



洛陽樂川鉬業集團股份有限公司
China Molybdenum Co., Ltd.*

Stock Code ■ 3993



2008
Interim Report

* For identification purposes only

CORPORATE INFORMATION

Directors

Executive Directors

Duan Yuxian (*Chairman*)
Li Chaochun (*Vice Chairman*)
Wu Wenjun
Li Faben
Wang Qinxi

Non-executive Directors

Xu Jun
Zhang Yufeng

Independent Non-executive Directors

Gao Dezhu
Zeng Shaojin
Gu Desheng
Ng Ming Wah, Charles

Supervisors

Shu Hedong
(*Chairman of Supervisory Committee*)
Yin Dongfang
Deng Jiaoyun

Joint Company Secretaries

Lo Yee Har Susan (*FCS, FCIS*)
Ho Siu Pik (*ACS, ACIS*)

Board Secretary

He Feng

Qualified Accountant

Fang Ying (*FCCA*)

Authorized Representatives

Li Chaochun
Lo Yee Har Susan (*FCS, FCIS*)

Alternate Authorized Representative

Ho Siu Pik (*ACS, ACIS*)

Audit Committee

Ng Ming Wah, Charles
(*Chairman of Audit Committee*)
Gao Dezhu
Gu Desheng
Zhang Yufeng

Auditor

Deloitte Touche Tohmatsu

Compliance Advisor

Guotai Junan Capital Limited

Legal Advisors

Sidley Austin
Llinks Law Offices

Principal Bankers

China Merchants Bank, Zhengzhou Branch
China Everbright Bank, Zhengzhou Branch, Wenhua Road Sub-Branch
China CITIC Bank, Zhengzhou Branch, Zhongke Information Building Sub-Branch
Agricultural Bank of China, Luanchuan County Sub-Branch
China Construction Bank Corporation, Luanchuan County Sub-branch
Bank of China Limited, Luoyang Sub-branch
Industrial Bank Co., Ltd., Zhengzhou Branch, Zi Jin Shan Sub-branch
Industrial and Commercial Bank of China Limited, Luanchuan County Sub-branch

Hong Kong H Share Registrar

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Registered Office in the PRC

West Junshan Road
Luanchuan County
Luoyang City
Henan Province
the PRC

Principal Place of Business in the PRC

North of Yihe, Huamei Shan Road, Chengdong New District
Luanchuan County
Luoyang City
Henan Province
the PRC

Principal Place of Business in Hong Kong

Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong

Share information

Stock code	:	3993
Listing date	:	26 April 2007
Number of H shares	:	1,311,156,000 H shares (as at 30 June 2008)
Nominal value	:	RMB0.20 per share
Stock name	:	CMOC

Financial Calendar

Interim Results Announcement	:	24 August 2008
Closure of register of members	:	N/A
Payment of interim dividend	:	N/A

Investor Relations

The Company	:	Mr. He Feng North of Yihe, Huamei Shan Road, Chengdong New District Luanchuan County, Luoyang City, Henan Province, the PRC
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Company's website

www.chinamoly.com

MARKET REVIEW

(The relevant commodity prices stated below include value-added tax)

The first half of 2008 witnessed a slowdown in the production of molybdenum concentrates in the Chinese molybdenum industry with a substantial reduction in the imports and exports of molybdenum, while the price of molybdenum remained stable. According to the statistics from the China Non-ferrous Metals Industry Association, the volume of molybdenum extracted from molybdenum concentrates produced by the PRC totaled 39,000 tonnes during the first half of 2008, representing a growth of 26.1% which was lower than the growth rate of 71.2% and 51.0% over the first six months of 2007 and the full year of 2007, respectively. The volume of imports of molybdenum dropped by 51.0% to 2,092 tonnes, while the volume of exports of molybdenum decreased by 31.4% to 12,973 tonnes as compared with the corresponding period last year. Taking into accounts the domestic production volume and the volume of imports and exports of molybdenum, it is estimated that the domestic consumption of molybdenum for the first half of 2008 would amount to 28,116 tonnes, which is 11,807 tonnes more than the 16,309 tonnes of molybdenum consumed over the same period last year, representing a growth of 72.0%. Meanwhile, the consumption ratio of domestic molybdenum products in the PRC increased to 72.1% during the first half of the year, which surpassed the 60.9% in 2007 and the 55.8% in 2006. Prices of domestic molybdenum concentrates increased by 0.5% since the beginning of the year. On the other hand, the prices of molybdenum oxides and ferromolybdenum decrease by around 1.0% and 0.4%, respectively at the end of June 2008 as compared with their respective prices at the beginning of this year. The average prices of domestic molybdenum concentrates, molybdenum oxides and ferromolybdenum remained stable between January to June 2008 as compared with the corresponding period last year, being RMB4,092/metric tonne unit, RMB4,346/metric tonne unit and RMB282,700/tonne (60% grade), respectively.

According to overseas institutions in the molybdenum industry, it is estimated that the global supply of molybdenum was approximately 225.0 million pounds in the first half of 2008, representing a growth of around 1.1% as compared with the corresponding period last year. The volume of molybdenum consumed during the first half of 2008 was approximately 227.6 million pounds, representing a growth of 0.3% over the corresponding period last year. The volume of molybdenum produced amounted to 112.1 million pounds, representing a growth of 10.8% as compared with the corresponding period last year, and the volume of molybdenum by-products produced amounted to 107.3 million pounds, representing a decrease of 8.5% as compared with the corresponding period of last year. The reduction in the production of molybdenum by-products was mainly attributable to the decrease in the volume of molybdenum extracted from ores in Chile, the largest molybdenum producer of molybdenum by-products in the world which was affected by drought and resulted in limited supply of electricity. Due to the limited supply of molybdenum in the overseas market, the implementation of export quota of molybdenum products and the upward adjustment of export tariffs imposed on ferromolybdenum by the PRC government, molybdenum prices in the international market steadily increased. The international prices of molybdenum oxides and ferromolybdenum increased by around 0.8% and 1% at the end of June 2008 as compared with their respective prices in the beginning of the year, respectively. The average international prices of molybdenum oxides and ferromolybdenum between January to June 2008 amounted to approximately US\$33.1/pound and approximately US\$35.8/pound respectively, representing a growth of around 13.2% and 16.3%, respectively as compared with the corresponding period last year.

Domestic Industry Policies

1. Export Quota

On 27 December 2007 and 4 July 2008, the Ministry of Commerce of the PRC promulgated the notifications on the export quota of the first batch and the second batch of ordinary trading industrial commodities respectively in 2008, which set out the quotas the Company was entitled to, including 3,105 tonnes and 1,856 tonnes of primary molybdenum products (molybdenum oxides and ferromolybdenum) of the Company, 122 tonnes and 34 tonnes of molybdenum chemical products and 45 tonnes and 30 tonnes of molybdenum products. The quotas of molybdenum products of Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd., the wholly-owned subsidiary of the Company, were 48 tonnes and 39 tonnes. The Company, including the Company's wholly-owned subsidiary Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd., had altogether 14 types of molybdenum products, among which only molybdenum powder is subject to export quota.

2. Implementation of New Tariffs

On 29 December 2007, the General Administration of Customs of the State issued the No. 79 announcement in 2007 in relation to the implementation of "Tariffs Implementation Plan 2008" to inform that the policy will take effect from 1 January 2008. The plan includes a tentative tariff rate of 20% on ferromolybdenum. The export tariff policy on roasted molybdenum ores (molybdenum oxides), its concentrates as well as chemical and finished products of molybdenum remains the same.

3. Entry Barriers of the Industry

On 4 February 2008, the Announcement (No. 13 2008) issued by NDRC promulgated amendments to "Admission Conditions of the Iron Alloy Industry" (《鐵合金行業准入條件》) and "Admission Conditions of the Industry for Electrolytic Manganese Enterprises" (《電解金屬錳企業行業准入條件》). The policies will check overlaps of low quality construction as well as reckless expansion in the iron alloy and electrolytic manganese industry. As such, it will encourage the upgrade of industrial structure, standardize industrial development and maintain order in market competitions. A group of enterprises with outdated work craft and equipment, high consumption and low utilization of water recycling that fall short of environmental standards will be eliminated. The Company has already been enlisted by NDRC in the list of enterprises (group 2) that meet the "Admission Conditions of the Iron Alloy Industry" on 2 November 2006. The newly amended "Admission Conditions of the Iron Alloy Industry" set out more stringent requirements in respect of the production of iron alloys including ferromolybdenum, which will have a long-term and positive impact on the future operation of the Company.

4. Resource Consolidation of Molybdenum in Henan Province

On 18 January 2008, the People's Government of Henan Province issued the "Opinions on the Implementation of the Consolidation of Molybdenum Resources in Henan Province" (《河南省鉬礦資源整合實施意見》), which requires the elimination of enterprises which engaged in the exploration of molybdenum resources yet failed to meet with the conditions of safe production, the utilization level of resource consolidation and those which destructed the ecological environment. The opinion also promotes consolidation of molybdenum resources among large-scale and technologically advanced enterprises with strong processing capability, frequent resource consolidation and edges in the development of molybdenum resources. In observance of the status of natural reserves of molybdenum resources as well as geological conditions, and in adherence to the principle of only one mining rights for one mining area, the opinion recommends reasonable preparation of consolidation plans, encourages and supports more predominant enterprises to acquire smaller companies and companies with poor performance. It is also stated that the exploration rights and mining rights of molybdenum mines in closer regions should be consolidated. Luoyang City has been confirmed as the major area of rectification, including various regions of Luanchuan County where development of minerals will be the major task. As a predominant enterprise, the Company should be well-positioned in the consolidation of molybdenum resources in Henan Province.

5. State Adjustment of Prices of Refined Oil Products and Tariff Rates

On 19 June 2008, the National Development and Reform Commission announced that in an effort to rationalize prices, ensure domestic supply of refined oil products and promote preservation of crude oil resources, it has determined to elevate the prices of refined oil products as appropriate. Since 20 June 2008, the prices of petroleum and diesel fuel have been adjusted upward by RMB1,000 per tonne while aviation fuel has been lifted by RMB1,500 per tonne. Starting from 1 July 2008, the national average retail tariff of electricity has been increased by RMB2.5 cents per KWh. Being engaged in an industry with no specific consumption of power and fuel, the adjustment to state prices of refined oil products and electricity had posed minimal influence to the Group.

BUSINESS REVIEW

During the first half of 2008, the quality and quantity of the products of our Group have increased over the same period last year as a result of our efforts in capturing market opportunities and to capitalize on our abundant resources, scale of production and an integrated production chain. From January to June 2008, the Group's production of molybdenum concentrates (including 45% Mo) amounted to approximately 16,753.7 tonnes, representing an increase of 16.6% as compared with the corresponding period last year. The production of molybdenum oxides (including 51% Mo) amounted to approximately 13,021.8 tonnes, representing an increase of 28.0% over the corresponding period last year. Production of ferromolybdenum (including 60% Mo) represented an increase of 20.0% to approximately 7,868.8 tonnes. The production of scheelite concentrates (including 65% Mo) amounted to approximately 872.0 tonnes, representing an increase of 34.2% as compared to the corresponding period last year. Production of sulphuric acid reached approximately 9,745.5 tonnes (92.5% concentration) and other kinds of processed molybdenum products amounted to around 660 tonnes. Taking into account the strong market demand across the nation, limitation on export quota, mounting exchange risk, the Group appropriately increased its domestic sales. In the first half of this year, domestic sales and exports accounted for 69.4% and 30.6%, respectively. The Company's four major clients recorded a total sales of 5,610 tonnes, accounted for 76.6% of the total domestic sales of ferromolybdenum of the Company for the first half of the year. The top ten clients of the Company accounted for 95% of the domestic sales volume of the Company. Meanwhile, the Company continued to make progress in expanding its molybdenum business, tungsten business and precious metal business as well as other projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary

For the six months ended 30 June 2008, profit attributable to the equity holders of the Company was RMB1,242.1 million, representing an increase of RMB137.8 million or 12.5% from RMB1,104.3 million for the six months ended 30 June 2007.

The comparative analysis for the six months ended 30 June 2008 and 30 June 2007 is as follows:

Operating Results

For the six months ended 30 June 2008, the Group recorded a turnover of RMB3,325.9 million, representing an increase of RMB444.1 million or 15.4% over RMB2,881.8 million over the same period last year. For the six months ended 30 June 2008, the Group achieved a gross profit of RMB1,976.2 million, representing an increase of RMB167.5 million or 9.3% as compared with RMB1,808.7 million during the same period last year. At the board meeting held on 24 August 2008, the Board did not recommend payment of an interim dividend for the year 2008.

Operating results by products

The table below sets out the sales volume, average selling price and turnover during first half of 2008 and 2007:

Product name	For the six months ended 30 June							
	2008				2007			
	Sales volume (tonne)	Average selling price		Percentage in turnover (%)	Sales volume (tonne)	Average selling price		Percentage in turnover (%)
		(RMB/tonne)	(RMB million)			(RMB/tonne)	(RMB million)	
Domestic market								
— Molybdenum concentrate (45% Mo)	1,428.6	165,901.0	237.0	7.1	2,559.2	156,458.4	400.4	13.9
— Molybdenum oxide (51% Mo)	225.7	196,136.9	44.3	1.3	334.8	195,942.8	65.6	2.3
— Ferromolybdenum (60% Mo)	7,320.9	236,428.1	1,730.9	52.0	5,025.5	234,657.2	1,179.3	40.9
— Processed Molybdenum & Tungsten products	—	—	188.0	5.7	—	—	156.6	5.4
— Sulfuric Acid (92.5% concentration)	9,745.5	884.6	8.6	0.3	—	—	—	—
— Other	—	—	100.4	3.0	—	—	72.3	2.5
Sub-total	—	—	2,309.2	69.4	—	—	1,874.2	65.0
International market								
— Molybdenum oxide (51% Mo)	2,835.7	245,475.0	696.1	21.0	2,197.8	210,054.6	461.7	16.1
— Ferromolybdenum (60% Mo)	246.6	310,773.1	76.6	2.3	1,583.6	276,959.5	438.6	15.2
— Processed Molybdenum & Tungsten products	—	—	244.0	7.3	—	—	107.3	3.7
Sub-total	—	—	1,016.7	30.6	—	—	1,007.6	35.0
Total	—	—	3,325.9	100.00	—	—	2,881.8	100.0

Turnover increased by 15.4% to RMB3,325.9 million from RMB2,881.8 million for first half of 2007, mainly due to: (1) the renovation and upgrade project of No. 3 Ore Processing Branch has led to increased utilization ratio of capacity and production volume, which increased output of molybdenum concentrate considerably; (2) increase in the roasting and smelting capacity enabled the Group to convert more molybdenum concentrate to molybdenum oxide and ferromolybdenum which benefited from higher selling price and increase in turnover; (3) sulfuric acid developed by a smelting company of the Group with patented fume control technology enabled such products to be more environmentally friendly; (4) further increased sales proportion of molybdenum chemicals as well as molybdenum & tungsten products.

Sales to our domestic customers for the six months ended 30 June 2008 was RMB2,309.2 million, representing an increase of RMB435.0 million as compared with RMB1,874.2 million for the same period in 2007. Sales to our overseas customers for the six months ended 30 June 2008 was RMB1,016.7 million, representing an increase of RMB9.1 million as compared with RMB1,007.6 million for the same period in 2007. Sales to our domestic customers has increased slightly during the first half of this year while sales to our overseas customers slightly decreased. The percentage of our domestic and overseas customers for the six months ended 30 June 2008 was 69.4% and 30.6%, 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 the first half of 2008 and 2007:

Product Name	For the six months ended 30 June					
	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*	562.1	1,390.6	71.2	388.7	1,161.3	74.9
— Outsourced additive materials**	58.0	1.4	2.4	92.4	2.9	3.0
— Processing molybdenum and tungsten	148.1	39.9	21.2	142.3	14.3	9.1
— Sulfuric acid (92.5% concentration)	5.1	3.5	40.7	—	—	—
— Other	82.5	17.9	17.8	70.2	2.1	2.9
Sub-total	855.8	1,453.3	62.9	693.6	1,180.6	63.0
International market						
— Self-produced molybdenum additive materials*	288.1	484.6	62.7	292.0	608.3	67.6
— Processing molybdenum and tungsten	205.8	38.3	16.3	87.5	19.8	18.4
Sub-total	493.9	522.9	51.4	379.5	628.1	62.3
Total	1,349.7	1,976.2	59.4	1,073.1	1,808.7	62.8

Notes:

- * The product or its major raw materials were produced by self-owned mine of the Group, including molybdenum concentrates, molybdenum oxides and ferromolybdenum;
- ** The product or its major raw materials were purchased from external sources of the Group, including molybdenum oxides and ferromolybdenum.

For the six months ended 30 June 2008, cost of sales of the Group was RMB1,349.7 million, representing a rise of 25.8% over RMB1,073.1 million for the same period last year. The main reasons behind the increase in the cost of sales are as follows: (1) the Company's expansion in sales volume of molybdenum oxide and ferromolybdenum, which led to increased cost of sales; (2) further expanded sales of molybdenum and tungsten products of the Group, for which major raw materials were mainly purchased from third parties at market price; (3) increase in cost of auxiliary materials and spare parts resulting from price hike of steel, explosives and diesel.

For the six months ended 30 June 2008, production cost of molybdenum concentrate in cash before tax was RMB30,937 per tonne, decreased by RMB426 per tonne or 1.4% as compared with the average cost over 2007.

For the six months ended 30 June 2008, the average gross margin of the Group was 59.4%, representing a decrease of 3.4% as compared with 62.8% over the same period last year, mainly attributable to: (1) increased molybdenum raw materials purchased by the Company, which had an adverse impact on its gross margin; (2) increase in the cost of auxiliary materials and spare parts of the Company resulting from price hike of steel, explosives and diesel; (3) increased production and export volume of processing products of molybdenum and tungsten which had a gross margin narrower than the Group's average and undermined the overall gross margin; (4) since most of the Group sales to overseas customers were carried out by its wholly-owned subsidiary, China Molybdenum (Hong Kong) Company Limited, its operating revenue and cost are tax inclusive, thus affected the Group's overall gross margin; (5) As the constructions of auxiliary facilities at the mine and expansion of ore processing gradually completed, the Group's depreciation cost for the period increased and has resulted in an impact on the Group's gross profit margin.

Other Income

For the six months ended 30 June 2008, other income of the Group amounted to RMB56.0 million, representing a decrease of RMB206.3 million or 78.7% from RMB262.3 million for the corresponding period last year. Such decrease was mainly due to the absence of bank interest income generated from over-subscription of issue of new shares last year.

Selling and distribution cost

For the six months ended 30 June 2008, the selling and distribution costs of the Group amounted to RMB19.3 million, representing an increase of RMB9.9 million or 105.3% over RMB9.4 million in the same period last year. Such increase was mainly due to: (1) more advertisement expense arising from a more aggressive approach in promoting and establishing an image of the Company as a listed company; (2) more transportation expenses arising from the increased sales volume; (3) expenditure incurred by the operation of Luoyang Mudu-Lee Royal International Hotel of the Group.

Administrative expenses

For the six months ended 30 June 2008, the administrative expenses of the Group was RMB118.7 million, decreased by RMB1.1 million or 0.9% from RMB119.8 million in the same period of last year, remaining basically unchanged.

Other expenses

For the six months ended 30 June 2008, other expenses of the Group amounted to RMB82.1 million, representing a decrease of RMB16.0 million or 16.3% from RMB98.1 million in the same period last year. Such decrease was mainly due to a reduction of loss from foreign exchange.

Finance costs

For the six months ended 30 June 2008, the finance costs of the Group amounted to RMB4.6 million, representing a decrease of RMB21.0 million or 82.0% from RMB25.6 million in the same period last year. Such decrease was mainly due to a significant reduction in finance costs for the year thanks to the healthy cash standings after a partial settlement of debt by raised proceeds by the Company.

Share of results of associates

For the six months ended 30 June 2008, the results of associated companies attributable to the Group amounted to RMB7.9 million, representing an increase of RMB2.5 million or 46.3% over RMB5.4 million for the same period of last year. This is mainly due to better operating results of Luoyang Yulu Mining Co., Ltd., an associated company of the Group, and a higher ratio of dividend attributable to the Group in Luoyang Yulu Mining Co., Ltd., which increased to 50% from 40% last year.

Income tax expense

For the six months ended 30 June 2008, the income tax expense of the Group amounted to RMB427.5 million, representing a decrease of RMB162.7 million or 27.6% from RMB590.2 million in the same period last year. Such decrease was mainly due to lower income tax rate, which dropped to 25% from 33% since 1 January 2008.

Minority interest

For the six months ended 30 June 2008, the minority interests of the Group amounted to RMB145.8 million, representing an increase of RMB16.7 million or 12.9% from RMB129.1 million in the same period last year. Such increase was mainly due to increased profit during the period from holding subsidiaries of the Group, namely Jiuyang, Sanqiang and Dadongpo.

Equity attributable to shareholders of the Parent

For the six months ended 30 June 2008, the net profit attributable to shareholders of the Parent amounted to RMB1,242.1 million, representing an increase of RMB137.8 million or 12.5% from RMB1,104.3 million in the same period of 2007. Such increase was mainly due to an increase in profit and a decrease in income tax during the period.

Financial position

As at 30 June 2008, the total assets of the Company amounted to approximately RMB12,270.5 million, comprising non-current assets of approximately RMB4,310.2 million and current assets of approximately RMB7,960.3 million. Equity attributable to equity holders of the Company on 30 June 2008 increased by RMB468.7 million to RMB10,838.0 million from RMB10,369.3 million as at 30 June 2007.

Current assets

As at 30 June 2008, the inventory of the Group increased by RMB56.6 million to RMB411.2 million from RMB354.6 million as at 31 December 2007. For the half year ended 30 June 2008, the comprehensive production and sales rate was 95.0% while the comprehensive production and sales rate was 100% in the corresponding period in 2007.

Financial resources and capital structure

As at 30 June 2008, property, plant and equipment of the Group increased by RMB417.2 million to RMB3,419.8 million from RMB3,002.6 million as at 31 December 2007. The increase was mainly attributable to the investment and construction of the following projects by the Group:

- (1) approximately RMB85.0 million in two scheelite recovery projects of 9,000 tonnes per day;
- (2) approximately RMB91.0 million in Yongning Gold's 80,000-tonne-per-year gold and lead smelting project;
- (3) approximately RMB123.9 million in the auxiliary project for Sandaozhuang's 30,000-tonne open pit mine;
- (4) approximately RMB48.0 million in the construction of molybdenum roasting project with a capacity of 40,000 tonnes per year.

Debt to total assets ratio

The debt to total assets ratio of the Group dropped from 9.8% as of 31 December 2007 to 9.0% as of 30 June 2008. Debt to asset ratio remains basically stable. Debt to total assets ratio is equivalent to total liabilities divided by total assets.

Cash flow

As at 30 June 2008, cash of the Company amounted to RMB5,373.2 million, representing a decrease of RMB307.5 million from RMB5,680.7 million as at 31 December 2007. In particular, net cash inflow generated from operating activities for the six months ended 30 June 2008 was RMB1,335.1 million. Net cash outflow generated from investment activities was RMB746.5 million. Net cash outflow generated from financing activities was RMB888.6 million.

As a result of the proceeds raised from the Company's listing in 2007, the Company was able to utilise such proceeds to meet its increased capital demand required for its business expansion. 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 and the market expanded, exports sold to different countries by the Group or its subsidiary in Hong Kong increased during the year. We mainly settled transactions of export sales in US dollars. Due to periodicity in calculating the amount of export income, the 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 on basis of the 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 long-term and short-term bank borrowings and deposits. The interest rate of outstanding liabilities of the Group is calculated on basis of the base rate amended by The People's Bank of China and the Hong Kong inter-bank market from time to time. So far, the Group has not entered into any type of interest agreement or derivatives to hedge against fluctuations in interest rate or liabilities.

Use of proceeds

As at 30 June 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 and interest;
- 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 RMB218 million for expansion of Mining Branch and the construction of scheelite recovery plant;
- approximately RMB219 million to construct Luoyang Yongning Gold & Lead Refining Co., Ltd. and acquisition project of precious metals;
- approximately RMB276 million to construct a smelting plant of molybdenum with a capacity of 40,000 tonnes/year;
- approximately RMB32 million for technological improvement at Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd.

MATERIAL EVENTS

Acquisition of three gold mines in Luoning

On 16 January 2008, the Company entered into a legally binding framework agreement with the People's Government of Luoning County and Luoning County Funiu Mining Development Center (details set out in the announcement dated 16 January 2008). Upon the conclusion of the framework agreement, Luoyang Kunyu Mining Co., Ltd. had taken over three gold mines and started Luoning gold exploring project and other work. As at 30 June 2008, the Company had made satisfactory progress in exploration with sound achievement, including, 15,946.9 meters of drilling, 40 medium-deep holes and 6,580.2 meters of pitting work. Meanwhile, the Company had started construction of Qiliping gold/silver processing plant with a daily capacity of 250 tonnes, and construction of 80,000 tonnes per year gold lead silver smelting plant project (Phase I). Production went smoothly under the management of Kunyu Mining which was entrusted. For six months ended 30 June 2008, gold concentrate powder of 494kg and silver concentrate powder of 1,606kg had been produced.

Chairman Mr. Duan Yuxian being elected as the deputy of the eleventh National People's Congress

On 23 January 2008, Mr. Duan Yuxian, the Chairman of the Company, was elected as the deputy of the eleventh National People's Congress in the 1st meeting of the 11th session of People's Conference of Henan Province.

Testing laboratory of the Group passing provincial accreditation and being recognized as national laboratory

On 28 January 2008, testing laboratory of the Group attained recognition from the China National Accreditation Service for Conformity Assessment (CNAS) and was awarded with the Certificate of National Laboratory Accreditation. The certificate will remain valid until 2011. The testing laboratory of the Group is responsible for quality testing on molybdenum concentrate, molybdenum oxide, ferromolybdenum and other products. Upon attaining the provincial accreditation and being recognized as a national laboratory, it was permitted to act as a designated testing institute for Henan Inspection and Quarantine Bureau. This entitled the laboratory to practise testing on exported products on behalf of the Henan Inspection and Quarantine Bureau and provide high quality services for the Company and its clients.

Increase in registered capital in Luoyang Dachuan Molybdenum & Tungsten Technology Co., Ltd.

On 30 March 2008, the Company agreed to contribute a sum of RMB120 million to increase the registered capital of one of its wholly-owned subsidiaries, Luoyang Dachuan Molybdenum & Tungsten Technology Co., Ltd. from RMB37.50 million to RMB157.50 million to satisfy its development need for molybdenum deep processing business.

Further implementation of open-pit mine standards and auxiliary projects

In the first half of 2008, 50% construction of No. 4 crushing station had been completed, and phase II of the vegetation process had been finished.

Proceeding with Phase I of molybdenum roasting and smelting plant of 40,000 tonnes

As of 20 March 2008, the Company started the construction of a molybdenum roasting and smelting plant in accordance with its original time schedule. At present, the body of the main building and chemical testing building had been completed, 30% of overall infrastructure had been finished and 70% of equipments had been acquired or ordered.

Pressing ahead molybdenum deep processing project of 1,500 tonnes per year

70% of molybdenum powder workshop expansion was completed with relevant equipment being installed. Equipment acquisition contract for molybdenum plate production line was entered into and design drawings were already in use.

Commencement of operation of 6,000 tonnes/day scheelite recovery projects

The scheelite recovery plant has a processing capacity of 6,000 tonnes per day. The plant is designed to recover scheelite in tailings of processed molybdenum from No. 1 Ore Processing Branch and Luanchuan County Sanqiang Molybdenum & Tungsten Co., Ltd.. After 4 months of trial run, the project started formal production in June 2008. Besides scheelite recycling, the plant is also engaged in molybdenum concentrate and pyrite concentrates recycling.

Pushing ahead the scheelite recycling project of 9,000 tonnes per day

We are in the process of constructing a scheelite recovery plant with the daily processing capacity of 9,000 tonnes for recycling scheelite in tailings produced by the processed molybdenum of No. 3 Ore Processing Branch of the Group and Luanchuan County Dadongpo Tungsten & Molybdenum Co., Ltd. The relevant equipment to be used for the recovery plant is under trial run. Due to the increase in recovery equipment required for pyrite concentrates and molybdenum concentrates, the commencement of the trial production of the recovery of scheelite, pyrite concentrates and molybdenum concentrates is expected to be postponed from the second quarter as scheduled previously to September 2008.

Cooperation in survey and development of mineral resources

On 24 June 2008, the Company entered into the cooperation agreement on survey and development of mineral resources with Henan Provincial Metals Geological and Mineral Resources Bureau in Zhengzhou, Henan Province. The Henan Provincial Metals Geological and Mineral Resources Bureau is experienced in conducting mineral surveys. Pursuant to the agreement, both parties will leverage on their respective strengths on geological survey, financial and technological resources to jointly contribute and carry out large scale mineral surveying and development.

The processing plant of 3,000 tonnes per day of Henan Province Luanchuan County Zhonghe Metallurgy Furnace Company Limited (河南省欒川縣眾和冶金爐料有限公司) under trust management

On 25 June 2008, the Company entered into a cooperation framework agreement with Henan Province Luanchuan County Zhonghe Metallurgy Furnace Company Limited (“Zhonghe”). Pursuant to the agreement, the Company will manage Zhonghe’s processing plant of 3,000 tonnes per day which is approximately 8.5km away from the Group’s Sandaozhuang Mine. Zhonghe’s processing plant will be responsible for processing low grade ores mined and produced from the Company’s Sandaozhuang mine. This provides the Group with an opportunity to further expand its production and enhance the economic benefits by fully capitalising on resources.

Opening of Luoyang Mudu-Lee Royal International Hotel

On 10 January 2008, the Group’s wholly-owned five star Luoyang Mudu-Lee Royal International Hotel opened after 2 years of construction. It is operated by Luoyang Mudu International Hotel Co., Ltd., the wholly-owned subsidiary of the Group. The Hotel has the largest operating area, best in-class services and the most advanced facilities in Luoyang city.

MATERIAL EVENTS (POST BALANCE SHEET DATE)

Progress on Domestic Acquisition and Resource Integration

The Company proactively corresponded with provincial and municipal governments’ molybdenum resource integration plan, stably boosting the molybdenum resource integration work in Henan Province. On 25 July 2008, the Company started the pilot project of Resource Integration Model with Zhenping County Government of Nanyang City, Henan Province; both parties entered into the cooperation framework agreement to integrate the resources of Laozhuang Copper & Molybdenum Mine, Zhenping County, Nanyang City, Henan Province. Pursuant to the agreement, Zhenping County Government of Henan Province shall be responsible for acquiring 14 mining rights and 4 exploration rights. Upon the successful acquisition, the Company shall become the controlling shareholder by way of acquisition, and under the same terms, shall have priority in developing metal mines (except those developed with mining rights and exploration rights before entering into of the agreement) in the county. Meanwhile, the Company inspected, investigated and researched, assessed and negotiated about several projects of resources, including molybdenum and precious metals, to be acquired/conducted in partnership in Henan Province and Inner Mongolia, Xinjiang, Dongbei and Hunan outside the Province.

Change of Principal Place of Business

The Company has completed the construction of its headquarters in Luanchuan in July 2008. On 22 July 2008, the Company announced that its principal place of business of the Company in the PRC has been changed to North of Yihe, Huamei Shan Road, Chengdong New District, Luanchuan County, Luoyang City, Henan Province, the PRC.

Trial production of the No. 1 ferromolybdenum Workshop production line of the 40,000 tonnes per year molybdenum roasting and smelting factory

In August 2008, the Company's 11,000 tonnes per year production line of No. 1 Ferromolybdenum Workshop of molybdenum roasting and smelting factory with 40,000 tonnes/year capacity has completed construction and is in the process of test run for individual equipment.

Completion of the construction of Molybdenum Powder Workshop with a capacity of 1,500 tonnes per year

In August 2008, the construction of the molybdenum powder workshop was completed with a capacity of 1,500 tonnes per year.

MARKET PROSPECTS FOR THE SECOND HALF OF 2008

Considerable uncertainty lurks in the world economy in the second half of 2008. Despite the negative outlook of the world's economy, China and other emerging economies continue to maintain high growth rate, while oil wealth has boosted economic growth for oil exporting countries, especially those in the Middle East. According to International Iron & Steel Institute, the global consumption volume of steel products is estimated to amount to 1.279 billion tonnes in 2008, representing an increase of 6.8% over 2007. Global output of stainless steel in 2008 is expected to reach 30,430,000 tonnes, representing an increase of 6.2% over last year. In the molybdenum market, we expect demand for molybdenum will be driven by the recovery in the stainless steel industry and continued strong growth in the fields of special steel and catalysts.

The supply of molybdenum will continue to remain limited. During the first half of 2008, there was no new large-scale molybdenum mining and production project in overseas. Despite the rapid growth in the volume of molybdenum output in China, it is estimated that such increase will be used to satisfy the fast-growing domestic demand. The export quota policy imposed on molybdenum products is conducive to stabilize the molybdenum markets in both China and the world. In view of the domestic and international demand and supply of molybdenum during the first half of 2008, it is estimated that there will be a shortage of around 2,000 tonnes in the international molybdenum market for the year 2008.

BUSINESS PROSPECTS FOR THE SECOND HALF OF 2008

In the second half of 2008, the Group is expected to continue to maintain its growth in production and produce approximately 17,000 tonnes of molybdenum concentrates (with molybdenum grade of 45%), 12,000 tonnes of molybdenum oxide (with molybdenum grade of 51%) and 7,200 tonnes of ferromolybdenum (with molybdenum grade of 60%) and 1,500 tonnes of scheelite concentrates (with grade of 65%, among which 700 tonnes were produced by the Company and 800 tonnes came from Yulu). In addition to molybdenum and tungsten, it is expected that the production of gold, silver and sulfuric acid will reach approximately 396kg, 4,188kg and 10,260 tonnes, respectively for the second half of 2008. It is expected that the construction of auxiliary projects of open-pit mine, stone ballast block dam, fuel depot, mining scheduling center, open pit mining platform will be completed in the second half of 2008. It is expected that on 1 September 2008, equipments will be installed at No. 2 workshop of ferromolybdenum in Phase I construction in the molybdenum roasting and smelting plant with a capacity of 40,000 tonnes per year. Following the completion of the installation, a production trial run will be conducted at the end of December 2008. Production debugging will commence at sulfuric acid plant at the end of March 2009 and the construction of the plant will be completed and put into operation on 1 May 2009. Qiliping processing plant project and gold lead silver smelting plant project of 80,000 tonnes per year are planned to finish construction and commence production in September 2008 and at the end of December 2008, respectively. Luoning gold exploring project will complete 30,100 meters drilling and 10,090 meters pitting in the second half of 2008.

In the second half of 2008, in view of the continued consolidation of the molybdenum industry in the Henan province and supported by such favorable change as the imposition of restrictions by the State in the industry of iron alloy, the management of the Company will seize the opportunity to further enhance the production management to ensure that the production and operation targets set for this year will be realised. In addition, the Company will expedite the construction of key projects such as a tungsten recovery plant, a smelting plant with a capacity of 40,000 tonnes per year. Building on our experience gained in acquiring three gold mines in Luoning, processing plant of Luanchuan Zhonghe Company and consolidating resources in Pingmu Mine of Nanyang Town, the Company will continue to consolidate its resources, and carry out domestic and overseas acquisitions. The Company will continue to maximize its advantages in the second half of the year to realize production and operation targets for 2008 and to generate excellent returns to our shareholders.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders for their full trust, support and understanding.

By order of the Board
Duan Yuxian
Chairman

Luanchuan, the PRC, 24 August 2008

DIRECTORS AND SUPERVISORS

Our Board consists of 11 Directors, pursuant to the Articles of Association, our Directors have a term of three years, renewable upon re-election.

Executive Directors: Duan Yuxian, Li Chaochun, Wu Wenjun, Li Faben, Wang Qinx

Non-executive Directors: Xu Jun, Zhang Yufeng

Independent Non-executive Directors: Gao Dezhu, Zeng Shaojin, Gu Desheng, Ng Ming Wah, Charles

Supervisors: Shu Hedong, Yin Dongfang, Deng Jiaoyun

EMPLOYEES

The Group had approximately 6,686 employees as at 30 June 2008. The remuneration package of the employees includes salary, bonuses and allowances. Employees also receive welfare benefits including medical care, housing subsidies, child care and education, retirement and other miscellaneous items.

SHARE CAPITAL

	As at 30 June 2008	
	Number of shares	Amount
		<i>RMB</i>
Domestic shares at a nominal value of RMB0.20 per share	3,565,014,525	713,002,905
H shares at a nominal value of RMB0.20 per share	1,311,156,000	262,231,200
Total	4,876,170,525	975,234,105

SHARE CAPITAL STRUCTURE

As at 30 June 2008, the share capital structure of the Company was as follows:

Holders of domestic shares or H shares	As at 30 June 2008	
	No. of shares	Approximate percentage of total share capital
Holders of domestic shares Luoyang Mining Group Co., Ltd. Cathay Fortune Corporation Other shareholder Holders of H shares	 1,796,593,475 1,736,706,322 31,714,728 1,311,156,000	 36.84% 35.61% 0.65% 26.89%
Total	4,876,170,525	100%

Class of shares	No. of shares	Approximate percentage of total share capital
Domestic shares	3,565,014,525	73.11%
H shares	1,311,156,000	26.89%
Total shares	4,876,170,525	100%

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2008, the interests and short positions of substantial shareholders (other than directors, supervisors and the chief executives of the Company) in the issued share capital of the Company which would be required, pursuant to Section 336 of the Securities and Futures Ordinance ("SFO"), to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which would be required to be notified to the Company are as follows:

Shareholders

Holders of Domestic shares	No. of shares	Approximate percentage of domestic share capital
Luoyang Mining Group Co., Ltd.	1,796,593,475 (L)	50.40%
Cathay Fortune Corporation	1,736,706,322 (L)	48.72%

Holders of H shares	No. of shares	Approximate percentage of total issued H share capital
National Council for Social Security Fund (中國全國社會保障基金理事會)	119,196,000 (L)	9.09%
Citigroup Inc.	65,477,786 (L)	4.99%
	11,201,086 (S)	0.85%
	15,973,250 (P)	1.22%
JP Morgan Chase & Co.	65,456,590 (L)	4.99%
	765,000 (S)	0.06%
	30,635,774 (P)	2.34%
UBS AG	76,224,082 (L)	5.81%
	17,651,733 (S)	1.35%

Note: (L) — Long position, (S) — Short position, (P) — Lending pool

Save as disclosed above and to the knowledge of Directors, as at 30 June 2008, there are no interest and short position of other parties (excluding Directors, Supervisors and chief executives or management staff of the Company) in the shares or related securities of the Company, which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, and which would be required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or are the substantial shareholders of the Company (as defined in the Listing Rules).

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS

As at 30 June 2008, none of the Directors and Supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the same period.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 June 2008, none of Directors and Supervisors and their respective associates had any interests and short positions in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which would be required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or which would be required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time on 30 June 2008 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors, supervisors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or Supervisors to acquire such rights in any other body corporate.

DIVIDENDS

At the board meeting held on 24 August 2008, the Board did not recommend payment of an interim dividend for the six months ended 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company's H shares were listed on the Stock Exchange on 26 April 2007. The Company and its subsidiaries did not purchase, sell or redeem any securities of the Company during the six months ended 30 June 2008.

CORPORATE GOVERNANCE

The Company is committed to improving its corporate governance, and enhancing the transparency to shareholders. For the six months ended 30 June 2008, in the opinion of the Board, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules.

BOARD OF DIRECTORS

The Board consists of 11 Directors, namely 5 Executive Directors, 2 Non-executive Directors and 4 Independent Non-executive Directors. For the six months ended 30 June 2008, the Board convened two meetings (with an attendance rate of 100%).

SUPERVISORY COMMITTEE

The Company has a supervisory committee comprising 3 supervisors to exercise supervision over the Board and members of the senior management; and to prevent them from abusing their power and authorities and jeopardizing the legal interests of the shareholders, the Company and its employees. The supervisory committee convened one meeting during the six months ended 30 June 2008 (with an attendance rate of 100%).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiries, the Board confirmed that all the Directors complied with the required standard set out in the Model Code for the six months ended 30 June 2008.

AUDIT COMMITTEE

Written terms of reference of the audit committee of the Board based on “A Guide for Effective Audit Committees” issued by the Hong Kong Institute of Certified Public Accountants have been adopted by the Board of Directors. The audit committee provides an important link between the Board of Directors and the Company’s auditors in matters falling within the scope of the audit of the Company and the Group. The audit committee will review the effectiveness of the external audit and of internal controls, evaluate risks and will provide comments and advice to the Board. The audit committee comprises one Non-executive Director and three Independent Non-executive Directors, namely, Mr. Ng Ming Wah, Charles, Mr. Zhang Yufeng, Mr. Gao Dezhu and Mr. Gu Desheng. The audit committee has reviewed the unaudited financial results of the Company for the six months ended 30 June 2008 and considered that they are in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof.

NON-COMPETITION AGREEMENT

On 6 September 2006, non-compete agreements were entered into by our Company with Luoyang Mining Group Co., Ltd. (“LMG”) and Cathay Fortune Corporation (“CFC”), respectively. LMG and CFC agreed not to compete with us in our businesses and granted us certain options and right of first refusal pursuant to the non-compete agreements, details of the non-compete agreements have already been disclosed in the prospectus of the Company dated 13 April 2007, under the section headed “Relationship with controlling shareholders — Non-compete agreements”.

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF

洛陽樂川鋁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)

INTRODUCTION

We have reviewed the interim financial information set out on pages 26 to 52, which comprises the condensed consolidated balance sheet of 洛陽樂川鋁業集團股份有限公司 China Molybdenum Co., Ltd. as of 30 June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standards ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

24 August 2008

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	NOTES	Six months ended 30 June	
		2008 RMB'000 (unaudited)	2007 RMB'000 (audited)
Revenue	4	3,325,892	2,881,810
Cost of sales		(1,349,738)	(1,073,061)
Gross profit		1,976,154	1,808,749
Other income	5	55,974	262,338
Selling and distribution expenses		(19,296)	(9,446)
Administrative expenses		(118,685)	(119,777)
Other expenses	6	(82,115)	(98,059)
Finance costs	7	(4,591)	(25,622)
Share of results of associates		7,922	5,370
Profit before taxation		1,815,363	1,823,553
Taxation	8	(427,501)	(590,164)
Profit for the period	9	1,387,862	1,233,389
Attributable to:			
Equity holders of the Company		1,242,070	1,104,333
Minority interests		145,792	129,056
		1,387,862	1,233,389
Earnings per share - Basic	11	RMB0.255	RMB0.268

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AT 30 JUNE 2008

	NOTES	30.6.2008 RMB'000 (unaudited)	31.12.2007 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	12	3,419,784	3,002,560
Land use rights - non-current portion	13	353,861	305,618
Mining right		351,583	365,193
Trademarks		606	—
Interests in associates		39,334	45,412
Available-for-sale investments	16	2,300	2,300
Deferred tax assets	14	57,051	34,877
Amount due from a minority shareholder of a subsidiary	17	85,700	15,700
		4,310,219	3,771,660
Current assets			
Inventories		411,165	354,558
Trade and other receivables	15	1,331,641	1,380,652
Amount due from an associate		89,658	61,243
Land use rights - current portion		7,573	6,526
Available-for-sale investments	16	606,671	492,987
Held-for-trading investments		137,806	116,340
Restricted bank deposits		2,614	2,685
Bank balances and cash		5,373,169	5,680,676
		7,960,297	8,095,667
Current liabilities			
Trade and other payables	18	(498,763)	(582,595)
Dividend payables		(51,767)	(10,000)
Tax payable		(211,437)	(372,018)
Bank borrowings - due within one year	19	(250,800)	(125,000)
		(1,012,767)	(1,089,613)
Net current assets		7,033,230	7,021,754
Total assets less current liabilities		11,257,749	10,777,714

	NOTES	30.6.2008 RMB'000 (unaudited)	31.12.2007 RMB'000 (audited)
Non-current liabilities			
Bank borrowings - due after one year	19	(25,000)	(25,000)
Provision		(37,733)	(36,813)
Long term payable		(7,159)	(9,032)
Deferred income	20	(19,023)	—
		(88,915)	(70,845)
		11,168,834	10,706,869
Capital and reserves			
Share capital	21	975,234	975,234
Reserves		9,862,762	9,394,033
Attributable to equity holders of the Company		10,837,996	10,369,267
Minority interests		330,838	337,602
Total equity		11,168,834	10,706,869

The condensed consolidated interim financial statements on pages 26 to 52 were approved and authorised for issue by the Board of Directors on 24 August 2008 and are signed on its behalf by:

Duan Yuxian
DIRECTOR

Wu Wenjun
DIRECTOR

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Attributable to equity holders of the Company									Total	
	Share capital	Share premium	Capital reserve	Statutory reserve		Investment revaluation reserve	Translation reserve	Attributable to equity holders of parent entity			Minority interests
				surplus reserve	reserve			Retained profits	parent entity		
	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	—	—	—	—	—	(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/to reserves	—	—	—	231,970	—	—	(231,970)	—	—	—	
Transfer (Note)	—	—	167,673	—	—	—	(167,673)	—	—	—	

Attributable to equity holders of the Company

	Share capital	Share premium	Capital reserve	Statutory Investment		Translation reserve	Retained profits	Attributable to equity holders of parent entity		Minority interests	Total
				surplus reserve	revaluation reserve			RMB'000	RMB'000		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2007 (audited) 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	—	—	—	—	—	(2,070)	—	(2,070)	—	(2,070)	
Net income (expense) recognised directly in equity	—	—	—	—	—	(2,070)	—	(2,070)	—	(2,070)	
Profit for the period	—	—	—	—	—	—	1,242,070	1,242,070	145,792	1,387,862	
Gain on change in fair value of available-for-sale investments	—	—	—	—	1,234	—	—	1,234	—	1,234	
Transfer to profit and loss on sales of available held for sale investments	—	—	—	—	(2,070)	—	—	(2,070)	—	(2,070)	
Total recognised income for the period	—	—	—	—	(836)	(2,070)	1,242,070	1,239,164	145,792	1,384,956	
Transfer (Note)	—	—	105,337	—	—	—	(105,337)	—	—	—	
Dividends	—	—	—	—	—	—	(770,435)	(770,435)	(172,556)	(942,991)	
Capital injection from minority shareholders	—	—	—	—	—	—	—	—	20,000	20,000	
At 30 June 2008 (unaudited)	975,234	7,346,260	467,270	339,082	—	(2,534)	1,712,684	10,837,996	330,838	11,168,834	

Attributable to equity holders of the Company

	Share capital	Share premium	Capital reserve	Statutory Investment			Attributable to equity holders of			Total
				surplus reserve	revaluation reserve	Translation reserve	Retained profits	parent entity	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
Profit for the period	—	—	—	—	—	—	1,104,333	1,104,333	129,056	1,233,389
Total recognised income for the period	—	—	—	—	—	—	1,104,333	1,104,333	129,056	1,233,389
Issue of shares	238,392	7,762,656	—	—	—	—	—	8,001,048	—	8,001,048
Share issue expense	—	(433,270)	—	—	—	—	—	(433,270)	—	(433,270)
Dividends	—	—	—	—	—	—	(1,299,205)	(1,299,205)	(247,854)	(1,547,059)
Transfer from/to reserves	—	—	—	69,276	—	—	(69,276)	—	—	—
Transfer (Note)	—	—	88,169	—	—	—	(88,169)	—	—	—
At 30 June 2007 (audited)	975,234	7,346,260	282,429	176,388	—	—	452,083	9,232,394	160,570	9,392,964

Note: Pursuant to regulations in the People's Republic of China ("PRC") relating to the mining industry, the Group is required to transfer an amount to the capital reserve account, and such amount is entitled as additional deduction from operating income for PRC Enterprise Income Tax purposes. The amount is calculated as the shortfall of the amount of depreciation on property, plant and equipment in respect of mines and the amount calculated based on the volume of molybdenum ore extracted each year and at the applicable rate per tonne of molybdenum ore ("Appropriation for Mining Company"). The utilisation of the amount in the capital reserve account will be subjected to the rules in the PRC Companies Law and is not available for distribution to shareholders. The Board represented that the Group currently has no authorised plan for the utilisation of the fund.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(unaudited)	(audited)
Net cash from operating activities	1,335,068	1,032,878
Investing activities		
Interest received	34,498	261,251
Dividend received from an associate	—	12,000
Dividend received from equity securities	273	—
Purchases of property, plant and equipment	(571,477)	(580,464)
Purchases of land use rights	(52,553)	(19,657)
Purchases of trademarks	(621)	—
Decrease in available-for-sale investments	(106,560)	—
Proceeds from disposal of property, plant and equipment	564	310
Government subsidy received	19,280	—
Decrease in pledged bank deposits	71	1,408
Increase in amount due from a minority shareholder of a subsidiary	(70,000)	(15,700)
Net cash used in investing activities	(746,525)	(340,852)

	Six months ended 30 June	
	2008 RMB'000 (unaudited)	2007 RMB'000 (audited)
Financing activities		
Interest paid	(7,412)	(32,741)
Dividends paid to shareholders	(770,435)	(1,492,361)
Dividends paid to minority shareholders of subsidiaries	(130,789)	(141,134)
New bank borrowings raised	100,000	563,000
Repayment of bank borrowings	(100,000)	(1,273,250)
Issue of shares	—	8,001,048
Share issue expense	—	(433,270)
Capital contribution by minority shareholders	20,000	—
Net cash (used in) generated from financing activities	(888,636)	5,191,292
Net (decrease) increase in cash and cash equivalents	(300,093)	5,883,318
Cash and cash equivalents at 1 January	5,680,676	827,447
Effect of foreign exchange rate changes	(7,414)	—
Cash and cash equivalents at the end of the period	5,373,169	6,710,765
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	5,373,169	6,710,765

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. GENERAL

The Company was established in the People's Republic of China (the "PRC") on 22 December 1999 as a wholly state-owned company with limited liability as a result of the merger of two state-owned enterprises. After the corporate restructuring, the Company was transformed into a joint stock limited company on 25 August 2006 by converting its registered capital and reserves as at 31 May 2006 into 700,000,000 shares of RMB1 each. The Company then undertook further share issue and share split and as a result the Company had, on 13 April 2007, 3,684,210,525 shares with nominal value of RMB0.2 each.

On 26 April 2007, the Company's H shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by issuance of 1,083,600,000 H shares of RMB0.20 each. On 4 May 2007, as a result of the exercise of the over-allotment option, the Company issued an additional 108,360,000 H shares of RMB0.2 each.

The Group is an integrated producer of molybdenum in the PRC. Its principal business operations consist of molybdenum mining, floating, smelting and refining to produce molybdenum and other related products, including molybdenum oxide, ferromolybdenum and molybdenum concentrate.

The condensed consolidated financial statements are presented in Renminbi which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listed Rules") and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by International Accounting Standards Board.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007 except for below.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the condensed consolidated income statement and are reported separately as "other income".

In the current interim period, the Group has applied, for the first time, the following new International Financial Reporting Interpretations Committee (the "IFRIC") issued by International Accountants Standards Board ("IASB"), which are effective for the Group's financial year beginning on 1 January 2008.

IFRIC 11	IFRS 2: Group and treasury share transactions
IFRIC 12	Service concession arrangements
IFRIC 14	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of these new IFRICs had no material effect on the results or financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs ¹
IAS 1 (Revised)	Presentation of financial statements ²
IAS 23 (Revised)	Borrowing costs ²
IAS 27 (Revised)	Consolidated and separate financial statements ³
IAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ²
IAS 39 (Amendments)	Eligible hedged item ³
IFRS1 & IAS 27 (Amendments)	Cost, of an investment in a subsidiary, jointly controlled entity or associate ²
IFRS 2 (Amendment)	Vesting conditions and cancellations ²
IFRS 3 (Revised)	Business combinations ³
IFRS 8	Operating segments ²
IFRIC 13	Customer loyalty programmes ⁴
IFRIC 15	Agreements for the construction of real estate ²
IFRIC 16	Hedges of a net investment in a foreign operation ⁵

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5 which is effective for annual periods beginning on or after 1 July 2009.

² Effective for annual periods beginning on or after 1 January 2009.

³ Effective for annual periods beginning on or after 1 July 2009.

⁴ Effective for annual periods beginning on or after 1 July 2008.

⁵ Effective for annual periods beginning on or after 1 October 2008.

The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the results and the financial position of the Group except for the adoption of IFRS 3 (Revised) Business combinations and IAS 27 (Revised) Consolidation and Separate Financial Statements. IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

4. SEGMENT INFORMATION

The directors consider that the production and sale of molybdenum related products constitute one single business segment since the products are related and are subject to common risks and returns.

Geographical segments

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

Condensed consolidated income statement

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(unaudited)	(audited)
Turnover		
PRC	2,309,198	1,874,180
Korea	345,144	294,158
Others	671,550	713,472
	3,325,892	2,881,810
Segment result		
PRC	1,547,583	1,162,027
Korea	163,985	204,349
Others	245,290	432,927
	1,956,858	1,799,303
Interest income	39,552	261,448
Other income (excluding interest income)	16,422	890
Share of results of associates	7,922	5,370
Unallocated expenses	(200,800)	(217,836)
Finance costs	(4,591)	(25,622)
Profit before taxation	1,815,363	1,823,553
Taxation	(427,501)	(590,164)
Profit for the period	1,387,862	1,233,389

In the opinion of the directors, it is not practicable and meaningful to separate all the cost and expenses for each geographical segment except direct cost of sales and certain directly attributable selling and distribution expenses.

5. OTHER INCOME

	Six months ended 30 June	
	2008	2007
	RMB'000	<i>RMB'000</i>
	(unaudited)	(audited)
Interest income		
— bank deposits	27,537	48,199
— arising from global offering of the Company's shares	—	213,052
— debentures	2,662	197
— available-for-sale investments	9,353	—
Gain arising on disposal of available-for-sale investments	2,070	—
Gain on fair value change of financial assets classified as held-for-trading	11,568	—
Net gain on sales of scrap materials	387	295
Others	2,397	595
	55,974	262,338

6. OTHER EXPENSES

	Six months ended 30 June	
	2008	2007
	RMB'000	<i>RMB'000</i>
	(unaudited)	(audited)
Loss on disposal of property, plant and equipment	12	308
Net foreign exchange losses	72,562	94,275
Penalty expenses	960	444
Donations	4,777	1,200
Others	3,804	1,832
	82,115	98,059

7. FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(unaudited)	(audited)
Interests on bank borrowings wholly repayable		
within five years	4,611	32,741
Interests on bills discounted with recourse	2,801	—
Interests on other borrowings wholly repayable within		
five years	—	9,189
Other interest expenses - unwinding discounts on provision	919	876
Less: Amount included in the cost of qualifying assets	(3,740)	(17,184)
	4,591	25,622

8. TAXATION

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(unaudited)	(audited)
The charge comprises PRC Enterprise Income Tax:		
Current taxation		
— current period	447,982	600,728
— under provision in prior year	1,693	—
	449,675	600,728
Deferred taxation		
— current period	(22,174)	(12,572)
— attributable to a change in tax rate	—	2,008
	427,501	590,164

The Group was subject to PRC Enterprise Income Tax levied at a rate of 25% (six months ended 30 June 2007: 33%) of taxable income determined in accordance with the relevant laws and regulations in the PRC.

One of the Company's subsidiaries, Luoyang High Tech Molybdenum & Tungsten Co., Ltd. ("Luoyang High Tech"), has been regarded as a high technology enterprise and is subject to PRC Enterprise Income Tax of 15% with the first two years' results being exempted from Enterprise Income Tax since 2005. Luoyang High Tech is currently applying for the Foreign Invested Advanced Technology Certificate under the new tax law, which could entitle Luoyang High Tech to enjoy the favourable tax rate of 15% from 1 January 2008 if the favourable tax rate can be granted.

9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(unaudited)	(audited)
Profit for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	1,349,738	1,073,061
Depreciation of property, plant and equipment	96,766	59,377
Amortisation of land use rights	3,263	2,335
Amortisation of mining rights (include in cost of sales)	13,610	13,610
Amortisation of trademarks	15	—
(Reversal of) allowance for doubtful debts	(857)	16,090
Share of tax of associates (included in share of results of associates)	3,343	2,652
Resources compensation fee (Note)	45,067	33,017
Changes in fair value of financial assets classified as held-for-trading	—	2,076

Note: Resources compensation fee is calculated on the basis of a ratio of the sales income of mineral products during the period by reference to the compensation fee rate and coefficient of mining recovery rate.

10. DIVIDENDS

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(unaudited)	(audited)
Dividend recognised as distribution during the period:		
Special dividend to Luoyang Mining Group Co., Ltd. and Cathay Fortune Corporation	—	1,299,205
Final - RMB0.128 per share (30.6.2007: Nil)	624,150	—
Special dividend - RMB0.03 per share (30.6.2007: Nil)	146,285	—
	770,435	1,299,205

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 Luoyang Mining Group Co., Ltd. and Cathay Fortune Corporation (the "Special Dividend"). 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 totalling RMB720,000,000 to Luoyang Mining Group Co., Ltd. and Cathay Fortune Corporation. 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 directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2008.

11. EARNINGS PER SHARE - BASIC

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

	Six months ended 30 June	
	2008	2007
	(unaudited)	(audited)
Profit for the period attributable to equity holders of the Company and earnings for the purpose of basic earnings per share (RMB'000)	1,242,070	1,104,333
Weighted average number of shares for the purpose of basic earnings per share	4,876,170,000	4,114,058,000

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

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent RMB571,477,000 (RMB580,464,000 for the six months ended 30 June 2007) on property, plant and equipment to expand its existing manufacturing capacity.

13. MOVEMENTS IN LAND USE RIGHTS

The land use rights were under medium term lease and were acquired with the lease period of 50 years and were situated in the PRC. The land use rights were amortised over their lease periods.

During the period, the Group spent RMB52,553,000 (RMB19,657,000 for the six months ended 30 June 2007) on land use rights.

14. DEFERRED TAX ASSETS

The followings are the deferred tax assets recognised and movements thereon during the period/year:

	Impairment of property, plant and equipment <i>RMB'000</i>	Allowance for receivable <i>RMB'000</i>	Unrealised profit <i>RMB'000</i>	Held-for- trading investments <i>RMB'000</i>	Undistributed earning of a subsidiary outside PRC <i>RMB'000</i>	Pre- operating expenses <i>RMB'000</i>	Deferred income <i>RMB'000</i>	Total <i>RMB'000</i>
			(Note)					
At 1 January 2007 (audited)	4,458	3,827	8,583	—	—	—	—	16,868
(Charge) credit to consolidated income statement for the year	—	3,765	28,932	(5,348)	(7,332)	—	—	20,017
Attributable to a change in tax rate	(1,081)	(927)	—	—	—	—	—	(2,008)
At 31 December 2007 (audited)	3,377	6,665	37,515	(5,348)	(7,332)	—	—	34,877
(Charge) credit to condensed consolidated income statement for the period	—	(215)	10,083	6,510	(1,108)	2,148	4,756	22,174
At 30 June 2008 (unaudited)	3,377	6,450	47,598	1,162	(8,440)	2,148	4,756	57,051

Note: Amounts represented unrealised profit resulting from transactions between the Company and its subsidiaries which are eliminated by inclusion in the carrying amount of inventories.

For the purpose of balance sheet presentation, deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose.

	30.6.2008 RMB'000 (unaudited)	31.12.2007 <i>RMB'000</i> (audited)
Deferred tax assets	65,491	47,557
Deferred tax liabilities	(8,440)	(12,680)
	57,051	34,877

Deferred tax assets is recognised if it is probable that all of the deferred tax assets will be realised through the recovery of taxes previously paid and/or future taxable income. The management has reviewed its deferred tax assets at each balance sheet date and considered that it was probable that the deferred tax assets of the Group will be realised through future taxable income based on management's assessment of the probability that taxable profits will be available over the period which the deferred tax assets can be realised or utilised.

15. TRADE AND OTHER RECEIVABLES

	30.6.2008 <i>RMB'000</i> (unaudited)	31.12.2007 <i>RMB'000</i> (audited)
Trade receivables (net of allowances)	683,721	959,632
Bill receivables	372,728	345,665
Bill receivables discounted with recourse	125,800	—
	1,182,249	1,305,297
Other receivables and prepayments	135,392	75,355
Dividend receivable from an associate	14,000	—
	1,331,641	1,380,652

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

	30.6.2008 <i>RMB'000</i> (unaudited)	31.12.2007 <i>RMB'000</i> (audited)
0 - 90 days	953,405	1,055,001
91 - 180 days	180,030	208,119
181 - 365 days	43,510	38,721
1 - 2 years	5,304	3,456
	1,182,249	1,305,297

16. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2008 RMB'000 (unaudited)	31.12.2007 <i>RMB'000</i> (audited)
Unlisted securities:		
— equity securities at cost (<i>Note a</i>)	2,300	2,300
— investment funds at fair value (<i>Note b</i>)	606,671	492,987
	608,971	495,287
Analysed for reporting purposes as:		
Current assets	606,671	492,987
Non-current assets	2,300	2,300
	608,971	495,287

Notes:

- (a) These investments represent investments in unlisted equity securities issued by private entities established in the PRC. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.
- (b) The investment funds are managed by banks in the PRC for an initial term within one year and are measured at fair value. Fair values of unlisted investment funds are determined based on the valuation provided by banks. The valuation is generally based upon the quoted market price of the underlying listed investments.

17. AMOUNT DUE FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

On 16 January 2008, the Group entered into a legally binding framework agreement with the People's Government of Luoning County and Luoning County Funiu Mining Development Center ("Funiu Mining") - a minority shareholder of a subsidiary in respect of the proposed acquisition of all the property, plant and equipment, land use rights and mining rights of certain gold mines in Henan ("Proposed Acquisition"). Details of which have been disclosed in the Company's 2007 Annual Report. As at 30 June 2008, the Group had advanced approximately RMB85,700,000 (31 December 2007: RMB15,700,000) to Funiu Mining for the purpose of the Proposed Acquisition. As at the date of this report, the Proposed Acquisition is yet to be completed.

18. TRADE AND OTHER PAYABLES

	30.6.2008 <i>RMB'000</i> (unaudited)	31.12.2007 <i>RMB'000</i> (audited)
Trade payables	98,335	83,598
Other payables and accruals	400,428	498,997
	498,763	582,595

The aged analysis of trade payables is as follows:

	30.6.2008 <i>RMB'000</i> (unaudited)	31.12.2007 <i>RMB'000</i> (audited)
0 - 90 days	73,583	55,842
91 - 180 days	10,224	16,762
181 - 365 days	8,821	3,405
1 - 2 years	2,831	2,847
Over 2 years	2,876	4,742
	98,335	83,598

Trade payables principally comprise amounts outstanding for trade purchases.

19. BANK BORROWINGS

	30.6.2008 RMB'000 (unaudited)	31.12.2007 <i>RMB'000</i> (audited)
Advances drawn on bill receivables discounted		
with recourse - unsecured	125,800	—
Bank loans - unsecured	150,000	150,000
	275,800	150,000

The maturity profile of the above borrowings is as follows:

On demand or within one year	250,800	125,000
More than one year but not exceeding two years	25,000	25,000
	275,800	150,000
Less: Amounts due within one year shown under current liabilities	(250,800)	(125,000)
	25,000	25,000

At the respective balance sheet dates, the Group had banking facilities secured by the following assets of the Group:

	30.6.2008 RMB'000 (unaudited)	31.12.2007 <i>RMB'000</i> (audited)
Bank deposits	2,614	2,685

During the period, the Group obtained new bank loans amounting to RMB100,000,000. The loans carry interest at market rates ranging from 5.64% to 7.47% per annum and repayable on instalment over a period of one year. The proceeds used to finance the purchases of materials for the expansion of its existing manufacturing capacity on molybdenum related products.

20. DEFERRED INCOME

	30.6.2008 RMB'000 (unaudited)	31.12.2007 <i>RMB'000</i> (audited)
Government grants received	19,280	—
Released to condensed consolidated income statement during the period/year	(257)	—
Balance at end of the period/year	19,023	—

The Group has received government grants amounting to RMB19,280,000 from 樂川縣財政國庫支付中心 in respect of the Group's acquisition of land use rights. The government grants are recognised as deferred income that are released to income over the periods necessary to match them with the related costs.

21. SHARE CAPITAL

	Number of shares		Amount <i>RMB'000</i>
	Domestic shares <i>(Note d)</i>	H shares <i>(Note e)</i>	
At 1 January 2007	3,684,210,525	—	736,842
Issue of H shares on global offering <i>(Note a)</i>	—	1,083,600,000	216,720
Issue of H shares under over-allotment option <i>(Note b)</i>	—	108,360,000	21,672
Conversion from domestic shares to H shares <i>(Note c)</i>	(119,196,000)	119,196,000	—
At 30 June 2007, 31 December 2007 and at 30 June 2008	3,565,014,525	1,311,156,000	975,234

Notes:

- (a) On 26 April 2007, the Company issued 1,083,600,000 H shares with a nominal value of RMB0.2 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 RMB0.2 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.

22. RELATED PARTY TRANSACTIONS

During the period, the Group has the following significant transactions with related companies:

(i) **Transaction with Shanghai Yuhua Molybdenum Co., Ltd. (Note):**

Nature of transactions	Six months ended 30 June	
	2008 RMB'000 (unaudited)	2007 RMB'000 (audited)
Sales of goods	345,740	318,992

Note: Shanghai Yuhua Molybdenum Co., Ltd. is an associate of the Group.

(ii) Transactions with other state-controlled entities in the PRC

In the opinion of the directors of the Company, the Group operates in an economic environment currently pre-dominated by enterprises directly or indirectly owned or controlled by the PRC government (hereinafter collectively referred to as "State-Owned Enterprises"). In addition, the Group itself is a State-Owned Enterprise. During the reporting period, the Group had material transactions with some of these State-Owned Enterprises in its ordinary and usual course of business.

The Group has identified the nature and quantified the amounts of its material transactions with State-Owned Enterprises during the period and material balances therewith at the respective balance sheet dates as follows:

(a) Material transactions

Nature of transactions	Six months ended 30 June	
	2008 RMB'000 (unaudited)	2007 RMB'000 (audited)
Sales of goods	857,769	249,083
Payment for:		
Purchase of raw materials	79,087	70,767
Purchase of water and electricity	115,195	99,112
Acquisition of:		
Property, plant and equipment	7,488	99,671
Interest income	16,618	2,846
Interest expenses	4,710	11,679

(b) Material balances

	30.6.2008 RMB'000 (unaudited)	31.12.2007 <i>RMB'000</i> (audited)
Trade and other receivables	98,492	162,727
Bill receivables discounted with recourse	125,800	—
Trade and other payables	1,996	11,820
Bank balances	3,659,599	3,524,681
Bank borrowings	275,800	150,000

(c) Movement on bank borrowings

	30.6.2008 RMB'000 (unaudited)	31.12.2007 <i>RMB'000</i> (audited)
At beginning of the year/period	150,000	435,250
Additions	225,800	608,000
Repayments	(100,000)	(893,250)
At end of the year/period	275,800	150,000

(iii) Compensation of key management personnel

The remuneration of key management during the period was as follows:

	Six months ended 30 June	
	2008	2007
	RMB'000 (unaudited)	<i>RMB'000</i> (audited)
Short-term benefits	1,435	1,295
Retirement benefits scheme contribution	36	12
	1,471	1,307

The remuneration of key management is determined having regard to the performance of individuals and market trends.

23. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following capital commitments:

	30.6.2008	31.12.2007
	RMB'000	<i>RMB'000</i>
	(unaudited)	(audited)
Commitments for the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	465,887	233,712