (1) the net proceeds from listing of H Shares of the Group on the Main Board of The Stock Exchange of Hong Kong Limited, which resulted in an increase in total assets of the Group; (2) the increase in production capacity of the Group, which led to increased operating surplus and subsequently lowered liabilities to assets ratio.

Exposure to Fluctuations in Exchange Rate

The Company conducts operations mainly in the PRC. As the production capacity of the Group increases and the market expands, exports sold to different countries through the Group or the subsidiary in Hong Kong surged during the year. We mainly settle transactions of export sales with US dollars. Due to periodicity in calculating the amount of export income, the currency risks of the Group are primarily generated from the sales of products in foreign currencies.

Currently, the Group has no formal hedging policies in place. Apart from appropriate adjustment to the sales strategies and strengthening the financial management of export business, the Group may consider entering into foreign currency exchange contracts or derivatives to hedge against the Group's currency risks.

Exposure to the Price Fluctuation of Molybdenum Products

As the trading price of the molybdenum products of the Group is calculated on basis of the international and domestic prices, the Group has been exposed to the price fluctuation of molybdenum products. The international and domestic prices of molybdenum products mainly depend on market demand and supply in the long run. These factors are beyond our control. Meanwhile, the price of molybdenum products is susceptible to the global and PRC economic cycle, taxation policies as well as variations in the global currency market. The Group has not entered into any trading contracts and has not made any pricing arrangement to hedge against the risk arising from fluctuations in the price of nonferrous products during the reporting period.

Exposure to Interest Rate

The exposure to interest rate of the Group is mainly related to our long-term and short-term bank borrowings. The interest rate of outstanding liabilities of the Group is calculated on basis of the base rate amended by The People's Bank of China and Hong Kong interbank market from time to time. So far, the Group has not entered into any type of interest agreement or derivatives to hedge against fluctuations in interest rate or liabilities.

Employees

As of 31 December 2007, the Group had approximately 5,454 full time employees, classified as follows by functions and departments:

Department	Employees	Proportion
Management & Administration	767	14.06%
Quality control, research and development	380	6.97%
Production	3,678	67.44%
Repair and maintenance, safety inspection and environmental protection	629	11.53%
Total	<u>5,454</u>	<u>100%</u>

The remuneration portfolio of the Group's employees involves salary, bonus and subsidies. The Group has participated in the social insurance contribution plans introduced by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, the Group is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. Pursuant to the prevailing applicable local regulations, percentage of certain insurance polices are as follows: the pension insurance, medical insurance, unemployment insurance and housing reserve funds of our employees represent 20%, 6%, 2% and 5% to 12% of his or her total basic salary respectively.

Use of Proceeds

As at 31 December 2007, the Company had applied an aggregate of approximately RMB2,481 million of proceeds for applications mainly as follows:

- approximately RMB781 million in repaying various short-term bank borrowings and interest
- approximately RMB826 million in repaying current liabilities, topping up general working capital
- approximately RMB361 million to prepay the remaining consideration in respect of the mining rights of Sandaozhuang Mine
- approximately RMB152 million to construct auxiliary facilities of ores
- approximately RMB14 million for technological renovation of No.3 Ore Processing Branch
- approximately RMB69 million for expansion of Mining Branch, Sanqiang Company and construction of scheelite recovery plant
- approximately RMB78 million to construct Luoyang Yongning Gold & Lead Refining Co., Ltd. and acquisition project of precious metals
- approximately RMB200 million to construct a smelting plant of molybdenum with a capacity of 40,000 tonnes/year

III. MARKET REVIEW

In 2007, both domestic and international molybdenum markets saw a stable and sound operation. The global economy continued to grow steadily, of which stability can be seen in the economies of western developed countries in general; whilst emerging markets such as China and India experienced buoyant development, serving as strong support for the boom of the global molybdenum market. In the international market, the overseas molybdenum production grew at a very slow pace; on the other hand, with the increase in the export tariff on molybdenum oxides and ferromolybdenum and export quota by China, its supply for the global molybdenum market had been reduced, leading to an ongoing tense international market supply. Molybdenum reserve maintained at a low level with certain increase in the price. According to statistics, the world's average molybdenum oxides and ferromolybdenum prices throughout 2007 were US\$30.30/pound and US\$71.89/kg, up approximately 22.3% and 23.0% over 2006 respectively. In the molybdenum market in China, though the export volume was reduced by the export policies, the domestic sales were increased. The adjustment in the structure of the steel and iron industry in China leads to a surge in the production volume of stainless steel and special type steel as well as the demand for molybdenum. Such an increase offset the impact from the rise in domestic production. The molybdenum price maintained strong throughout the year. Research figures showed that the average prices (inclusive of tax) of molybdenum concentrates, molybdenum oxides and ferromolybdenum in China were RMB4,136/metric tonne unit, RMB4,403/metric tonne unit and RMB284,100/tonne respectively, slightly higher than that in the corresponding period in 2006.

IV. BUSINESS REVIEW

During the year 2007, leveraged on efficient management, detailed organization and staffs' commitment, the Group fully capitalized on its edges on resources, its integrated product chain and production scale, taking advantage of the quick momentum in the molybdenum market, resulting in a steady increase in the production volume of principal products. In 2007, the production of molybdenum concentrates (including 45% Mo), molybdenum oxides (including 51% Mo) and ferromolybdenum (including 60% Mo) amounted to 30,753 tonnes, 21,035 tonnes and 13,309 tonnes, representing a year-on-year increase of 41.4%, 57.4% and 97.5% respectively.

Statistics from China Non Ferrous Metals Industry Association showed that the production of molybdenum concentrates in China (45% grade) in 2007 was 147,440 tonnes. The production of molybdenum concentrates of the Group accounted for approximately 21% of that of the total amount in China. According to an international research institution, the world's molybdenum production was approximately 440 million pounds, of which 30.50 million pounds were produced by the Group, accounting for approximately 7% of the total production of the world.

Major projects of the Group made satisfactory progress in 2007. Completed projects include the technological renovation project of 5,000 tonnes per day at the No. 3 Ore Processing Branch and a scheelite recovery project of 6,000 tonnes per day. A smelting factory of 40,000 tonnes per annum (Phase I project) and a scheelite recovery project of 9,000 tonnes per day are under progress. The establishment of China Molybdenum Group Precious Metals Co., Ltd. (洛陽鉬業集團貴金屬有限公司) marked a promising start for a full stretch to the domain of precious metals.

Strategy of capital operation proved successful in 2007. The Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 April 2007. The Group was awarded the title as one of the "Ten Most Favorite IPO Companies in Hong Kong of 2007" by Association of International Accountants- Hong Kong Branch. It is a great honor for the Company's stock to be enlisted as one of the constituent stocks of Hang Seng China Enterprises Index in Hong Kong.

Reinforced corporate social obligation led to significant success in energy saving and emission reduction. The Group reformed its processing companies by introducing automatic control of workflows. Transducers were installed in all large generating units. Having applied world advanced automatic flotation machines, energy consumption of the unit molybdenum products fell by than 20%. The utilization of the technology to extract sulphur by molybdenum concentrate powder in baking smoke under unstable conditions turned the Group into the sole user of such technology among molybdenum smelting enterprises. Open-pit green areas of the mine increased to 570,000 sq.m. Waste water from smelting plants was recovered. The Company was named the “National Advanced Mining Enterprise with Reasonable Development and Utilization of Mining Resources” (全國礦產資源合理開發利用先進礦山企業) by the Ministry of Land and Resources.

Proactively fostered technology and innovation to bring corporate technology to new heights. The Company’s pioneering technology to deal with void mines, namely “research on safe mining and risk control of metallic mining resources with potential risks”, was awarded the Second Price of National Technology Progress Awards in 2007 at the National Technology Conference. The autonomous research and development of “heat spinning roster of molybdenum concentrates”, the new work craft, attained the First Prize of National Science & Technology Invention Awards. In 2007, the molybdenum oxide products of the Group was awarded as the “National Brand” and the Group drew national acclaim as “Pioneering Enterprise in High and New Technology Industry” (「中國高新技術產業先鋒企業」).

Not only did the Group promote product sales volume and stabilize customer base, but also aspired for better marketing strategy so as to fulfill its goal of lower purchasing cost and greater economic effectiveness.

Apart from accelerating business development, the Group also took further steps to cultivate corporate culture by highlighting practical and innovative management which resulted in more efficient corporate operational procedure.

V. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

To the knowledge of the Board, the Company's H Shares were listed on the Stock Exchange on 26 April 2007. So far as was known to the Board there was no purchase, sale or redemption of H Share by any members of the Group during the year ended 31 December 2007.

VI. CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance the corporate value and accountability.

The Company has applied the principles as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange (the "CG Code").

The Company has complied with all code provisions set out in the CG Code throughout the period from its listing date to the year ended 31 December 2007.

VII. BOARD

During the year ended 31 December 2007, the Company held nine Board meetings in total for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

Board committees

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Strategic Committee.

Audit committee

Written terms of reference of the audit committee based primarily on "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants have been adopted by the Board.

The audit committee provides an important link between the Board and the Company's auditors in matters falling within the scope of the audit of the Group.

The audit committee will review the effectiveness of the external audit and of internal controls and risk evaluation and will provide comments and advice to the Board. The audit committee comprises three independent non-executive directors, namely Messrs. Ng Ming Wah, Charles, Gao Dezhu and Gu Desheng, and one non-executive director, namely Mr. Zhang Yufeng with Mr. Ng Ming Wah, Charles as the chairman of the committee. The audit committee and the auditors have reviewed the Group's annual results for the year ended 31 December 2007.

Remuneration committee

The remuneration committee was established with written terms of reference in accordance with the Code Provisions as set out in Appendix 14 to the Listing Rules. The principal responsibilities of the remuneration committee include consideration and recommendation of the remuneration and other benefits of the directors and members of the senior management to the Board. The remuneration committee comprises three independent non-executive directors, namely Messrs. Gao Dezhu, Zeng Shaojin and Gu Desheng, and one non-executive director, namely Mr. Xu Jun, with Mr. Gao Dezhu serving as the chairman of the committee.

Strategic committee

The strategic committee is responsible for formulating the overall development plans and investment decision-making procedures of the Group. The strategic committee comprises five executive directors, namely Messrs. Duan Yuxian, Li Chaochun, Wu Wenjun, Li Faben and Wang Qingxi and three independent non-executive directors, namely Messrs. Gao Dezhu, Gu Desheng and Zeng Shaojin, with Mr. Duan Yuxian serving as the chairman of the committee.

VIII. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the “Model Code”) contained in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Company’s directors. The Board has confirmed, following specific enquiry by the Company that it has complied with all the required standards set out in the Model Code throughout the reporting period for 2007.

IX. ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 6 June 2008.

X. FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.128 per share (including tax) for the year ended 31 December 2007. In view of the performance of the Company in 2007, the Board has further recommend the payment a special dividend of RMB0.03 per share (including tax). Both the final dividend for the year ended 31 December 2007 and the special dividend are subject to the approval of shareholders at the forthcoming annual general meeting.

It is expected that the final dividend for the year ended 31 December 2007 and the special dividend will be paid on or about Monday, 16 June 2008 to the shareholders whose names appear on the register of members of the Company on Friday, 6 June 2008.

XI. CLOSURE OF REGISTER OF MEMBERS OF H SHARES

In order to determine the list of H Share shareholders who are entitled to attend the annual general meeting of the Company and to receive the final dividend for the year ended 31 December 2007 and the special dividend, the H Shares register of members will be closed from Tuesday, 6 May 2008 to Friday, 6 June 2008, both days inclusive, during which period no transfer of shares will be effected. In order to attend and vote at the annual general meeting and to qualify for the final dividend, holders of H Shares of the Company whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at or before 4:00 p.m. on Monday, 5 May 2008. The address of the transfer office of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

XII. PUBLICATION OF DETAILED RESULTS ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange at (www.hkexnews.com.hk) and the website of the Company at (www.chinamoly.com).

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

Luoyang, the People's Republic of China, 30 March 2008

As of the date of this announcement, the executive directors are: Messrs. Duan Yuxian, Li Chaochun, Wu Wenjun, Li Faben and Wang Qinxi; the non-executive directors are: Messrs. Zhang Yufeng and Xu Jun; and the independent non-executive directors are: Messrs. Zeng Shaojin, Gao Dezhu, Gu Desheng and Ng Ming Wah, Charles.

* *For identification purposes only*