



MATERIAL EVENTS

A. MATERIAL LITIGATION AND ARBITRATION

During the reporting period, the litigation between the Company and Beijing University of Technology Zhiyuan Science & Technology Development Co., Ltd. (“Gongda Zhiyuan”) (as detailed in the Company’s prospectus dated 13 April 2007) pertaining to the disqualification of Gongda Zhiyuan’s 25% equity interest in Luoyang Dachuan Molybdenum & Tungsten Technology Co., Ltd. (“Dachuan Company (大川公司)”) and to the Group’s rescission of the joint venture agreement with Gongda Zhiyuan. Gongda Zhiyuan appealed to the Intermediate People’s Court of Luoyang City against the judgment of the People’s Court of Luanchuan dated 9 February 2007. Our PRC legal advisor engaged in such litigation advised us that the Intermediate People’s Court has completed reviewing the files submitted. At present, Luanchuan Administration of Industry and Commerce (樂川縣工商管理局) has conducted re-registration of Dachuan Company (大川公司) in accordance with the judgment of the court and rescinded Gongda Zhiyuan’s 25% equity interest in Dachuan Company (大川公司). Dachuan Company remains as a wholly-owned subsidiary of the Company.

B. MATERIAL EVENTS

1. Increased capital in Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd.

On 26 June 2007, the Company contributed a sum of RMB400 million to increase the registered capital of one of its wholly-owned subsidiaries, namely Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. (“Luoyang High Tech”). Subsequent to the capital injection, the registered capital of Luoyang High Tech increased from RMB130million to RMB530million. Luoyang High Tech is engaged in the production of molybdenum powder, tungsten powder, molybdenum products and tungsten products.

2. Established Luomu Group Tungsten Co., Ltd.

On 20 July 2007, the Company decided to establish Luomu Group Tungsten Co., Ltd. as a wholly-owned subsidiary with a registered capital of RMB1 billion.

3. Established Luomu Group Metallurgy Materials Company Limited (洛陽鉬業集團冶金材料公司) and a roasting and smelting plant of 40,000 tonnes per annum

On 12 December 2007, the Group established a roasting and smelting plant with a capability of 40,000 tonnes per annum. Through technological collaboration with Climax Molybdenum Company, a subsidiary of Phelps Dodge (as disclosed in the Company’s prospectus dated 13 April 2007), the Group is currently establishing a new plant for roasting and smelting with technological equipment, craftsmanship and workflow as well as environmental management of international standards. On 27 December, 2007, the Company contributed RMB200 million to establish a wholly-owned subsidiary Luomu Group Metallurgy Materials Company Limited (洛陽鉬業集團冶金材料公司) so as to effectively implement this project.

4. Increased the registered capital to Luoyang Kunyu Mining Co., Ltd.

On 28 December 2007, the Company decided to increase the registered capital of Luoyang Kunyu Mining Co., Ltd. by not more than RMB350 million. The capital increase is currently under progress.

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5. Established Luomu Group Precious Metals Investment Co., Ltd.

On 3 July 2007, the Company established a wholly-owned subsidiary China Molybdenum Group Precious Metals Investment Co., Ltd. (洛陽鉬業集團貴金屬投資公司) ("Precious Metals Investment Co.") in Luoyang City, Henan Province with a registered capital of RMB1 billion. On 28 December 2007, the Company decided to further increase the capital of the company by RMB1.5 billion, increasing the registered capital to RMB2.5 billion. The injection of capital has been completed on 29 January.

6. Established Luoyang Yongning Gold & Refining Co., Ltd

On 22 September 2007, Precious Metals Investment Co. contributed RMB90,000,000 to establish Luoyang Yongning Gold & Refining Co., Ltd. 60% equity interest of the company is held by Precious Metals Investment Co.. The company has a registered capital of RMB150 million and is principally engaged in smelting of gold, silver and lead. At present, the company is establishing a gold and lead smelting project of 80,000 tonnes per annum.

7. Commencement of production at No.3 Ore Processing Branch

On 25 July 2007, No.3 Ore Processing Branch completed its technological improvement and structural expansion of 5,000 tonnes per day, which was approximately one month earlier than the scheduled completion time.

8. Tungsten recycling project of 6,000 tonnes per day

We are in the process of constructing a plant to engage in The tungsten recovery plant has processing capacity of 6,000 tonnes per day. The plant is designed to recover tungsten in tailings of processed molybdenum from No.1 Ore Processing Branch and Luanchuan County Sanqiang Molybdenum & Tungsten Co., Ltd.. Construction work was completed and is currently experimenting a trial run of production.

9. Tungsten recycling project of 9,000 tonnes per day

We are in the process of constructing a plant for tungsten recycling, with a processing capacity of 9,000 tonnes per day. The plant is designed to recycle tungsten in tailings of processed molybdenum from No.3 Ore Processing Branch and Luanchuan County Dadongpo Tungsten & Molybdenum Co., Ltd. The construction project commenced on 3 December 2007 and we expect the plant to be completed in the second quarter of 2008.

10. Established China Molybdenum (Hong Kong) Company Limited (洛陽鉬業(香港)有限公司)

On 3 August 2007, the Company established China Molybdenum (Hong Kong) Company Limited, a wholly-owned subsidiary in Hong Kong. This company engages in exports of a series of molybdenum and tungsten products as well as imports of raw materials and equipment required by our Group. This company has become an important platform for the Group's overseas market expansion.



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C. DOMESTIC INDUSTRY POLICIES

1. Administration of processing trade

On 28 March 2007, according to “Code of Import and Export Tariff of the People’s Republic of China” (《中華人民共和國進出口稅則》) and the macro-economic policy, the Ministry of Commerce, the General Administration of Customs and the State Administration Environmental Protection Administration of China issued a category of prohibited processing trade products in 2007. In addition, roasted molybdenum ores (i.e. molybdenum oxide) and concentrates are restricted from import, and ferromolybdenum, molybdenum powder, unwrought molybdenum (including bars and rods by sintering), molybdenum waste and scrap are restricted from export. Material processing and imported material processing businesses engaged in the export of imported molybdenum concentrates and molybdenum oxide after simple processing are restricted accordingly under the policy.

2. Export Licenses

On 29 March 2007, the Ministry of Commerce issued the Urgent Notice Regarding Temporary Adjustment of the Terms of Export Licenses for Indium and Molybdenum (《關於臨時調整鉬出口許可證有效期的緊急通知》), pursuant to which the terms of export licenses for indium and molybdenum were temporarily adjusted to 30 days and no extension is permitted.

On 31 May 2007, pursuant to the Application Standards and Procedures of Export Licenses for Indium and Molybdenum (《鉬、鉛出口許可證申請標準和申報程序》), the Ministry of Commerce published a list of enterprises eligible for application for indium and molybdenum export licenses. Molybdenum manufacturers, without export licenses were restricted to engage in the export of molybdenum. It is confirmed that the Company and Luoyang High Tech, a subsidiary of the Company, are eligible for application of an export license of molybdenum.

3. Adjustment of Export Tariffs

On 22 May 2007, the policy of adjusting the import and export tariff rates of certain commodities was considered and approved by the ninth meeting of the Tariff Regulations Committee of the State Council and reported to the State Council, effective from 1 June 2007. The export tariff for molybdenum oxide and molybdates increased to 15% while the export tariff for ferromolybdenum remained at 10%.

4. Export Quota

On 11 June 2007, pursuant to the notice issued by the Ministry of Commerce of the PRC and the General Ministry of Customs, an export quota and a licensing system for indium, indium products, molybdenum and molybdenum products were implemented effective from 18 June 2007. Enterprises eligible for application for indium and molybdenum export licenses may apply to the issuing bodies of provincial regulatory authorities on commerce for an export quota license. An export licence is required to complete the customs clearance procedures.

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5. Export Tax Rebate

On 19 June 2007, the Ministry of Finance and the State Administration of Taxation issued the Notice on Lowering the Export Tariff Rebate Rate of Certain Commodities, 《關於調低部分商品出口退稅的通知》 effective from 1 July 2007. The export tariffs for ammonium molybdates, oxide of molybdenum, hydroxide and other molybdates reduced to 0%, whereas export tax rebates for wrought molybdenum bars, wrought molybdenum rods and profile, molybdenum threads and other molybdenum products were lowered to 5%.

In addition, on 9 April 2007, the Ministry of Finance and the State Administration of Taxation issued the Notice Regarding Adjusting Export Tax Rebate in Steel Products, 《關於調整鋼材出口退稅率的通知》 effective from 15 April 2007. The policy covers 76 items of high-end steel products such as special steel products, stainless steel, cold rolling products, with the tax rebate falling from 8% to 5%, and the export tax rebates for 83 items of ordinary steel products were also abolished.

6. Resource Consolidation in Henan Province

Subsequent to the issuance of file No. 108 “The Notice Regarding the Opinions by Governmental Authorities such as Ministry of Land and Resources on Consolidation of Mineral Resources Exploration” issued by the State Council last year, the Opinions by the Mineral Resources Consolidation Leading Group of Henan Province Regarding Further Consolidation of Mineral Resources (河南省礦產資源整合領導小組關於進一步深化礦產資源整合工作的意見) was published at the end of January 2007 in Henan Province, demanding a quicker consolidation of important mineral resources including various types of metals such as molybdenum with a particular focus on restoring mineral exploitation of important minerals in various regions including Luanchuan.

On 18 January 2008, General Office of People’s Government of Henan Province (河南省辦公廳) announced its opinion on consolidation of molybdenum ore resources in Henan Province. The opinion stated clearly that consolidation of molybdenum ore resources will continue to oblige to the principles of orderly development, support for excellent operation and consolidation of closer regions, and advocated the concentration of molybdenum ore resources to predominant corporations so as to increase centralization of the industry facilitating the transformation of resource development and utilization into a more intensified mode.

7. Implementation of New Tariffs

On 14 December 2007, the Tariff Regulations Committee of the State Council issued the “Tariffs Implementation Plan 2008” (二零零八年關稅實施方案) to General Administration of Customs, to inform that the policy will take effect from 1 January 2008 onwards. The plan includes an tentative tariff rate of 20% on ferromolybdenum. The export tariff on roasted molybdenum ores and its concentrates as well as chemical and finished products of molybdenum remains at 15%.