

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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: 3993)

Annual Results Announcement
For the Year Ended 31 December 2008

I. FINANCIAL HIGHLIGHTS

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 2008 together with comparative figures in 2007, as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

		2008	2007
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	5,563,275	5,897,806
Cost of sales		<u>(2,843,575)</u>	<u>(2,277,920)</u>
Gross profit		2,719,700	3,619,886
Other income and gains	4	137,507	446,265
Selling and distribution expenses		(25,019)	(21,344)
Administrative expenses		(253,494)	(208,622)
Other expenses and losses		(85,547)	(268,886)
Finance costs		(2,939)	(19,871)
Share of results of associates		<u>14,792</u>	<u>12,827</u>
Profit before taxation		2,505,000	3,560,255
Taxation	5	<u>(656,187)</u>	<u>(1,053,333)</u>
Profit for the year	6	<u><u>1,848,813</u></u>	<u><u>2,506,922</u></u>
Attributable to:			
Equity holders of the Company		1,640,902	2,240,834
Minority interests		<u>207,911</u>	<u>266,088</u>
		<u><u>1,848,813</u></u>	<u><u>2,506,922</u></u>
Earnings per share — Basic	8	<u><u>RMB0.34</u></u>	<u><u>RMB0.50</u></u>

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2008

		2008	2007
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		3,913,156	3,002,560
Land use rights — non-current portion		421,008	305,618
Mining rights		337,815	365,193
Trademarks		835	—
Interests in associates		46,204	45,412
Investments in debt securities		200,000	—
Available-for-sale investments		2,300	2,300
Deferred tax assets		130,721	34,877
Deposits paid for acquisition of mines		155,153	15,700
		<hr/> 5,207,192 <hr/>	<hr/> 3,771,660 <hr/>
Current assets			
Inventories		650,367	354,558
Trade and other receivables	9	653,587	1,380,652
Amount due from an associate		105,856	61,243
Land use rights — current portion		9,295	6,526
Investments in debt securities		2,899,000	—
Available-for-sale investments		—	492,987
Held-for-trading investments		663,339	116,340
Restricted bank deposits		—	2,685
Bank balances and cash		2,547,624	5,680,676
		<hr/> 7,529,068 <hr/>	<hr/> 8,095,667 <hr/>

Current liabilities

Trade and other payables	10	(681,061)	(582,595)
Dividend payables		(51,767)	(10,000)
Tax payable		(67,964)	(372,018)
Bank borrowings — due within one year		(228,000)	(125,000)
		<u>(1,028,792)</u>	<u>(1,089,613)</u>
Net current assets		<u>6,500,276</u>	<u>7,006,054</u>
Total assets less current liabilities		<u>11,707,468</u>	<u>10,777,714</u>

Non-current liabilities

Bank borrowings — due after one year		—	(25,000)
Provision		(38,653)	(36,813)
Long term payable		(5,286)	(9,032)
Deferred income		(18,444)	—
		<u>(62,383)</u>	<u>(70,845)</u>
		<u>11,645,085</u>	<u>10,706,869</u>

Capital and reserves

Share capital	11	975,234	975,234
Reserves		10,261,894	9,394,033
Attributable to equity holders of the Company		<u>11,237,128</u>	<u>10,369,267</u>
Minority interests		<u>407,957</u>	<u>337,602</u>
Total equity		<u>11,645,085</u>	<u>10,706,869</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Attributable to equity holders of the Company							Attributable		Total
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Investment revaluation reserve	Translation reserve	Retained profits	to equity holders of the Company	Minority interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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 investments	—	—	—	—	836	—	—	836	—	836
Exchange differences arising on translation of foreign operation recognised directly in equity	—	—	—	—	—	(464)	—	(464)	—	(464)
Net income (expense) recognised directly in equity	—	—	—	—	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 a)	—	—	167,673	—	—	—	(167,673)	—	—	—

At 31 December 2007 and										
at 1 January 2008	975,234	7,346,260	361,933	339,082	836	(464)	1,346,386	10,369,267	337,602	10,706,869
Exchange differences arising on translation of foreign operation recognised directly in equity	—	—	—	—	—	(1,770)	—	(1,770)	—	(1,770)
Gain on fair value changes of available-for-sale investments	—	—	—	—	7,262	—	—	7,262	—	7,262
Net income (expense) recognised directly in equity	—	—	—	—	7,262	(1,770)	—	5,492	—	5,492
Transfer to profit and loss on sale of available-for-sale investments	—	—	—	—	(8,098)	—	—	(8,098)	—	(8,098)
Profit for the year	—	—	—	—	—	—	1,640,902	1,640,902	207,911	1,848,813
Total recognised income for the year	—	—	—	—	(836)	(1,770)	1,640,902	1,638,296	207,911	1,846,207
Capital injection from a minority shareholder	—	—	—	—	—	—	—	—	35,000	35,000
Dividends	—	—	—	—	—	—	(770,435)	(770,435)	(172,556)	(942,991)
Transfer from reserves	—	—	—	203,871	—	—	(203,871)	—	—	—
Transfer (<i>Note a</i>)	—	—	358,750	—	—	—	(358,750)	—	—	—
Transfer upon utilisation (<i>Note b</i>)	—	—	(295,930)	—	—	—	295,930	—	—	—
At 31 December 2008	975,234	7,346,260	424,753	542,953	—	(2,234)	1,950,162	11,237,128	407,957	11,645,085

Notes:

- (a) 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 annually, and such amount is entitled as additional deduction from operating income for PRC Enterprise Income Tax purposes up to year ended 31 December 2007. 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 the capital reserve account is not available for distribution to shareholders. The Group need to submit the list of property, plant and equipment purchased and the expense incurred on safety improvement for approval for the utilisation of such amount. Upon approval by the PRC government, the corresponding amount will then transfer from the capital reserve account to retained profits.
- (b) During the year ended 31 December 2008, amount totalling RMB295,930,000 (2007: Nil) has been spent on the relevant assets and expenditure as approved by the PRC government, the corresponding amount was then transferred to retained profits.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Operating activities		
Profit before taxation	2,505,000	3,560,255
Adjustments for:		
Interest income	(114,281)	(358,622)
Interest expenses	2,939	19,871
Depreciation for property, plant and equipment	223,180	148,938
Amortisation of land use rights	8,794	8,357
Amortisation of mining rights	27,378	27,220
Amortisation of trademarks	55	—
Loss on disposal of property, plant and equipment	8,702	13,987
Share of results of associates	(14,792)	(12,827)
Allowance for doubtful debts	7,264	15,061
Released of government grants	(836)	—
Allowance for inventories	13,037	—
Gain arising on disposal of available-for-sale investments	(8,098)	(368)
Operating cash flows before movements in working capital	2,658,342	3,421,872
Increase in inventories	(308,846)	(133,878)
Decrease (increase) in trade and other receivables	718,308	(730,955)
Increase in held-for-trading investments	(546,999)	(14,847)
Increase in amount due from an associate	(44,613)	(58,613)
(Decrease) increase in trade and other payables	(4,411)	73,387
Decrease in long term payable	(3,746)	(3,745)
Cash generated from operations	2,468,035	2,553,221
PRC Enterprise Income Tax paid	(1,056,085)	(999,383)
Net cash from operating activities	1,411,950	1,553,838

Investing activities

Interest received	114,281	358,622
Dividend received from an associate	14,000	12,510
Purchases of property, plant and equipment	(1,045,206)	(1,063,954)
Deposits paid for acquisition of mines	(139,453)	—
Proceeds from disposal of available-for-sale investments	500,249	28,217
Purchases of land use rights	(126,953)	(104,193)
Purchases of mining rights	—	(360,337)
Purchases of available-for-sale investments	—	(520,000)
Purchase of trademarks	(890)	—
Purchase of investments in debt securities	(3,099,000)	—
Proceeds from disposal of property, plant and equipment	5,328	2,160
Government subsidy received	19,280	—
Decrease in restricted bank deposits	2,685	4,224
	<hr/>	<hr/>
Net cash used in investing activities	(3,755,679)	(1,642,751)

Financing activities

Interest paid	(1,099)	(40,171)
Dividends paid to shareholders	(770,435)	(1,492,361)
Dividends paid to minority shareholders of subsidiaries	(130,789)	(237,854)
New bank borrowings raised	203,000	688,000
Repayment of bank borrowings	(125,000)	(1,583,250)
Issue of shares	—	8,001,048
Share issue expense	—	(433,270)
Capital contribution from minority shareholders	35,000	40,000
	<hr/>	<hr/>
Net cash (used in) generated from financing activities	(789,323)	4,942,142
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(3,133,052)	4,853,229
Cash and cash equivalents at 1 January	5,680,676	827,447
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	<u>2,547,624</u>	<u>5,680,676</u>
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<u>2,547,624</u>	<u>5,680,676</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (the “IFRSs”)

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 2008. 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. REVENUE

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

	2008	2007
	<i>RMB’000</i>	<i>RMB’000</i>
Sale of goods		
— molybdenum concentrate	325,138	886,432
— molybdenum oxide	1,208,948	1,037,524
— ferromolybdenum	2,974,204	3,273,141
— molybdenum plate	335,190	200,011
— tungsten concentrate	46,440	—
— gold	146,405	149,968
— others	526,950	350,730
	<u>5,563,275</u>	<u>5,897,806</u>

3. SEGMENT INFORMATION

Business Segments

Segment information is presented by way of the Group's primary segment reporting basis, by business segment.

During the year ended 31 December 2008, the Group further its expansion in the processed molybdenum and tungsten segment. Accordingly, the directors considered that the presentation of business segment as primary segment is more relevant to the Group's operation.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) Molybdenum related products
- (b) Processed molybdenum and tungsten products
- (c) Others[#]

[#] Represent gold, sulfuric acid and other by products

The following tables present the Group's business segments for the years ended 31 December 2008 and 2007.

Business Segments

Year ended	Molybdenum related products	Processed molybdenum and tungsten products	Others	Eliminations	Consolidated
31 December 2008	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sales to external customers	4,508,290	633,739	421,246	—	5,563,275
Intersegment sales	3,670,137	281,702	674,655	(4,626,494)	—
Total	8,178,427	915,441	1,095,901	(4,626,494)	5,563,275
Segment results	<u>2,549,680</u>	<u>57,350</u>	<u>26,975</u>		<u>2,634,005</u>
Unallocated income					137,507
Unallocated expense					(281,304)
Share of results of associates		14,792			14,792
Profit before taxation					2,505,000
Taxation					(656,187)
Profit for the year					<u>1,848,813</u>
Assets and liabilities					
Segment assets	3,858,475	507,448	1,142,798		5,508,721
Interests in associates		46,204			46,204
Unallocated assets					7,181,335
Total assets					<u>12,736,260</u>
Segment liabilities	(103,084)	(14,445)	(364)		(117,893)
Unallocated liabilities					(973,282)
Total liabilities					<u>(1,091,175)</u>

Year ended	Molybdenum	Processed molybdenum and tungsten	Others	Eliminations	Consolidated
31 December 2008	related products	products			
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other segment information:					
Depreciation and amortisation	121,945	28,028	71,820		221,793
Unallocated amounts					37,614
					<u>259,407</u>
Capital expenditure	557,054	124,063	342,265		1,023,382
Unallocated amounts					125,314
					<u>1,148,696</u>
Land use right	<u>66,702</u>	<u>14,855</u>	<u>45,396</u>		<u>126,953</u>
Allowance of inventories	<u>13,037</u>	<u>—</u>	<u>—</u>		<u>13,037</u>
Impairment on trade receivables	<u>120</u>	<u>60</u>	<u>1,106</u>		<u>1,286</u>
Loss on disposal of property, plant and equipment	<u>8,702</u>	<u>—</u>	<u>—</u>		<u>8,702</u>

Year ended	Processed molybdenum and tungsten				
31 December 2007 (Restated)	Molybdenum related products	products	Others	Eliminations	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales to external customers	5,197,097	414,442	286,267	—	5,897,806
Intersegment sales	2,392,336	149,409	292,605	(2,834,350)	—
Total	<u>7,589,433</u>	<u>563,851</u>	<u>578,872</u>	<u>(2,834,350)</u>	<u>5,897,806</u>
Segment results	<u>3,282,612</u>	<u>90,330</u>	<u>38,509</u>		<u>3,411,451</u>
Unallocated income					446,265
Unallocated expenses					(310,288)
Share of results of associates		12,827			<u>12,827</u>
Profit before taxation					3,560,255
Taxation					<u>(1,053,333)</u>
Profit for the year					<u>2,506,922</u>
Assets and liabilities					
Segment assets	4,303,170	430,947	323,434		5,057,551
Interests in associates		45,412			45,412
Unallocated assets					<u>6,764,364</u>
Total assets					<u>11,867,327</u>
Segment liabilities	(14,381)	(40,939)	(28,278)		(83,598)
Unallocated liabilities					<u>(1,076,860)</u>
Total liabilities					<u>(1,160,458)</u>

Year ended		Processed molybdenum and tungsten			
31 December 2007 (Restated)	Molybdenum related products <i>RMB'000</i>	products <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Other segment information:					
Depreciation and amortisation	134,475	13,954	12,543		160,972
Unallocated amounts					23,543
					<u>184,515</u>
Capital expenditure	791,438	104,518	131,777		1,027,733
Unallocated amounts					135,450
					<u>1,163,183</u>
Land use right	<u>80,237</u>	<u>10,596</u>	<u>13,360</u>		<u>104,193</u>
Impairment on trade receivables	<u>9,673</u>	<u>—</u>	<u>1,986</u>		<u>11,659</u>
Loss on disposal of property, plant and equipment	11,962	—	—		11,962
Unallocated amounts					2,025
					<u>13,987</u>

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 destination to where the products are delivered:

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
PRC	4,069,285	3,934,266
Korea	523,626	470,378
United Kingdom	422,452	28,957
United States	24,811	480,319
Germany	182,823	616,616
Others	340,268	367,270
	<hr/> 5,563,275 <hr/>	<hr/> 5,897,806 <hr/>

No geographical segment for other information is disclosed as additions of property, plant and equipment are substantially come from the PRC. No carrying amount of segment assets by geographical location of the assets is disclosed as all of the production facilities of the Group are located in the PRC.

4. OTHER INCOME AND GAINS

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Interest income on		
— bank deposits	63,356	120,004
— arising from global offering of the Company's shares	—	213,052
— investments in debt securities	45,751	—
— debentures	5,174	1,726
— available-for-sale investments	—	23,840
	<hr/>	<hr/>
Total interest income	114,281	358,622
Net gain on fair value change of financial assets classified as held-for-trading	10,893	82,471
Gain arising on disposal of available-for-sale investments	8,098	368
Net gain on sales of scrap materials	810	388
Others	3,425	4,416
	<hr/>	<hr/>
	137,507	446,265
	<hr/> <hr/>	<hr/> <hr/>

5. TAXATION

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
The charge comprises PRC Enterprise Income Tax:		
Current taxation		
— current year	725,283	1,057,417
— underprovision in prior year	26,748	13,925
	<hr/> 752,031	<hr/> 1,071,342
Deferred taxation		
— current year	(95,844)	(20,017)
— attributable to a change in tax rate	—	2,008
	<hr/> 656,187	<hr/> 1,053,333
	<hr/> 656,187	<hr/> 1,053,333

The Group was subject to PRC Enterprise Income Tax levied at a rate of 25% (2007: 33%) of taxable income determined in accordance with the relevant laws and regulations in the PRC.

6. PROFIT FOR THE YEAR

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Profit for the year has been arrived at after charging:		
Directors' remuneration	6,343	7,067
Other staff's salary, bonus and allowance	413,213	267,910
Other staff's contribution to retirement benefit cost	32,053	17,973
	<hr/>	<hr/>
Total staff costs	451,609	292,950
	<hr/>	<hr/>
Auditor's remuneration	2,700	2,700
Cost of inventories recognised as an expense	2,830,538	2,277,920
Depreciation of property, plant and equipment	223,180	148,938
Amortisation of land use rights	8,794	8,357
Amortisation of mining rights (include in cost of sales)	27,378	27,220
Amortisation of trademarks (included in cost of sales)	55	—
Allowance for doubtful debts (included in administrative expense)	7,264	15,061
Allowance for inventories (included in cost of sales)	13,037	—
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)	5,984	7,323
Resources compensation fee (<i>Note</i>)	79,760	73,018
	<hr/> <hr/>	<hr/> <hr/>

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.

7. DIVIDENDS

Dividends recognised as distribution during the year:

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Special dividend to Luoyang Mining Group Co., Ltd. (“LMG”) and Cathay Fortune Corporation (“CFC”)	—	1,299,205
2007 final dividend		
— RMB0.128 per share (2007: Nil)	624,150	—
2007 special dividend		
— RMB0.03 per share (2007: Nil)	146,285	—
	<u>770,435</u>	<u>1,299,205</u>

Pursuant to the resolutions of the shareholders passed at the general meeting on 19 October 2006, it was 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.

On 17 June 2008, dividend of RMB0.128 per share and RMB0.03 per share totalling RMB770,435,000 were paid to shareholders as the final dividend and special dividend for 2007, respectively.

The final dividend of RMB0.158 per share (2007: RMB0.128 per share, special dividend of RMB0.03 per share) has been proposed by the directors. However, the directors of the Company did not warrant that the amount of the dividend will remain the same in 2009. The proposal is subject to approval by the shareholders in general meeting.

8. EARNINGS PER SHARE — BASIC

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

	2008	2007
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>1,640,902</u>	<u>2,240,834</u>
Weighted average number of shares for the purpose of basic earnings per share	<u>4,876,170,000</u>	<u>4,498,246,470</u>

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

9. TRADE AND OTHER RECEIVABLES

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Trade receivables (net of allowances)	180,499	959,632
Bills receivable	<u>371,774</u>	<u>345,665</u>
	552,273	1,305,297
Advances to suppliers	57,387	39,406
Other receivables and prepayments	<u>43,927</u>	<u>35,949</u>
	<u>653,587</u>	<u>1,380,652</u>

Trade and other receivables include the following balances of trade and bills receivables:

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	571,081	1,324,491
Less: Allowance for doubtful debts	(18,808)	(19,194)
	<u>552,273</u>	<u>1,305,297</u>

The Group normally allows credit period of no longer than 90 days to its trade customers, but a longer credit period will be allowed for major customers. The aged analysis of trade receivables and bills receivable is as follows:

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
0-90 days	248,708	1,055,001
91-180 days	291,322	208,119
181-365 days	8,364	38,721
1-2 years	3,879	3,456
	<u>552,273</u>	<u>1,305,297</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 94% (2007: 96%) 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 approximately RMB30,565,000 (2007: RMB53,785,000) 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 119 days (2007: 249 days).

Ageing of trade receivables which are past due but not impaired:

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
91-180 days	25,293	11,608
181-365 days	3,114	38,721
Over 1 year	2,158	3,456
	<u>30,565</u>	<u>53,785</u>

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Movement in the allowance for doubtful debts of trade receivables		
Balance at beginning of the year	19,194	7,535
Amounts recovered during the year	(1,672)	—
Increase in allowance recognised in profit or loss	1,286	11,659
	<u>18,808</u>	<u>19,194</u>

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Movement in the allowance for doubtful debts of other receivables		
Balance at beginning of the year	7,465	4,063
Amount recovered during the year	(610)	(346)
Increase in allowance recognised in profit or loss	8,260	3,748
	<u>15,115</u>	<u>7,465</u>

Included in the Group's allowance for doubtful debts are individually impaired trade receivables and other receivables with an aggregate balance of approximately RMB18,808,000 (2007: RMB19,194,000) and RMB15,115,000 (2007: RMB7,465,000) respectively. The individually impaired receivables related to customers that were in financial difficulties and the directors consider the recoverability of these debts is remote.

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

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
United States Dollar ("USD")	4,164	595,313
Euro	<u>—</u>	<u>2,568</u>

10. TRADE AND OTHER PAYABLES

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Trade payables (<i>Note a</i>)	117,893	83,598
Bill payables (<i>Note a</i>)	<u>7,622</u>	<u>—</u>
	125,515	83,598
Other payables and accruals (<i>Note b</i>)	<u>555,546</u>	<u>498,997</u>
	<u>681,061</u>	<u>582,595</u>

Notes:

(a) Trade and bill payables

The aged analysis of trade and bill payables is as follows:

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
0-90 days	109,095	55,842
91-180 days	3,730	16,762
181-365 days	6,223	3,405
1-2 years	2,323	2,847
Over 2 years	4,144	4,742
	<hr/> 125,515 <hr/>	<hr/> 83,598 <hr/>

Trade payables principally comprise amounts outstanding for trade purchases.

(b) Other payables and accruals

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Advances from customers	12,626	14,323
Accrued wages	92,468	42,418
Other staff benefits payable	8,547	1,843
Payables in respect of purchase of property, plant and equipment and construction materials	342,535	239,935
Resources compensation fees payable	17,795	20,201
Other tax payables	19,508	104,161
Payables in respect of employee settlement cost	—	134
Others	62,067	75,982
	<hr/> 555,546 <hr/>	<hr/> 498,997 <hr/>

11. SHARE CAPITAL

	Number of shares		Amount RMB'000
	Domestic shares (Note d)	H shares (Note e)	
At 1 January 2007	3,684,210,525	—	736,842
Issue of H shares on global offering (Note a)	—	1,083,600,000	216,720
Issue of H shares under over-allotment option (Note b)	—	108,360,000	21,672
Conversion from domestic shares to H shares (Note c)	(119,196,000)	119,196,000	—
	<u>3,565,014,525</u>	<u>1,311,156,000</u>	<u>975,234</u>
At 31 December 2007 and 31 December 2008			

Notes:

- (a) 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.
- (b) On 4 May 2007, as a result of the exercise of the over-allotment option by the joint global coordinators of the global offering, 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.
- (c) 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 Luoyang Mining Group Co., Ltd. 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.
- (d) Domestic shares are ordinary shares subscribed for and credited as fully paid up in RMB by PRC government and/or PRC incorporated entities only.
- (e) 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 (d) and (e) 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 2008, profit before taxation decreased by RMB1,055.3 million or 29.6% from RMB3,560.3 million for the year ended 31 December 2007 to RMB2,505.0 million. For the year ended 31 December 2008, profit attributable to the equity holders of the Company was RMB1,640.9 million, representing a decrease of RMB599.9 million or 26.8% from RMB2,240.8 million for the year ended 31 December 2007.

The comparative analysis for the year ended 31 December 2008, and the year ended 31 December 2007 is as follows:

Operating Results

For the year ended 31 December 2008, the Group recorded a turnover of RMB5,563.3 million, representing a decrease of RMB334.5 million or 5.7% from RMB5,897.8 million for the year ended 31 December 2007. For the year ended 31 December 2008, the Group achieved a gross profit of RMB2,719.7 million, representing a decrease of RMB900.2 million or 24.9% from RMB3,619.9 million during the same period last year.

By products and geographical locations

The table below sets out the turnover, sales volume and average selling price in 2008 and 2007:

Product name	For the year ended 31 December							
	2008				2007			
	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 (%)
Domestic market								
— Molybdenum concentrate (45% Mo)	2,186.1	148,732.1	325.1	5.8	5,632.1	165,313.8	886.4	15.0
— Molybdenum oxide (51% Mo)	1,559.4	98,975.2	154.3	2.8	415.0	192,607.7	79.9	1.4
— Ferromolybdenum (60% Mo)	13,951.8	205,867.9	2,872.2	51.6	10,343.2	236,293.7	2,444.0	41.5
— Tungsten concentrate (65% WO ₃)	786.3	59,058.0	46.4	0.8	—	—	—	—
— Processed Molybdenum & Tungsten products	—	—	296.3	5.3	—	—	237.6	4.0
— Sulfuric Acid (92.5% concentration)	23,772.6	723.3	17.2	0.3	6,955.2	420.0	2.9	0.0
— Other	—	—	357.8	6.4	—	—	283.5	4.8
Sub-total	—	—	4,069.3	73.1	—	—	3,934.3	66.7
International market								
— Molybdenum oxide (51% Mo)	4,159.4	253,551.6	1,054.6	19.0	4,067.9	235,399.5	957.6	16.2
— Ferromolybdenum (60% Mo)	311.6	327,255.4	102.0	1.8	2,790.7	297,090.9	829.1	14.1
— Molybdenum products	—	—	337.4	6.1	—	—	176.8	3.0
Sub-total	—	—	1,494.0	26.9	—	—	1,963.5	33.3
Total	—	—	5,563.3	100	—	—	5,897.8	100

Despite a modest increase in the total sales volume of our molybdenum products such as molybdenum oxide and ferromolybdenum over last year, we recorded a reduction in our turnover mainly due to the rapid decrease in the selling price of molybdenum products. The selling price of molybdenum products was adversely affected as a result of the intensification of the global financial crisis in the fourth quarter of 2008.

Sales to our domestic customers for the year ended 31 December 2008 was RMB4,069.3 million, representing an increase of RMB150.0 million as compared with RMB3,934.3 million for the year ended 31 December 2007. Sales to our overseas customers for the year ended 31 December 2008 was RMB1,494.0 million, representing a decrease of RMB469.5 million as compared with RMB1,963.5 million for the year ended 31 December 2007. The overall increase in the domestic market share over last year was a result of the Company's increasing focus on the domestic market, given the significant impact of the financial crisis on the overseas molybdenum consumption market as compared with the domestic market in the second half of 2008. The percentage of our domestic and overseas customers for the year ended 31 December 2008 was 73.1% and 26.9%, respectively.

Operating cost, gross profit and gross profit margin by products

The table below sets out the operating cost, gross profit and gross profit margin of our products in 2008 and 2007:

Product Name	For the year ended 31 December					
	2008			2007		
	Operating Cost (RMB million)	Gross Profit (RMB million)	Gross Margin (%)	Operating Cost (RMB million)	Gross Profit (RMB million)	Gross Margin (%)
Domestic market						
— Self-produced molybdenum additive materials [#]	1,258.7	1,916.2	62.2	990.4	2,242.4	66.2
— Outsourced molybdenum additive materials ^{##}	169.8	7.0	4.0	157.0	20.6	11.6
— Tungsten concentrate (65% WO ₃)	31.3	15.1	32.6	—	—	—
— Downstream processing of molybdenum and tungsten	271.9	24.4	8.2	178.5	59.1	24.9
— Sulfuric acid (92.5% concentration)	11.4	5.8	33.7	2.7	0.3	8.9
— Other	351.6	6.1	1.7	245.1	38.2	15.6
Sub-total	2,094.7	1,974.6	48.5	1,573.7	2,360.6	60.0
International market						
— Self-produced molybdenum additive materials [#]	374.2	782.4	67.6	558.6	1,228.1	68.7
— Downstream processing of molybdenum and tungsten	304.5	32.9	9.8	145.6	31.2	17.7
— Other	70.2	-70.2	—	—	—	—
Sub-total	748.9	745.1	49.9	704.2	1,259.3	64.1
Total	2,843.6	2,719.7	48.9	2,277.9	3,619.9	61.4

Notes:

The product or its major raw materials were produced by self-owned mine of the Group.

The product or its major raw materials were purchased from external sources.

For the year ended 31 December 2008, cost of sales of the Group was RMB2,843.6 million, representing an increase of 24.8% over RMB2,277.9 million for the same period last year. The main reasons behind the increase in the cost of sales are as follows: (1) the overall expansion in the sales volume of our molybdenum products (mainly molybdenum oxide and ferromolybdenum), which led to the increase in the total cost of sales; (2) the increase in purchase of molybdenum raw materials from third party for downstream processing.

For the year ended 31 December 2008, the Group's unit production cost of molybdenum concentrate before tax was RMB37,606.0 per tonne, increased by RMB2,208.9 per tonne as compared with the same period last year.

For the year ended 31 December 2008, the average gross margin of the Group was 48.9%, representing a decrease of 12.5% as compared with 61.4% over the same period last year, mainly attributable to: (1) rapid retreat in the international and domestic molybdenum market prices during the fourth quarter of 2008; (2) the effect on the Group's overall gross profit as 55.8% of the Group's overseas sales for the year were carried out by its wholly-owned subsidiary, China Molybdenum (Hong Kong) Company Limited whose operating revenue and costs are inclusive of tariffs and value-added tax levied in the PRC; (3) decrease in the total gross profit. To satisfy the needs of our customers during the period, our downstream processing units purchased 50% or more of the molybdenum raw materials from external sources and the gross profits of these products were below the average gross margin of the Group's products; (4) increase in the tariffs of our export products e.g. the tariffs of ferromolybdenum increased from 10% to 20% since 1 January 2008; and (5) the tariffs and value added taxes paid by the Company in respect of the sales of the self-produced molybdenum additive materials by China Molybdenum (Hong Kong) Company Limited for the year ended 31 December 2008 have been fully recognized as expenditure of the Group in the profits and loss accounts for the year ended 31 December 2008, however, a portion of the income derived from such sales has not been recognized as income of the Group in the profits and loss accounts for the year ended 31 December 2008.

Other income

For the year ended 31 December 2008, other income of the Group amounted to RMB137.5 million, representing a decrease of RMB308.8 million or 69.2% from RMB446.3 million for the same period last year. Such decrease was mainly due to the absence of bank interest income generated from over-subscription of issue of new shares in 2007.

Selling and distribution cost

For the year ended 31 December 2008, the selling and distribution costs of the Group amounted to RMB25.0 million, representing an increase of RMB3.7 million or 17.2% from RMB21.3 million in the same period last year. Such increase was mainly due to: (1) increase in freight costs and expenses arising from opening up and expansion of domestic markets, given the increase in sales volume of our products in the domestic market during the year; (2) expenditure incurred by the operation of Luoyang Mudu-Lee Royal International Hotel Co., Ltd. (洛陽鉬都國際飯店有限公司) of the Group.

Administrative expenses

For the year ended 31 December 2008, the administrative expenses of the Group was RMB253.5 million, which increased by RMB44.9 million or 21.5% from RMB208.6 million in the same period last year. Such increase was mainly attributable to (1) increase in consultancy fees for the Company's proactive measures in seeking overseas market acquisitions opportunities in the year; (2) opening of Luoyang Mudu-Lee Royal International Hotel Co., Ltd. (洛陽鉬都國際飯店有限公司), a subsidiary of the Group established in January 2008 and establishment of China Molybdenum (Hong Kong) Company Limited (洛陽鉬業(香港)有限公司), a subsidiary of the Group established in August 2007 as well as 洛陽鉬業集團金屬材料有限公司, a subsidiary established in December 2007; (3) increase in the payment of social security fund for staffs upon promulgation of new standards by social security institutions as well as increased depreciation of our new headquarters in the PRC.

Other expenses

For the year ended 31 December 2008, other expenses of the Group amounted to RMB85.5 million, representing a decrease of RMB183.4 million or 68.2% from RMB268.9 million in the same period last year. Such decrease was mainly due to loss from foreign exchange, as the Group timely converted most of the assets in foreign currency (including proceeds raised from the listing) into Renminbi in the earlier part of 2008, thereby minimising the effect of currency fluctuation.

Finance costs

For the year ended 31 December 2008, the finance costs of the Group amounted to RMB2.9 million, representing a decrease of RMB16.9 million or 85.2% from RMB19.9 million in the same period last year. Such decrease was mainly due to a significant reduction in interest expense, as some of the proceeds raised from the initial public offering were used for a partial settlement of debt last year.

Share of results of associates

For the year ended 31 December 2008, the results of associated companies attributable to the Group amounted to RMB14.8 million, representing an increase of RMB2.0 million or 15.3% over RMB12.8 million for the same period last year. This was mainly due to an increase in the Group's shareholdings in its associated company Yulu Mining Co., Ltd. from 40% to 50% in 2008.

Income tax expense

For the year ended 31 December 2008, the income tax expense of the Group amounted to RMB656.2 million, representing a decrease of RMB397.1 million or 37.7% from RMB1,053.3 million in the same period last year. Such decrease was mainly due to (1) decrease in the Group's profits; and (2) lower enterprise income tax rate for the major profit-making enterprises of the Group, which dropped from 33% in 2007 to 25% since 1 January 2008.

Minority interest

For the year ended 31 December 2008, the minority interests of the Group amounted to RMB207.9 million, representing a decrease of RMB58.2 million or 21.9% from RMB266.1 million in the same period last year. Such decrease was mainly due to the reduction in profit from the Group's joint ventures which are principally engaged in the production of molybdenum products in light of the fall in international and domestic molybdenum market prices in the fourth quarter of 2008.

Equity attributable to shareholders of the Company

For the year ended 31 December 2008, the net profit attributable to shareholders of the Company amounted to RMB1,640.9 million, representing a decrease of RMB599.9 million or 26.8% from RMB2,240.8 million for the year ended 31 December 2007. Such decrease was mainly due to the decrease in profit.

Financial position

For the year ended 31 December 2008, the total assets of the Group amounted to approximately RMB12,736.3 million, comprising non-current assets of approximately RMB5,207.2 million and current assets of approximately RMB7,529.1 million. Equity attributable to equity holders of the Company for the year ended 31 December 2008 increased by RMB867.9 million to RMB11,237.1 million from RMB10,369.3 million for the year ended 31 December 2007.

Current assets

For the year ended 31 December 2008, the inventory of the Company increased by RMB295.8 million to RMB650.4 million from RMB354.6 million for the year ended 31 December 2007. Such increase was mainly attributable to a modest increase in inventories, which was mainly due to the drop in demand for our products by our overseas customers under the financial crisis as well as the massive reductions in the production activities of some of our major clients such as domestic iron and steel enterprises in the fourth quarter of 2008.

Financial resources and capital structure

For the year ended 31 December 2008, property, plant and equipment increased by RMB910.6 million to RMB3,913.2 million from RMB3,002.6 million for the year ended 31 December 2007. The increase was mainly attributable to the construction of the following projects by the Company during the year:

- (1) RMB106.0 million of annual capital investment in scheelite recovery projects of 3,000 tonnes per day and 6,000 tonnes per day;
- (2) RMB187.6 million of annual capital investment in Yongning Gold's 80,000-tonne-per-year gold and lead smelting project;
- (3) RMB13.2 million of annual capital investment in the auxiliary project for Sandaozhuang's 30,000-tonne open pit mine;
- (4) RMB324.6 million of annual capital investment in the molybdenum roasting project with a capacity of 40,000 tonnes per year;
- (5) RMB33.8 million of annual capital investment in the construction of the main building of No.2 Ore Processing Branch; and
- (6) RMB18.8 million of annual capital investment in the geological survey of Luoyang Kunyu Mining Co., Ltd. (洛陽鋁業坤宇有限公司).

Debt to total assets ratio

The debt to total assets ratio of the Group dropped from 9.8% as of 31 December 2007 to 8.6% as of 31 December 2008. Debt to total assets ratio is equivalent to total liabilities divided by total assets.

Cash flow

As at 31 December 2008, the Group had cash and cash equivalents of RMB2,547.6 million, representing a decrease of RMB3,133.1 million from RMB5,680.7 million for the year ended 31 December 2007. In particular, net cash inflow generated from operating activities for the year ended 31 December 2008 was RMB1,412.0 million. Net cash outflow generated from investment activities was RMB3,755.7 million. Over 80% of the above investments were made for guaranteed short-term investments due within a year so as to maintain liquidity whilst increasing the rate of return of the Group's capital. Net cash outflow generated from financing activities was RMB789.3 million.

As a result of the proceeds raised from the Company's listing in 2007, the Company has further increased its production capacity and strengthened its liquidity position to meet its expansion needs. This enables the Company to instill a stronger resilience against adversity arising from the financial crisis. The Company continues to maintain normal business operations and a healthy financial position.

Exposure to fluctuations in exchange rate

The Group conducts operations mainly in the PRC. As the production capacity of the Group increased, we also increased our export sales during the year. We mainly settled transactions of export sales in US dollars. Due to periodicity in calculating the amount of export income, the foreign currency risks of the Group were primarily generated from the sales of products in foreign currencies.

Currently, the Group has no formal hedging policies in place. The Group has not entered into any 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 Group's molybdenum products is calculated based on international and domestic prices, the Group has been exposed to the price fluctuations of molybdenum products. In the long run, the international and domestic prices of molybdenum products mainly depend on market demand and supply. These factors are beyond our control. Further, the prices of molybdenum products are also 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.

Exposure to interest rate

The exposure to interest rate of the Group is mainly related to our short-term and long-term bank borrowings and deposits. The interest rate of outstanding liabilities of the Group is calculated based on the base rate amended by The People's Bank of China and the Hong Kong inter-bank market from time to time. 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 2008, the Group had approximately 6,952 full time employees, classified as follows by functions and departments:

Department	Employees	Proportion
Management & administration	871	12.5%
Quality control, research and development	465	6.7%
Production	4,725	68.0%
Repair and maintenance, safety inspection and environmental protection	891	12.8%
Total	<u>6,952</u>	<u>100.0%</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 PRC local regulations, the percentage of certain insurance policies are as follows: the pension insurance, medical insurance, unemployment insurance and housing reserve funds of our PRC employees represent 20%, 6%, 2% and 5% to 12% of his or her total basic salary, respectively.

Use of proceeds

As at 31 December 2008, the Company applied an aggregate of approximately RMB2,940 million of the proceeds raised from our initial public offering in April 2007, mainly as follows:

- approximately RMB781 million in repaying various short-term bank borrowings;
- approximately RMB826 million in repaying current liabilities and general working capital;
- approximately RMB361 million to prepay the remaining consideration in respect of the mining rights of the Sandaozhuang Mine;
- approximately RMB227 million to construct auxiliary facilities of ores;
- approximately RMB14 million for technological renovation of No. 3 Ore Processing Branch (選礦三公司);
- approximately RMB204 million for the expansion of Mining Branches, Luanchuan County Sanqiang Molybdenum & Tungsten Co., Ltd. (欒川縣三強鉬鎢有限公司) and construction of scheelite recovery plant;
- approximately RMB219 million for the construction of Yongning Gold & Lead Refining Co., Ltd. (永寧金鉛冶煉有限公司) and acquisition project of precious metals;
- approximately RMB276 million to construct a smelting plant of molybdenum with a capacity of 40,000 tonnes/year; and
- approximately RMB32 million for technological improvement at Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. (洛陽高科鉬鎢材料有限公司).

III. MARKET REVIEW

2008 was an extraordinary year which saw more global economic uncertainties and financial turmoil. China also suffered from unprecedented natural calamities and confronted with complicated and volatile economic situation. Since the third quarter of 2008, international and domestic economic situation has changed dramatically. With economic crisis sweeping over various industries around the globe, molybdenum market was inevitably impacted. International molybdenum price remained strong between January and September 2008, mainly supported by supply shortage. From September 2008 overseas producers began to either maintain or reduce their output, China's export of molybdenum plummeted. International molybdenum price has also dropped dramatically since the end of September 2008. In particular, the bottled molybdenum oxide price in European market tumbled from US\$31.6-32.75/lb Mo on 26 September 2008 to US\$9-10.5/lb Mo on 26 November 2008, representing a decrease of 72%, being the lowest price in four and a half years since March 2004. It is in strong contrast with the lingering high price of US\$32.2-34/lb Mo from January to September 2008. At the same time, western ferromolybdenum (65-70% Mo) price dropped sharply from US\$75.75-77.25/kg to US\$24.25-26.5/kg, representing a decrease of 68%, being the lowest level since the end of March 2004. Chinese ferromolybdenum (60% Mo) Rotterdam warehouse spot price dropped from US\$77-78/kg to US\$28-32/kg, representing a decrease of 64%. Meanwhile, price of canned molybdenum oxide in US market plunged from US\$33.5-34/lb Mo to US\$11.75-13/lb Mo, representing a decrease of 65%. In view of the above, international molybdenum price no longer maintained at high level as it did in recent three years since early 2006 and took a nosedive under the pressure of economic crisis. Stimulated by Beijing Olympic Games and the reconstruction after Wenchuan earthquake, demand for molybdenum in domestic market saw robust growth with lingering high molybdenum price. From January to September 2008, average price of molybdenum concentrates (45% Mo) and ferromolybdenum (60% Mo) in domestic market was RMB4,034/metric tonne unit and RMB276,000/metric tonne unit respectively. Since the end of September, global financial turmoil has brought material adverse impact on steel market. Consequently, nearly 50% mid-small steel factories in China suspended or partly suspended production while various major sizable steel plants announced plans for production cuts or maintenance to various extent. Amid the gloomy sentiment in the steel industry and reduction in production by steel makers, demand for molybdenum products decreased significantly. However, since September 2008, various domestic molybdenum manufacturers have not yet attained an in-depth understanding of the current price adjustments in the molybdenum market, and continued their production when sales were held back. Molybdenum products output increased dramatically, resulting an oversupply of 10,000 tonnes in molybdenum market for the whole year. Consequently, molybdenum price tumbled in the domestic market. The average price of molybdenum concentrates (45% Mo) in the domestic market dropped sharply to RMB2,056/metric tonne unit, representing a decrease of 49.1% from the first three quarters, and reached to the three-year-low of RMB1,450/metric tonne unit on 18 November 2008. Average price of ferromolybdenum (60% Mo) plummeted to RMB152,000/tonne.

IV. BUSINESS REVIEW

During the year 2008, with the benefits of efficient management, detailed organization and continued commitment of our staffs, the Group fully capitalized on its resources and integrated production chain and production scale. Riding on the rapid growth of molybdenum market from January to September 2008, and overcoming adverse factors such as plummeting molybdenum price, hiking raw material price and higher tariffs on molybdenum products after the end of September 2008, the Group achieved a steady increase in the production volume of molybdenum products. In 2008, the production of molybdenum concentrates (including 45% Mo), molybdenum oxides (including 51% Mo) and ferromolybdenum (including 60% Mo) amounted to 34,400 tonnes, 24,987 tonnes and 14,750 tonnes, representing a year-on-year increase of 12%, 29% and 14.3% over 2007, respectively. Tungsten concentrates (including 65% WO₃) amounted to 1,128 tonnes.

Statistics from China Non-ferrous Metals Industry Association showed that the production of molybdenum concentrates in China (45% grade) in 2008 was 180,589 tonnes. The Group's production of molybdenum concentrates accounted for approximately 19% of the total amount produced in China in 2008. According to an international research institution, the world's molybdenum production was approximately 470 million pounds for the year 2008, of which approximately 34.13 million pounds were produced by the Group, representing approximately 7.2% of the total production of the world for the year 2008.

Satisfactory progress has been made to the Group's major projects. In 2008, the Group completed a tungsten recycling project of 9,000 tonnes per day and a tungsten recycling project of 6,000 tonnes per day. Currently, the Group is constructing a smelting plant with a capacity of 40,000 tonnes per year (Phase I project), 1500-tonne-per-year molybdenum downstream processing production line project at Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. (洛陽高科鉬鎢材料有限公司), open-pit mine standards project, Luoning gold project and Yongning 80,000-tonne-per-year comprehensive smelting plant projects. Luomu Group Chifeng Yuxin Mining Co., Ltd (洛鉬集團赤峰市宇鑫礦業公司), a wholly-owned subsidiary of the Group, was established in 2008, paving the way for the Group's molybdenum resources consolidation and acquisition in the country.

More efforts in technology and innovation led to much stronger technological strength. Two technical research were carried out by the Group, namely, the “Research on acid making process with off-gases from molybdenum concentrate roasting in rotary kiln (回轉窯焙燒鉬精礦尾氣製酸工藝研究)” and “Design for heat spinning roaster kiln and research on molybdenum concentrates roasting process (旋轉閃蒸直燃供熱式回轉窯設計與鉬精礦焙燒工藝研究)”. Our research results successfully passed the appraisal organized by Science and Technology Department of Henan province. As assessed by experts, the two research results are at the frontier in China molybdenum smelting industry and the entire technology has attained international advanced standard. The Group continues to carry out its intellectual property registration. During the year, we applied for 8 invention patents and 18 utility model patents, and obtained RMB6,500,000 as special fund for major science and technology projects from Henan provincial and Luoyang municipal governments. Mine site modelling and goaf areas modelling have been completed while the dynamic management system for mine data has been put into operation.

The Group has proactively promoted standardized operations, and improved corporate management standards. In 2008, the Company took initiatives to amend and improve its management systems, and put additional efforts in financial and personnel system management. With standardized management taking its effects, the Company enhanced its ability in coping with the changing environment and the global economic crisis. In the fourth quarter of 2008, the Company swiftly took a series of measures to reduce costs in light of the plummeting molybdenum price.

The Company increased its investment and cooperation activities and made new progress in resource consolidation and acquisition. On 24 June 2008, the Company and Henan Provincial Metals Geological and Mineral Resources Bureau entered into a framework agreement for collaboratively survey and development of mine resources and timely collection of information about mineral resources. The Company arranged several teams to conduct survey on molybdenum resources in Inner Mongolia, Heilongjiang, Guangdong Province and Nanyang region of Henan province. After deliberation, the Company decided to focus on follow-up survey on several targets with abundant resource potentials. In May 2008, the Company and Zhenping county of Henan province entered into a framework agreement in relation to co-development of molybdenum mine in Laozhuang, Zhenping County. Currently, the resource consolidation plan for this area has been reported to the People’s Government of Henan Province. Department of Land and Resource of Henan Province has entrusted relevant departments to conduct inspection and assessment in respect of relevant resources. On 9 October 2008, the Company and Chifeng municipal government of Inner Mongolia entered into a letter of intention for the co-development of molybdenum resources in Chifeng City. The Company has established a steering team for Chifeng resource acquisition to conduct depth

survey on the resources in this area. In the meantime, we are preparing the consolidation plan for molybdenum resource in Luanchuan area according to the requirements from Luoyang Municipal Party Committee and Municipal Government. In 2008, we have stepped up our efforts in identifying suitable overseas opportunities to extend our presence in other markets. Taking advantage of our solid financial conditions, we will seize opportunities during the current economic downturn to identify potential overseas merger and acquisition targets to expand our business and improve profitability, so as to maximize our shareholders' value.

Not only did the Group effectively bolster its product sales volume and stabilize its customer base, it also aspired towards better sales and marketing strategies to fulfil 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 which led to more efficient corporate operational procedures.

V. PROSPECT

Economies in the western countries are expected to be mired in recession in 2009 due to the global economic crisis. Influenced by the world economic trends, the growth rate of the Chinese economy may be much lower than that of last year. While the slackening world economy is showing signs of a turnaround, major steel plants and machinery equipment manufacturers around the world will stage further production cuts and lower utilization of capacity and the molybdenum market is expected to witness more depressed demand and grim prospects. In respect of supplies, afflicted by the global economic crisis and the sharp fall in the molybdenum price, the molybdenum production of major overseas molybdenum manufacturers is expected to drop by 10% to 30% from the level in 2008. In China, industry insiders estimated that the domestic molybdenum supply will increase, with an oversupply of molybdenum. We expect that both the international and domestic molybdenum prices will stay at low level in 2009.

We will continue to examine the current economic and market dynamics, tenaciously adhere to the development strategies of the Company. In addition, we will put more efforts into production and operation and accelerate our resource consolidation and acquisition processes. In 2009, the Company's target for production and operation is to produce approximately 30,205 tonnes of molybdenum concentrates (45%), 23,000 tonnes of molybdenum oxides (51%), 13,200 tonnes of ferromolybdenum (60%), 5,082 tonnes of tungsten concentrates (65%) and 814 kg of gold.

Our development target is to complete the construction of existing projects and make new progress in domestic and overseas acquisitions. We will focus on the followings: (1) improve cost control and maintain profitability of the Company's existing business segments; (2) speed up resource consolidation and acquisition and grasp the opportunity to press ahead with resource acquisition and to secure our position as the largest molybdenum producer and provider in the domestic market as well as our leading presence in the scheelite industry; (3) actively adjust marketing strategy and endeavor to expand market shares; (4) attract and cultivate talents, optimize the Group's corporate structure and management system and strengthen technological research and reformation to lay a solid foundation for future development of the Group; and (5) seize opportunities to identify potential targets for acquisition and merger domestically and internationally and strive to expand our business reach and profitability to maximize our shareholders' value.

VI. PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, redeemed or sold any listed securities of the Company.

VII. CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance 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 of Hong Kong Limited (the "Stock Exchange") (the "CG Code").

In the opinion of the directors, the Company has complied with the code provisions set out in the CG Code throughout the period from 1 January 2008 to 31 December 2008.

The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

VIII. THE BOARD

During the year from 1 January 2008 and ended 31 December 2008, the Company held four 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 auditor in matters falling within the Group’s scope of the audit.

The audit committee will review the effectiveness of the external audit and internal controls and evaluate risks to provide comments and guidance 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 has reviewed the audited consolidated annual results of the Group for the year ended 31 December 2008 with the auditors.

Remuneration committee

The Company has established a remuneration committee and set out its specific terms of reference. The remuneration committee comprises 4 members, namely Mr. Gao Dezhu (chairman), Mr. Zeng Shaojin, Mr. Gu Desheng and Mr. Xu Jun. The majority of them are independent non-executive directors.

The roles and functions of the remuneration committee are set out in its terms of reference. Its primary functions include: making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration; and facilitating the determination of remuneration by reference to the performance of the individual and the Company as well as market practice and conditions.

The remuneration committee has reviewed the remuneration policy and structure of the Company and the remuneration packages of the executive directors and the senior management for the year ended 31 December 2008.

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 Qinxi 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.

IX. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. Specific enquiry has been made on all directors and they have confirmed that the Model Code has been complied with throughout the year ended 31 December 2008. The Company has also established written guidelines equally stringent to the Model Code (the “Employees Written Guidelines”) for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees has been noted by the Company.

X. ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Tuesday, 2 June 2009. Notice of the annual general meeting will be published and dispatched to shareholders in accordance with the requirements of the Listing Rules.

XI. FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB0.158 per share (including tax) for the year ended 31 December 2008. Final dividend for the year ended 31 December 2008 is 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 2008 will be paid on or about Friday, 24 July 2009 to the shareholders whose names appear on the register of members of the Company on Tuesday, 2 June 2009.

Under the relevant tax rules and regulations of the PRC (collectively the “PRC Tax Law”), the Company is required to withhold corporate income tax at the rate of 10% when distributing the final dividend to non-resident enterprise (such term shall have the meaning as defined under the PRC Tax Law) whose name appears on the H Shares register of members of the Company on 2 June 2009.

In accordance with the PRC Tax Law, the Company has an obligation to withhold for payment the corporate income tax from the payment of the final dividend to non-resident enterprises whose names appear on the H Shares register of members of the Company on 2 June 2009. Resident enterprise (such term shall have the meaning as defined under the PRC Tax Law) whose name appears on the H Shares register of members of the Company who do not wish to have the corporate income tax withheld for payment should lodge with Computershare Hong Kong Investor Services Limited the relevant documents issued by the relevant PRC tax authority certifying that it is a resident enterprise, on or before 4:30 p.m. on Friday, 8 May 2009. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong. The Company will withhold for payment the corporate income tax strictly in accordance with the PRC Tax Law and the requirements of the relevant government authorities. The Company shall not be liable for any dispute relating to the withholding of corporate income tax which arises from any failure to lodge the relevant documents within the prescribed timeframe as mentioned above.

XII. 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 2008, the H Shares register of members will be closed from Saturday, 2 May 2009 to Tuesday, 2 June 2009, 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 4:30 p.m. on Thursday, 30 April 2009. The address of Computershare Hong Kong Investor Services Limited is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

XIII. 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, 22 March 2009

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Mr. DUAN Yuxian, Mr. LI Chaochun, Mr. WU Wenjun, Mr. LI Faben and Mr. WANG Qinxi

Non-executive Directors:

Mr. ZHANG Yufeng and Mr. XU Jun

Independent Non-executive Directors:

Mr. ZENG Shaojin, Mr. GAO Dezhu, Mr. GU Desheng and Mr. NG Ming Wah, Charles

* *For identification purposes only*