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# 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: 03993)

# Annual Results Announcement For the Year Ended 31 December 2009

#### I. FINANCIAL HIGHLIGHTS

## **Group Results**

The board (the "Board") of directors (the "Directors") of China Molybdenum Co., Ltd.\* (the "Company") hereby announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2009 together with the comparative figures in 2008 as follows:

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

|                                   | NOTES | 2009<br>RMB'000 | 2008<br>RMB'000 |
|-----------------------------------|-------|-----------------|-----------------|
| Revenue                           | 2     | 3,045,649       | 5,563,275       |
| Cost of sales                     | _     | (2,215,680)     | (2,843,575)     |
| Gross profit                      |       | 829,969         | 2,719,700       |
| Other income and gains            | 4     | 182,974         | 137,507         |
| Selling and distribution expenses |       | (13,992)        | (25,019)        |
| Administrative expenses           |       | (248,617)       | (253,494)       |
| Other expenses and losses         |       | (22,346)        | (85,547)        |
| Finance costs                     |       | (21,363)        | (2,939)         |
| Share of results of associates    |       | 16,561          | 14,792          |
| Profit before taxation            |       | 723,186         | 2,505,000       |
| Taxation                          | 5     | (188,576)       | (656,187)       |
| Profit for the year               | 6     | 534,610         | 1,848,813       |

|   | NOTES | 2009<br>RMB'000              | 2008<br>RMB'000                   |
|---|-------|------------------------------|-----------------------------------|
| Other comprehensive income (expenses):  Exchange differences arising on translation of foreign operations Available-for-sale financial assets Net gain on change in fair value of |       | 494                          | (1,770)                           |
| available-for-sale financial assets during the year Reclassification adjustments relating to available-for-sale financial   |       | _                            | 7,262                             |
| assets disposed of during the year  |       |                              | (8,098)                           |
|   |       |                              | (836)                             |
| Other comprehensive income (expenses) for the year  |       | 494                          | (2,606)                           |
| Total comprehensive income for the year   |       | 535,104                      | 1,846,207                         |
| Profit for the year attributable to: Owners of the Company Minority interests   |       | 503,315<br>31,295<br>534,610 | 1,640,902<br>207,911<br>1,848,813 |
| Total comprehensive income attributable to: Owners of the Company Minority interests  |       | 503,809<br>31,295            | 1,638,296<br>207,911              |
|   | _     | 535,104                      | 1,846,207                         |
| Earnings per share — Basic  | 8     | RMB0.10                      | RMB0.34                           |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

|  | NOTES | 2009<br>RMB'000 | 2008<br>RMB'000 |
|--|-------|-----------------|-----------------|
| Non-current assets                     |       |                 |                 |
| Property, plant and equipment          |       | 4,304,002       | 3,913,156       |
| Land use rights — non-current portion  |       | 401,252         | 421,008         |
| Mining rights                          |       | 310,590         | 337,815         |
| Trademarks                             |       | 656             | 835             |
| Interests in associates                |       | 52,765          | 46,204          |
| Investments in debt securities         | 9     | 80,000          | 200,000         |
| Available-for-sale investments         |       | 2,300           | 2,300           |
| Deferred tax assets                    |       | 181,412         | 130,721         |
| Deposits paid for acquisition of mines |       | 159,600         | 155,153         |
|  |       | 5,492,577       | 5,207,192       |
| Current assets                         |       |                 |                 |
| Inventories                            |       | 849,011         | 650,367         |
| Trade and other receivables            | 10    | 821,537         | 653,587         |
| Amounts due from associates            |       | 48,616          | 105,856         |
| Land use rights — current portion      |       | 10,217          | 9,295           |
| Investments in debt securities         | 9     | 1,230,000       | 2,899,000       |
| Held-for-trading investments           |       | 108,606         | 663,339         |
| Loan receivables                       | 11    | 1,092,824       | _               |
| Restricted bank deposits               |       | 43,952          | _               |
| Bank balances and cash                 |       | 2,775,207       | 2,547,624       |
|  |       | 6,979,970       | 7,529,068       |
| Assets classified as held for sale     | 12    | 211,850         | _               |
|  |       | 7,191,820       | 7,529,068       |

|  | NOTES | 2009<br>RMB'000 | 2008<br>RMB'000 |
|--|-------|-----------------|-----------------|
| Current liabilities                          |       |                 |                 |
| Trade and other payables                     | 13    | (866,151)       | (681,061)       |
| Dividend payables                            |       | (62,218)        | (51,767)        |
| Tax payable                                  |       | (100,977)       | (67,964)        |
| Bank borrowings — due within one year        | _     | (231,242)       | (228,000)       |
| Liabilities directly associated              |       | (1,260,588)     | (1,028,792)     |
| with assets classified as held for sale      | 12 _  | (13,562)        |                 |
|  | -     | (1,274,150)     | (1,028,792)     |
| Net current assets                           | _     | 5,917,670       | 6,500,276       |
| Total assets less current liabilities        | _     | 11,410,247      | 11,707,468      |
| Non-current liabilities                      |       |                 |                 |
| Bank borrowings — due after one year         |       | (50,000)        | _               |
| Provision                                    |       | (40,586)        | (38,653)        |
| Long term payable                            |       | (1,540)         | (5,286)         |
| Deferred income                              | _     | (27,347)        | (18,444)        |
|  | _     | (119,473)       | (62,383)        |
|  | =     | 11,290,774      | 11,645,085      |
| Capital and reserves                         |       |                 |                 |
| Share capital                                | 14    | 975,234         | 975,234         |
| Reserves                                     | _     | 9,995,268       | 10,261,894      |
| Equity attributable to owners of the Company |       | 10,970,502      | 11,237,128      |
| Minority interests                           |       | 320,272         | 407,957         |
| Total equity                                 | _     | 11,290,774      | 11,645,085      |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2009

### Attributable to owners of the Company

|                              |         |           |         | Statutory | Investment  |             |           | Attributable |           |            |
|------------------------------|---------|-----------|---------|-----------|-------------|-------------|-----------|--------------|-----------|------------|
|                              | Share   | Share     | Capital | surplus   | revaluation | Translation | Retained  | to owners of | Minority  |            |
|                              | capital | premium   | reserve | reserve   | reserve     | reserve     | profits   | the Company  | interests | Total      |
|                              | RMB'000 | RMB'000   | RMB'000 | RMB'000   | RMB'000     | RMB'000     | RMB'000   | RMB'000      | RMB'000   | RMB'000    |
| 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 |
| •                            | 913,234 | 7,340,200 | 301,933 | 339,082   | 830         | (404)       | , ,       | , ,          | ,         |            |
| Profit for the year          | _       | _         | _       | _         | _           | _           | 1,640,902 | 1,640,902    | 207,911   | 1,848,813  |
| Net gain on change in fair   |         |           |         |           |             |             |           |              |           |            |
| value of available-for-sale  |         |           |         |           |             |             |           |              |           |            |
| financial assets             | _       | _         | _       | _         | 7,262       | _           | _         | 7,262        | _         | 7,262      |
| Exchange difference          |         |           |         |           |             |             |           |              |           |            |
| arising on translation       |         |           |         |           |             |             |           |              |           |            |
| of foreign operations        |         |           |         |           |             |             |           |              |           |            |
| recognised                   | _       | _         | _       | _         | _           | (1,770)     | _         | (1,770)      | _         | (1,770)    |
| Reclassification             |         |           |         |           |             |             |           |              |           |            |
| adjustments relating to      |         |           |         |           |             |             |           |              |           |            |
| available-for-sale financial |         |           |         |           |             |             |           |              |           |            |
| assets disposed of           |         |           |         |           |             |             |           |              |           |            |
| during the year              | _       | _         | _       | _         | (8,098)     | _           | _         | (8,098)      | _         | (8,098)    |
|                              |         |           |         |           |             |             |           |              |           |            |
| Total comprehensive          |         |           |         |           |             |             |           |              |           |            |
| (expenses) income for        |         |           |         |           |             |             |           |              |           |            |
| the year                     | _       | _         | _       | _         | (836)       | (1,770)     | 1,640,902 | 1,638,296    | 207,911   | 1,846,207  |

|  | Share capital RMB'000 | Share premium RMB'000 | Capital reserve | Statutory<br>surplus<br>reserve<br>RMB'000 | Investment<br>revaluation<br>reserve<br>RMB'000 | Translation reserve RMB'000 | Retained profits | Attributable<br>to owners of<br>the Company<br>RMB'000 | Minority interests RMB'000 | Total RMB'000 |
|--|-----------------------|-----------------------|-----------------|--|---|-----------------------------|------------------|--|----------------------------|---------------|
| Capital injection from   |                       |                       |                 |  |   |                             |                  |  |                            |               |
| minority shareholders  |                       |                       |                 |  |   |                             |                  |  |                            |               |
| of subsidiaries  | _                     | _                     | _               | _  | _   | _                           | _                | _  | 35,000                     | 35,000        |
| Dividends  | _                     | _                     | _               | _  | _   | _                           | (770,435)        | (770,435)  | (172,556)                  | (942,991)     |
| Transfer of reserves   | _                     | _                     | _               | 203,871                                    | _   | _                           | (203,871)        | _  | _                          | _             |
| Transfer   | _                     | _                     | 358,750         | _  | _   | _                           | (358,750)        | _  | _                          | _             |
| Transfer upon utilisation  |                       |                       | (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    |
| Profit for the year  | _                     | _                     | _               | _  | _   | _                           | 503,315          | 503,315  | 31,295                     | 534,610       |
| Exchange difference<br>arising on translation of<br>foreign operations<br>recognised |                       |                       | =               | =  |   | 494                         |                  | 494  | =                          | 494           |
| Total comprehensive income for the year  |                       |                       |                 |  |   | 494                         | 503,315          | 503,809  | 31,295                     | 535,104       |
| Capital injection from minority shareholders   |                       |                       |                 |  |   |                             |                  |  |                            |               |
| of subsidiaries  | _                     | _                     | _               | _  | _   | _                           | _                | _  | 22,000                     | 22,000        |
| Dividends  | _                     | _                     | _               | _  | _   | _                           | (770,435)        | (770,435)  | (140,980)                  | (911,415)     |
| Transfer of reserves   | _                     | _                     | _               | 68,028                                     | _   | _                           | (68,028)         |  | _                          | _             |
| Transfer   | _                     | _                     | 308,954         | _  | _   | _                           | (308,954)        | _  | _                          | _             |
| Transfer upon ulitisation  |                       |                       | (344,985)       |  |   |                             | 344,985          |  |                            |               |
|  | 975,234               | 7,346,260             | 388,722         | 610,981                                    |   | (1,740)                     | 1,651,045        | 10,970,502   | 320,272                    | 11,290,774    |

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

| NO   | 2009 TE RMB'000 | 2008<br>RMB'000 |
|--|-----------------|-----------------|
| Operating activities                       |                 |                 |
| Profit before taxation                     | 723,186         | 2,505,000       |
| Adjustments for:                           |                 |                 |
| Interest income                            | (152,962)       | (114,281)       |
| Interest expenses                          | 21,363          | 2,939           |
| Depreciation for property,                 |                 |                 |
| plant and equipment                        | 257,196         | 223,180         |
| Amortisation of land use rights            | 8,743           | 8,794           |
| Amortisation of mining rights              | 27,225          | 27,378          |
| Amortisation of trademarks                 | 179             | 55              |
| Loss on disposal of property,              |                 |                 |
| plant and equipment                        | 13,738          | 8,702           |
| Loss on disposal of land use rights        | 121             | _               |
| Share of results of associates             | (16,561)        | (14,792)        |
| (Reversal of) allowance for doubtful debts | (8,195)         | 7,264           |
| Release of deferred income                 | (3,033)         | (836)           |
| (Reversal of) allowance for inventories    | (12,305)        | 13,037          |
| Gain arising on disposal of                |                 |                 |
| available-for-sale investments             |                 | (8,098)         |

|                                       |      | 2009      | 2008        |
|---------------------------------------|------|-----------|-------------|
|                                       | NOTE | RMB'000   | RMB'000     |
| Operating cash flows before           |      |           |             |
| movements in working capital          |      | 858,695   | 2,658,342   |
| Increase in inventories               |      | (230,041) | (308,846)   |
| (Increase) decrease in trade          |      |           |             |
| and other receivables                 |      | (178,725) | 718,308     |
| Decrease (increase) in                |      |           |             |
| held-for-trading investments          |      | 550,558   | (546,999)   |
| Decrease (increase) in                |      |           |             |
| amounts due from associates           |      | 57,275    | (44,613)    |
| Increase (decrease) in trade and      |      |           |             |
| other payables                        |      | 198,352   | (4,411)     |
| Decrease in long term payable         |      | (3,746)   | (3,746)     |
| Cash generated from operations        |      | 1,252,368 | 2,468,035   |
| Enterprise Income Tax of the People's |      |           |             |
| Republic of China (the "PRC") paid    |      | (210,722) | (1,056,085) |
| Net cash from operating activities    | _    | 1,041,646 | 1,411,950   |

|  |      | 2009        | 2008        |
|--|------|-------------|-------------|
|  | NOTE | RMB'000     | RMB'000     |
| Investing activities                       |      |             |             |
| Interest received                          |      | 152,962     | 114,281     |
| Dividend received from an associate        |      | 10,000      | 14,000      |
| Purchases of property, plant and equipment |      | (661,710)   | (1,045,206) |
| Deposits paid for acquisition of mines     |      | (69,800)    | (139,453)   |
| Proceeds from disposal of                  |      |             |             |
| available-for-sale investments             |      | _           | 500,249     |
| Purchases of land use rights               |      | (18,360)    | (126,953)   |
| Purchase of trademarks                     |      | _           | (890)       |
| Purchase of investments in debt securities |      | (5,496,400) | (3,099,000) |
| Proceeds from investments in               |      |             |             |
| debt securities upon maturity              |      | 7,285,400   | _           |
| Proceeds from disposal of land use rights  |      | 3,859       | _           |
| Increase in loan receivables               |      | (1,092,824) | _           |
| Advance to an associate                    |      | (35)        | _           |
| Proceeds from disposal of property,        |      |             |             |
| plant and equipment                        |      | 6,557       | 5,328       |
| Government grants received                 |      | 11,936      | 19,280      |
| (Increase) decrease in                     |      |             |             |
| restricted bank deposits                   |      | (43,952)    | 2,685       |
| Net cash generated from (used in)          |      |             |             |
| investing activities                       |      | 87,633      | (3,755,679) |

|   |      | 2009      | 2008        |
|---|------|-----------|-------------|
|   | NOTE | RMB'000   | RMB'000     |
| Financing activities                      |      |           |             |
| Interest paid                             |      | (26,430)  | (1,099)     |
| Dividends paid to shareholders            |      | (770,435) | (770,435)   |
| Dividends paid to minority                |      |           |             |
| interests of subsidiaries                 |      | (130,529) | (130,789)   |
| New bank borrowings raised                |      | 688,922   | 203,000     |
| Repayment of bank borrowings              |      | (635,680) | (125,000)   |
| Capital contribution                      |      |           |             |
| from minority shareholders                |      | 22,000    | 35,000      |
| Net cash used in financing activities     |      | (852,152) | (789,323)   |
| Net increase (decrease) in                |      |           |             |
| cash and cash equivalents                 |      | 277,127   | (3,133,052) |
| Cash and cash equivalents as at 1 January |      | 2,547,624 | 5,680,676   |
| Cash and cash equivalents                 |      |           |             |
| as at the end of the year                 | 15   | 2,824,751 | 2,547,624   |

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

# 1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (THE "IFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (hereinafter collectively referred to as the "new and revised IFRSs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee of the IASB that are effective for the Group's financial year beginning 1 January 2009.

Except as disclosed below, the adoption of the new and revised IFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

#### New and revised IFRSs affecting presentation and disclosure only

IAS 1 (Revised) "Presentation of financial statements"

IAS 1 (Revised) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

IFRS 8 "Operating segments"

IFRS 8 is a disclosure standard that has resulted in the presentation of additional reportable segments and changed in the measurement basis of segment result as selling and distribution expenses that were allocated to segment results under IAS 14 were no longer allocated under IFRS 8 (see note 3 for details).

Improving disclosures about financial instruments (amendments to IFRS 7 "Financial instruments: disclosures")

The amendments to IFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

In addition, the Group has early adopted the following revised standard in the current year.

IAS 24 (Revised) "Related party disclosures"

IAS 24 has been adopted in the current year in advance of its effective date (effective for annual periods beginning on or after 1 January 2011). Its adoption has affected the related party disclosure in the current period.

The amendments to IAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government ("government-related entities") and clarify the definition of a related party. The previous version of IAS 24 contained no specific exemption for government-related entities. As a result, the amendments to IAS 24 provide a partial exemption from the disclosure requirements of IAS 24 for government-related entities. Specifically, a reporting entity is exempt from the general disclosure requirements of IAS 24 in relation to related party transactions and outstanding balances (including commitments) with a government that has control, joint control or significant influence over the reporting entity, and another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

The amendments to IAS 24 also simplify the definition of a related party, clarify the intended meaning and eliminate a number of inconsistencies. The adoption of IAS 24 has had no material effect on the consolidated financial statements of the Group for the current or prior period except for the simplified disclosure requirements as disclosed above.

# 2. REVENUE

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

|                          | 2009      | 2008      |
|--------------------------|-----------|-----------|
|                          | RMB'000   | RMB'000   |
| Sales of goods           |           |           |
| — molybdenum concentrate | 357,312   | 325,139   |
| — molybdenum oxide       | 187,393   | 1,208,948 |
| — ferromolybdenum        | 1,821,583 | 2,974,204 |
| — molybdenum plate       | 360       | 335,190   |
| — tungsten concentrate   | 188,736   | 46,440    |
| — gold and silver        | 185,226   | 151,599   |
| — sulfuric acid          | 1,902     | 17,196    |
| — others                 | 303,137   | 504,559   |
|                          | 3,045,649 | 5,563,275 |

#### 3. SEGMENT INFORMATION

The Group has adopted IFRS 8 "Operating segments" with effect from 1 January 2009. IFRS 8 requires operation segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision makers of the Group are the executive Directors of the Company. In contrast, IAS 14 required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.

The Group determines its operating segments based on the internal reports reviewed by the executive Directors of the Company that are used to make strategic decisions.

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

- (a) Molybdenum related products domestic
- (b) Molybdenum related products international
- (c) Processed molybdenum and tungsten products domestic
- (d) Processed molybdenum and tungsten products international
- (e) Tungsten products
- (f) Gold and silver
- (g) Others#

<sup>#</sup> Represent sulfuric acid and other by-products

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the gross profit for the year in each operating segment. This is the measure reported to the executive Directors of the Company for the purpose of resources allocation and assessment of segment performance. Segment results exclude finance costs, selling and distribution expenses, other income such as investment and interest income and unallocated expenses such as administrative and other expenses.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8.

# **Segment revenue and results**

# For the year ended 31 December 2009

|                                |           |               | Pro            | cessed        |          |          |         |              |              |
|--------------------------------|-----------|---------------|----------------|---------------|----------|----------|---------|--------------|--------------|
|                                | Molyl     | odenum        | molybdenum and |               |          |          |         |              |              |
|                                | related   | products      | tungster       | n products    | Tungsten | Gold and |         |              |              |
|                                | Domestic  | International | Domestic       | International | products | silver   | Others  | Eliminations | Consolidated |
|                                | RMB'000   | RMB'000       | RMB'000        | RMB'000       | RMB'000  | RMB'000  | RMB'000 | RMB'000      | RMB'000      |
|                                |           |               |                |               |          |          |         |              |              |
| Segment revenue                |           |               |                |               |          |          |         |              |              |
| Sales to external customers    | 2,272,149 | 94,139        | 177,541        | 4,984         | 188,736  | 185,226  | 122,874 | _            | 3,045,649    |
| Intersegment sales             | 158,546   |               | 17,632         |               |          |          |         | (176,178)    |              |
|                                |           |               |                |               |          |          |         |              |              |
| Total                          | 2,430,695 | 94,139        | 195,173        | 4,984         | 188,736  | 185,226  | 122,874 | (176,178)    | 3,045,649    |
|                                |           |               |                |               |          |          |         |              |              |
| Segment results                | 697,381   | 34,220        | 8,201          | 230           | 64,092   | 33,863   | (8,018) |              | 829,969      |
|                                |           |               |                |               |          |          |         |              |              |
| Other income                   |           |               |                |               |          |          |         |              | 182,974      |
| Unallocated expenses           |           |               |                |               |          |          |         |              | (306,318)    |
| Share of results of associates |           |               |                |               |          |          |         |              | 16,561       |
|                                |           |               |                |               |          |          |         |              |              |
| Profit before taxation         |           |               |                |               |          |          |         |              | 723,186      |
|                                |           |               |                |               |          |          |         |              |              |
| Other segment information      |           |               |                |               |          |          |         |              |              |
| included in segment results:   |           |               |                |               |          |          |         |              |              |
| Depreciation and amortisation  | 229,631   | _             | 17,512         | _             | 15,104   | 5,923    | 626     | _            | 268,796      |
| Unallocated amounts            |           |               |                |               |          |          |         |              | 24,547       |
|                                |           |               |                |               |          |          |         |              |              |
|                                |           |               |                |               |          |          |         |              | 293,343      |
|                                |           |               |                |               |          |          |         |              |              |
| Reversal of allowance for      |           |               |                |               |          |          |         |              |              |
| inventories                    | (12,305)  | _             | _              | _             | _        | _        | _       | _            | (12,305)     |

# For the year ended 31 December 2008

|                                |           |               | Proc     | essed         |          |          |          |              |              |
|--------------------------------|-----------|---------------|----------|---------------|----------|----------|----------|--------------|--------------|
|                                | Molyb     | denum         | molybde  | num and       |          |          |          |              |              |
|                                | related p | products      | tungsten | products      | Tungsten | Gold and |          |              |              |
|                                | Domestic  | International | Domestic | International | products | silver   | Others   | Eliminations | Consolidated |
|                                | RMB'000   | RMB'000       | RMB'000  | RMB'000       | RMB'000  | RMB'000  | RMB'000  | RMB'000      | RMB'000      |
|                                |           |               |          |               |          |          |          |              |              |
| Segment revenue                |           |               |          |               |          |          |          |              |              |
| Sales to external customers    | 3,351,714 | 1,156,577     | 296,325  | 337,411       | 46,440   | 151,599  | 223,209  | _            | 5,563,275    |
| Intersegment sales             | 264,569   |               | 144,405  |               |          |          |          | (408,974)    |              |
| Total                          | 3,616,283 | 1,156,577     | 440,730  | 337,411       | 46,440   | 151,599  | 223,209  | (408,974)    | 5,563,275    |
| Total                          | 3,010,203 | 1,130,377     |          |               |          |          |          |              |              |
| Segment results                | 1,923,212 | 782,417       | 24,425   | 32,925        | 15,141   | 12,575   | (70,995) |              | 2,719,700    |
| Other income                   |           |               |          |               |          |          |          |              | 137,507      |
| Unallocated expenses           |           |               |          |               |          |          |          |              | (366,999)    |
| Share of results of associates |           |               |          |               |          |          |          |              | 14,792       |
| Profit before taxation         |           |               |          |               |          |          |          |              | 2,505,000    |
| Other segment information      |           |               |          |               |          |          |          |              |              |
| included in segment results:   |           |               |          |               |          |          |          |              |              |
| Depreciation and amortisation  | 220,825   | _             | 13,616   | _             | 2,011    | 431      | 904      | _            | 237,787      |
| Unallocated amounts            |           |               |          |               |          |          |          |              | 21,620       |
|                                |           |               |          |               |          |          |          |              | 259,407      |
| Allowance for inventories      | 13,037    | _             | _        | _             | _        | _        | _        | _            | 13,037       |

No segment assets, segment liabilities and other segment information such as capital expenditure are presented as such amounts are not provided to the chief operating decision maker.

## Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

|                         | 2009    | 2008    |
|-------------------------|---------|---------|
|                         | RMB'000 | RMB'000 |
| Customer A <sup>1</sup> | 329,656 | 610,611 |
| Customer B <sup>1</sup> | 2       | 845,438 |

Revenue from the domestic molybdenum related products segment.

## **Geographical information**

An analysis of the Group's geographical information on revenue determined by the destination to where the products are delivered for the year is set out in the following table:

|                | 2009      | 2008       |
|----------------|-----------|------------|
|                | RMB'000   | RMB'000    |
|                |           | 4 0 60 202 |
| PRC            | 2,946,526 | 4,069,287  |
| Overseas       |           |            |
| Korea          | 5,599     | 523,626    |
| United Kingdom | 32,783    | 422,452    |
| United States  | 34,722    | 24,811     |
| Germany        | 5,100     | 182,823    |
| Others         | 20,919    | 340,276    |
| Subtotal       | 99,123    | 1,493,988  |
|                | 3,045,649 | 5,563,275  |

All non-current assets of the Group excluding deferred tax assets and financial instruments are located in the PRC.

The revenue did not contribute over 10% of the total sales of the Group in 2009.

### 4. OTHER INCOME AND GAINS

|   | 2009    | 2008    |
|---|---------|---------|
|   | RMB'000 | RMB'000 |
| Interest income on                              |         |         |
| — bank deposits                                 | 78,242  | 63,356  |
| — investments in debt securities                | 71,597  | 45,751  |
| — debentures classified as                      |         |         |
| financial assets at FVTPL                       | 2,039   | 5,174   |
| — loan receivables                              | 1,084   | _       |
| Total interest income                           | 152,962 | 114,281 |
| Net gain on fair value change of                |         |         |
| financial assets classified as held-for-trading | 8,342   | 10,893  |
| Gain arising on disposal of                     |         |         |
| available-for-sale investments                  | _       | 8,098   |
| Release of deferred income                      | 3,033   | 836     |
| Net gain on sales of scrap materials            | 399     | 810     |
| Government grants recognised (Note)             | 13,530  | _       |
| Others  | 4,708   | 2,589   |
| _   | 182,974 | 137,507 |

Note: The amount represents unconditional government grants received by the Group from the PRC Government as an immediate financial support to facilitate the business operations of the Group. There are no unfulfilled conditions and other contingencies attaching to such grants.

## 5. TAXATION

|   | 2009<br><i>RMB'000</i> | 2008<br>RMB'000 |
|---|------------------------|-----------------|
|   | MID 000                | MND 000         |
| The charge comprises PRC Enterprise Income Tax: |                        |                 |
| Current taxation                                |                        |                 |
| — current year                                  | 238,701                | 725,283         |
| — underprovision in prior year                  | 4,659                  | 26,748          |
|   | 243,360                | 752,031         |
| Deferred taxation                               |                        |                 |
| — current year                                  | (54,784)               | (95,844)        |
| <u> </u>  | 188,576                | 656,187         |

The Group was subject to PRC Enterprise Income Tax levied at a rate of 25% (2008: 25%) on its taxable income determined in accordance with the relevant laws and regulations in the PRC.

### 6. PROFIT FOR THE YEAR

|   | 2009<br>RMB'000 | 2008<br>RMB'000 |
|---|-----------------|-----------------|
| Profit for the year has been arrived                  |                 |                 |
| at after charging (crediting):                        |                 |                 |
| Directors' remuneration                               | 5,404           | 6,343           |
| Other staff's salary, bonus and allowances            | 312,304         | 413,213         |
| Other staff's contribution to retirement benefit cost | 38,791          | 32,053          |
| Total staff costs                                     | 356,499         | 451,609         |
| Auditor's remuneration                                | 2,160           | 2,700           |
| Cost of inventories recognised as an expense          | 2,227,985       | 2,830,538       |
| Depreciation of property, plant and equipment         | 257,196         | 223,180         |
| Amortisation of land use rights                       | 8,743           | 8,794           |
| Amortisation of mining rights                         |                 |                 |
| (included in cost of sales)                           | 27,225          | 27,378          |
| Amortisation of trademarks                            |                 |                 |
| (included in cost of sales)                           | 179             | 55              |
| (Reversal of) allowance for doubtful debts            |                 |                 |
| (included in administrative expenses)                 | (8,195)         | 7,264           |
| (Reversal of) allowance for inventories               |                 |                 |
| (included in cost of sales) (Note 1)                  | (12,305)        | 13,037          |
| Share of tax of associates                            |                 |                 |
| (included in share of results of associates)          | 5,740           | 5,984           |
| Resources compensation fee (Note 2)                   | 46,205          | 79,760          |

Note 1: Reversal of allowance for inventories in 2009 was attributed to the increase in molybdenum price.

*Note 2:* 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:

|  | 2009     | 2008    |
|--|----------|---------|
|  | RMB'000  | RMB'000 |
| Final dividend — for the year 2008 of          |          |         |
| RMB0.158 per share (2008: for the year 2007 of |          |         |
| RMB0.128 per share)                            | 770,435  | 624,150 |
| Special dividend — nil (2008: for the year of  |          |         |
| 2007 of RMB0.03 per share)                     | <u> </u> | 146,285 |
|  |          |         |
|  | 770,435  | 770,435 |

On 2 June 2009, dividend of RMB0.158 per share totalling RMB770,435,000 was paid to shareholders as final dividend for 2008.

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 RMB0.08 per share (2008: final and special dividend of RMB0.158 per share) totalling RMB390,093,642 (2008: final and special dividend of RMB770,435,000) has been proposed by the Directors. The proposal is subject to approval by the shareholders in general meeting.

## 8. EARNINGS PER SHARE

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

|  | 2009          | 2008          |
|--|---------------|---------------|
| Profit for the year attributable to owners of the Company and earnings for the purpose |               |               |
| of basic earnings per share (RMB'000)  | 503,315       | 1,640,902     |
| Number of shares for the purpose of  |               |               |
| basic earnings per share   | 4,876,170,525 | 4,876,170,525 |

No diluted earnings per share is presented as there were no potential ordinary shares outstanding during both years.

# 9. INVESTMENTS IN DEBT SECURITIES

|  | 2009      | 2008      |
|--|-----------|-----------|
|  | RMB'000   | RMB'000   |
| Investment in debt securities represented: |           |           |
| Investment plans arranged by banks         | 1,310,000 | 3,099,000 |
| Analysed for reporting purposes as:        |           |           |
| Current assets                             | 1,230,000 | 2,899,000 |
| Non-current assets                         | 80,000    | 200,000   |
|  | 1,310,000 | 3,099,000 |

As at 31 December 2009, the amount represented unlisted investment plans arranged by banks for investment in various debt securities. The underlying debt securities invested by banks are analysed as follows:

|   | 2009<br>RMB'000 | 2008<br>RMB'000 |
|---|-----------------|-----------------|
| Unlisted corporate entities' debts  Debentures and bills issued | 450,000         | 691,000         |
| by central government and banks                                 | 860,000         | 2,408,000       |
|   | 1,310,000       | 3,099,000       |

The Group is entitled to a 100% principal protection clause for the investment plans of the unlisted corporate entities debts. The interest income from the investment plans are determined based on the interest income generated from the underlying debt securities after deduction of bank charges and commission.

The investment plans were stated at amortised cost less any impairment loss, and will mature during the period from February 2010 to August 2012 (2008: mature during the period from January 2009 to June 2010) with effective interest rate ranged from 2.4% to 6.9% (2008: 0.4% to 6.9%) per annum. Subsequent to the end of the reporting period, a total of RMB151,067,000 were matured and settled.

# 10. TRADE AND OTHER RECEIVABLES

|                                       | 2009    | 2008    |
|---------------------------------------|---------|---------|
|                                       | RMB'000 | RMB'000 |
| Trade receivables (net of allowances) | 259,128 | 180,499 |
| Bills receivable                      | 404,786 | 371,774 |
|                                       | 663,914 | 552,273 |
| Advances to suppliers                 | 13,913  | 57,387  |
| Other tax recoverable                 | 110,465 | _       |
| Other receivables and prepayments     | 33,245  | 43,927  |
|                                       | 821,537 | 653,587 |

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

|                                    | 2009     | 2008     |
|------------------------------------|----------|----------|
|                                    | RMB'000  | RMB'000  |
| Trade and bills receivables        | 676,550  | 571,081  |
| Less: Allowance for doubtful debts | (12,636) | (18,808) |
|                                    | 663,914  | 552,273  |

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 (presented based on the invoice date) and bills receivable (presented based on the issuance date of relevant bills) is as follows:

|                | 2009<br>RMB'000 | 2008<br>RMB'000 |
|----------------|-----------------|-----------------|
| 0 - 90 days    | 463,540         | 248,708         |
| 91 - 180 days  | 191,033         | 291,322         |
| 181 - 365 days | 7,445           | 8,364           |
| 1 - 2 years    | 1,896           | 3,879           |
|                | 663,914         | 552,273         |

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed once a year. As at 31 December 2009, approximately 99% (2008: 94%) of the trade receivables that are neither past due nor impaired have the best credit quality assessed by the Group.

As at 31 December 2009, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB4,666,000 (2008: RMB30,565,000) which are 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 319 days (2008: 119 days).

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

|                | 2009<br>RMB'000 | 2008<br>RMB'000 |
|----------------|-----------------|-----------------|
| 91 - 180 days  | 2,100           | 25,293          |
| 181 - 365 days | 670             | 3,114           |
| Over 1 year    | 1,896           | 2,158           |
|                | 4,666           | 30,565          |

|  | 2009     | 2008    |
|--|----------|---------|
|  | RMB'000  | RMB'000 |
| Movement in the allowance for                      |          |         |
| doubtful debts of trade receivables                |          |         |
| Balance at beginning of the year                   | 18,808   | 19,194  |
| Amounts recovered during the year                  | (11,224) | (1,672) |
| Increase in allowance recognised in profit or loss | 5,052    | 1,286   |
| Balance at end of the year                         | 12,636   | 18,808  |
|  | 2009     | 2008    |
|  | RMB'000  | RMB'000 |
| Movement in the allowance for                      |          |         |
| doubtful debts of other receivables                |          |         |
| Balance at beginning of the year                   | 15,115   | 7,465   |
| Amounts recovered during the year                  | (2,086)  | (610)   |
| Amounts written off                                | (1,573)  | _       |
| Increase in allowance recognised in profit or loss | 63       | 8,260   |
| Balance at end of the year                         | 11,519   | 15,115  |
| <del>-</del>                                       |          |         |

2009

2008

Included in the Group's allowance for doubtful debts are individually impaired trade receivables and other receivables with an aggregate balance of RMB12,636,000 (2008: RMB18,808,000) and RMB11,519,000 (2008: RMB15,115,000), 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:

|                                 | 2009      | 2008    |
|---------------------------------|-----------|---------|
|                                 | RMB'000   | RMB'000 |
| United States Dollar ("US\$")   |           | 4,164   |
| 11. LOAN RECEIVABLES            |           |         |
|                                 | 2009      | 2008    |
|                                 | RMB'000   | RMB'000 |
| Loan receivable from 洛陽建投礦業有限公司 |           |         |
| (Note)                          | 1,050,000 | _       |
| Other loan receivables          | 42,824    |         |
|                                 | 1,092,824 |         |

Note: On 22 December 2009, the Company entered into a loan agreement (the "Loan Agreement") with Luoyang Construction Investment and Mining Co., Ltd.\*(洛陽建投礦業有限公司) ("Luoyang Construction Investment and Mining" or the "Borrower") to advance the loan in the aggregate amount of RMB1,150,000,000 to the Borrower of which RMB1,050,000,000 has been drawn down as at 31 December 2009. The Borrower will use the loan to finance the possible acquisition (the "Intended Acquisition") by the Borrower of all or any part of the equity interest in Xuzhou Huanyu Molybdenum Co., Ltd.\*(徐州環宇鉬業有限公司) ("Xuzhou Huanyu") or Luoyang Fuchuan Mining Co., Ltd.\*(洛陽富川礦業有限公司) ("Luoyang Fuchuan", together with Xuzhou Huanyu referred as the "Target Company"). Luoyang Fuchuan owns and operates the Shangfanggou molybdenum mine located in Luanchuan County, Luoyang City, PRC. Xuzhou Huanyu owns 90% equity interest in Luoyang Fuchuan.

The loan has a term of one year from 22 December 2009 to 21 December 2010 and bears an interest calculated at rate of 90% of the benchmark interest rate for loan of one year as quoted by the People's Bank of China on the date of entering into the Loan Agreement.

Pursuant to the loan agreement, the Company has (i) during the term of the loan, an option (but is not obliged) to acquire the Borrower's interest in the Target Company following the completion of the Intended Acquisition at a price to be determined by making reference to a valuation report to be prepared at the relevant time by an independent valuer; (ii) a right of first refusal after the completion of the Intended Acquisition to purchase from the Borrower its equity interest in the Target Company; and (iii) a right of priority to investment opportunities in relation to other mineral resources projects owned by the Borrower.

The loan was secured by (i) the entire equity interest in the Borrower; (ii) guarantee from Luoyang Municipal Construction and Development Investment Co., Ltd.\*(洛陽市建設投資有限公司); and (iii) an equity pledge to be executed by the Borrower in favour of the Company in respect of the equity interest in the Target Company following the completion of the Intended Acquisition.

Further details of the Intended Acquisition have been disclosed in the Company's announcement dated 27 December 2009.

### 12. ASSETS CLASSIFIED AS HELD FOR SALE

On 3 December 2009, the Company entered into a legally binding term sheet with an independent third party pursuant to which the Group agreed to sell 50% of the equity interests in Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd\*(洛陽高科鉬鎢材料有限公司) ("Luoyang High Tech"), a wholly owned subsidiary of the Company. Luoyang High Tech will become a jointly control entity of the Group after the completion of the disposal. The business of Luoyang High Tech includes the manufacturing of molybdenum powder, tungsten powder and related products. The Company's management anticipates that the disposal will be completed by the end of 2010. The major classes of assets and liabilities of Luoyang High Tech at the end of the reporting period are as follows:

|  | 2009     |
|--|----------|
|  | RMB'000  |
| Property, plant and equipment                                  | 66,657   |
| Land use rights  | 24,471   |
| Deferred tax assets  | 4,093    |
| Inventories  | 43,702   |
| Trade and other receivables                                    | 18,833   |
| Held-for-trading investments                                   | 4,175    |
| Tax recoverable  | 375      |
| Bank balances and cash   | 49,544   |
| Assets classified as held for sale                             | 211,850  |
| Trade and other payables                                       | (13,562) |
| Liabilities associated with assets classified as held for sale | (13,562) |
| Net assets classified as held for sale                         | 198,288  |

The net proceeds of disposal are to be determined by reference to the audited net assets value of Luoyang High Tech and expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

### 13. TRADE AND OTHER PAYABLES

|                                      | 2009    | 2008    |
|--------------------------------------|---------|---------|
|                                      | RMB'000 | RMB'000 |
| Trade payables (Note a)              | 158,321 | 117,893 |
| Bills payable (Note a)               | 73,795  | 7,622   |
|                                      | 232,116 | 125,515 |
| Other payables and accruals (Note b) | 634,035 | 555,546 |
|                                      | 866,151 | 681,061 |

Notes:

### (a) Trade and bills payables

The aged analysis of trade and bills payables by invoice date (bills issued date for bills payable) is as follows:

|                | 2009    | 2008    |
|----------------|---------|---------|
|                | RMB'000 | RMB'000 |
| 0 - 90 days    | 216,968 | 109,095 |
| 91 - 180 days  | 3,247   | 3,730   |
| 181 - 365 days | 4,951   | 6,223   |
| 1 - 2 years    | 4,105   | 2,323   |
| Over 2 years   | 2,845   | 4,144   |
|                | 232,116 | 125,515 |

Trade payables principally comprise amounts outstanding for trade purchases. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

#### (b) Other payables and accruals

|  | 2009    | 2008    |
|--|---------|---------|
|  | RMB'000 | RMB'000 |
|  | 442.40  | 12 (2)  |
| Advances from customers                        | 113,127 | 12,626  |
| Accrued wages                                  | 73,775  | 92,468  |
| Other staff benefits payable                   | _       | 8,547   |
| Payables in respect of purchase of property,   |         |         |
| plant and equipment and construction materials | 343,466 | 342,535 |
| Resources compensation fees payable            | 21,863  | 17,795  |
| Other tax payables                             | 14,341  | 19,508  |
| Others   | 67,463  | 62,067  |
| _  | 634,035 | 555,546 |

#### 14. SHARE CAPITAL

|  | Number o               |               |         |
|--|------------------------|---------------|---------|
|  | <b>Domestic shares</b> | Amount        |         |
|  | (Note a)               | (Note b)      | RMB'000 |
| As at 1 January 2008, 31 December 2008 and |                        |               |         |
| 31 December 2009                           | 3,565,014,525          | 1,311,156,000 | 975,234 |

- (a) Domestic shares are ordinary shares subscribed for and credited as fully paid up in RMB by PRC government and/or PRC incorporated entities only.
- (b) 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.

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

### 15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

|   | 2009<br>RMB'000 | 2008<br>RMB'000 |
|---|-----------------|-----------------|
| Bank balances and cash included                 | 2,775,207       | 2,547,624       |
| in a disposal group classified as held for sale | 49,544          |                 |
| _   | 2,824,751       | 2,547,624       |

#### II. FINANCIAL REVIEW

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

#### **OVERVIEW**

For the year ended 31 December 2009, profit before taxation was RMB723.2 million, representing a decrease of RMB1,781.8 million or 71.1% from RMB2,505.0 million for the year ended 31 December 2008. For the year ended 31 December 2009, profit attributable to the owners of the Company was RMB503.3 million, representing a decrease of RMB1,137.6 million or 69.3% from RMB1,640.9 million for the year ended 31 December 2008.

The comparative analysis for the year ended 31 December 2009 and the year ended 31 December 2008 is as follows:

#### **OPERATING RESULTS**

For the year ended 31 December 2009, the Group recorded a turnover of RMB3,045.6 million, representing a decrease of RMB2,517.7 million or 45.3% from RMB5,563.3 million for the year ended 31 December 2008. For the year ended 31 December 2009, the Group achieved a gross profit of RMB830.0 million, representing a decrease of RMB1,889.7 million or 69.5% from RMB2,719.7 million in the same period last year.

# Operating results, operating cost, gross profit and gross profit margin by products

The table below sets out the turnover, operating cost, gross profit and gross profit margin of our products in 2009 and 2008:

#### For the year ended 31 December 2009

|                                       | 2009          |                |               | 2008          |               |                |               |               |
|---------------------------------------|---------------|----------------|---------------|---------------|---------------|----------------|---------------|---------------|
|                                       |               |                |               | Gross         |               |                |               | Gross         |
| Product Name                          | Turnover      | Operating cost | Gross profit  | profit margin | Turnover      | Operating cost | Gross profit  | profit margin |
|                                       | (RMB million) | (RMB million)  | (RMB million) | (%)           | (RMB million) | (RMB million)  | (RMB million) | (%)           |
| Domestic market                       |               |                |               |               |               |                |               |               |
| <ul><li>Molybdenum additive</li></ul> |               |                |               |               |               |                |               |               |
| materials                             | 2,272.1       | 1,574.8        | 697.4         | 30.7%         | 3,351.6       | 1,428.5        | 1,923.1       | 57.4%         |
| — Tungsten concentrate                |               | _,-,           |               |               | 2,00          | -,             | -,,,,         | 2,,,,,        |
| (including 65% WO <sub>3</sub> )      | 188.7         | 124.6          | 64.1          | 34.0%         | 46.4          | 31.3           | 15.1          | 32.6%         |
| — Processed Tungsten &                |               |                |               |               |               |                |               |               |
| Molybdenum products                   | 177.5         | 169.3          | 8.2           | 4.6%          | 296.3         | 271.9          | 24.4          | 8.2%          |
| — Gold and silver                     | 185.2         | 151.4          | 33.9          | 18.3%         | 151.6         | 139.0          | 12.6          | 8.3%          |
| — Sulfuric acid                       |               |                |               |               |               |                |               |               |
| (92.5% concentration)                 | 1.9           | 14.0           | -12.1         | -635.4%       | 17.2          | 11.4           | 5.8           | 33.7%         |
| — Other                               | 121.0         | 116.9          | 4.1           | 3.4%          | 206.2         | 212.6          | -6.4          | -3.1%         |
| Sub-total                             | 2,946.5       | 2,151.0        | 795.5         | 27.0%         | 4,069.3       | 2,094.7        | 1,974.6       | 48.5%         |
| International market                  |               |                |               |               |               |                |               |               |
| — Molybdenum additive                 |               |                |               |               |               |                |               |               |
| materials                             | 94.1          | 59.9           | 34.2          | 36.3%         | 1,156.6       | 374.2          | 782.4         | 67.6%         |
| — Processed Tungsten &                |               |                |               |               |               |                |               |               |
| Molybdenum products                   | 5.0           | 4.8            | 0.2           | 4.6%          | 337.4         | 304.5          | 32.9          | 9.8%          |
| — Other                               |               |                |               |               |               | 70.2           | -70.2         |               |
| Sub-total                             | 99.1          | 64.7           | 34.4          | 34.8%         | 1,494.0       | 748.9          | 745.1         | 49.9%         |
| Total                                 | 3,045.6       | 2,215.7        | 830.0         | 27.3%         | 5,563.3       | 2,843.6        | 2,719.7       | 48.9%         |

Turnover decreased by RMB2,517.7 million or 45.3% to RMB3,045.6 million in 2009 from RMB5,563.3 million in 2008, mainly attributable to: 1) a nearly 50% decline in unit average selling price of major molybdenum products for 2009 as compared with the same period last year; 2) a sharp decrease in overseas sales of the Group in the context of bleak international molybdenum market. In spite of the modest increase in sales volume of major molybdenum products, sales revenues decreased sharply owing to the plummeting prices; and 3) in spite of the increase in turnover of tungsten products and gold and silver products during the year, the increase failed to offset in full against the decrease in the turnover of molybdenum products owing to the limited production capacity.

For the year ended 31 December 2009, the operating cost (exclusive of the cost of sales after tax in the sales item) of the Group was RMB2,040.0 million, representing a decrease of RMB396.7 million or 16.3% from RMB2,436.7 million for the same period last year. The main reasons for the decrease in the operating cost are as follows: 1) the decrease in the cost of sales as a result of the decrease in procurement of molybdenum products from third parties by the Group and the Group's focus on the sale of self-produced molybdenum products during the year; 2) a significant decrease in export tariffs among operating cost as a result of the low volume of molybdenum products exported by the Group in the year and the sales strategy of focusing on the domestic market; and 3) the substantial decreases in unit material consumption and power expenses as well as the well-controlled cost of production of molybdenum products as technological tests and research in mining and processing carried out by the Group had led to some achievements in reasonable mining and detailed management on technological process for ore mixing and processing.

For the year ended 31 December 2009, the average gross profit margin of the Group was 27.3%, representing a decrease of 21.6 percentage points as compared with 48.9% for the same period last year, mainly attributable to the significant decrease in selling prices during the period which undermined the overall gross profit margin of molybdenum products. Although the contribution of tungsten products and gold and silver products during the period to the gross profit of the Group for the year increased and the unit cost of major molybdenum products of the Group decreased, they failed to offset the gross profit decline resulting from the price fall.

## OTHER INCOME AND GAINS

For the year ended 31 December 2009, other income and gains of the Group amounted to RMB183.0 million, representing an increase of RMB45.5 million or 33.1% over RMB137.5 million for the same period last year. Such an increase was mainly attributable to the fact that: 1) the increase in the Group's income from securities investment and deposit interest for the year by RMB38.7 million as compared with the same period last year; and 2) the increase in subsidy income including tungsten and molybdenum key technology research subsidy and waste water treatment subsidy received by the Group by RMB13.5 million as compared with the same period last year.

## SELLING AND DISTRIBUTION EXPENSES

For the year ended 31 December 2009, the selling and distribution expenses of the Group amounted to RMB14.0 million, representing a decrease of RMB11.0 million or 44.1% from RMB25.0 million in the same period last year. Such a decrease was mainly attributable to the significant decrease in product export expenses as only small quantities of molybdenum products were exported by the Group from the PRC during the period.

#### ADMINISTRATIVE EXPENSES

For the year ended 31 December 2009, the administrative expenses of the Group was RMB248.6 million, representing a decrease of RMB4.9 million or 1.9% from RMB253.5 million in the same period last year. Such a decrease was mainly attributable to: 1) a RMB22.6 million decrease in remuneration for administrative and management staff as compared with the same period last year due to deteriorated operating efficiency of the Group; and 2) a decrease in the controllable expenses in administrative expenses as compared with the same period last year due to disciplined control of non-production expenses across all units of the Group upon its implementation of the new internal assessment mechanism during the year. The decrease in administrative expenses during the same period was partially offset by: 1) a RMB17.3 million increase in technology research and development expenses of the Group for the year as compared with the same period last year as a result of its experiment and research on new technology of ammonium molybdates and ammonium paratungstate and other projects during the year; and 2) RMB23.2 million increase in consultancy fees paid to intermediaries for the Group's merger and acquisition of resources.

#### OTHER EXPENSES AND LOSSES

For the year ended 31 December 2009, other expenses and losses of the Group amounted to RMB22.3 million, representing a decrease of RMB63.2 million or 73.9% from RMB85.5 million in the same period last year. Such a decrease was mainly attributable to a reduction of RMB65.1 million in exchange loss as exports shrunk during the period, foreign currency deposit decreased significantly as a result of foreign exchange settlement of raised proceeds, and the Renminbi to US dollars exchange rate was relatively stable, thus minimising the effect of foreign-exchange market fluctuations.

## **FINANCE COSTS**

For the year ended 31 December 2009, the finance costs of the Group amounted to RMB21.4 million, representing an increase of RMB18.4 million or 626.9% from RMB29,000 in the same period last year. Such an increase was mainly attributable to an increase of RMB18.3 million in bill handling charges and discount interest as the Group increased the settlement of its sales and purchase businesses in bank acceptance bills in the year.

#### SHARE OF RESULTS OF ASSOCIATES

For the year ended 31 December 2009, the results of associated companies attributable to the Group amounted to RMB16.6 million, representing an increase of RMB1.8 million or 12.0% over RMB14.8 million for the same period last year. Such an increase was mainly attributable to the improvement in results of the associated company Yulu Mining Co., Ltd. ("Yulu Company") during the year as compared with the same period last year.

#### **INCOME TAX EXPENSE**

For the year ended 31 December 2009, the income tax expense of the Group amounted to RMB188.6 million, representing a decrease of RMB467.6 million or 71.3% from RMB656.2 million in the same period last year. Such a decrease was mainly due to the substantial decrease in profits during the year.

#### **MINORITY INTERESTS**

For the year ended 31 December 2009, the minority interests of the Group amounted to RMB31.3 million, representing a decrease of RMB176.6 million or 84.9% from RMB207.9 million in the same period last year. Such a decrease was mainly attributable to the substantial decrease in profits from the three holding subsidiaries of the Group, namely Luanchuan County Jiuyang Mining Co., Ltd.\*(藥川縣九揚礦業有限公司), Luanchuan County Sanqiang Molybdenum & Tungsten Co., Ltd.\*(藥川縣三強鉬鎢有限公司) ("Sanqiang Company") and Luanchuan County Dadongpo Tungsten & Molybdenum Co., Ltd.\*(藥川縣大東坡鉬鎢礦業有限公司) during the period in light of the decrease in prices of molybdenum products during the year.

## PROFIT OR LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the year ended 31 December 2009, the net profit attributable to owners of the Company amounted to RMB503.3 million, representing a decrease of RMB1,137.6 million or 69.3% from RMB1,640.9 million for the year ended 31 December 2008. Such a decrease was mainly attributable to the decrease in profit during the period.

#### FINANCIAL POSITION

For the year ended 31 December 2009, the total assets of the Group amounted to approximately RMB12,684.5 million, comprising non-current assets of approximately RMB5,492.6 million and current assets of approximately RMB7,191.8 million. Equity attributable to owners of the Company for the year ended 31 December 2009 decreased by RMB266.6 million or 2.4% to RMB10,970.5 million from RMB11,237.1 million for the year ended 31 December 2008. Such a decrease was mainly attributable to the fact that the amount of profit distributed during the period outstripped earnings for the year.

#### **CURRENT ASSETS**

For the year ended 31 December 2009, the inventory of the Group increased by RMB198.6 million or 30.5% to RMB849.0 million from RMB650.4 million for the year ended 31 December 2008. Such an increase was mainly attributable to: 1) the increase in inventories as a result of the purchase of materials required by Yongning Gold & Lead Refining Co. Ltd.\*(永寧金鉛冶煉有限公司) ("Yongning Gold Company") before its commencement of operation at the end of 2009; and 2) the increase in molybdenum raw materials reserve for production and replacement use of the Group as a result of the commencement of operation of the China Molybdenum Group Metal Materials Company Limited\*(洛陽鉬業集團金屬材料有限公司) in 2009.

For the year ended 31 December 2009, the loan receivables of the Group amounted to RMB1,092.8 million, which was primarily the entrusted bank loan granted by the Company in favour of Luoyang Construction Investment and Mining for the acquisition of all or any part of the equity interest in Xuzhou Huanyu or Luoyang Fuchuan.

## FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year ended 31 December 2009, property, plant and equipment increased by RMB390.8 million or 10.0% to RMB4,304.0 million from RMB3,913.2 million for the year ended 31 December 2008. The increase was mainly attributable to the stepped up efforts in the construction of the following projects by the Company:

- 1) the Yongning Gold Company's 80,000-tonne-per-year comprehensive smelting plant project;
- 2) the project for the molybdenum roasting and smelting plant with a capacity of 40,000 tonne per year;
- 3) the open-pit mine standards and auxiliary projects; and
- 4) the project for renovation of the Mining Branches and expansion of tailing storage.

## **DEBT TO TOTAL ASSETS RATIO**

The debt to total assets ratio of the Group increased from 8.6% as at 31 December 2008 to 11.0% as at 31 December 2009. Debt to total assets ratio is equivalent to total liabilities divided by total assets. The increase was mainly attributable to the distribution of dividend which exceeded the amount of profit during the period.

## **CASH FLOW**

For the year ended 31 December 2009, the Group had cash and cash equivalents of RMB2,824.7 million, representing an increase of RMB277.1 million or 10.9% from RMB2,547.6 million for the year ended 31 December 2008.

For the year ended 31 December 2009, net cash inflow generated from operating activities was RMB1,041.6 million; net cash inflow generated from investment activities was RMB87.6 million; net cash outflow generated from financing activities was RMB852.2 million, including the payment of RMB901.0 million of dividend in 2008.

As affected by the economic crisis, the market prices of molybdenum products were substantially decreased during the period. However, the Group's molybdenum products' prices were still above their cash costs. During the period, the Group implemented strict internal management, saved energy and reduced consumption, thus maintaining sound operation status and healthy financial position. As at the end of the period in 2009, the Group still had sufficient capital which enabled the Group to operate smoothly and satisfied the liquidity need from production capacity expansion. It also ensured funding support for any possible merger and acquisition as well as expansion of the Group.

#### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

The Group conducts its operations mainly in the PRC. As the production capacity of the Group increases along with the expansion of market and recovery of the overseas molybdenum market, export sales to different countries by the Group or its subsidiary established in Hong Kong are expected to increase. We mainly settle transactions of export sales in US dollars. Due to periodicity in calculating the amount of export income, the foreign currency risks of the Group are primarily generated from the sales of products in foreign currencies.

Currently, the Group has no formal hedging policies in place. 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 cycles, 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 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. As of to date, the Group has not entered into any type of interest agreement or derivatives to hedge against fluctuations in interest rate or liabilities.

## **EMPLOYEES**

As at 31 December 2009, the Group had 8,006 full time employees, classified as follows by functions and departments:

| Department                                | <b>Employees</b> | Proportion |
|---|------------------|------------|
| Management & administration               | 969              | 12.1%      |
| Quality control, research and development | 502              | 6.3%       |
| Production                                | 5,539            | 69.2%      |
| Repair and maintenance, safety inspection |                  |            |
| and environmental protection              | 996              | 12.5%      |
| Total                                     | 8,006            | 100.0%     |

The remuneration portfolio of the Group's employees comprises 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 applicable PRC local regulations, the percentage of certain insurance polices are as follows: the pension insurance, medical insurance, unemployment insurance and housing reserve fund of the Group's PRC employees represent 20%, 6%, 2% and 5% to 12% of his or her total basic monthly salary, respectively.

## **USE OF PROCEEDS**

As at 31 December 2009, the Company applied an aggregate of approximately RMB3,892 million of the proceeds raised from our initial public offering in April 2007, mainly as follows:

- approximately RMB781 million to repay various short-term bank borrowings and interest;
- approximately RMB826 million to repay current liabilities and supplementing general working capital;
- approximately RMB361 million to prepay the remaining consideration in respect of the mining rights of the Sandaozhuang Mine;
- approximately RMB328 million to construct auxiliary facilities of ores;
- approximately RMB502 million for the expansion of Mining Branches, Sanqiang Company and construction of scheelite recovery plant;
- approximately RMB515 million for the construction of the smelting plant of Yongning Gold Company and merger and acquisition project of precious metals;
- approximately RMB521 million to construct a smelting plant of molybdenum with a capacity of 40,000 tonnes/year; and
- approximately RMB58 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

Challenges to the real economy remained as the aftermath of the global financial crisis lingered in 2009. As the economic stimulus packages adopted by international governments have gradually come to effect since May, the world's and China's economy showed signs of slow recovery, yet on a shaky foundation. As such, the price of molybdenum products stayed low. In retrospect, the price of molybdenum in year 2009 basically experienced three stages, with a slump during January to April, followed by a surge during May to August and ended with a modest fall during September to December. Looking into the case of Europe's ferromolybdenum price, it dropped from US\$24/ kg in January to US\$20/kg in April during the first phase, rallied from US\$23/kg in May to US\$41/kg in August during the second phase and dropped from US\$33/kg in September to US\$27/ kg in December during the third phase. The price of year 2009 bottomed in April, which was mainly attributable to the low production capacity of domestic and overseas steel factories which were on the verge of suspension, and the extremely quiet trading. The upsurge recorded in August was also driven by downstream steel factories. As factories all over the globe increased their production capacity with inventories running out and traders flocking to the market, molybdenum price swiftly increased. As for the domestic molybdenum market, the domestic price in year 2009 was basically in line with the international price, lingering at a low price level. The average price of ferromolybdenum over the year was RMB126,900/tonne, hitting its bottom at RMB100,000/ tonne in April and its peak at RMB169,000/tonne in August. The average price of molybdenum concentrates was RMB1,876/metric tonne unit, with the lowest at RMB1,500/metric tonne unit in April and the highest at RMB2,529/metric tonne unit in August. The domestic and overseas markets have the same reasons for the ups and downs in molybdenum prices.

## IV. BUSINESS REVIEW

During the year 2009, 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 to overcome adverse factors such as molybdenum price which lingered low and hiking raw material price, achieving a steady increase in the production volume of molybdenum and tungsten products. In 2009, the production of molybdenum concentrates (including 47% Mo), molybdenum oxides (including 51% Mo), ferromolybdenum (including 60% Mo) and tungsten concentrates (including 65% WO<sub>3</sub>) (including Yulu Company) amounted to 32,800 tonnes, 20,900 tonnes, 17,150 tonnes and 6,681 tonnes, representing an increase of 2.3%, -16.4%, 16.6% and 128.7% over 2008, respectively.

Statistics from China Non-ferrous Metals Industry Association showed that the production of molybdenum concentrates in China (including 47% Mo) in 2009 was 155,319 tonnes. The Group's production of molybdenum concentrates accounted for approximately 21% of the total amount produced in China in 2009. According to an international research institution, the world's molybdenum production was approximately 430 million pounds for the year 2009, of which approximately 34 million pounds were produced by the Group, representing approximately 7.9% of the total production of the world for the year 2009.

Satisfactory progress has been made to the Group's major projects. In 2009, the Group completed its smelting plant with a capacity of 40,000 tonnes per year (Phase I project), the Luoyang High Tech 1,500-tonne-per-year molybdenum downstream processing production line project at Luoyang High Tech and the Yongning Gold Company 80,000-tonne-per-year comprehensive smelting plant project.

Additional efforts were put in the development of technology and innovation which led to much stronger technological advancement. Two technical researches were carried out by the Group, namely "Research on acid making process with off-gases from molybdenum concentrate roasting in rotary kiln" (「回轉窑焙燒鉬精礦尾氣製酸工藝研究」) and "Design for heat spinning roster kiln and research on molybdenum concentrates roasting process" (「旋轉閃蒸直燃供熱式回轉窑設計與鉬精礦焙燒工藝研究」). Our research results earned us the award of the second prize in technology development in Henan Province. We were also awarded the second prize in technology development in Luoyang City for our "Technology and equipment for production of molybdenum rods with heavy single weight by three roller Y-type dual-machine rolling" (「大單重鉬杆三輥Y型雙機組聯軋工藝及設備」). The "Development and research of localization of wear-resistant lining plates for C160 large jaw crushers" (「C160大型顎板式破碎機耐磨襯板國產化開發與研究」) successfully passed the appraisal organized by Science and Technology Department of Henan Province. The Group protected its intellectual property rights through registering its inventions and models with the relevant authorities. During the year, we applied for 27 invention patents and utility model patents.

The Group has proactively promoted standardized operations and significantly lifted corporate management standards. In 2009, the Group further amended and improved its management systems, and put additional efforts in financial, sales and personnel system management. Our "Sales Management System", "Personnel Information Management System", "Financial Capital Management System" and other software systems aimed at optimizing the Group's management had been developed, which put the Group in a stronger position to cope with the changing environment and the global economic crisis.

The Group increased its investment and cooperation activities and made new progress in resources consolidation and acquisition. During the year, the Group initiated an extensive search of information relating to mining rights and, having identified suitable targets, threw itself into surveys and research. It had also designated numerous teams to conduct surveys on molybdenum resources in various regions across the country at numerous intervals, and focused on the followup-survey on several targets with abundant resource potentials. Of this, the consolidation of Pingmu Mine of Nanyang Town was taken one step forward and was at the final stage of negotiation. On 3 December 2009, the Company and Molymet Corporation entered into the Term Sheet, which is legally binding, pursuant to which the Company intended to dispose of 50% of the equity interests in Luoyang High Tech, a wholly-owned subsidiary of the Group to establish a joint venture. The transaction will enhance Luoyang High Tech's product quality, market share and management. On 22 December 2009, the Company and Luoyang Construction Investment and Mining entered into the Loan Agreement to advance a RMB1.15 billion entrusted bank loan to Luoyang Construction Investment and Mining for its acquisition of all or any part of the equity interest in Xuzhou Huanyu or Luoyang Fuchuan. Xuzhou Huanyu owned 90% equity interest in Luoyang Fuchuan, who owned and operated the Shangfanggou molybdenum mine located in Luanchuan County, Luoyang City, the PRC. The Company was entitled to an option to acquire Luoyang Construction Investment and Mining's equity interest in the Target Company. In 2009, we had stepped up our efforts in identifying suitable overseas opportunities to extend our presence in other markets. Taking advantage of our solid financial conditions with the economy and market demand on the path to recovery, we will seize opportunities to identify potential overseas merger and acquisition targets to expand our business and improve profitability, so as to maximise our shareholders' value.

Not only did the Group effectively bolster its product sales volume and stabilise its customer base, it also aspired towards better sales and marketing strategies to fulfill its goal to achieve greater 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

The world's economy has slightly turned the corner in 2010, posting a marginal growth in global gross domestic product ("GDP"). According to the information of the World Bank, the global GDP fell by a record 2.9% in 2009, and is expected to recover by 2% in 2010. Based on the latest report issued by the United Nations, if the current proactive fiscal policy manages to sustain, the world's economy will grow by 2.4% in 2010. Meanwhile, the International Monetary Fund holds a more optimistic view, and is expecting a 3.1% growth in the world's economy in 2010, where developed economies are expected to achieve a growth of merely 1.3%, while emerging and developing economies are likely to grow by 5.1%. As to the steel market, the World Steel Association has estimated that global demand for steel might drop by 8.6% to 1,104 million tonnes in 2009, but would soon regain its growth momentum in 2010, though in a steady manner. Global demand for steel is expected to grow by 9.2% in 2010 to reach 1,206 million tonnes, which is largely on a par with that in 2008. In 2010, it is expected that the apparent consumption volume of steel products in the 27 member states of the European Union will increase by 12.4%; the consumption volume in North America will increase by 17.1%; the Asia Pacific region will grow by 7.6%; and the developing countries will register a 15% rebound. Under the macro environment where the economy gradually resuscitates and steadily grows, with demand for steel getting slightly stronger, the molybdenum market will also recover bit by bit and grow progressively. In 2010, the molybdenum market will continue to go through a recovery period. It is expected that molybdenum price will not experience drastic ups and downs, but the average price for the entire year is likely to rise beyond the average level in 2009.

Based on the future economic and market dynamics, we will tenaciously adhere to the development strategies of the Group, and put particular efforts in the following areas: 1) spare no efforts in the management over the Group's existing business segments, with plans to produce approximately 31,650 tonnes of molybdenum concentrates (containing 47% Mo), approximately 33,800 tonnes of molybdenum oxides (containing 51% Mo), approximately 23,500 tonnes of ferromolybdenum (containing 60% Mo), approximately 6,600 tonnes of tungsten concentrates (containing 65% of WO<sub>3</sub>) and 1.15 tonnes of gold. This will enhance management standards and operating efficiency, and thus 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 enhance market competitiveness to endeavor to expand market shares; 4) step up human resources management, optimise the Company's talent structure, strive to attract and cultivate talents, and strengthen technological innovation, in a bid to lay a solid talent base for future development of the Group; and 5) seize opportunities in the current economic environment to identify potential targets for acquisition and merger domestically and internationally, and strive to expand our business reach and profitability to maximise our shareholders' value.

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

During the year ended 31 December 2009, 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 (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

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 2009 to 31 December 2009.

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

#### VIII. THE BOARD

During the year ended 31 December 2009, the Company held seven 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 advice to the Board. As at the date of this report, the audit committee comprises two independent non-executive Directors, namely Mr Ng Ming Wah, Charles and Mr Zeng Shaojin (appointed on 18 August 2009), and one non-executive Director, namely Mr Zhang Yufeng, with Mr Ng Ming Wah, Charles as the chairman of the committee. Mr Gao Dezhu and Mr Gu Desheng, the independent non-executive Directors of the Company, resigned as members of the audit committee on 18 August 2009. The audit committee has reviewed the audited consolidated results of the Group for the year ended 31 December 2009 with the auditors.

#### **Remuneration committee**

The Company has established a remuneration committee and set out its specific terms of reference. As at the date of this report, the remuneration committee comprises three members, namely Mr Gao Dezhu, Mr Gu Desheng and Mr Shu Hedong (appointed on 18 August 2009), with Mr Gao Dezhu as the chairman of the committee. The majority of committee members of the remuneration committee are independent non-executive Directors. Mr Zeng Shaojin, the independent non-executive Director of the Company and Mr Xu Jun (resigned as non-executive Director on 18 August 2009), resigned as members of the remuneration committee on 18 August 2009.

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; 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 formulated, implemented and reviewed the remuneration policy and structure of the Company, evaluated the performance of executive Directors and considered the remuneration packages of the Directors and the senior management and the terms of the service contracts of Directors for the year ended 31 December 2009.

## **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 Mr Duan Yuxian, Mr Li Chaochun, Mr Wu Wenjun, Mr Li Faben and Mr Wang Qinxi; two non-executive Directors, namely Mr Zhang Yufeng (appointed on 18 August 2009) and Mr Shu Hedong (appointed on 18 August 2009); four independent non-executive Directors, namely Mr Gao Dezhu, Mr Gu Desheng, Mr Zeng Shaojin and Mr Ng Ming Wah, Charles (appointed on 18 August 2009); and senior management personnel of deputy general manager level, namely Mr Zhang Bin (appointed on 18 August 2009), Mr Yang Jianbo (appointed on 18 August 2009) and Mr Wang Bin (appointed on 18 August 2009), 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 2009. The Company has also prepared written guidelines equally stringent to the Model Code (the "Employees Written Guidelines") for securities transactions by employees of the Group 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 Sunday, 6 June 2010. Notice of the annual general meeting will be published and dispatched to shareholders of the Company in accordance with the requirements of the Listing Rules.

## XI. FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB0.08 per share (including tax) for the year ended 31 December 2009. Final dividend for the year ended 31 December 2009 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 2009 will be paid on or about Friday, 23 July 2010 to the shareholders whose names appear on the register of members of the Company on Sunday, 6 June 2010.

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 enterprises (such term shall have the meaning as defined under the PRC Tax Law) whose names appear on the H Shares register of members of the Company on 6 June 2010.

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 Share register of members of the Company on 6 June 2010. A resident enterprise (such term shall have the meaning as defined under the PRC Tax Law) whose name appears on the H Share register of members of the Company who does 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, at or before 4:30 p.m. on Friday, 4 June 2010. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, 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 holders of H Shares who are entitled to attend the annual general meeting of the Company and to receive the final dividend for the year ended 31 December 2009, the H Share register of members will be closed from Thursday, 6 May 2010 to Sunday, 6 June 2010, 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 Wednesday, 5 May 2010. The address of Computershare Hong Kong Investor Services Limited is Shops 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.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, 21 March 2010

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 Shu Hedong and Mr Zhang Yufeng

Independent Non-executive Directors:

Mr Zeng Shaojin, Mr Gao Dezhu, Mr Gu Desheng and Mr Ng Ming Wah, Charles

<sup>\*</sup> For identification purposes only