



## CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to announce the annual report of China Molybdenum Co., Ltd. ("CMOC" or "the Company") from 1 January 2007 to 31 December 2007 and the annual report of the Company and its subsidiaries ("the Group") for the year ended 31 December 2007 for shareholders' reference. On behalf of the board of directors ("the Board") and all employees of the Company, I hereby express my sincere gratitude for all support.

## RESULTS AND DIVIDENDS

In 2007, the Group recorded a turnover of RMB5,897.8 million, representing an increase of 54.1% over 2006. Profit attributable to equity holders of the Company was RMB2,240.8 million, representing a rise of 47.9% over 2006. Earnings per share of the Company was RMB0.50. The Board recommended to distribute a final dividend of RMB0.128 per share (including tax) for 2007. Additionally, in view of the strong performance of the Group in 2007, the Board also recommended the payment of a special dividend of RMB0.03 per share (including tax).

## MARKET REVIEW

In 2007, both domestic and international molybdenum markets saw stable and sound operations. The global economy continued to grow steadily, of which economies of western developed countries experienced stability in general whilst emerging markets, such as China and India, experienced positive development, serving as strong support for the boom of the global molybdenum market. In the international molybdenum market, there has been a continual tension in the international market supply of molybdenum. On the one hand, global molybdenum production grew at a very slow pace and on the other hand, the global market supply of molybdenum reduced due to the increase in export tariffs on molybdenum oxides and ferromolybdenum and export quota in China. Molybdenum reserves maintained at a low level and prices also increased. According to statistics, throughout 2007 world average molybdenum oxides and ferromolybdenum prices were US\$30.30/pound and US\$71.89/kg, which increased approximately 22.3% and 23.0% from prices in 2006 respectively. In China's molybdenum market, although export volume was reduced by the export policies, domestic sales increased.

The adjustment in the structure of the steel and iron industry in China led to a surge in the production volume of stainless steel and special types of steel as well as the demand for molybdenum. Such an increase in the demand for molybdenum offset the impact from the rise in domestic production. The price of molybdenum 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, which were slightly higher than those corresponding in the year in 2006.

## CHAIRMAN'S STATEMENT

### BUSINESS REVIEW

During the year 2007, with the benefit of efficient management, detailed organization and our staffs' commitment, the Group fully capitalized on its resources and integrated production chain and production scale thereby taking advantage of the growing momentum in the molybdenum market. As a result, this led to 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 Group's production of molybdenum concentrates accounted for approximately 21% of the total amount produced in China in 2007. According to an international research institution, the world's molybdenum production was approximately 440 million pounds for the year 2007, of which 30.50 million pounds were produced by the Group, representing approximately 7% of the total production of the world for the year 2007.

**Satisfactory progress in the Group's major projects in 2007.** In 2007, the Group completed a technological renovation project of 5,000 tonnes per day at the No. 3 Ore Processing Branch and a tungsten recycling project of 6,000 tonnes per day. Currently, the Group is constructing a smelting factory of 40,000 tonnes per annum (Phase I project) and a tungsten recycling project of 9,000 tonnes per day. The establishment of Luomu Group Precious Metals Co., Ltd. (洛陽鋁業集團貴金屬有限公司), a wholly owned subsidiary of the Group, this year marked a promising start for the Group's development in the business of precious metals.

**Strategy of capital operation proved successful in 2007.** The Group was successfully listed on the Main Board of the Stock Exchange on 26 April 2007. The Group was acclaimed as one of the "2007 Top Ten Favorite IPO Companies in Hong Kong" by the Association of International Accountants - Hong Kong Branch. It is also a great honor for the Company's H Shares to be enlisted as one of the constituent stock 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 workflows control. Transducers were installed in all large generating units. Having applied world advanced automatic flotation machines, energy consumption per unit of molybdenum products produced dropped by approximately 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. Because our use of open-pit mine areas increased to 570,000 sq.m and our efforts to reuse and recycle waste water from our smelting plants were strengthened we were named as 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 second prize at the National Technology Progress Awards in 2007 at the National Technology Conference. The autonomous research and development of the innovative skill of "heat spinning roster of molybdenum concentrates" attained first prize at the National Science & Technology Invention Awards. In 2007, the Group's molybdenum oxide products were named the "National Brand" and the Group was acclaimed as a "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 effectively bolster its product sales volume and stabilize its customer base, but it also aspired towards better marketing strategies so as to fulfill its goal to lower purchasing costs and achieve greater economic efficiency.

Apart from accelerating the Group's business development, we also took further steps to cultivate corporate culture by highlighting practical and innovative management skills resulting in more efficient corporate operational procedures.



## CHAIRMAN'S STATEMENT

### PROSPECT

The US subprime crisis is expected to bring uncertainties to the western economies in 2008. Influenced by the world economic trends, the growth rate of the China's economy may be lower than that of last year. However, the global energy shortage and the development of the oil industry will push ahead the use and consumption of molybdenum. Rising oil prices will cause a surge in investment in various industries such as the exploration and refining, transportation and marine industries which are closely linked to the demand for molybdenum. Reform and upgrade of downstream industries are expected to boost the demand for high-end products such as steel with molybdenum content and special type steel. For example, as growth in the manufacturing industry in China, which is expected to bring about the rapid development of power generation equipment, mechanization of coal mines, high-speed railways and railway rolling stock, shipbuilding industry as well as the machine industry, will drive the demand of molybdenum. We estimate that the price of molybdenum will remain strong in 2008.

The year 2007 was a milestone in the Group's development. In 2008, uncertainties in the global economy will bring greater challenges yet numerous opportunities at the same time. We need to examine the current status of the economy and the market and steadfastly carry out the development strategies of the Company to accomplish the following:

- Based on the existing production scale in Sandaozhuang Mine, the Company seeks to further enhance production, cost control, development of tungsten and gold industries, fostering new profit growth rate and fully propagating the rapid development of the enterprise by accelerating key projects such as the construction of smelting factory of 40,000 tonnes per annum, improvement project of processing tungsten of 1,500 tonnes per annum (1,500噸/年鉬鎢紳加工項目完善工程), Dadongpo tungsten recycling project, Luoling gold mining project (洛寧黃金探礦工程) and Yongling smelting plant of 80,000 tonnes per annum (永寧8萬噸/年冶煉廠工程).
- We will speed up resource consolidation and acquisition to grasp the opportunity to push ahead resource acquisition and to secure our position as the largest molybdenum producer and provider in the domestic market so as to transform the Company into a leading precious metal and mining enterprise in China. Seeking to step out of the domestic market and face the world, the Company will continue to explore opportunities of resource consolidation and acquisition to create new opportunities for future development.
- The Company will continue to attract and retain talents, optimize the corporate structure and management system, promote the construction of internal information systems, strengthen technological research and development and reform as well as further enhance the management standard and operating efficiency to lay a solid foundation for future development of the Group.

With the combined efforts of the other members of the Board, senior management and staff, as well as support from various parties in the community, I believe that our Company will make greater progress in the coming years continue and that better products and services will be provided to customers to generate even higher returns for our shareholders.

Finally, I would like to take this opportunity to express my sincere gratitude to our customers and shareholders for their support as well as the effort contributed by our directors and staff over the year.

**Duan Yuxian**  
*Chairman*

Luoyang, the PRC  
30 March 2008